SUSTAINABILITY
OUR FOCUS AND THRUST

WORKING HARDER TODAY FOR A BRIGHTER TOMORROW

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED

ANNUAL REPORT 2023

Sustainability: Our Focus And Thrust

In the unfolding narrative of our 2023 Annual Report, the theme "Sustainability: Our Focus and Thrust" takes centre stage, encapsulating the essence of our transformative journey. Committed to customer growth, strategic branch transformation, and the expansion of our asset base, our trajectory is carefully charted to ensure sustainable and profitable growth. Within this tapestry, we intricately weave an improved customer care landscape, crafting meaningful experiences that resonate with our stakeholders. Rooted in Environmental Social and Governance (ESG) principles, our commitment to responsible business practices is woven into the fabric of our narrative, while an enhanced online interface serves as a gateway to seamless connectivity. Sustainability is not just a chapter; it is the guiding narrative thread that propels us towards a future defined by responsibility, resilience, and enduring success.

VISION

To be recognized internationally as the premier financial institution through advanced technology, strategic alliances and superior products and services.

MISSION

To be an efficient, profitable and growth-oriented financial institution, promoting social and economic development in the national and regional community by providing high quality financial services and products at competitive prices.

CUSTOMER CHARTER

- To keep the Bank a customer friendly institution.
- To treat customers as an integral part of the Bank and serve them with the highest levels of integrity, fairness and goodwill.
- To provide customers with the products and services they need, in the form and variety they demand, at the time they require them, and at prices they can afford.
- To give our customers good value for the prices they pay.

POLICY STATEMENT

- To mobilize domestic and foreign financial resources and allocate them to efficient productive uses to gain the highest levels of economic development and social benefits.
- To promote and encourage the development of entrepreneurship for the profitable employment of available resources.
- To exercise sound judgment, due diligence, professional expertise and moral excellence in managing our corporate business and advising our customers and clients.
- To maintain the highest standard of confidentiality, integrity, fairness and goodwill in all dealings with customers, clients and the general public.
- To create a harmonious and stimulating work environment in which our employees can experience career fulfillment, job satisfaction and personal accomplishment; to provide job security; to pay fair and adequate compensation based on performance, and to recognize and reward individual achievements.
- To promote initiative, dynamism and a keen sense of responsibility in our managers; to hold them accountable for achieving performance targets and to require of them sustained loyalty and integrity.
- To provide our shareholders with a satisfactory return on their capital and thus preserve and increase the value of their investment.
- To be an exemplary corporate citizen providing managerial, organizational and ethical leadership to the business community.

The policies set out above inform and inspire our customer relationships, staff interactions and public communication; guide our corporate decision-making process; influence the manner in which we perform our daily tasks and direct our recruitment, organizational, operational and development policies, plans and programmes.

Our Directors, Management and Staff are unreservedly committed to the observance of the duties and responsibilities stated above for the fulfillment of our Mission.

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Notice Of Meeting

Notice is hereby given that the **FIFTY-THIRD ANNUAL GENERAL MEETING OF ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED** will be held at the St. Kitts Marriott Beach Resort, Frigate Bay on Wednesday 27th December 2023 at 5:00 p.m. for the following purposes: -

1. To read and confirm the Minutes of the Meeting held on 28th December 2022.
2. To consider matters arising from the Minutes.
3. To receive the Directors' Report.
4. To receive the Auditor's Report.
5. To receive and consider the Accounts for the year ended 30th June 2023.
6. To declare a Dividend.
7. To elect Directors
8. To reconfirm the appointment of Auditors for year ending 30th June 2024 and to authorize the Directors to fix the remuneration of the Auditors.
9. To discuss any other business for which notice in writing is delivered to the Company's Secretary three (3) clear banking days prior to the meeting.

By Order of the Board

Stephen O. A. Hector
Corporate Secretary

SHAREHOLDERS OF RECORD

All shareholders of record as at 31st October 2023 will be entitled to receive a dividend in respect of the financial year ended 30th June 2023.

PROXY

A member of the Company who is entitled to attend and vote at this meeting is entitled to appoint a proxy to vote in his/her stead. No person shall be appointed a proxy who is not entitled to vote at the meeting for which the proxy is given. The proxy form must be delivered to the Company's Secretary not less than 24 hours before the meeting.

Articles Governing Meetings

ARTICLE 42

At any meeting, unless a poll is demanded as hereinafter provided, every resolution shall be decided by a majority of the Shareholders or their proxies present and voting, either by show of hands or by secret ballot, and in case there shall be an equality of votes, the Chairman of such meeting shall have a casting vote in addition to the vote to which he may be entitled as a member.

ARTICLE 43

If at any meeting a poll is demanded by ten members present in person or by proxy and entitled to vote, the poll shall be taken in every such manner as the Chairman shall direct: and in such case every member present at the taking of the poll, either personally or by proxy, shall have a number of votes, to which he may be entitled as hereinafter provided: and in case at any such poll there shall be an equality of votes, the Chairman of the meeting at which such poll shall be taken shall be entitled to a casting vote in addition to any votes to which he may be entitled as a member and proxy.

ARTICLE 45

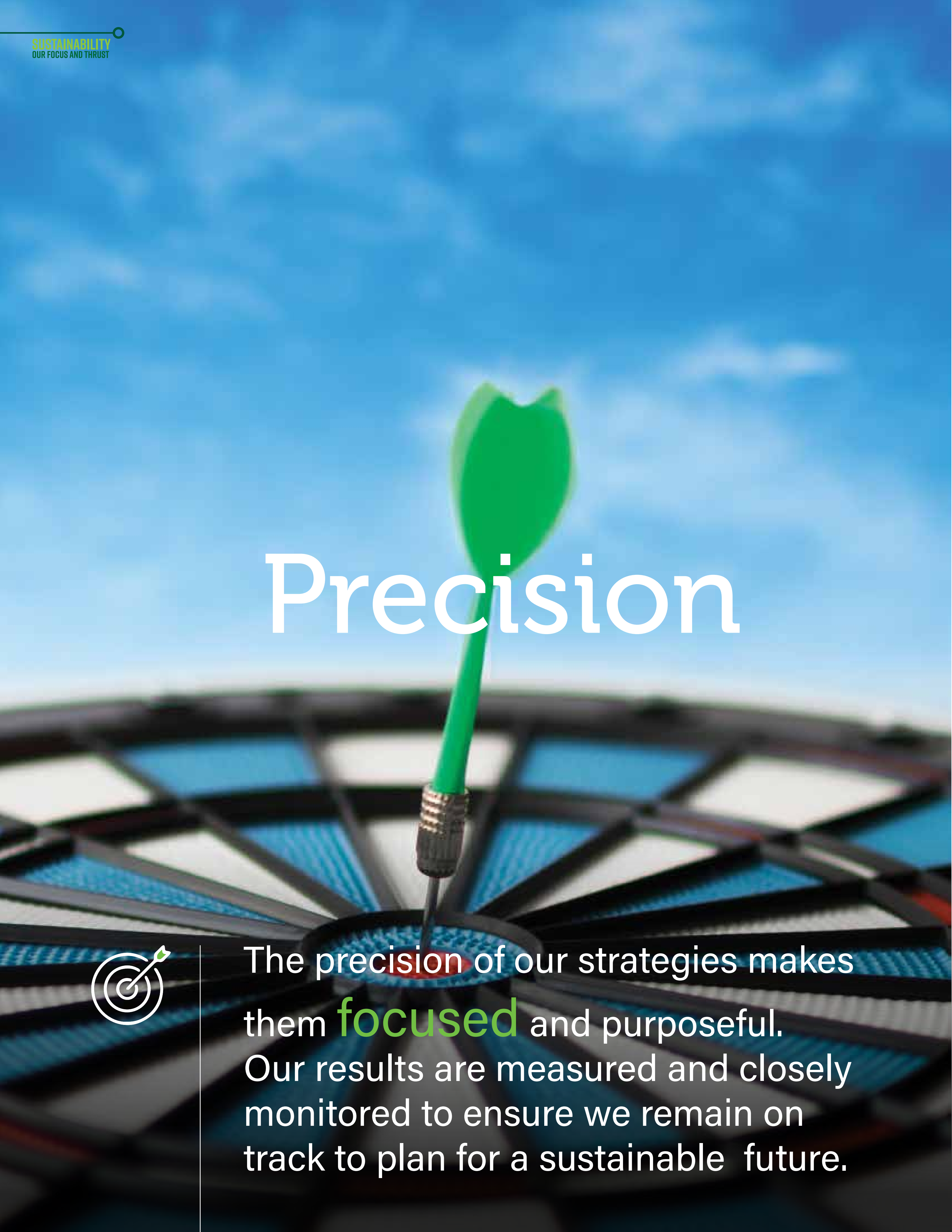
Every member shall on a poll have one vote for every dollar of the capital in the Company held by him.

ARTICLE 56

At every ordinary meeting one-third of the Directors shall retire from office. If the number of Directors be not divisible by three, then the nearest to one-third of the number of Directors shall retire from office. The Directors to retire shall be those who have been longest in office since their last election. As between Directors of equal seniority in office, the Directors to retire shall be elected from amongst them by lot. A retiring Director shall be immediately, or at any future time, if still qualified, eligible for re-election.

ARTICLE 59

No one (other than a retiring Director) shall be eligible to be a Director, unless notice in writing that he is a candidate for such office shall have been given to the Company by two other members of the Company at least seven days before the day of holding the meeting at which election is to take place.



Precision

The precision of our strategies makes them focused and purposeful. Our results are measured and closely monitored to ensure we remain on track to plan for a sustainable future.

Financial Highlights

	2023	2022	2021	2020	2019
	EC $'000	EC $'000	EC $'000	EC $'000	EC $'000
BALANCE SHEET INFORMATION					
Total assets	3,792,575	3,640,425	3,737,031	3,359,921	3,690,301
Total customer's deposits	2,982,428	2,839,826	2,595,318	2,525,825	2,840,108
Net Loans & advances	990,022	964,589	867,445	809,249	823,883
Investment securities and originated debts	1,303,776	1,324,852	1,461,564	1,119,200	1,158,413
Cash, cash equivalents and term deposits	397,217	581,840	451,452	455,188	709,816
OPERATING RESULTS					
Gross operating income/(loss)	208,218	(109,351)	421,091	218,636	210,760
Interest income	74,400	63,229	62,023	67,162	89,281
Interest expense	47,911	50,591	48,466	44,494	43,601
Net Income/(loss)	49,683	(296,213)	188,368	28,382	52,268
Operating expenses/provisions	127,757	144,847	129,759	139,062	101,276
Number of employees*	289	274	269	263	267
Gross revenue per employee	720	(399)	1,565	831	789
Average assets per employee	12,860	13,463	13,191	13,403	13,809
SHARE CAPITAL & DIVIDEND INFORMATION					
Common shares issued and outstanding (in thousands)	141,750	141,750	135,000	135,000	135,000
Total shareholders' equity	525,588	475,194	812,769	612,989	606,858
Dividends paid	-	41,850	-	20,250	13,500
Number of shareholders*	5,800	5,795	5,642	5,893	5,596
Earnings per share ($)*	0.35	(2.14)	1.40	0.21	0.39
Dividends per share ($)*	-	0.30	-	0.15	0.10
Book value per common share*	3.71	3.35	6.02	4.54	4.50
BALANCE SHEET AND OPERATING RESULTS RATIOS (%)	%	%	%	%	%
Gross loans and advances to deposits	34.3	36.7	36.2	35.8	31.7
Staff Cost/Total Cost	22.1	16.5	21.4	16.0	23.0
Staff Cost/Total Revenue	18.7	(29.4)	9.1	13.4	15.8
Cost/Income (Efficiency) before impairment	78.9	(66.1)	27.6	53.2	54.3
Cost/Income (Efficiency) after impairment	79.7	(90.6)	34.8	79.9	60.6
Return on Equity	9.9	(46.0)	26.4	4.7	8.7
Return on Assets	1.3	(8.0)	5.3	0.8	1.4
Asset Utilization	5.6	(3.0)	11.9	6.2	5.7
Yield on Earning Assets	2.4	2.0	2.0	2.2	2.9
Cost to fund Earning Assets	1.5	1.6	1.6	1.5	1.4
Net Interest Margin	0.8	0.4	0.4	0.7	1.5

** These are absolute figures.*

Corporate Information

BOARD OF DIRECTORS	
Carol I. Boddie	Chairman
Terrence A. Crossman	1st Vice Chairman/Managing Director
Lorna Hunkins	2nd Vice Chairman
Ophelia Blanchard	Director
Azuree Liburd	Director
Ronald Powell	Director
Hollis Prentice	Director
Glenville Rogers	Director
Winston Hutchinson	Director
Mitchell Gumbs	Director

CORPORATE SECRETARY

Stephen O. A. Hector

SOLICITORS

Law Offices of Sylvester Anthony
The Sands Complex Unit C16
P O Box 1640
BASSETERRE
St Kitts

AUDITORS

Grant Thornton
Corner Bank Street & West Independence Square
P.O. Box 1038
BASSETERRE
St. Kitts

BRANCHES

Head Office
Central Street, Basseterre, St. Kitts

Nevis Branch
Prince William Street, Charlestown, Nevis

Sandy Point Branch
Main Street, Sandy Point, St. Kitts

Pelican Mall Branch
Bay Road, Basseterre, St. Kitts

Agency Office
RLB International Airport, St. Kitts

ATMS

Basseterre Branch
Belmont Gardens, Nevis
Buckleys
Cayon
CAP Southwell Industrial Park
Frigate Bay
Lodge
Mapau, Port Zante
Marriott Resort
Molineux
Nevis Branch
Old Road
Pelican Mall
RLB International Airport
Sandy Point
Saddlers
St. Pauls
St. Peters
Tabernacle
The Circus

SUBSIDIARIES CONSOLIDATED

National Bank Trust Company
(St. Kitts-Nevis-Anguilla) Limited
Sands Complex, BASSETERRE, St. Kitts

National Caribbean Insurance Company Limited
Church Street, BASSETERRE, St. Kitts

St. Kitts and Nevis Mortgage and Investment Company Limited
Sands Complex, BASSETERRE, St. Kitts

REGISTERED OFFICE OF THE PARENT COMPANY

St. Kitts-Nevis-Anguilla National Bank Limited
Central Street, BASSETERRE, St. Kitts

Carol I. Boddie
Chairman

Chairman's Report to Shareholders

I am pleased to present the Chairman's Report for the financial year ended June 2023, encapsulating the steadfast commitment and laser-like focus of the Bank on certain key strategic areas. This year's annual report revolves around the theme, "Sustainability – Our Focus and Thrust". This theme reflects a mindset that is not only central to our operations but is also vital for its sustainable growth.

The performance of the Bank for 2022 reminds us that every situation lends itself to a teaching and learning moment. In the face of the adverse results of 2022, immediate and proactive measures had to be taken to ensure the stability and sustainability of the Bank. Other events that unfolded during 2023 further reinforced this need, none the least of which was the collapse of a few financial institutions globally.

While clear in our minds about what is needed to achieve growth and stability, the Board now had to devise strategies and mobilize our resources to commence implementation. To this end, a Corporate Division was created, with the singular purpose of designing a comprehensive approach that encompasses the entire National Group of Companies - one that would re-align the purpose of each entity with what the early pioneers envisioned when creating the National brand.

Our solution is centred around our:

Employees

Our first key focus area has been our employees, our most valuable resource. In recognition of their dedication,

$ 49.7
Net Income
MILLION

$ 2.98
Customer Deposits
BILLION

+ 2.63
Total Loans and Advances
Percent

we have implemented initiatives aimed at fostering a conducive work environment. The Bank has continued to focus on professional development opportunities for all of its employees and will continue its efforts to ensure that our employees are provided with the requisite resources needed to perform at the highest level and to contribute to a culture where employees thrive both personally and professionally.

> "In the coming year, we will continue to leverage cutting-edge technology to streamline customer interactions, providing seamless and personalized experiences in areas such as mobile banking, funds transfers and electronic transactions."

Carol I. Boddie
Chairman

Customers

A sustainable future for the Bank begins with satisfied and loyal customers. Over the past year, our unwavering commitment to customer satisfaction has driven us to enhance our products and services. In response to our assessed customer needs, a strategy was designed which incorporates a new suite of products, activities to enhance customer in-branch experience, up-scale customer service, and expand the use of technology. Customers have begun expressing appreciation for these initiatives. In the coming year, we will continue to leverage cutting-edge technology to streamline customer interactions, providing seamless and personalized experiences in areas such as mobile banking, funds transfers and electronic transactions. Our focus on digital transformation and innovation will provide user-friendly digital platforms, ensuring accessibility and convenience for our diverse customer base.

Capital

To fuel our growth and ensure long-term sustainability, capital augmentation has been a key focal area.

We have developed a plan that is designed to strategically reinforce our capital base, not only to meet regulatory requirements but to position the Bank for future opportunities and challenges. Our focus will continue to be on enhancing our capital base allowing us to heighten our ability to navigate existential threats and uncertainties and seize growth prospects as they arise.

Business Processes

Efficiency is at the core of ensuring that the Bank achieves sustainable growth in its operations. Over the past year, National Bank has diligently worked on optimizing its processes, by re-engineering them to achieve operational efficiencies for the benefit of our employees and customers. As a further step, we will accelerate our efforts of embracing systems, policies and practices that are aligned to Environmental, Social and Governance (ESG) principles. We aim to be an industry leader in environmentally responsible operations.

Risk Management

Managing risk is fundamental to our business and this year we have made significant strides in our continued quest to fortify our risk management framework. A meticulous approach to risk identification, assessment, and mitigation has been at the heart of ensuring that we maintain the health of our assets. This year, among other things, we embarked on a relentless drive to improve the quality of our loan portfolio. These efforts reflect our commitment to preserving shareholder value and ensuring the stability of the Bank in an ever-evolving economic landscape.

Looking Ahead

National Bank, through innovation, is poised for continued growth and success. While we have discontinued our efforts to acquire the operations of FCIB, our thrust remains to explore avenues for strategic partnerships and alliances. We will continue to explore avenues for strategic partnerships and alliances. Our strategic road map includes further investments in technology, expansion of our product and service offerings, and a continued commitment to sustainability. We are exploring new avenues for responsible banking, including initiatives to support the continued sustainable growth and development of the Bank.

In conclusion, I extend my sincere gratitude to our shareholders, customers, and dedicated employees for their unwavering support. The National Bank remains steadfast in its commitment to sustainability, and we look forward to another year of success and achievements.

Carol I. Boddie
Chairman SKNANB

Profitability

Sustainable profitability will be at the core of our decision making and performance measurement.

Our shareholders are assured of long term positive returns through the relentless commitment to growth through performance.

NATIONAL CARIBBEAN INSURANCE Annual Review 2022-2023

"The future of National Caribbean Insurance shines brightly, and with the collaborative efforts of our visionary Board of Directors, Senior Management, and dedicated team, we are poised to realize transformative changes that will define the next chapter in our storied journey."

H.E. Ambassador Cedric Liburd
Chairman NCI

Dear Shareholders,

It is with immense pleasure and gratitude that I present the Chairman's Report, encapsulating the resilient journey and strategic outlook of National Caribbean Insurance for the fiscal year 2022–2023.

FINANCIAL TRIUMPHS

In the face of a dynamic and competitive landscape, National Caribbean Insurance proudly recorded yet another year of profitability. Our unwavering commitment to our core business, complemented by the exceptional dedication of our team, contributed to significant milestones. A commendable uptick in total gross revenue and the steadfast maintenance of a robust market share across key business lines underscore our financial resilience. Moreover, our total assets witnessed substantial growth compared to the preceding year, indicating a sound financial footing.

NAVIGATING CHALLENGES WITH STRATEGIC PRECISION

The insurance market within our operational territories presented formidable challenges. Responding with strategic acumen, we heightened our focus on elevating customer service standards. This deliberate emphasis on providing superior customer service is not merely a strategic choice; it is a fundamental commitment to differentiating ourselves in a crowded marketplace.

The placement of our non-life business in the international reinsurance market posed intricate challenges. Yet, through the unwavering support of our longstanding brokers, we successfully secured the portfolio, albeit at adjusted rates. Our robust reinsurance program remains a cornerstone of our risk management strategy, ensuring the preservation of our financial stability.

The adoption of the new financial reporting standard, IFRS17, demanded significant resources, both financial and human. Despite the challenges, our dedicated efforts culminated in the finalization of the standard's implementation. Looking forward, this heralds a paradigm shift in how we account for revenue and claims expenses, promising a fresh perspective on our financial performance through a revamped profit and loss statement and balance sheet.

SUSTAINABILITY: A GUIDING PRINCIPLE

As we approach our golden jubilee in the upcoming fiscal year, sustainability takes center stage in our strategic initiatives. To fortify our position as an industry leader, we are steadfastly committed to:

1. Digital Transformation: Undertaking a comprehensive digital overhaul, we will enhance our technological capabilities to drive operational efficiency and deliver an unparalleled customer experience. This includes upgrading our administration systems and unveiling a cutting-edge website to meet the evolving needs of our stakeholders.
2. Brand Reinforcement and Product Innovation: Augmenting our brand presence through meticulous marketing and advertising campaigns, we will concurrently review and innovate our product offerings. Our objective is to introduce novel and innovative options to cater to the dynamic demands of the market.
3. Human Capital Investment: Recognizing our employees as our greatest asset, we will intensify our focus on staff engagement and professional development. This commitment ensures that our workforce remains not only skilled but also motivated to deliver excellence.
4. Infrastructure Enhancement: Embarking on the acquisition of a new headquarters in St. Kitts, we aim to centralize our operations. This initiative is designed to create a modern, comfortable workspace that fosters collaboration and enhances customer experience.

MILESTONES AND CELEBRATIONS

As we embark on our 50th-anniversary celebrations, we will commemorate this significant milestone with a series of activities throughout the year. These festivities will not only pay homage to our past achievements but also set the stage for a future marked by sustained growth and profitability.

GRATITUDE AND ACKNOWLEDGMENTS

In conclusion, I extend heartfelt gratitude to our esteemed shareholders, whose unwavering support has been instrumental in our continued success. The future of National Caribbean Insurance shines brightly, and with the collaborative efforts of our visionary Board of Directors, Senior Management, and dedicated team, we are poised to realize transformative changes that will define the next chapter in our storied journey.

Thank you for your trust and partnership.

Warm regards,

Cedric Liburd
Chairman NCI

COLLABORATING for Sustainable GROWTH

NATIONAL BANK TRUST COMPANY Chairman's Review

"We have set our course and are on track for organic growth, through an even deeper engagement in all aspects of our customers' and clients' financial needs."

Peter Jenkins
Chairman

Dear Valued Shareholders,

As we navigate the intricacies of the fiscal year ending June 30, 2023, marked by heightened competition in the escrow services market and a temporary downturn in the CBI Real Estate sector, our commitment to sustainable growth remains unwavering. In this period of transformation, we address challenges with a realism that underscores our dedication to weathering storms and positioning for a resilient future.

FINANCIAL OVERVIEW

In this dynamic landscape, where the contours of our industry were reshaped by intense competition and market shifts, we confronted challenges with a realism that speaks to our commitment to adaptability and resilience:

EMBRACING CHANGE:

The year brought forth a net loss of $357,654, a reflection of the industry's evolving nature.

Navigating Shifts:

A 16.2% decline in revenue mirrored the challenges posed by market shifts.

Adapting to New Realities:

Escrow fee challenges, explained by a decrease in transactions under the real estate option for Citizenship by Investment (CBI), intensified competitive pressures, and regulatory changes urged us to redefine our operational strategies.

Cost Considerations:

Increased operational costs, combined with expenses related to training initiatives and heightened regulatory compliance requirements, required a meticulous evaluation of our financial approach.

Strategic Response:

Acknowledging the reality of financial setbacks, our strategic response aligns with a pragmatic understanding of the hurdles we face:

Immediate (0-6 months):

Diversification of Services:

Introducing innovative escrow services tailored to emerging markets.

Cost Optimization:

Swift implementation of targeted cost-cutting measures for immediate impact.

SHORT TERM (6-18 MONTHS):

Strategic Partnerships:

Exploring collaborative ventures to expand our service offerings globally.

Enhanced Marketing:

Launching focused campaigns to bolster our visibility in the international arena.

Medium Term (18-36 months):

Employee Training:

Significant investments in the skills of our team, particularly in investment and brokerage services.

Technological Upgrade:

Implementation of cutting-edge technologies for operational efficiency and an enhanced customer experience.

Long Term (Over 36 months):

Innovation:

Fostering a culture of continuous innovation to stay ahead of industry trends.

Regulatory Compliance:

Vigilant monitoring and adaptation to regulatory changes for sustained trust and compliance.

Vision for the Future:

Our vision, grounded in a pragmatic assessment of challenges, extends beyond resilience to embrace a future defined by sustainability and prosperity. Through strategic investments in employee training, technological advancements, and global partnerships, we are poised to emerge not just as a resilient player but as a transformative force in the international financial services landscape.

CONCLUSION

In conclusion, The Trust Company navigated a challenging fiscal year with a pragmatic approach. Your enduring support, coupled with our realistic outlook and unwavering commitment to excellence, positions us to deliver enhanced value to our esteemed shareholders, clients, and the global communities we serve.

Thank you for entrusting us with your financial journey.

Warm regards,

R.A. Peter Jenkins

Peter Jenkins
Chairman

Managing Director's Message

"Our focus on cultivating a unified team within the group has proven successful, driving increased productivity, efficiency, and a positive work environment that fosters collaboration and teamwork."

Terrence A. Crossman
Managing Director

Over the past year, we have diligently pursued the realization of the cohesive vision set forth by the founders of the National Bank Group of Companies. This deliberate approach has yielded numerous successes, evident in heightened collaboration among our departments and subsidiaries, streamlined processes, cost reductions, and enhanced customer service.

Beginning with National Bank, we initiated a customer-centric strategy, transforming our business environment into a welcoming and comfortable space that enriches customer experiences. Our recently launched website stands testament to this commitment, providing an intuitive platform with personalized features, granting swift access to information, products, and services. This fosters a more engaging online banking experience, making financial services more accessible than ever.

Our focus on cultivating a unified team within the group has proven successful, driving increased productivity, efficiency, and a positive work environment that fosters collaboration and teamwork. While each company operates within its unique mandate, recognizing and reflecting on our shared history and overarching purpose has allowed us to tackle substantial challenges and achieve outstanding results for the benefit of our customers and stakeholders. Together, we are stronger, and together, we can achieve even greater success.

The National Bank Group of Companies' commitment to shared resources has been pivotal in initiating a transformative process. Leveraging technology, knowledge, and expertise has enabled us to operate more efficiently, leading to improved outcomes and a positive impact on the bottom line.

Our shared vision and unwavering dedication are beginning to yield dividends, promising a future of multiplied success. We remain wholeheartedly committed to serving our customers with excellence, securing a brighter future for the National Bank Group of Companies and the broader community.

Terrence A. Crossman
Managing Director

Corporate Governance

BOARD RESPONSIBILITIES

The Board's key responsibilities are to provide strategic guidance for the Group and effective monitoring and oversight of the management's performance and implementation of the Group's strategic objectives. The Board has the ultimate responsibility and accountability regarding risk management, governance, and internal controls within the Group. The Board acts in the best interests of the Group and its stakeholders, guided by a philosophy based on transparency, accountability, and responsibility. The Group's values and standards are established to ensure that its obligations to its shareholders, employees, and customers are met.

The Board has in place several Committees that consider key matters of the Group, under the guidance of clearly documented Charters. These committees are the Credit Committee, Audit Committee, Human Resource Committee, Risk and Compliance Committee, Information Technology Committee, Finance Committee, and Facilities Committee. The Charters for each Committee have been approved by the Board of Directors and are reviewed and revised, as prescribed, by the respective Committee and ratified by the Board of Directors.

BOARD SIZE AND COMPOSITION

The Articles of Association mandate a Board size between five to ten directors for the Bank, four to ten for National Caribbean Insurance Company (NCIC), and four to fifteen for the National Bank Trust Company for effective decision-making. Board size and composition are reviewed annually based on changes in legal requirements, best practices, the skills and experiences required to enhance the Board's effectiveness, and the number of directors needed to discharge the duties of the Board and its sub-committees effectively.

The Board of the St. Kitts-Nevis-Anguilla National Bank was comprised of ten (10) members who were elected and appointed by the holders of ordinary shares. In August 2022, eight (8) members of the Board for the Bank resigned and were replaced by eight (8) elected members at an extraordinary meeting held on October 18, 2022. During the period of review Directors Hutchinson and Gumbs were appointed to replace Directors Bailey and William Liburd.

The Board of NCIC was comprised of seven (7) members. In November 2022, all seven (7) members of the Board resigned, and ten (10) new members were appointed.

The Board of National Bank Trust Company is comprised of five (5) members; all five (5) members of the Board resigned in November 2022, and five (5) new members were appointed.

The table below outlines the relevant qualifications of each Director.

DIRECTOR	QUALIFICATION
Mrs. Carol Boddie++	Certified Professional Accountant (CPA) Bachelor of Arts (Accounting) Accredited Director (Acc. Dir)
Mr. Terrence A. Crossman++	Master of Business Administration (Finance) Master of Science – Global Consumer Marketing Bachelor of Arts (Accounting) Associate of Arts Accredited Director (Acc. Dir)
Ms. Lorna Hunkins*++	Bachelor of Science – Economics/ Accounts Diploma – Graduate School of Banking Risk Committee Certification (RCC) Accredited Director (Acc. Dir)
Ms. Ophelia Blanchard++	Master of Science - Computer Science, IT Law and Management Bachelor of Science - Computing Information Systems Accredited Director (Acc. Dir)
Ms. Azuree Liburd	Legal Education Certificate(LEC) Bachelor of Laws Associates in Education (UWI)
Mr. Ronald Powell++	Entrepreneur and Procurement Specialist Accredited Director (Acc. Dir)
Mr. Hollis Prentice++	Master of Business Administration (Human Resources) Bachelor of Arts – Economics Accredited Director (Acc. Dir)
Mr. Glenville Rogers++	Bachelor of Arts (Accounting) Accredited Director (Acc. Dir)
Mr. Winston Hutchinson++	Certified Professional Accountant (CPA) Master of Business Administration Accredited Director (Acc. Dir)

DIRECTOR	QUALIFICATION
Mr. Mitchell Gumbs	Diploma – Retail Management
Mr. Stephen O.A. Hector – Corporate Secretary	Legal Education Certificate (LEC) Bachelor of Laws (LLB) Bachelor of History Accredited Director (Acc. Dir)

*Director Hunkins resigned in August 2022 but was reappointed to the Board of Directors in October 2022.

++Subsequent to 30th June, 2023 the ACC. Dir. was granted to the persons indicated above.

INDEPENDENCE

The Board believes that director independence is very important. A Director is considered independent only where the Board determines that the director has no material relationship with the National Bank Group of Companies. A material relationship is a relationship that could reasonably be expected to interfere with the exercise of an independent director's judgment.

All Directors must make decisions objectively in the best interest of the Group. The Board has established clear delineation of responsibilities between the operation of the Board and the executive responsible for the day-to-day running of the Group. No one individual has unrestricted powers of decision-making. The roles of Chairman and Chief Executive Officer cannot be exercised by the same individual, and no individual or group of individuals dominates the decision-making process.

CONFLICTS OF INTEREST

All Directors of the Company and its subsidiaries must avoid any situation that might give rise to a conflict between their personal interests and those of the Group. Prior to appointment, potential conflicts of interest are disclosed and assessed to ensure that there are no matters that would prevent that person from taking on the role. Directors are responsible for notifying the Chairman and Company Secretary as soon as they become aware of actual or potential conflicting situations.

If directors or executive officers have an interest in a material transaction or agreement with the National Group that is being considered by the Board or a Board committee, they:

- disclose that interest;
- leave the meeting during Board or committee discussion; and
- do not vote on the matter.

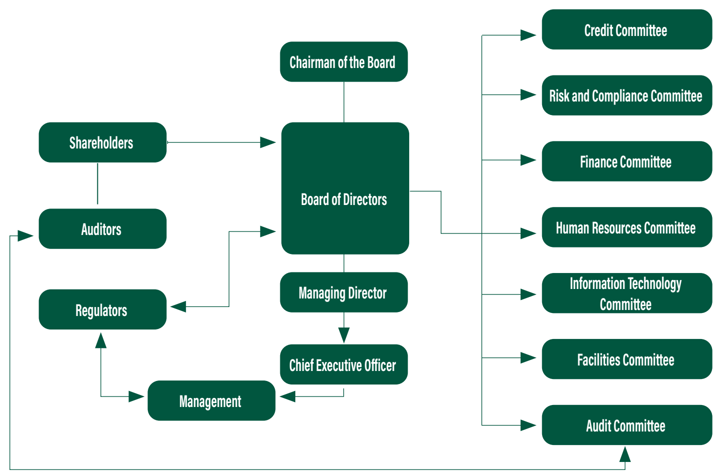
THE DEVELOPMENT OF DIRECTORS' KNOWLEDGE, EXPERIENCE AND SKILLS

During the financial period, Directors participated in seminars to maintain and develop the knowledge, experience, and skills needed to perform their duties and responsibilities. The Board attended seminars that explored the emerging risks within the industries that affect the Group.

- Anti-Money Laundering/Counter Financing of Terrorism and Proliferation Financing Compliance and Enterprise Risk Management Seminar

COMMUNICATION

Management reports to the Board of Directors, allowing them to carry out their roles and responsibilities effectively. Additionally, information may be requested by the Directors, and the diagram below provides an overview of how the Board interacts with the various stakeholder groups.



ATTENDANCE AT BOARD MEETINGS

SKNANB Board Meeting Attendance Report for year ended 30 June 2023

Director	No. of Meetings Attended	Meeting Attendance Number	Meeting Attendance Rate (%)
Mrs. Carol Boddie	16	16 of 16	100
Mr. Terrence A. Crossman	16	16 of 16	100
Ms. Lorna Hunkins	15	15 of 16	94
Ms. Ophelia Blanchard	16	16 of 16	100

Director	No. of Meetings Attended	Meeting Attendance	
		Number	Rate (%)
Mr. Glenville Rogers	16	16 of 16	100
Ms. Azuree Liburd	15	15 of 16	94
Mr. Ronald Powell	15	15 of 16	94
Mr. Hollis Prentice	15	15 of 16	94
Mr. Winston Hutchinson*	12	12 of 12	100
Mr. Mitchell Gumbs*	12	12 of 12	100
Dr. Analdo Bailey*	1	1 of 4	25
Mr. William Liburd*	0	0 of 4	0
Mr. Stephen Hector (Secretary)	15	15 of 16	94
No. of Meetings	16		

* During the period of review Directors Hutchinson and Gumbs were appointed to replace Directors Bailey and William Liburd. Prior to their appointment, the Board of Directors convened four (4) meetings

Meetings of the Board of NCIC are to be held monthly. The attendance at Board meetings is shown in the table below.

NCIC Board Meeting Attendance Report for year ended 30 June 2023

Director	No. of Meetings Attended	Meeting Attendance	
		Number	Rate (%)
Mr. Cedric R. Liburd	7	7 of 7	100
Mrs. Emileta Warner-Paul	6	6 of 7	86
Ms. Thamesha Fyfield	7	7 of 7	100
Mr. Shannoid L. Bass	6	6 of 7	86
Mrs. Juliette James	7	7 of 7	100
Ms. Deanne Arthurton	7	7 of 7	100
Ms. Dorothy Caines	6	6 of 7	86
Mr. McLevon Tross	7	7 of 7	100
Mrs. Chanelle Myers	7	7 of 7	100
Mr. Terrence A. Crossman	7	7 of 7	100
Ms. Julita Lawrence (Secretary)	7	7 of 7	100
No. of Meetings	7		

National Bank Trust Company (St. Kitts-Nevis-Anguilla) Limited Board of Directors

Director	No. of Meetings Attended	Meeting Attendance	
		Number	Rate (%)
Mr. R.A. Peter Jenkins	6	6 of 6	100
Mr. Delano Bart KC, JP	6	6 of 6	100
Mrs. Carol I. Boddie	6	6 of 6	100
Mr. Terrence A. Crossman	6	6 of 6	100
Ms. Eslyn Swanston (Secretary)	6	6 of 6	100
No. of Meetings	6		

The following individuals were appointed as Directors of the Company on 24th November 2022:

Mr. R.A. Peter Jenkins - CHAIRMAN

Mr. Delano Bart KC, JP

Mrs. Carol I. Boddie

Mr. Terrence A. Crossman

Ms. Eslyn Swanston – SECRETARY

The appointments of the following Directors were revoked effective on 24th November 2022:

Mr. O'Grenville Browne – CHAIRMAN

Mrs. Cyndie Demming-Nias

Mr. Crace Lewis

Dr. Patricia Bartlette - SECRETARY

ST KITTS AND NEVIS MORTGAGE AND INVESTMENT COMPANY LIMITED

The Board of Directors of the St. Kitts-Nevis-Anguilla National Bank Ltd provides corporate oversight and governance over the affairs of the St. Kitts and Nevis Mortgage and Investment Company Ltd (MICO). The St. Kitts-Nevis-Anguilla National Bank Trust Company Ltd is responsible for the operations of the company effective March 1, 2017.

DIRECTORS' ROTATION

At every ordinary general meeting, one-third of the Directors shall retire from office. If the number of Directors is not divisible by three, then the nearest to one-third of the number of Directors shall retire from office. The retiring Directors shall be those who have been in office longest since being last elected. Where Directors are of equal seniority in office, the Directors to retire shall be selected from amongst them by lot. A retiring Director shall be immediately, or at any future time if still qualified, eligible for re-election.

DIRECTORS' REMUNERATION

Directors' fees are included in Note 27 "Other Expenses".

DIRECTORS' SHAREHOLDINGS

Director	No. of Shares Owned	Type of Director
Ms. Carol I. Boddie	2,972	Non-Executive
Ms. Lorna Hunkins	840	Non-Executive
Mr. Terrence A. Crossman	31,920	Executive
Ms. Ophelia Blanchard	1,500	Non-Executive
Ms. Azuree Liburd	175	Non-Executive
Mr. Hollis Prentice	100	Non-Executive
Mr. Ronald Powell	300	Non-Executive
Mr. Glenville Rogers	400	Non-Executive
Mr. Winston Hutchinson	1,000	Non-Executive
Mr. Mitchell Gumbs	39,328	Non-Executive

ELECTION

Unless it is resolved to reduce the number of Directors, the ordinary general meeting at which Directors retire shall elect a successor to each retiring Director. A retiring Director shall remain in office until the close of the meeting notwithstanding the election of his successor. At an extraordinary General Meeting held on October 18, 2022, eight (8) members of the Board were elected to replace eight (8) members that had resigned in August 2022. During the period of review Directors Hutchinson and Gumbs were appointed to replace Directors Bailey and William Liburd.

RETIRING DIRECTORS TO CONTINUE IF NO OTHERS ELECTED

If at any meeting where there is no one elected to replace a retiring Director, the retiring Director shall continue to be a Director as though he/she had been re-elected at such meeting.

NOTICE OF CANDIDATES

No one (other than a retiring Director) shall be eligible to be a Director unless notice in writing that he is a candidate for such office shall have been given to the Company by two other members of the Company at least seven days before the day of holding the meeting at which the election is to take place.

RESIGNATION

A Director may at any time give one month's notice in writing to the Company of his desire to resign, and at the expiration of such notice, his office shall be vacated.

THE ROLE OF THE BOARD COMMITTEES

In an effort to effectively allocate tasks and responsibilities at the Board level, the Board had established seven (7) standing committees for the Bank and five (5) for the NCIC.

The Boards are supported by its sub-committees which make recommendations to the Board on matters delegated to them, in particular regarding internal control, risk, financial reporting, governance and employee matters. This enables the Board to spend a greater proportion of its time on strategic, forward-looking agenda items. Each Committee is chaired by an experienced Chairman or Chairperson.

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LTD BOARD COMMITTEES

The Board of the St. Kitts-Nevis-Anguilla National Bank Limited is supported by the following committees which make recommendations to the Board on matters delegated to them.

AUDIT COMMITTEE

The Audit Committee is responsible for reviewing the integrity of the financial statements of the National Bank Group of Companies. The Committee provides structured and systematic oversight of the internal controls over financial reporting as well as monitoring compliance with legal and regulatory requirements. The Audit Committee is responsible for selecting external auditors for shareholder approval, reviewing the qualifications, independence, and performance of the external auditors, reviewing the qualifications, independence and performance of the internal auditors, monitoring the internal audit function and other providers of assurance. The Audit Committee reviews significant accounting and reporting issues; including critical accounting estimates and judgments used in applying accounting principles as well as the treatment of complex or unusual transactions to understand their impact on the financial statements.

Effective January 2023, the new members of the Committee are as follows:

Ms. Lorna Hunkins – CHAIRMAN

Mr. Terrence A. Crossman

Mr. Hollis Prentice

Ms. Azuree Liburd

Mr. Mitchell Gumbs

Mrs. Derry-Anne Browne – RECORDER

RISK AND COMPLIANCE COMMITTEE

The Risk and Compliance Committee ensures that the Group has an appropriate program in place to identify and effectively mitigate compliance risk. The Committee reviews and monitors the compliance activities and the effectiveness of the compliance program for the Group entities. The Committee ensures that Senior Management is taking the appropriate measures to satisfy all of the regulatory requirements applicable to the Group and monitors compliance with regulatory, prudential, legal and ethical standards.

Effective January 2023, the members of the Committee are as follows:

Mr. Glenville Rogers – CHAIRMAN

Ms. Azuree Liburd

Mr. Hollis Prentice

Mr. Winston Hutchinson

Mrs. Carol Boddie

Mrs. Jacqueline Hewlett – RECORDER

FINANCE COMMITTEE

Effective January 2023, the Board of Directors merged the Budget and Investment Committees' mandates which were restructured under a newly established Finance Committee charged with oversight of all major Corporate Financial issues including but not limited to Investments, Budgets, Financial Regulatory requirements. The composition of the newly established Finance Committee is as follows:

Mr. Terrence A. Crossman- CHAIRMAN

Mr. Glenville Rogers

Mr. Ronald Powell

Mrs. Carol Boddie

Mr. Winston Hutchinson

Mr. Donald Thompson – EX OFFICIO

Mr. Anthony Galloway – RECORDER

CREDIT COMMITTEE

The Credit Committee is charged with oversight of Credit Risk Management. The Committee reviews applications and approves loans. The Committee is also responsible for monitoring and reviewing nonperforming facilities. The Credit Committee reviews all special lending products and makes appropriate recommendations to the Board of Directors. The Credit Committee also reviews all loan requests when special considerations are necessary.

Effective January 2023, the members of the Committee are as follows:

Mrs. Carol Boddie – CHAIRMAN

Ms. Lorna Hunkins

Mr. Terrence A. Crossman

Mr. Glenville Rogers

Mr. Winston Hutchinson

Mr. Donald Thompson – EX OFFICIO

Mr. Stephen Hector - SECRETARY

HUMAN RESOURCES COMMITTEE

The Committee is responsible for assisting the Board in fulfilling its governance and supervisory responsibilities for strategic oversight of the Group's human capital, including organization effectiveness, succession planning and compensation, review of the Code of Conduct, and their alignment with the Group's strategy of consistent, sustainable performance, its risk appetite and control framework.

Effective January 2023, the members of the Committee are as follows:

Mr. Terrence A. Crossman – CHAIRMAN

Mrs. Carol Boddie

Ms. Azuree Liburd

Ms. Ophelia Blanchard

Mr. Glenville Rogers

Mr. Donald Thompson – EX OFFICIO

Ms. Giselle Solomon - RECORDER

INFORMATION TECHNOLOGY COMMITTEE

The Information Technology Committee is responsible for improving the effectiveness of the information technology governance of the Board of Directors. The Committee provides supervisory oversight with the Investment, Technology Risk and Security of the National Bank Group regarding change initiatives, information technology, business continuity and security effectiveness. The Committee ensures their alignment with the strategy of consistent, sustainable performance, as well as control matters.

Effective January 2023, the members of the Committee are as follows:

Ms. Ophelia Blanchard – CHAIRMAN

Ms. Lorna Hunkins

Mr. Ronald Powell

Mrs. Carol Boddie

Mr. Mitchell Gumbs

Mr. Donald Thompson – EX OFFICIO

Mr. Quincy Prentice – RECORDER

FACILITIES COMMITTEE (PROPERTY MANAGEMENT/ SPACE COMMITTEE)

The Facilities Committee works closely with the facilities management team to provide a safe and comfortable environment for employees and customers through space planning, construction, and renovation projects.

Effective January 2023, the Committee was renamed Facilities Committee and the members are as follows:

Mr. Ronald Powell - CHAIRMAN

Mr. Glenville Rogers

Mr. Hollis Prentice

Ms. Ophelia Blanchard

Mr. Terrence A. Crossman

Mr. Mitchell Gumbs

Mrs. June O'Brien – RECORDER

NATIONAL CARIBBEAN INSURANCE COMPANY LIMITED (NCIC) BOARD COMMITTEES

The Board of the National Caribbean Insurance Company Limited (NCIC) is supported by the following committees which make recommendations to the Board on matters delegated to them.

AUDIT COMMITTEE

The Audit Committee of NCIC has the same responsibility as the Audit Committee of the Bank as outlined earlier.

The members of the Committee are as follows:

Mrs. Chanelle Myers – CHAIRMAN

Mr. Terrence A. Crossman

Mrs. Juliette James

Ms. Thamesha Fyfield

Mrs. Derry-Anne Browne – RECORDER

COMPLIANCE COMMITTEE

The Compliance Committee of NCIC has the same responsibility as the Risk and Compliance Committee of the Bank as outlined earlier.

The members of the committee are as follows:

Mr. McLevon Tross – CHAIRMAN

Mrs. Juliette James

Ms. Dorothy Caines

Ms. Deanne Arthurton

Mrs. Jacqueline Hewlett – EX OFFICIO

Ms. Almaz Glasford - RECORDER

Effective 29 March 2023, Mr. McLevon Tross was elected as Chairman of the Compliance Committee. He replaced Mrs. Juliette James due to the conflict of interest. Mrs. James is also the Chairman of the Human Resources Committee.

INVESTMENT AND FINANCE COMMITTEE

The Investment and Finance Committee of NCIC has the same responsibility as outlined above for the Finance Committee.

The members of the committee are as follows:

Mr. Terrence A. Crossman - CHAIRMAN

Mr. McLevon Tross

Mrs. Emileta Warner-Paul

Mrs. Chanelle Myers

Mr. Clive Collins

Mr. Ryeburn Boyce – EX OFFICIO

Mr. Anthony Galloway – EX OFFICIO

Ms. Sherlene Johnson – RECORDER

HUMAN RESOURCES COMMITTEE

The Human Resources Committee of NCIC has the same responsibility as outlined above for the HR Committee.

The members of the Committee are as follows:

Mrs. Juliette James - CHAIRMAN

Ms. Dorothy Caines

Mr. Shannoid Bass

Mrs. Chanelle Myers

Mr. Ericson James – EX OFFICIO

Ms. Sandra Swanston – RECORDER

THE 50TH ANNIVERSARY COMMITTEE

The 50th Anniversary Committee was charged with supervisory oversight regarding all activities in recognition and celebration of this significant milestone for the National Caribbean Insurance Company.

The members of the Committee are as follows:

Ms. Thamesha Fyfield - CHAIRMAN

Mrs. Emileta Warner-Paul

Mr. Shannoid Bass

Mr. Ericson James – EX OFFICIO

Ms. Eugenia Petty - RECORDER

Ms. Juliana Sargeant

Ms. Zeon Hector

INTERNAL AUDIT OVERSIGHT

The third line of defense in the Group of Companies the Internal Audit Function. The mission of the Internal Audit Function is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The Internal Audit Function helps the Group accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

The Internal Audit Function reports directly to the Audit Committees within the group. On a quarterly basis, the Internal Audit Function will report to the Audit Committee on matters relating to staffing, training, engagements, and investigations.

ORGANIZATION PLACEMENT

The Chief Internal Auditor is responsible for the independent functioning of the Internal Audit Unit, reports functionally to the Audit Committees, and administratively to the Chief Executive Officer of the Bank. The Chief Internal Auditor has unencumbered access to the Audit Committees and may freely discuss audit policies, audit findings, and recommendations, audit follow-up, guidance issues, and other matters.

PROFESSIONAL STANDARDS

The Internal Audit Unit follows the professional standards of relevant professional organizations, including:

i) Code of Ethics of the Institute of Internal Auditors; and

ii) The International Standards for the Professional Practice of Internal Auditing.

INDEPENDENCE AND OBJECTIVITY

The Chief Internal Auditor will ensure that the Internal Audit Function remains free from all conditions that threaten or interfere with the ability of the Internal Auditors to carry out their duties and responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. To emphasize the Internal Audit Unit's independence, the Unit is restricted from implementing internal controls, developing procedures, installing systems, preparing records, or engaging in any other activity that may impair the internal auditor's judgment.

The Chief Internal Auditor will confirm to the Audit Committee, at least annually, the organizational independence of the Internal Audit Function. The Chief Internal Auditor will disclose to the Audit Committee any interference and related implications in determining the scope of the Internal Audit Function performing work and/or communicating results.

AUDIT PLAN

The Audit Committee is responsible for reviewing and approving the annual audit plan which includes the audit scope and the overall risk assessment methodology presented by the Chief Internal Auditor. The Audit Committee will make an assessment of whether it is appropriate, risk-based and addresses critical activities over a measurable cycle. The Chief Internal Auditor, on a quarterly basis, reviews the status of the audit plan and any changes needed, including reviews of:

i) the results of audit activities, including any significant issues reported to management and management's response and/or corrective actions;

ii) the status of identified control weaknesses;

iii) the adequacy and degree of compliance with its systems of internal control.

RESOURCES AND COMPETENCIES

The Committee recognizes that internal auditors must possess the required knowledge, expertise, and competencies to perform his/her functions consistent with the requirements of the professional standards.

The Chief Internal Auditor, therefore, provides the Audit Committee with a regular report on the Unit's personnel, including the sufficiency of resources, their qualifications, certifications, and training and development needs.

PERIODIC REVIEW

The Audit Committee is responsible for reviewing the effectiveness of the Internal Audit Function and assessing reports from the Chief Internal Auditor. On a periodic basis, the Audit Committee may engage an independent third party to assess the Internal Audit Function in accordance with professional standards promulgated by the Institute of Internal Auditors and in the context of regulatory expectations and practices of leading institutions. The Audit Committee reviews the results of those assessments.

National Bank Board of Directors

LEFT TO RIGHT

Mrs. Carol I. Boddie
Chairman

Certified Professional Accountant (CPA)

Bachelor of Arts (Accounting)

Accredited Director (Acc. Dir.)

Mr. Terrence A. Crossman
1st Vice Chair/Managing Director

Master of Business Administration (Finance)

Master of Science – Global Consumer Marketing

Bachelor of Arts (Accounting)

Associate of Arts

Accredited Director (Acc. Dir.)

Ms. Lorna Hunkins
2nd Vice Chair

Bachelor of Science – Economics/Accounts

Diploma – Graduate School of Banking

Risk Committee Certification (RCC)

Accredited Director (Acc. Dir.)

Mr. Hollis Prentice
Director

Master of Business Administration (Human Resources)

Bachelor of Arts – Economics

Accredited Director (Acc. Dir.)

Mr. Glenville Rogers
Director

Bachelor of Arts (Accounting)

Accredited Director (Acc. Dir.)

National Bank Board of Directors

LEFT TO RIGHT

Ms. Ophelia Blanchard
Director

Master of Science - Computer Science, IT Law and Management

Bachelor of Science - Computing Information Systems

Accredited Director (Acc. Dir.)

Ms. Azuree Liburd
Director

Legal Education Certificate(LEC)

Bachelor of Laws

Associates in Education (UWI)

Mr. Ronald Powell
Director

Entrepreneur and Procurement Specialist

Accredited Director (Acc. Dir.)

Mr. Winston Hutchinson
Director

Certified Professional Accountant (CPA)

Master of Business Administration

Accredited Director (Acc. Dir.)

Mr. Mitchell Gumbs
Director

Diploma – Retail Management

Accredited Director (Acc. Dir.)

NCI Board of Directors

LEFT TO RIGHT

H.E. Ambassador Cedric Liburd
Chairman

Entrepreneur

Mrs. Emileta Warner-Paul
Deputy Chairman

Post Graduate Certificate – Learning and Teaching

Certificate (UWI) - Teaching

Ms. Deanne Arthurton
Director

Bachelor of Science – Management Studies (Hons)

Accredited Director (Acc. Dir.)

Mr. Shannoid L. Bass
Director

Certificate – Teaching

Accredited Director (Acc. Dir.)

Ms. Dorothy Caines
Director

Bachelor of Arts (Language Education – Literacy Studies)

Certificate – Primary Education

NCI Board of Directors

LEFT TO RIGHT

Mr. Terrence A. Crossman
Director

Master of Business Administration (Finance)

Master of Science – Global Consumer Marketing

Bachelor of Arts (Accounting)

Associate of Arts

Accredited Director (Acc. Dir.)

Ms. Thamesha Fyfield
Director

Certificate – Customer Service

Certificate – Leadership

Mrs. Juliette James
Director

Executive Diploma – Management

Certification – Teaching

Certificate – Investment and Savings

Accredited Director (Acc. Dir.)

Mrs. Chanelle Myers
Director

Bachelor of Science – Management Studies (Hons)

Certificate – Supervisory Management

Certificate – Understanding Financial Statements

Accredited Director (Acc. Dir.)

Mr. McLevon Tross
Director

Diploma - Electronic Engineering Technology

City and Guilds Certificate – Basic Mechanical Engineering

Accredited Director (Acc. Dir.)

National Trust Board of Directors

LEFT TO RIGHT

Mr. Peter Jenkins
Chairman

Master of Science – Construction Engineering and Management

Bachelor of Science – Civil Engineering (Hons)

Mr. Delano Bart KC, JP
Director

LLB (Hons)

Barrister – at Law Certificate

Mrs. Carol I. Boddie
Director

Certified Professional Accountant (CPA)

Bachelor of Arts – Accounting

Accredited Director (Acc. Dir.)

Mr. Terrence A. Crossman
Director

Master of Business Administration – Finance

Master of Science – Global Consumer Marketing

Bachelor of Arts – Accounting

Associate of Arts

Accredited Director (Acc. Dir.)

Ms. Eslyn Swanston
Director

Association of Chartered Certified Accountants (ACCA)

Bachelor of Science – Accounting (Hons)

Accredited Director (Acc. Dir.)

In our strategic alliance as three entities, unified under a cohesive corporate structure, we are committed to delivering on the vision of our founding principles. Purposefully integrated, this collaboration harnesses the collective strengths of our entities to redefine industry standards and contribute significantly to the economic development of our nation.

As we forge ahead, our shared vision becomes the compass guiding us towards a future where our corporate synergy not only transforms but elevates the financial landscape. With collaboration as our cornerstone, we are poised to set new benchmarks for excellence, resilience, and responsible financial stewardship, ensuring sustained growth and profitability.

National Bank Executive Management

OUR LEADERSHIP TABLE:
Action Through Collaborative Thinking

Collaboration is the cornerstone of any team's success. Here, we engage in open discussions, encouraging diverse perspectives and fostering a culture of innovation. Each team member brings a unique set of skills and experiences to the table, contributing to a holistic and well-rounded approach. Through brainstorming sessions, data analysis, and strategic thinking, we unravel complex problems, anticipate future challenges and devise creative solutions.

We serve as a strategic partner to senior executives and key stakeholders within the organization and provide valuable insights and recommendations, enabling informed decision-making at every level. Our ability to communicate complex strategies in a clear and concise manner ensures alignment and understanding across departments, fostering a unified vision and collective commitment towards shared goals.

Mr. Terrence A. Crossman
Managing Director

Mr. Donald Thompson
Chief Executive Officer

Mrs. Derry-Anne Browne
Chief Internal Auditor

Mrs. Petronella Crooke
Officer in Charge – Finance Division

Mrs. Bernice Grant Kelly
Chief Electronic Services Officer

Mrs. Jacqueline Hewlett
Chief Risk & Compliance Officer

Ms. Paula Morton
Chief Credit Risk Officer

Mr. Quincy Prentice
Chief Information Officer

Mrs. Ermelin Sebastian Duggins
Chief Legal Counsel

Ms. Giselle Solomon
Officer in Charge Human Resources Unit

Ms. Michele Thomas
Officer in Charge Retail Banking Division

*** Ms. Michele Thomas assumed the position in April 2023. Prior to the appointment of Ms. Thomas, Mrs. Jenenne Skerritt was the Chief Retail Banking Officer.**

National Bank Group of Companies Heads

Mr. Anthony Galloway
Group Financial Head

Mr. David Lake
Group Commercial Head

Directors' Report

The Directors have pleasure in submitting their Report for the financial year ended June 30, 2023.

DIRECTORS

In accordance with the Bank's Articles of Association one third of the Directors shall retire by rotation at every annual General Meeting. Retiring Directors shall be eligible for re-election.

The retiring Directors by rotation are:

Mrs. Carol I. Boddie
Ms. Ophelia Blanchard
Ms. Azuree Liburd

The retiring Directors, being eligible, offer themselves for re-election.

BOARD COMMITTEES

In keeping with its management function and fiduciary duties, the Board of Directors operates through sub-committees of the Board. There are seven (7) such committees namely: Audit, Credit, Facilities, Finance, Human Resources, Information Technology (IT) and Risk and Compliance.

All committees work closely with management to deal with the many challenges facing the financial services industry and the Bank in particular.

FINANCIAL RESULTS AND DIVIDENDS

The Bank focuses its strategic activities on increasing shareholders value by providing them with a reasonable return on their investment in the Bank.

During the period June 2019 to June 2023, dividend payments were as follows:

- cash dividend payment of $20.3m (for the financial year ended June 30, 2019),
- cash and stock combination payment totaling $13.5m (for the financial year ended June 30, 2020),
- cash dividend payment of $28.4m (for the financial year ended June 30, 2021).

These represent a total dividend payout over the period of $62.2m.

In accordance with the Articles of Association of the Bank, the Directors were not able to declare a dividend payment to the shareholders for the financial year ended June 30, 2022, as a result of the net loss incurred for the said financial year and the reduction in the equity reserves.

The Directors report that Profit after taxation for the year ended June 30, 2023, amounted to $49.7 million, with earnings per common share of $0.35.

An in-depth discussion of the financial performance for the year can be found in the Management's Discussion and Analysis, which is presented in a separate section of this Annual Report.

The Directors have decided to recommend a dividend payment of 5% for the financial year ended June 30, 2023. This recommendation, if approved by the Annual General Meeting, will mean a total dividend of $7.1 million for the financial year ended June 30, 2023.

Stephen O. A. Hector
Corporate Secretary

Senior Management

Ms. Kimmoye Byron
Executive Manager
Risk & Compliance Unit

Mr. David Edwards
Executive Manager
Systems

Mr. Elroy Halliday
Executive Manager
Network Administration

Mr. Anthony Morton
Executive Manager
Business Development & Marketing

Mrs. June O'Brien
Executive Manager
Administration Dept.

Ms. Nicole Gumbs
Manager
Pelican Mall Branch

Ms. Keesha Jones
Manager
Nevis Branch

Ms. Lisa Merchant
***Ag. Manager**
Sandy Point Branch

*** Ms. Lisa Merchant assumed position in July 2023. Prior to the appointment of Ms. Merchant, Mrs Jacqueline Dyett-Wyatt managed the Sandy Point branch.**

Management Discussion and Analysis

"In navigating the financial landscape, the National Bank Group experienced a robust expansion, with the total Asset base witnessing a notable increase of $152.1 million, marking a 4.2% year-over-year growth."

Donald Thompson
Chief Executive Officer

OPERATING ENVIRONMENT

Navigating the intricate landscape of global economics, the National Bank Group weathered the challenges posed by successive interest rate hikes, tightened monetary policies, and geopolitical tensions throughout the financial year. In this dynamic environment, the Group strategically steered its operations, demonstrating resilience amid uncertainties stemming from the ongoing pandemic, the Ukraine war, and increased global fragmentation.

As the global economy grappled with the consequences of these multifaceted challenges, inflation remained a pivotal concern. In 2022, global inflation stood at a noteworthy 8.7%. However, indications point towards a gradual decline, with a projected average of 6.9% in 2023. These figures reflect a complex interplay of factors, including fluctuations in energy and food prices, emphasizing the need for astute financial management.

Within this landscape, the National Bank Group maintained a strategic focus on sustainable growth. Efforts were concentrated on the development of financial products and solutions aimed at stimulating growth while concurrently embracing digitalization to enhance the overall customer experience.

Regionally, the Caribbean was able to competently navigate global challenges, with employment rebounding and economic forecasts on an upward trajectory. On the local front, St Kitts & Nevis displayed economic resilience, as evidenced by favourable projections. Notably, the economic outlook anticipates a GDP growth rate of 4.9% in 2023, outperforming the global average.

In quantifying the National Bank Group's performance, key economic indicators reflect its robust market presence. The Group commands a substantial 61.9% share of the total deposit market and 42.5% of the total loan market, highlighting the enduring trust and confidence that customers place in the institution. Additionally, the net interest margin saw a notable increase, rising from 0.4% in June 2022 to 0.8% in June 2023.

These indicators serve as a testament to the Group's adaptability and strategic positioning within the prevailing economic landscape, offering a comprehensive understanding of its current operating environment.

RESULTS OF OPERATION

The National Bank Group showcased its resilience in the face of macroeconomic uncertainty and financial market volatility, exemplified by the recovery from a net loss of $296.2 million in June 2022 to a profit after tax of $49.7 million in June 2023. This turnaround was anchored by a remarkable 110.3% surge in net interest income, coupled with a substantial 153.8% increase in other income sources.

Net Interest Income

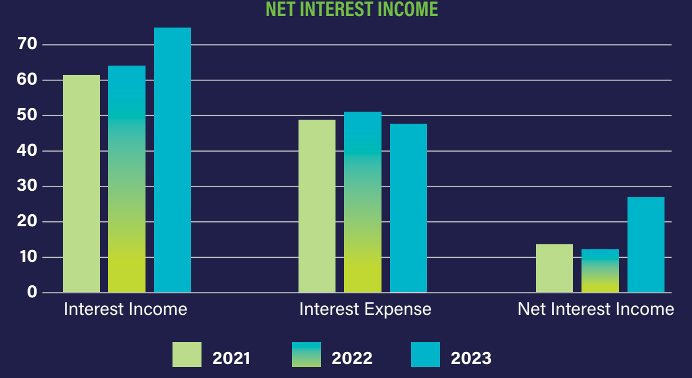
In 2023, net interest income experienced a significant upswing, rising by $13.9 million or 109.6% to reach $26.5 million compared to 2022. This notable growth was spearheaded by a decrease in interest expense amounting to $2.7 million, complemented by a corresponding increase in interest income of $11.2 million (see Table 1).

The high interest rate environment prevalent during the financial year bolstered a higher net interest margin and enhanced profitability. The net interest margin also received impetus from robust loan growth. The elevated interest rates provided lucrative income opportunities on fixed-income securities, resulting in increased interest income on bonds, treasury bills, and interest-bearing term deposits, thereby augmenting the overall earnings of the Group.

Throughout the year ended June 2023, a discernible decrease in interest expenses was noted, primarily attributed to a $3.4 million reduction in interest expense on fixed deposits. Simultaneously, demand deposits, characterized by their non-interest-bearing nature, experienced a substantial uptick of $133.1 million, providing the Group with additional liquidity at no extra cost. As of the end of June 2023, the Bank's net interest margin (net interest income as a percentage of average assets) doubled to 0.8%, compared to 0.4% in June 2022.

TABLE 1.

			Change	
(In Millions)	**2023**	**2022**	**$**	**%**
Interest Income	**74.4**	**63.2**	**11.2**	**17.7**
Loans & Advances	43.5	42.1	1.4	3.3
Investments	30.9	21.1	9.8	46.4
Interest Expense	**47.9**	**50.6**	**(2.7)**	**(5.3)**
Demand	0.8	1.0	(0.2)	(20.0)
Savings	12.3	11.6	0.7	6.0
Time	34.1	37.5	(3.4)	(9.1)
Other	0.7	0.5	0.2	40.0
Net Interest Income	**26.5**	**12.6**	**13.9**	**110.3**



Non-Interest Income

There was a substantial upswing in non-interest income resulting in an increase of $306.5 million in comparison to the figures of 2022. This growth can be attributed to several key drivers:

Stock Market Rebound:

After a challenging year in the preceding period, the stock market rebounded impressively in 2023. The S&P 500 initiated a new bull market, sustaining a rally that commenced in the first quarter and extended into the second quarter. Fueled by evidence of disinflation, the economy's resilience, and robust labour market conditions, along with corporate earnings surpassing expectations, the stock market witnessed higher prices. This, in turn, resulted in mark-to-market gains of $38.6 million on both equity and debt instruments (carried at FVTPL) within the Bank's investment portfolio. The net investment gains significantly contributed to the surge in 'Other Income,' amounting to $300.9 million, countering the loss of $195.6 million reported for the year ended June 2022.

Fee and Commission Income Growth:

Various increases in fees and commission income played a pivotal role in the overall upturn in non-interest income. Specifically:

An increase of $2.7 million in fee and commission income from E-business and card transactions, primarily driven by heightened income resulting from increased client activity and augmented merchant services revenue.

A rise of $0.6 million in insurance-related fees and commissions.

Service Charges on Incoming Wires:

Service charges on incoming wires experienced a notable uptick, growing by $2.1 million due to increased volume in client wire activity.

This multifaceted boost in non-interest income reflects a dynamic blend of market-driven gains, strategic fee enhancements, and increased service-related revenues, underscoring the diversified sources contributing to the financial performance of the National Bank Group.

TABLE 2.

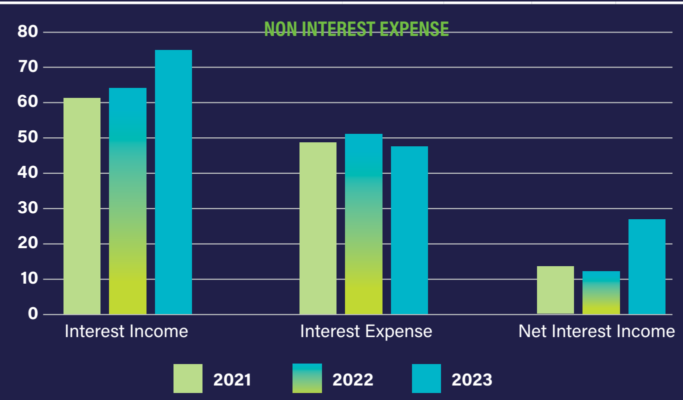
(In Millions)	2023	2022	Change $	Change %
Fee and Commission	28.6	23.0	5.6	24.3
Dividend	10.2	9.9	0.3	3.0
Net Gains/(losses) on Investments	39.2	(253.3)	292.5	115.5
Net Insurance related income	44.0	41.1	2.9	7.1
Foreign Exchange Gains	8.0	5.7	2.3	40.4
Other	3.8	1.0	2.8	280.0
Non-Interest Income (Loss)	**133.8**	**-172.6**	**306.4**	**177.5**

Non-Interest Expenses

In the year under review, non-interest expenses demonstrated a noteworthy decrease, declining by $17.0 million or 11.7% from $144.8 million in 2022 to $127.8 million in 2023. This reduction was chiefly driven by a decrease in impairment charges, which had spiked the previous year due to the write-off of $36.2 million from ABI Bank. However, this positive trend was moderated by an increase of $10.4 million in administrative and other expenses, along with net insurance claims incurred.

TABLE 3.

(In Millions)	2023	2022	Change $	Change %
Administrative and general expenses	69.5	59.1	10.4	17.6
Net Claims incurred	29.8	21.0	8.8	41.9
Fee expenses	20.6	20.2	0.4	2.0
Impairment charges	1.2	39.1	(37.9)	(96.9)
Depreciation and amortization	3.4	3.0	0.4	13.3
Directors Fees & Expenses	2.3	1.4	0.9	64.3
Professional fees and related expenses	1.0	1.0	-	-
Non-Interest Expenses	**127.8**	**144.8**	**(17.0)**	**(11.7)**

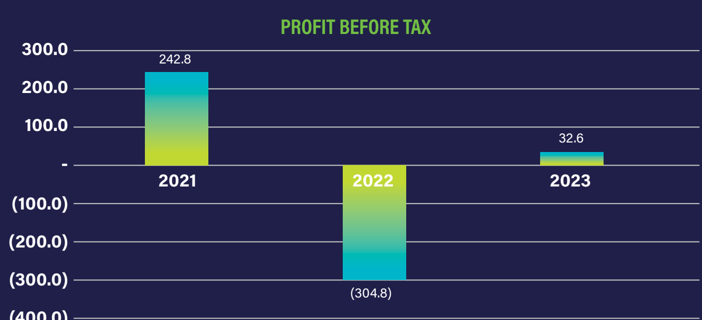


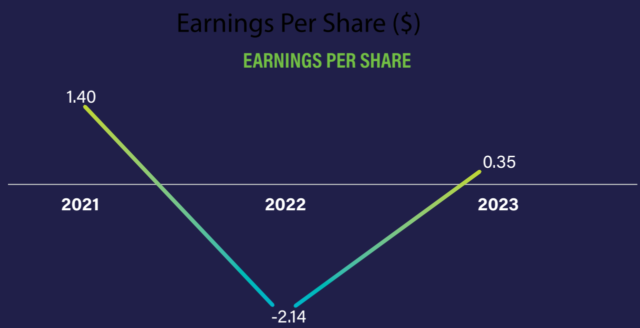
Net Income

The fiscal year culminating in June 2023 marked a significant turnaround for the National Bank Group, as it rebounded from the challenges of the previous year with a commendable net profit before tax of $32.6 million. This substantial growth, supported by both interest and non-interest income, reflects the Group's resilience and adept financial management. The remarkable increase of $337.4 million from the net loss of $304.8 million in 2022 underscores strategic decision-making and operational effectiveness. Earnings per share also experienced a positive shift, rising to $0.35 in 2023 from ($2.14) in 2022, indicative of the Group's commitment to financial stability and sustainable profitability. Detailed insights can be found in Table 4, showcasing the National Bank Group's journey towards renewed growth and value creation for its stakeholders

TABLE 4.

			Change	
(In Millions)	**2023**	**2022**	$	%
Net Interest Income	$26.5	$12.6	13.9	110.3
Non-Interest Income	133.9	(172.6)	306.5	(177.6)
Non-Interest Expenses	(127.8)	(144.8)	17.0	11.7
Net Income/(Loss) Before Tax	**32.6**	**(304.8)**	**337.4**	**(110.7)**



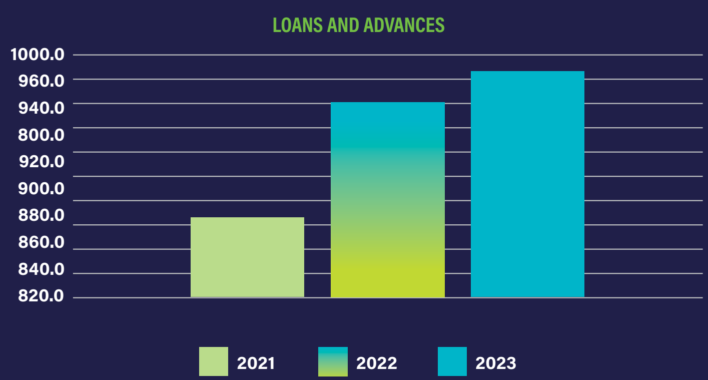


FINANCIAL CONDITIONS

In navigating the financial landscape, the National Bank Group experienced a robust expansion, with the total Asset base witnessing a notable increase of $152.1 million, marking a 4.2% year-over-year growth. This positive trajectory is anticipated to persist, propelled by a strategic focus on augmenting the loan portfolio in the upcoming three to five years.

Loans and Advances

Turning to Loans and Advances, the Group recorded a $25.4 million surge, translating to a 2.63% uptick, reaching $990 million in 2023 compared to the preceding year. This upswing is underpinned by heightened demand for Demand Loans, constituting 68.9% of the overall productive loans and advances portfolio. In contrast, Mortgages represent 22.2% of the productive portfolio, with the remaining 8.9% distributed across various loan categories. SKNANB dominated 42.5% of the market share of total loans and advances in the Federation of St Kitts and Nevis in 2023, which is very commendable and an indication of the leadership position of the Bank.

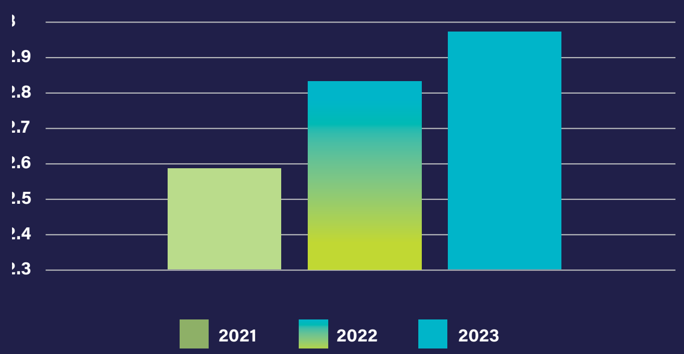


Customer Deposits

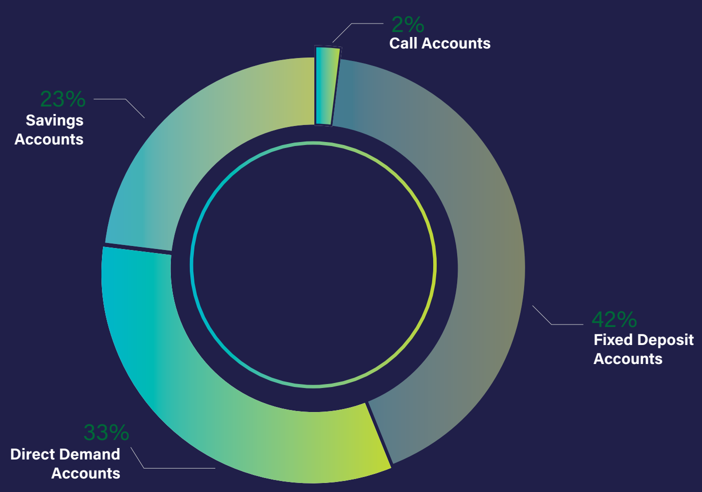
The steady growth of customer deposits marked a notable trend during the year, increasing from $2.84 billion to $2.98 billion at the end of June 2023 when compared to June 2022. This translates to a commendable 5.0% expansion, amounting to $142.6 million. The surge in customer deposits can be attributed to the increased balances in non-interest-bearing institutional demand deposits and household savings deposits. Direct demand deposits saw a substantial rise of $133.1 million or 15.4%, while savings deposits and fixed deposit balances grew by $52.4 million (8.4%) and $11.8 million (1.9%), respectively.

This positive momentum not only underscores the confidence and loyalty of depositors in the National Bank but also reaffirms the institution's strong position in controlling the deposit market. As of June 2023, National Bank commanded an impressive 61.9% of the total deposit market. In terms of interest-bearing deposits, payments amounted to $47.9 million in 2023, a slight decrease from $50.6 million in 2022. The average effective rate of interest paid on customers' deposits was 1.83% in 2023, compared with 1.85% in 2022, further attesting to the prudent financial management and stability maintained by the National Bank Group.

CUSTOMER DEPOSITS



DEPOSIT MIX



Capital and Liquidity Management

The National Bank Group ensures its capital position adequately supports business activities and aligns with risk, risk appetite, and strategic planning. The commitment to always maintaining safety and soundness, even under adverse scenarios, remains unwavering. The Group seeks to take advantage of organic growth opportunities, meet obligations to creditors and counter-parties, maintain ready access to liquidity sources, remain a source of strength for its subsidiaries, and satisfy current regulatory capital requirements.

Capital plays a crucial role in mitigating potential risks. Therefore, the Group has sharpened its focus on capital management, especially in light of the tightening of global financial conditions. This tightening has the potential to affect the Group's capital due to its exposure to the US stock market. In response to the erosion of capital levels following the net loss incurred in June 2022, Management has implemented a Capital Augmentation Plan, outlining strategies to improve the Group's capital levels and ratios based on ECCB standards.

The Group will conduct an Internal Capital Adequacy Assessment Process (ICAAP), a forward-looking assessment of projected capital needs and resources, incorporating earnings, balance sheet, and risk forecasts under baseline and adverse economic and market conditions. The ICAAP ensures business plans are consistent with the Risk Appetite by comparing the projected demand for capital to the projected supply of capital under various scenarios.

As of the financial year 2023, the Group maintained a capital position exceeding regulatory minimum requirements of 6% for Tier 1 capital and 8% for the Capital Adequacy ratio. This is evidenced by the Tier 1 capital ratio of 20% and Capital Adequacy ratio (CAR) of 20% based on IFRS standards.

The Group also remains liquid, maintaining a reasonable level of interest-bearing short-term deposits and marketable investments that can be easily liquidated in the event of unforeseen liquidity problems. The Group held short-term interest-bearing term deposits and investments for liquidity, which stood at $356.2 million at June 2023, up from $299.2 million at the end of June 2022, providing evidence of improved liquidity.

RISK MANAGEMENT

Effective risk management to ensure financial success remains a primary focus for banks, especially in light of increasing global crises. The Group is exposed to various inherent risks which must be carefully navigated; these include operational, credit, market, liquidity, capital, earnings, cyber security, data protection, and interest rate risks. In 2023, the Group proactively identified, monitored, and mitigated emerging risks, intensifying its focus on strategic and market risks in response to the Russia-Ukraine war based on its global impact. The Group's liquidity profile remains healthy, with diversified avenues for additional funding, ensuring ready access to a Line of Credit.

Amid heightened macroeconomic uncertainty and market volatility in 2023, the Group adapted by adjusting market risk exposures, rebalanced its investment portfolio, and initiated equity hedging to manage and mitigate market risk. Regular stress tests were conducted to assess potential implications and impacts on the portfolio during adverse events.

To address credit risk, the Group has been working on revamping and updating it credit risk management policy. Recognizing the need for a more comprehensive approach, the Group is taking significant steps to enhance its credit risk management program. Additionally, credit risk oversight is earmarked for enhancement to facilitate increased vigilance in assessing credit worthiness, thereby reducing the probability of default on the part of borrowers. Despite the NPL to Gross loan ratio exceeding the 5% regulatory threshold, the commitment to establish compliance with regulatory guidelines is evident through the aggressive pursuit of credit facilities and the establishment of a dedicated Recoveries Unit within the Credit Division.

Moreover, the Group acknowledges the complexity of operational risks, recognizing that not all operational risks are immediately identified, making it a persistent challenge. However, the Group remains unwavering in its efforts to make operational risk management a top priority, continuously improving processes and increasing vigilance to identify and address operational risks in a timely and effective manner.

National Caribbean Insurance Company (NCI)

NCI achieved a net profit before tax of $4.9 million, reflecting a 46.9% decrease from the previous year due to increased actuarial expenses. However, Net Investment Income saw a substantial rise of 107.6%, reaching $8.9 million in 2023, driven by the rebound in global equity markets and higher interest rates on fixed income securities.

National Bank Trust Company (St. Kitts-Nevis-Anguilla) Limited

At the end of June 2023, National Bank Trust Company reported a net loss after-tax of $358 thousand, a significant decrease from the previous year's profit of $230 thousand.

St. Kitts-Nevis Mortgage and Investment Company (MICO)

The St. Kitts-Nevis Mortgage and Investment Company reported a loss of $521 thousand for the financial year ending June 2023, compared to a loss of $572 thousand in June 2022. The year-on-year decrease in losses signifies an ongoing focus on financial management and recovery strategies within MICO.

NATIONAL BANK: EMPOWERING A SUSTAINABLE COMMUNITY

National Bank stands as a steadfast champion of sustainable community empowerment, embodying an unwavering commitment to transformative social change. This ESG report, under the umbrella of our esteemed National Cares program, unveils the profound impact of our Corporate Social Responsibility (CSR) initiatives. It sheds light not only on our local influence but also emphasizes our dedicated contribution to sustainable development.

Cultural Preservation and Community Cohesion

National Bank intricately aligns with premier and village festivals, not merely as participants but as guardians of cultural heritage. Our commitment extends beyond revelry, actively contributing to the responsible consumption of cultural resources, fostering a harmonious community cohesion.

Economic Opportunities and Poverty Alleviation

Our unwavering support for sustainable projects becomes a beacon, creating economic opportunities and combating poverty at its roots. In collaboration with the Ministries of Agriculture and Tourism, we actively engage in initiatives that uplift and empower, sowing the seeds of lasting change.

Community Well-being and Inclusivity

The ethos of 'National Cares' materializes in strategic partnerships with organizations like the St. Kitts Diabetes Association. Our community social programs not only aim at financial realms but work tirelessly towards enhancing community well-being and fostering inclusivity.

Holistic Youth Development

National Bank's commitment extends from primary to tertiary levels, investing in unique educational programs that go beyond traditional learning. Our focus on knowledge-sharing and creating avenues for lifelong learning ensures the holistic development of the youth in our community.

Sports Patronage and Health Promotion

We believe in instilling values beyond banking, and our patronage of sports aligns with this ethos. Beyond instilling discipline and hard work, we actively contribute to the overall health and wellness of our community through strategic sports initiatives.

Economic Growth and Innovation

Our role in fostering economic growth and innovation is not just about sustainable projects; it's about shaping a dynamic future for our community. By actively participating in cultural events, we contribute indirectly to Goal 8 (Decent Work and Economic Growth) and Goal 9 (Industry, Innovation, and Infrastructure).

Implicit Commitment to Climate Action

While not explicitly stated, our commitment to responsible community engagement and sustainable projects inherently aligns with Goal 13 (Climate Action), contributing to environmental sustainability and climate action.

Good Governance and Institutional Strength

Dedication to good governance and transparency transcends being a local imperative. It aligns seamlessly with Goal 16 (Peace, Justice, and Strong Institutions), actively contributing to the institutional strength and integrity of our community.

Financial Inclusion and Poverty Reduction

Empowering communities and promoting financial inclusion is embedded in our commitment to financial literacy. By providing access to financial resources, we actively participate in reducing poverty within the regions we serve.

Social Inclusivity and Reduced Inequalities

Promoting social inclusivity and actively working towards reducing inequalities forms a core aspect of our 'National Cares' initiatives, aligning with Goal 10 (Reduced Inequalities).

Knowledge Sharing and Lifelong Learning

Investment in educational programs extends beyond academic pursuits, aligning with the yearly educational activities. From the Rotary Spelling Bee to the Nevis Youth Careers Expo, we actively promote knowledge-sharing and create avenues for lifelong learning within our community.

Community Engagement and Partnerships

Our collaborative approaches with stakeholders and active engagement align with Goal 17 (Partnerships for the Goals), fostering meaningful partnerships for sustainable development.

The Development of Comprehensive ESG Policy

Presently, National Bank is intricately carving the path to a sustainable legacy. Aligned with this vision, a groundbreaking Environmental, Social, and Governance (ESG) policy is taking shape, set to be unveiled in the upcoming financial year. This meticulously crafted policy mirrors our resolute commitment to the United Nations Sustainable Development Goals (SDGs) within the contours of our local landscape. As we embark on this transformative journey, each initiative under our National Cares program becomes a steppingstone toward a future marked by responsible banking and enduring stewardship. National Bank: sculpting a sustainable and equitable tomorrow, today.

OUTLOOK

The IMF's latest World Economic Outlook (Oct 2023) guides the National Bank Group's response to challenges. Amid global uncertainties, the Group has positioned itself for sustained value delivery.

The global economy remains resilient, with IMF projecting a decrease in inflation from 8.7% in 2022 to 6.9% in 2023 and 5.8% in 2024. The October 2023 World Economic Outlook report notes narrowed uncertainties but persistent downside risks, with a 15% chance of growth falling below 2%.

In response, the National Bank Group focuses on developing financial solutions for sustainable growth, expanding the loan portfolio, and embracing digitalization.

Regionally, the Latin America and the Caribbean (LAC) region shows resilience.

Locally, St Kitts & Nevis is poised for stability, with projected real GDP growth rates of 4.9% in 2023 and 3.8% in 2024, aligning with ECCU averages. Expectations for St Kitts & Nevis to outperform the world GDP growth forecast offer economic development opportunities. Global economic concerns include challenges in China's property sector, volatile commodity prices, and geopolitical uncertainties.

Positive projections are expected to drive economic growth, creating opportunities for the National Bank Group to capitalize on increased demand for financial products, contributing to enhanced earnings.

Given the forgoing, the National Bank Group is well poised to achieve its objective of attaining and maintaining a satisfactory level of sustainable growth over the next several years.

Donald Thompson
CEO

2023 In Numbers

In Thousands

$3,792,575

+4.2% | 2022: $ 3,640,425

TOTAL ASSETS

Robust expansion with asset base increasing by $152.1M

$2,982,428

+5% | 2022: $2,839,826

DEPOSIT GROWTH

Steady growth of customer deposits with a 5% year-over-year expansion.

0.80%

+100% | 2022: 0.40%

NET INTEREST MARGIN (NIM)

NIM doubled, an indication of profitablity and growth.

$26,489

+109.6% | 2022: $12,638

NET INTEREST INCOME

Significant upswing driven by higher interest rate environment and robust loan growth.

$990,022

+2.6% | 2022: $964,589

LOANS GROWTH

$25.4m surge in loans and advances underpinned by heightened demand.

$3.71

+10.7% | 2022: $3.35

BOOK VALUE PER SHARE

Exceeds market share price of $2.80 per share.

$0.35

+116.4% | 2022: ($2.14)

EARNINGS PER SHARE

Increased value for our shareholders.

Patience

As a team we recognise that the consistent implementation of sound strategy lies at the core of future success and sustainability that must be **measured** and not rushed but patiently carved and applied.

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023

(expressed in thousands of Eastern Caribbean Dollars)

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Independent Auditor's Report

To the Shareholders of
St. Kitts-Nevis-Anguilla National Bank Limited

Opinion

We have audited the consolidated financial statements of **St. Kitts-Nevis-Anguilla National Bank Limited** (the "Bank") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as of June 30, 2023, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of June 30, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Key Audit Matters

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

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Key Audit Matters *...continued*

Expected credit losses ("ECL") of financial assets

Description of the Matter

The ECL of financial assets is a key audit matter, as it requires the application of critical management judgement and use of subjective estimates in determining the amount of ECL that are required to be recognised in the consolidated financial statements. As of June 30, 2023, the Group's financial assets with credit risk that are subject to ECL assessment amounted to $2,237,576,000 which represents 59% of total assets.

Accordingly, the Group used the ECL model in determining the credit loss allowance for its financial assets. Under IFRS 9, *Financial Instruments*, the assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of default occurring, the associated loss ratio and of default correlation between counterparties. Furthermore, the Group incorporates forward-looking information into the assessment of whether the credit risk of an instrument has increased significantly from its initial recognition to the measurement date of ECL. The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables, credit risk and credit losses.

The disclosures relating to the credit loss allowances for the financial assets, and the related credit risk are included in notes 3 to 10, 16 and 32 to the consolidated financial statements.

How the Matter was addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to the adequacy of the ECL allowance on the financial assets, which was considered to be a significant risk, included the following:

- Obtained an understanding of and critically assessed the Group's updated accounting policies relating to the classification, measurement and ECL assessment of financial assets;

- Assessed and evaluated the effectiveness of controls over the approval, recording and monitoring of financial assets, classification into credit risk stages, and calculation of ECL allowance;

- Evaluated the inputs and assumptions, as well as the formulae used in the development of the ECL models for the various financial assets. This includes assessing the appropriateness of design of the ECL impairment model and formulae used in determining the ECL;

- Evaluated the classification of credit-impaired loans and advances to customers for completeness of the population of loans and advances to customers included in the stage 3 ECL calculation. Independently tested the accuracy of management's stage 3 ECL calculation on a sample basis;

- Examined the collateral values recorded by management by comparing them to independent valuation reports of independent professional valuators;

- Assessed the estimated costs and time to sell pledged collaterals used in the ECL calculation for reasonableness; and

- Assessed the key credit risk factors such as default history, macro-economic factors and financial capability of counterparties.

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Key Audit Matters *...continued*

Fair value measurement of investment securities

Description of the Matter

The Group has investment securities measured at fair value amounting to $1,184,240,000. A significant portion of these investment securities, amounting to $60,234,000, do not trade in active markets with quoted prices. The valuation of these financial instruments have a higher estimation uncertainty due to the use of observable and unobservable data and various assumptions, using complex valuation models. The use of different valuation techniques and assumptions could result in significantly different estimates of fair value. Accordingly, we have assessed the valuation of the investment securities as a key audit matter.

How the Matter was addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to the fair value of investment securities that do not trade in active markets, included the following:

- We used an independent valuation expert to develop an independent estimated fair value for a sample of investment securities that do not trade in an active market on a test basis, including level 2 and level 3 investment securities. The estimate was based on an independently developed discounted cash flow model, an option adjusted model, or a fundamental analysis to determine the price. The valuation specialist used data available for the equity, fixed income and other types of financial instruments collected independently.

- We recomputed the fair values for local and regional equity securities based on the inputs and compared to the fair values used by management in the consolidated financial statements; and

- We obtained and assessed the Service Organization Control (SOC1) Type II report on the description of the Group's Investment Custodians' operations systems and the suitability of the design and operating effectiveness of their controls.

Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements

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

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

The Board of Directors is responsible for overseeing the Group's financial reporting process.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *...continued*

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

The engagement partner on the audit resulting in this independent auditor's report is Lisa M. Roberts.

Grant Thornton

Chartered Accountants
November 22, 2023
Basseterre, St. Kitts

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED

Consolidated Statement of Financial Position

As of June 30, 2023

(expressed in thousands of Eastern Caribbean dollars)

	Note	2023 $	2022 $
Assets			
Cash and balances with Central Bank	5	**225,874**	219,017
Treasury bills	6	**360,604**	71,253
Deposits with other financial institutions	7	**384,420**	564,479
Loans and advances to customers	8	**990,022**	964,589
Originated debts	9	**119,536**	154,211
Financial asset	32	**357,416**	360,794
Investment securities	10	**1,184,240**	1,170,641
Property inventory	11	**8,565**	8,565
Investment property	12	**4,040**	4,040
Income tax recoverable	19	**38,313**	21,135
Property and equipment	13	**37,996**	38,211
Intangible assets	14	**1,070**	390
Right-of-use assets	15	**1,022**	1,518
Other assets	16	**61,652**	56,195
Deferred tax asset	19	**17,805**	5,387
Total assets		**3,792,575**	3,640,425
Liabilities			
Customers' deposits	17	**2,982,428**	2,839,826
Borrowings	10	**–**	21,164
Provisions, creditors and accruals	18	**271,132**	292,606
Acceptances, guarantees and letters of credit		**7,456**	6,541
Income tax payable	19	**1,130**	188
Lease liabilities	15	**1,044**	1,549
Deferred tax liability	19	**3,797**	3,357
Total liabilities		**3,266,987**	3,165,231
Shareholders' equity			
Issued share capital	20	**141,750**	141,750
Share premium		**3,877**	3,877
Reserves	21	**456,923**	451,757
Accumulated deficit		**(76,962)**	(122,190)
Total shareholders' equity		**525,588**	475,194
Total liabilities and shareholders' equity		**3,792,575**	3,640,425

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

Approved for issue by the Board of Directors on November 21, 2023.

Chairman

Director

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED

Consolidated Statement of Income

For the year ended June 30, 2023

(expressed in thousands of Eastern Caribbean dollars)

	Note	2023 $	2022 $
Interest income	22	**74,400**	63,229
Interest expense	22	**(47,911)**	(50,591)
Net interest income		**26,489**	12,638
Fees and commission income	23	**28,584**	23,046
Fees expenses	23	**(20,609)**	(20,249)
Net fees and commission income		**7,975**	2,797
Other income/(loss), net	24	**105,234**	(195,626)
Operating income/(loss)		**139,698**	(180,191)
Operating expenses			
Administrative and general expenses	25	**(69,511)**	(59,147)
Other expenses	27	**(36,407)**	(26,334)
Credit impairment charges, net	26	**(1,230)**	(39,117)
Total operating expenses		**(107,148)**	(124,598)
Net income/(loss) before tax		**32,550**	(304,789)
Income tax credit	19	**17,133**	8,576
Net income/(loss) for the year		**49,683**	(296,213)
Earnings/(loss) per share (basic and diluted)	28	**0.35**	(2.14)

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

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED

Consolidated Statement of Comprehensive Income

For the year ended June 30, 2023

(expressed in thousands of Eastern Caribbean dollars)

	Note	2023 $	2022 $
Net income/(loss) for the year		**49,683**	(296,213)
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 losses on investment securities, net of tax	**21**	**(689)**	(2,706)
Expected credit losses recognised on FVOCI – debt securities	**21**	**378**	4
Reclassification adjustments for net losses included in income, net of tax	**21**	**420**	(450)
		109	(3,152)
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:			
Financial assets measured at FVOCI – equity instruments:			
Unrealised gains on investment securities, net of tax	**21**	**3,862**	5,285
Utilisation of tax losses on prior year's realised losses on FVOCI equity instruments	**19**	**(2,281)**	–
Realised losses transferred to retained earnings, net of tax	**21**	**–**	(6,842)
Re-measurement loss on defined benefit asset, net of tax	**21**	**(979)**	(1,553)
		602	(3,110)
Total other comprehensive income/(loss) for the year, net of tax		**711**	(6,262)
Total comprehensive income/(loss) for the year		**50,394**	(302,475)

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

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED

Consolidated Statement of Changes in Shareholders' Equity

For the year ended June 30, 2023

(expressed in thousands of Eastern Caribbean dollars)

	Note	Issued share capital $	Share premium $	Reserves $	(Accumulated deficit)/ retained earnings $	Total $
Balance at June 30, 2021		**135,000**	**3,877**	**383,115**	**290,777**	**812,769**
Net loss for the year		–	–	–	(296,213)	(296,213)
Other comprehensive loss		–	–	580	(6,842)	(6,262)
Total comprehensive loss for the year				**580**	**(303,055)**	**(302,475)**
Transfer to reserves		–	–	68,062	(68,062)	–
Dividends	**29**	6,750	–	–	(41,850)	(35,100)
Balance at June 30, 2022		**141,750**	**3,877**	**451,757**	**(122,190)**	**475,194**
Net income for the year		–	–	–	49,683	49,683
Other comprehensive income		–	–	2,992	(2,281)	711
Total comprehensive income for the year		–	–	2,992	47,402	50,394
Transfer to reserves		–	–	2,174	(2,174)	–
Balance at June 30, 2023		**141,750**	**3,877**	**456,923**	**(76,962)**	**525,588**

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

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED

Consolidated Statement of Cash Flows

For the year ended June 30, 2023

(expressed in thousands of Eastern Caribbean dollars)

	Note	2023 $	2022 $
Cash flows from operating activities			
Net income/(loss) before tax		**32,550**	(304,789)
Adjustments for items not affecting cash:			
Interest expense	**22**	**47,911**	50,591
Depreciation and amortisation	**13, 14, 15**	**3,444**	3,013
Credit and other impairment charges, net	**26**	**1,230**	39,117
Pension expense	**34**	**1,057**	851
Dividend income	**24**	**(10,186)**	(9,893)
Fair value (gains)/losses on FVTPL investment securities		**(32,040)**	370,596
Interest income	**22**	**(74,400)**	(63,229)
Operating (loss)/income before changes in operating assets and liabilities		**(30,434)**	86,257
Changes in operating assets:			
Loans and advances to customers		**(27,053)**	(105,291)
Mandatory deposits with Central Bank		**(10,051)**	1,597
Other assets		**(5,571)**	5,023
Financial asset		**(683)**	205,742
Changes in operating liabilities:			
Customers' deposits		**142,366**	244,735
Provisions, creditors and accruals		**(21,474)**	32,128
Acceptances, guarantees and letters of credit		**915**	166
Cash generated from operations		**48,015**	470,357
Interest received		**56,285**	53,619
Pension contributions paid	**34**	**(2,404)**	(2,178)
Income tax paid	**19**	**(14,787)**	(24,436)
Interest paid		**(47,630)**	(50,768)
Net cash from operating activities		**39,479**	446,594
Cash flows from investing activities			
Disposals of investment securities and originated debts		**687,827**	592,081
Changes in term deposits and treasury bills, net		**696,565**	70,802
Interest received		**17,320**	9,690
Dividends received		**10,186**	9,893
Proceeds from disposal of property and equipment		**1,124**	–
Acquisition of intangible assets	**14**	**(885)**	(258)
Purchase of equipment	**13**	**(3,005)**	(1,919)
Purchase of investment securities and originated debts		**(1,605,908)**	(938,742)
Net cash used in investing activities		**(196,776)**	(258,453)
Subtotal carried forward		**(157,297)**	188,141

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED

Consolidated Statement of Cash Flows ...*continued*

For the year ended June 30, 2023

(expressed in thousands of Eastern Caribbean dollars)

	Note	2023 $	2022 $
Subtotal brought forward		**(157,297)**	188,141
Cash flows from financing activities			
Repayments of lease liabilities	**15**	**(1,152)**	(859)
Interest paid on lease liabilities	**15**	**(45)**	(50)
Dividends paid	**29**	**–**	(35,100)
Net cash used in financing activities		**(1,197)**	(36,009)
Net (decrease)/increase in cash and cash equivalents		**(158,494)**	152,132
Cash and cash equivalents, beginning of year		**528,347**	376,215
Cash and cash equivalents, end of year	**33**	**369,853**	528,347

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

(expressed in thousands of Eastern Caribbean dollars)

1 Incorporation and principal activity

St. Kitts-Nevis-Anguilla National Bank Limited (the "Bank") was incorporated as a public limited company on February 15, 1971 under the Companies Act Chapter 335, and was re-registered 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 a public company listed on the Eastern Caribbean Securities Exchange.

The Bank's registered office is at Central Street, Basseterre, St. Kitts. The principal activities of the Bank and its subsidiaries (the "Group") are described below.

The Bank is principally involved in the provision of financial services being primarily commercial banking and investment activities. The Bank is regulated by the Eastern Caribbean Central Bank ("the Central Bank" or "ECCB").

The Bank's subsidiaries and their activities are as follows:

- *National Bank Trust Company (St. Kitts-Nevis-Anguilla) Limited ("Trust Company")*

  The Trust Company was incorporated on January 26, 1972 under the Companies Act Chapter 335, and was re-registered under the new Companies Act No. 22 of 1996 on April 14, 1999.

  The principal activity of the Trust Company is the provision of long-term mortgage financing, raising long-term investment funds, real estate development, property management and the provision of trustee services.

- *National Caribbean Insurance Company Limited ("Insurance Company")*

  The Insurance Company was incorporated on June 20, 1973 under the Companies Act Chapter 335, and was re-registered under the new Companies Act No. 22 of 1996 on April 14, 1999.

  The Insurance Company provides life insurance coverage, non-life insurance coverage and pension schemes.

  The Company is regulated by Financial Services Regulatory Commission (FSRC) and the Anguilla Financial Services Commission (AFSC) for its operations in St. Kitts and Nevis and for its operations in Anguilla, respectively.

- *St. Kitts and Nevis Mortgage and Investment Company Limited ("MICO")*

  MICO was incorporated on May 25, 2001 under the Companies Act No. 22 of 1996 and commenced operations on May 13, 2002.

  MICO acts as the real estate arm of the Group with its main operating activities being the acquisition and sale of properties.

(expressed in thousands of Eastern Caribbean dollars)

2 Significant accounting policies

The principal accounting policies applied in the preparation of the consolidated 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 consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). The consolidated 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 consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

2.2 Changes in accounting policies

New standards and amendments effective for the financial year beginning July 1, 2022

Standards and amendments that are effective for the first time on July 1, 2022 are as follows:

- Reference to the conceptual Framework (Amendments to IFRS 3);
- Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IFRS 16);
- Onerous Contracts – Cost of Fulfilling a Contract (Amendment to IAS 37); and
- Annual Improvement to IFRS Standards 2018-2022 (Amendments to IFRS 7, IFRS 9, IFRS 16, IAS 41).

These amendments do not have a material impact on these consolidated 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 Group

At the date of authorisation of these consolidated 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 Group. Information on those expected to be relevant to the Group's consolidated financial statements is provided below.

Management anticipates that all relevant pronouncements will be adopted in the Group'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 Group's consolidated financial statements in future reporting periods and on foreseeable future transactions.

IFRS 17, Insurance Contracts (effective from January 1, 2023)

IFRS 17 was issued in May 2017 as replacement for IFRS 4, *Insurance Contracts*. It requires a current measurement model where estimates are re-measured each reporting period. Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows;
- an explicit risk adjustment; and
- a contractual service margin ("CSM") representing the unearned profit of the contract which is recognised as revenue over the coverage period.

(expressed in thousands of Eastern Caribbean dollars)

2 Significant accounting policies *...continued*

2.2 Changes in accounting policies *...continued*

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group *...continued*

IFRS 17, Insurance Contracts (effective from January 1, 2023) ...continued

The standard allows a choice between recognising changes in discount rates either in the profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9.

An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.

There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach the entity's share of the fair value changes of the underlying items is included in the contractual service margin. The results of insurers using this model are therefore likely to be less volatile than under the general model.

The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

The directors anticipate that the application of IFRS 17 in the future will have a material impact on the amounts reported and the disclosures made in the financial statements due to the significant changes in the determination and recognition of profit related to insurance contracts.

The Group has currently engaged various consultants to assist with the implementation of the Standard. To date, the Company has outlined the following areas as having the most significant/severe impacts and complexity factors in its data, systems and processes:

- Operational data store;
- Actuarial and risk models;
- IFRS 17 calculation engine; and
- Reporting, analytics and visualisation and disclosure.

Areas which have been identified with medium severity/complexity factors are as follows:

- Planning, budgeting, forecasting and MI;
- Master data management;
- Governance risk compliance;
- Accounting rules engine; and
- Allocations.

Notwithstanding this, management has yet to fully assess the impact of IFRS 17 on these consolidated financial statements and is not yet in a position to provide quantified information. The new standard is required to be applied for annual reporting periods beginning on or after January 1, 2023.

There are no other new or amended standards and interpretations that are issued but not yet effective, that are expected to have a significant impact on the accounting policies or financial disclosures of the Group.

(expressed in thousands of Eastern Caribbean dollars)

2 Significant accounting policies *...continued*

2.3 Basis of consolidation

The Group financial statements consolidate those of the parent company and all of its subsidiaries as of June 30, 2023. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of June 30. All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

2.4 Cash and cash equivalents

Cash comprises cash on hand and demand and call deposits with Groups. Cash equivalents are short-term, highly liquid investments with original maturities of ninety (90) days or less that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Cash and cash equivalents are subject to an insignificant risk of change in value. Cash and cash equivalents exclude balances held to meet statutory requirements and restricted deposits.

2.5 Financial assets and liabilities

Classification and measurement

The Group has applied IFRS 9 and 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.

i) 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, and loans and receivables.

Classification and subsequent measurement of debt instruments depend on:

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

(expressed in thousands of Eastern Caribbean dollars)

2 Significant accounting policies *...continued*

2.5 Financial assets and liabilities *...continued*

Classification and measurement *...continued*

i) Debt instruments ...continued

Business model test:

Business model reflects the objective of the Group holding different assets. That is, whether the Group'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 Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest. In making this assessment, the Group 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 Group classifies its debt instruments into one of the following three measurement categories:

- Amortised cost: 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 recognized in profit or loss.

- FVTPL: 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 recognized in profit or loss.

The Group 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.

(expressed in thousands of Eastern Caribbean dollars)

2 Significant accounting policies *...continued*

2.5 Financial assets and liabilities *...continued*

Classification and measurement *...continued*

ii) 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 Group subsequently measures all equity investments at FVTPL, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI.

The Group's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate 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 Group's right to receive payments is established.

When the Group 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 Group option acquired by the Bank has been designated as a hedge of the fair value of recognized as a fair value hedge of certain quoted equity instruments included in investment securities. The Group documents its risk management objective and strategy for undertaking its hedge transaction(s). The fair values of derivative financial instruments designated in hedge relationships are disclosed in note 10.

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 and is disclosed in note 10.

(expressed in thousands of Eastern Caribbean dollars)

2 Significant accounting policies *…continued*

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

For loans and advances and other receivables, delinquency status is utilized 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 Group 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.

The staging assessment requires the Group to monitor credit risk through regular credit reviews or other monitoring at a counterparty level. All loans and investment securities held by the Group are allocated to

(expressed in thousands of Eastern Caribbean dollars)

2 Significant accounting policies *...continued*

2.5 Financial assets and liabilities *...continued*

Credit risk measurement *...continued*

Significant increase in credit risk (SICR) ...continued

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.

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 Group 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 having missed the contractual payments of principal or interest. For loans and advances, and other receivables, the Group defines default based on the following criteria:

Quantitative criteria

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

(expressed in thousands of Eastern Caribbean dollars)

2 Significant accounting policies *...continued*

2.5 Financial assets and liabilities *...continued*

Credit risk measurement *...continued*

Default ...continued

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

- 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 Group 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 amounts the Group 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 Group'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.

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED

Notes to Consolidated Financial Statements

June 30, 2023

(expressed in thousands of Eastern Caribbean dollars)

2 Significant accounting policies *...continued*

2.5 Financial assets and liabilities *...continued*

Impairment measurement*...continued*

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 Group 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 varies by financial instrument.

In addition to the base economic scenario, the Group 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 takes account of the range of possible outcomes of which each chosen scenario is representative.

Derecognition of financial assets

Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or where the Group 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 consolidated 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, provisions, creditors and accruals, other liabilities and lease liabilities.

(expressed in thousands of Eastern Caribbean dollars)

2 Significant accounting policies *...continued*

2.5 Financial assets and liabilities *...continued*

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 Group 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.

Financial assets and liabilities are offset and the net amount reported in the consolidated 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.

2.6 Employee benefits

i) Short-term employee benefits

Short-term employee benefits, including holiday entitlement, are current liabilities included in 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 Group 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 consolidated statement of financial position.

iii) Pension plan

The Group operates a defined benefit plan. The administration of the plan is conducted by the Insurance Company, one of the subsidiaries. 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 valuation being carried out at the end of each reporting period.

(expressed in thousands of Eastern Caribbean dollars)

2 Significant accounting policies *...continued*

2.6 Employee benefits *...continued*

iii) Pension plan ...continued

The asset figure recognised in the consolidated statement of financial position in respect of net defined benefit asset is the fair value of the plan assets less the present value of the defined benefit obligation at the reporting date. The retirement benefit asset recognised in the consolidated 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 consolidated 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 Group may transfer those amounts recognised in other comprehensive income within equity.

2.7 Property and equipment

Land and buildings held for use in the rendering of services, or for administrative purposes, are stated in the consolidated 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 (5) 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.

Depreciation on revalued buildings is charged to the consolidated 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:

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

(expressed in thousands of Eastern Caribbean dollars)

2 Significant accounting policies *...continued*

2.7 Property and equipment *...continued*

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 consolidated 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 consolidated statement of income.

2.8 Intangible assets

Acquired computer software licences are capitalised 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 are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

2.9 Impairment of non-financial assets

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

2.10 Insurance contracts

i) Classification

The Group issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk.

ii) Recognition and measurement

Insurance contracts issued are classified as short-term insurance contracts and long-term insurance contracts with fixed and guaranteed payments.

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2 Significant accounting policies *...continued*

2.10 Insurance contracts *...continued*

ii) Recognition and measurement ...continued

Short-term insurance contracts

- Property and casualty insurance business

Property and casualty insurance contracts are generally one year renewable contracts issued by the Group covering insurance risks over property, motor, accident and marine.

Property insurance contracts mainly compensate the Group's customers for damage suffered to their properties or for the value of the property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover).

Casualty insurance contracts protect the Group's customers against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non-contractual events. The typical protection offered is designed for individual and business customers who become liable to pay compensation to a third party for bodily harm or property damages (public liability).

Premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the reporting date is reported as the unexpired insurance risk. Premiums are shown before deduction of commissions.

Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the reporting date even if they have not yet been reported to the Group. The Group does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using:

- the input of assessments for individual cases reported to the Group; and
- statistical analyses for the claims incurred but not reported.

These are used to estimate the expected ultimate cost of more complex claims that may be affected by external factors (such as court decisions).

- Health insurance business

Health insurance contracts are generally one year renewable contracts issued by the Group covering insurance risks for medical expenses of insured persons. The liabilities of health insurance policies are estimated in respect of claims that have been incurred but not reported and claims that have been reported but not yet paid, due to the time taken to process the claim.

(expressed in thousands of Eastern Caribbean dollars)

2 Significant accounting policies *...continued*

2.10 Insurance contracts *...continued*

ii) Recognition and measurement …continued

Long-term insurance contracts with fixed and guaranteed terms

- Life insurance business

These contracts insure events associated with human life (for example, death and survival) over a long duration. Premiums are recognised as revenue when they are received or become receivable from the policyholder. Premiums are shown before deduction of commission. Benefits are recorded as an expense when they are incurred.

The determination of actuarial liabilities on life policies is based on the Net Level Premium ("NLP") reserve method. This reserve method uses net premiums as opposed to calculating reserves on a first principles gross premium valuation. The NLP reserve method does not use lapse rates or expenses and takes into consideration only the bonus additions allocated to the policy to date. Future bonus additions are not considered in the valuation. The Group utilises an actuary for the determination of the actuarial liabilities. These liabilities consist of amounts that together with future premiums and investment income are required to provide for policy benefits, expenses and taxes on life insurance contracts. The process of calculating actuarial liabilities for future policy benefits involves the use of estimates concerning factors such as mortality and morbidity rates, future investment yields and future expense levels and persistency.

The liabilities are recalculated at each end of the reporting period using the assumptions established at inception of the contracts.

iii) Reinsurance contracts held

The Group obtains reinsurance contracts coverage for insurance risks underwritten. The Group cedes insurance premiums and risk related to property and casualty contracts in the normal course of business in order to limit the potential for losses arising from its exposures. Reinsurance does not relieve the Group of its liability. The benefits to which the Group are entitled under reinsurance contracts held are recognised as reinsurance assets. Reinsurance assets are assessed for impairment and if evidence that the asset is impaired exists, the impairment is recorded in the consolidated statement of income. The obligations of the Group under reinsurance contracts held are included under insurance contract liabilities.

iv) Liability adequacy test

At the end of the reporting period, liability adequacy tests are performed by the Group to ensure the adequacy of insurance contract liabilities, using current estimates of the related expected future cash flows.

If a test indicates that the carrying value of insurance contract liabilities is inadequate, then the liabilities are adjusted to correct the deficiency. The deficiency is included in the consolidated statement of income under claims and benefits.

(expressed in thousands of Eastern Caribbean dollars)

2 Significant accounting policies *...continued*

2.10 Insurance contracts *...continued*

v) Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders.

If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the consolidated statement of income. The Group gathers the objective evidence that an insurance receivable is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is also calculated under the same method used for these financial assets.

vi) Salvage and subrogation reimbursements

Some insurance contracts permit the Group to sell (usually damaged) property acquired in settling a claim (for example, salvage). The Group may also have the right to pursue third parties for payment of some or all costs (for example, subrogation).

Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims, and salvage property is recognised in other assets until the liability is settled. The allowance is the amount that can reasonably be recovered from the disposal of the property.

Subrogation reimbursements are also considered as an allowance in the measurement of the insurance liability for claims and are recognised in other assets until the liability is settled. The allowance is the amount of the assets that can be recovered from the action against the liable third party.

2.11 Guarantees and letters of credit

Guarantees and letters of credit comprise undertaking by the Group to pay bills of exchange drawn on customers. The Group expects most guarantees and letters of credit to be settled simultaneously with the reimbursement from the customers.

2.12 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, if 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 thousands of Eastern Caribbean dollars)

2 Significant accounting policies *...continued*

2.13 Leased assets

For any new contracts entered, the Group 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 Group 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 Group;
- the Group 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;
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group 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 Group recognises a right-of-use asset and a lease liability on the consolidated 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 Group, 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 Group 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 Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group 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 Group'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 Group 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.

(expressed in thousands of Eastern Caribbean dollars)

2 Significant accounting policies *…continued*

2.13 Leased assets*…continued*

Measurement and recognition of leases as a lessee …continued

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

2.14 Revenue recognition

The Group determines whether to recognize 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.

The Group's revenue generating activities are described below.

i) Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' and 'interest expense' in the consolidated 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.

ii) 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 Group 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.

(expressed in thousands of Eastern Caribbean dollars)

2 Significant accounting policies *...continued*

2.14 Revenue recognition*...continued*

iii) Dividend income
Dividends are recognised in the consolidated statement of income when the right to receive payment is established.

iv) Premiums
Written premiums for non-life insurance relate to contracts beginning in the financial year and are stated gross of commissions payable to intermediaries and exclusive of taxes levied on premiums. Written premiums for life contracts are recognised when due from the policyholder. Unearned premiums are those proportions of the premium which relate to periods of risk after the reporting date.

v) Property sales
Revenue from property sales is recognised when title of the properties has passed to the buyer.

2.15 Operating expenses and fees expenses

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

2.16 Foreign currency translation

i) Functional and presentation currency
Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates (the "functional currency"). The consolidated financial statements are presented in Eastern Caribbean Dollars, which is the Group's functional and presentation currency. The values presented in the consolidated financial statements have been rounded to the nearest thousands unless otherwise stated.

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

2.17 Equity, reserves and dividend payments

i) Issued share capital and share premium
Issued 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 Group's shareholders.

(expressed in thousands of Eastern Caribbean dollars)

2 Significant accounting policies *...continued*

2.17 Equity, reserves and dividend payments *...continued*

iii) Other components of equity

Other components of equity include the following:
- *Statutory reserve* – reserve fund as per the regulatory requirement;
- *Revaluation reserve* – represents gains and losses from the revaluation of land and buildings;
- *Fair value reserves – FVOCI* – represent unrealised gains and losses from changes in the fair value of the FVOCI investment 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, insurance and claims equalisation reserve and general reserve.

iv) (Accumulated deficit)/retained earnings

(Accumulated deficit)/retained earnings include cumulative balance of net (loss)/income, dividend distributions, effect of changes in accounting policy and other capital adjustments.

2.18 Current and deferred income tax

Income tax payable on profits, based on applicable tax law in St. Kitts and Nevis 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 consolidated 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 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 Group’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 Group 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 (such as the revaluation of available-for-sale investment securities) or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

(expressed in thousands of Eastern Caribbean dollars)

2 Significant accounting policies *...continued*

2.18 Current and deferred income tax*...continued*

The Group is subjected to the following tax rates:

(i) *Income tax rates*
The Group is subject to corporate income taxes at a rate of 33%. Refer to note 19 for details of the temporary COVID-19 stimulus package tax relief that was granted effective April 1, 2020 up to December 31, 2023.

(ii) *Premium tax rates*
Insurers are subject to tax on premium revenues generated in certain jurisdictions. The principal rate of premium tax is 5% for general insurance and nil for life insurance.

2.19 Deposit funds

Deposit administration contracts are issued by the Group to registered pension schemes for the deposit of pension plan assets with the Group.

Deposit administration liabilities are recognised initially at fair value and are subsequently stated at:

- amortised cost where the insurer is obligated to provide investment returns to the pension scheme in the form of interest; and
- fair value through income where the Group is obligated to provide investment returns to the pension scheme in direct proportion to the investment returns on specified blocks of assets.

Deposit administration contributions are recorded directly as liabilities. Withdrawals are deducted directly from the liability. The interest or investment return provided is recorded as an interest expense.

2.20 Investment property

Investment property is property held to earn rental and/or for capital appreciation, including property under construction for such purposes. Investment property is measured at cost, including transaction cost.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property is included in income in the period in which the property is derecognised.

2.21 Property inventory

Property inventory is measured at the lower of cost and net realizable value (NRV). The cost of property inventory comprises all costs incurred in bringing the properties to their present condition. NRV represents the estimated selling price less all estimated costs necessary to make the sale.

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2 Significant accounting policies *...continued*

2.22 Business segments

Business segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

2.23 Events after the financial reporting date

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

2.24 Earnings/(loss) per share

Basic earnings/(loss) per share are determined by dividing income/(loss) by the weighted average number of ordinary shares outstanding during the period after giving retroactive effect to stock dividends declared, stock splits and reverse stock splits during the period, if any.

Diluted earnings/(loss) per share are computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential shares. Currently, the Group does not have dilutive potential shares outstanding, hence, the diluted earnings/(loss) per share is equal to the basic earnings/(loss) per share.

2.25 Comparatives

The classification of certain items in the consolidated financial statements has been changed from the prior period to achieve a clearer or more appropriate presentation. The comparative figures have been similarly formatted and reclassified in order to achieve comparability with the current period.

3 Management of financial and insurance risks

The Group's activities expose it to a variety of financial and insurance 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 insurance, and the operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Group's financial performance.

The Group'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 Group 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 Finance Division under policies approved by the Board of Directors. Management identifies and evaluates financial risks in close co-operation with the Group'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, insurance and credit risks. In addition, Internal Audit is responsible for the independent review of risk management and the control environment.

(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risks *...continued*

The most important types of financial and insurance risks are credit risk, liquidity risk, market risk, insurance risk (property, casual and life insurance risk) and other operational risk. Market risk includes foreign exchange risk, interest rate risk and other price risk.

3.1 Credit risk

The Group takes on exposure to credit risk, which is the risk that counterparties will cause financial losses for the Group 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 Group's portfolio, could result in losses that are different from those provided for at the reporting date. Management, therefore, carefully manages its exposure to 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 Group'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 Group'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.

i) Loans and advances to customers

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

The Group assesses the probability of default of individual borrowers using internal rating tools tailored to the various categories of the counterparty. These rating tools are fashioned from the guidelines of the commercial Group's regulators. Advances made by the Group 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.

Group's rating	Description of the classifications
1	Pass
2	Special mention
3	Sub-standard
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 Group 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.

(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risks *...continued*

3.1 Credit risk *...continued*

3.1.1 Risk limit control and mitigation policies

The Group manages, limits, and controls concentrations of credit risk wherever they are identified – in particular, to individual counterparties and groups, and to industries and countries.

The Group structures the levels of credit risks 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 Groups and other financial institutions, is further restricted by sub-limits covering on-balance sheet and off-balance sheet 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.

Other specific controls and mitigation measures are outlined below:

i) Collateral

The Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The Group implements guidelines on the acceptability of specific classes of collateral or 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 minimize credit loss, the Group 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 Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions) are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

3 Management of financial and insurance risks *...continued*

3.1 Credit risk *...continued*

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

ii) Credit-related commitments ...continued

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 Group is potentially exposed to loss in an amount equal to the total unused commitments.

However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term of maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risks *...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 consolidated financial statements:

	Deposits with other financial institutions (term deposits) $	Treasury bills $	Originated debts $	Financial asset $	Debt securities – FVOCI $	Other assets $	Total $
Credit grade:							
Investment grade	60,064	288,865	46,015	–	213,948	16,476	625,368
Non–investment grade	30,427	71,802	73,886	359,978	36,008	15,074	587,175
Default	–	–	–	–	–	1,112	1,112
Gross carrying amount	90,491	360,667	119,901	359,978	249,956	32,662	1,213,655
Loss allowance	(72)	(63)	(365)	(2,562)	–	(757)	(3,819)
Carrying amount as at June 30, 2023	**90,419**	**360,604**	**119,536**	**357,416**	**249,956**	**31,905**	**1,209,836**
Credit grade:							
Investment grade	58,419	–	80,721	–	45,518	10,089	194,747
Non–investment grade	224,984	71,265	73,577	363,192	2,060	15,922	751,000
Default	–	–	–	–	–	1,111	1,111
Gross carrying amount	283,403	71,265	154,298	363,192	47,578	27,122	946,858
Loss allowance	(639)	(12)	(87)	(2,398)	(52)	(757)	(3,945)
Carrying amount as at June 30, 2022	**282,764**	**71,253**	**154,211**	**360,794**	**47,526**	**26,365**	**942,913**

(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risks *...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 consolidated financial statements:

	Loans to customers $	Overdrafts $	Credit cards $	Total $
Credit grade:				
Performing	592,841	11,981	10,340	615,162
Under-performing	4,353	–	360	4,713
Non–performing	347,655	55,562	829	404,046
Gross carrying amount	944,849	67,543	11,529	1,023,921
Loss allowance	(27,688)	(4,397)	(1,814)	(33,899)
Carrying amount as at June 30, 2023	**917,161**	**63,146**	**9,715**	**990,022**
Credit grade:				
Performing	566,635	17,430	9,233	593,298
Under-performing	7,778	–	455	8,233
Non–performing	368,666	74,426	773	443,865
Gross carrying amount	943,079	91,856	10,461	1,045,396
Loss allowance	(55,257)	(23,896)	(1,654)	(80,807)
Carrying amount as at June 30, 2022	**887,822**	**67,960**	**8,807**	**964,589**

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(expressed in thousands of Eastern Caribbean dollars)

3.1 Credit risk *...continued*

3.1.2 Impairment and provisioning *...continued*

The following tables contains 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 Group'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	625,368	–	–	625,368
Non–investment grade	548,282	30,709	8,184	587,175
Default	–	–	1,112	1,112
Gross carrying amount	1,173,650	30,709	9,296	1,213,655
Loss allowance	(744)	(2,318)	(757)	(3,819)
Carrying amount as at June 30, 2023	**1,172,906**	**28,391**	**8,539**	**1,209,836**
Credit grade:				
Investment grade	194,747	–	–	194,747
Non–investment grade	712,174	30,642	8,184	751,000
Default	–	–	1,111	1,111
Gross carrying amount	906,921	30,642	9,295	946,858
Loss allowance	(867)	(2,321)	(757)	(3,945)
Carrying amount as at June 30, 2022	**906,054**	**28,321**	**8,538**	**942,913**

(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risks *...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	615,162	–	–	615,162
Under-performing	–	4,713	–	4,713
Non–performing	–	–	404,046	404,046
Gross carrying amount	615,162	4,713	404,046	1,023,921
Loss allowance	(6,281)	(1,118)	(26,500)	(33,899)
Carrying amount as at June 30, 2023	**608,881**	**3,595**	**377,546**	**990,022**
Credit grade:				
Performing	593,298	–	–	593,298
Under-performing	–	8,233	–	8,233
Non–performing	–	–	443,865	443,865
Gross carrying amount	593,298	8,233	443,865	1,045,396
Loss allowance	(6,765)	(1,202)	(72,840)	(80,807)
Carrying amount as at June 30, 2022	**586,533**	**7,031**	**371,025**	**964,589**

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.

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(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risks *...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:

Debt securities and other financial assets at amortised cost	**Stage 1 12-month ECL $**	**Stage 2 lifetime ECL $**	**Stage 3 Lifetime ECL $**	**Total $**
Loss allowance as at June 30, 2022	867	2,321	757	3,945
New financial assets originated or purchased	269	–	–	269
Financial assets fully derecognised during the year	(13)	(54)	–	(67)
Changes to inputs used in ECL calculation	(379)	51	–	(328)
Loss allowance as at June 30, 2023	**744**	**2,318**	**757**	**3,819**
Loss allowance as at June 30, 2021	937	2,686	5,683	9,306
New financial assets originated or purchased	581	–	–	581
Financial assets fully derecognised during the year	(26)	–	(4,861)	(4,887)
Changes to inputs used in ECL calculation	(625)	(365)	(65)	(1,055)
Loss allowance as at June 30, 2022	**867**	**2,321**	**757**	**3,945**

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(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risks *...continued*

3.1 Credit risk *...continued*

3.1.2 Impairment and provisioning *...continued*

Loss allowances *...continued*

Loans and advances to customers	Stage 1 12–month ECL $	Stage 2 lifetime ECL $	Stage 3 Lifetime ECL $	Total $
Loss allowance as at June 30, 2022	6,765	1,202	72,840	80,807
Transfers:				
Transfer from stage 1 to stage 2	(31)	31	–	–
Transfer from stage 1 to stage 3	(26)	–	26	–
Transfer from stage 2 to stage 1	477	(477)	–	–
Transfer from stage 2 to stage 3	–	(805)	805	–
Transfer from stage 3 to stage 1	891	–	(891)	–
Transfer from stage 3 to stage 2	–	–	–	–
New financial assets originated or purchased	697	164	26	887
Financial assets fully derecognised during the year	(268)	(75)	(47,869)	(48,212)
Changes to inputs used in ECL calculation	(2,224)	1,078	1,563	417
Loss allowance as at June 30, 2023	**6,281**	**1,118**	**26,500**	**33,899**
Loss allowance as at June 30, 2021	4,627	876	67,090	72,593
Transfers:				
Transfer from stage 1 to stage 2	(60)	60	–	–
Transfer from stage 1 to stage 3	(183)	–	183	–
Transfer from stage 2 to stage 1	1,060	(1,060)	–	–
Transfer from stage 2 to stage 3	–	(690)	690	–
Transfer from stage 3 to stage 1	75	–	(75)	–
Transfer from stage 3 to stage 2	–	52	(52)	–
New financial assets originated or purchased	1,223	294	368	1,885
Financial assets fully derecognised during the year	–	–	(25)	(25)
Changes to inputs used in ECL calculation	23	1,670	4,661	6,354
Loss allowance as at June 30, 2022	**6,765**	**1,202**	**72,840**	**80,807**

According to the ECCB loan provisioning guidelines, the calculated allowance for loan impairment amounts to $196,872 (2022: $225,832). The loan loss provision calculated under IFRS 9 for the loans held by the Group amounted to $33,899 (2022: $80,807). When the ECCB loan loss provision is greater than the loan loss provision calculated under IFRS 9, the difference is set aside as a non-distributable reserve through equity. As of June 30, 2023, the loan loss provision calculated under IFRS 9 was less than the ECCB provision for the loans held by the Group. Therefore, a non-distributable reserve through equity was required at the reporting date and is included in other reserves in equity (note 21). The gross carrying value of impaired loans at the year-end was $404,046 (2022: $443,865).

(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risks *...continued*

3.1 Credit risk *...continued*

3.1.2 Impairment and provisioning *...continued*

Loss allowances *...continued*

Interest receivable on loans that would not be recognised under ECCB guidelines amounted to $73,787 (2022: $66,989) and is included in other reserves in equity (note 21).

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 financial assets below represent the Group'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 $**
Gross carrying amount as at June 30, 2022	906,921	30,642	9,295	946,858
New financial assets originated or purchased	1,076,518	–	–	1,076,518
Financial assets fully derecognised during the year	(829,622)	–	–	(829,622)
Changes in principal and interest	19,833	67	1	19,901
Gross carrying amount at June 30, 2023	**1,173,650**	**30,709**	**9,296**	**1,213,655**
Gross carrying amount as at June 30, 2021	838,577	30,590	49,397	918,564
New financial assets originated or purchased	307,129	–	–	307,129
Financial assets fully derecognised during the year	(15,677)	–	(40,289)	(55,966)
Changes in principal and interest	(223,108)	52	187	(222,869)
Gross carrying amount at June 30, 2022	**906,921**	**30,642**	**9,295**	**946,858**

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3 Management of financial and insurance risks *...continued*

3.1 Credit risk *...continued*

3.1.2 Impairment and provisioning *...continued*

IFRS 9 carrying values *...continued*

Loans and advances to customers	**Stage 1 12-month ECL $**	**Stage 2 lifetime ECL $**	**Stage 3 lifetime ECL $**	**Total $**
Gross carrying amount as at June 30, 2022	**593,298**	**8,233**	**443,865**	**1,045,396**
Transfers:				
Transfer from stage 1 to stage 2	(3,372)	3,372	–	–
Transfer from stage 1 to stage 3	(2,817)	–	2,817	–
Transfer from stage 2 to stage 1	2,168	(2,168)	–	–
Transfer from stage 2 to stage 3	–	(3,655)	3,655	–
Transfer from stage 3 to stage 1	3,268	–	(3,268)	–
Transfer from stage 3 to stage 2	–	–	–	–
New financial assets originated or purchased	75,530	746	404	76,680
Financial assets fully derecognised during the year	(29,486)	(339)	(49,340)	(79,165)
Changes in principal and interest	(23,427)	(1,476)	5,913	(18,990)
Gross carrying amount as at June 30, 2023	**615,162**	**4,713**	**404,046**	**1,023,921**
Gross carrying amount as at June 30, 2021	**498,180**	**11,172**	**430,686**	**940,038**
Transfers:				
Transfer from stage 1 to stage 2	(5,661)	5,661	–	–
Transfer from stage 1 to stage 3	(17,257)	–	17,257	–
Transfer from stage 2 to stage 1	5,614	(5,614)	–	–
Transfer from stage 2 to stage 3	–	(3,654)	3,654	–
Transfer from stage 3 to stage 1	462	–	(462)	–
Transfer from stage 3 to stage 2	–	318	(318)	–
New financial assets originated or purchased	114,624	1,557	2,269	118,450
Financial assets fully derecognised during the year	(24,223)	(1,631)	(1,543)	(27,397)
Changes in principal and interest	21,559	424	(7,678)	14,305
Gross carrying amount as at June 30, 2022	**593,298**	**8,233**	**443,865**	**1,045,396**

(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risks *...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, are set out below.

As at June 30, 2022

		2022	2023
World GDP growth rate	Base	3.60%	3.60%
	Upside	5.50%	5.50%
	Downside	1.70%	1.70%
US GDP growth rate	Base	3.00%	3.00%
	Upside	5.10%	5.10%
	Downside	0.90%	0.90%
St. Kitts and Nevis GDP growth rate	Base	7.40%	7.40%
	Upside	12.1%	12.1%
	Downside	2.60%	2.60%
St. Lucia GDP growth rate	Base	7.90%	7.90%
	Upside	13.5%	13.5%
	Downside	2.20%	2.20%

As at June 30, 2023

		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 thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risks *...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
June 30, 2023	**80%**	**4%**	**16%**
June 30, 2022	80%	10%	10%

Set out below are the changes to the ECL as at June 30, 2023 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%	146	(146)
Debt securities – FVOCI	+/- 5%	35	(35)
		ECL impact of:	
Collateral haircut	**Change in threshold**	**Increase in value $**	**Decrease in value $**
Loans	+/- 5%	(4,604)	4,208
Advances	+/- 5%	(32)	74

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 year amounted to $254 (2022: $780).

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3 Management of financial and insurance risks *...continued*

3.1 Credit risk *...continued*

3.1.3 Geographical concentrations of on-balance sheet and off-balance sheet with credit risk exposure

The Group operates three (3) business segments as follows:

- commercial and retail banking;
- insurance coverage; and
- Real estate and trust services.

These are 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 June 30, 2023					
Cash and balances with Central Bank	23,889	–	–	–	23,889
Treasury bills	71,764	288,840	–	–	360,604
Deposits with other financial institutions	37,140	308,378	31,280	7,622	384,420
Financial asset	357,416	–	–	–	357,416
Loans and advances to customers	892,043	66,537	1,735	29,707	990,022
Originated debts	24,774	46,004	–	48,758	119,536
Debt investment securities	–	252,581	–	–	252,581
Acceptances, guarantees and letters of credit	7,456	–	–	–	7,456
Other assets	24,168	281	–	–	24,449
	1,438,650	**962,621**	**33,015**	**86,087**	**2,520,373**

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3 Management of financial and insurance risks *...continued*

3.1 Credit risk *...continued*

3.1.3 Geographical concentrations of on-balance sheet and off-balance sheet with credit risk exposure *...continued*

	St. Kitts & Nevis $	United States & Canada $	Europe $	Other Caribbean Territories $	Total $
As of June 30, 2022					
Cash and balances with Central Bank	30,653	–	–	–	30,653
Treasury bills	71,253	–	–	–	71,253
Deposits with other financial institutions	44,976	293,976	220,716	4,811	564,479
Financial asset	360,794	–	–	–	360,794
Loans and advances to customers	860,435	65,698	1,743	36,713	964,589
Originated debts	23,757	80,706	–	49,748	154,211
Debt investment securities	–	50,946	394	–	51,340
Acceptances, guarantees and letters of credit	6,541	–	–	–	6,541
Other assets	19,673	151	–	–	19,824
	1,418,082	**491,477**	**222,853**	**91,272**	**2,223,684**

(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risks *...continued*

3.1 Credit risk *...continued*

3.1.4 Concentration of risks of financial assets with credit exposure

The following tables break down the Group'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 June 30, 2023							
Cash and balances with Central Bank	–	–	–	23,889	–	–	23,889
Treasury bills	360,604	–	–	–	–	–	360,604
Deposits with other financial institutions	25,405	–	–	359,015	–	–	384,420
Financial asset	357,416	–	–	–	–	–	357,416
Loans and advances to customers	249,481	120,487	208,094	37,206	266,956	107,798	990,022
Originated debts	73,532	–	–	46,004	–	–	119,536
Debt investment securities	66,254	448	271	77,913	–	107,695	252,581
Acceptances, guarantees and letters of credit	3,381	–	–	–	–	4,075	7,456
Other assets	658	–	–	15,658	1,055	7,078	24,449
	1,136,731	**120,935**	**208,365**	**559,685**	**268,011**	**226,646**	**2,520,373**

(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risks *...continued*

3.1 Credit risk *...continued*

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

	Public sector $	Construction $	Tourism $	Financial institutions $	Individuals $	Other industries $	Total $
As of June 30, 2022							
Cash and balances with Central Bank	–	–	–	30,653	–	–	30,653
Treasury bills	71,253	–	–	–	–	–	71,253
Deposits with other financial institutions	30,398	–	–	534,081	–	–	564,479
Financial asset	360,794	–	–	–	–	–	360,794
Loans and advances to customers	257,500	105,644	196,769	42,470	256,285	105,921	964,589
Originated debts	110,015	–	–	44,196	–	–	154,211
Debt investment securities	4,891	483	–	25,927	–	20,039	51,340
Acceptances, guarantees and letters of credit	2,466	–	–	–	–	4,075	6,541
Other assets	336	–	–	17,170	777	1,541	19,824
	837,653	**106,127**	**196,769**	**694,497**	**257,062**	**131,576**	**2,223,684**

(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risks *...continued*

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

The Government of St. Kitts and Nevis accounts for $588,066 (2022: $595,292) or 23% (2022: 27%) of total credit exposure, which represents a significant concentration of credit risk. The amounts due from the Government are included in the Public Sector category.

3.2 Market risk

The Group 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 Group's exposure to market risks primarily arise from the interest rate management of the Group's retail and commercial Banking assets and liabilities, debt investment securities and equity risks arising from its FVOCI investments.

3.2.1 Price risk

The Group is exposed to price risk in respect to its investment securities classified on the consolidated 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 $89,043 (2022: $108,613).

The investments in listed securities classified on the consolidated 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 Group is exposed to foreign exchange risk through fluctuation in certain prevailing foreign exchange rates on its consolidated financial position and cash flows. The Board of Directors limits the level of exposure by currency and in total which are monitored daily. The Group's exposure to currency risk is minimal since most of its assets and liabilities in foreign currencies are held in United States dollars. The Group uses the mid-rate of exchange ruling on that day to convert all assets and liabilities in foreign currencies to Eastern Caribbean dollars (EC$). The Group has set the mid-rate of exchange rate of the Eastern Caribbean (EC$) to the United States dollar (US$) at EC$2.7026 = US$1.00 since 1976.

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

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3 Management of financial and insurance risks *...continued*

3.2 Market risk *...continued*

3.2.2 Foreign exchange risk *...continued*

Concentration of currency risk

	XCD $	USD $	EURO $	GBP $	CAN $	BDS $	GUY $	Total $
As of June 30, 2023								
Assets								
Cash and balances with Central Bank	219,349	6,428	28	36	17	16	–	225,874
Treasury bills	71,764	288,840	–	–	–	–	–	360,604
Deposits with other financial institutions	40,655	334,846	1,756	1,837	2,068	3,232	26	384,420
Loans and advances to customers	570,744	419,278	–	–	–	–	–	990,022
Originated debts	34,261	85,275	–	–	–	–	–	119,536
Acceptances, guarantees and letters of credit	7,456	–	–	–	–	–	–	7,456
Investment securities – FVOCI	9,373	261,421	–	–	–	–	–	270,794
Investment securities – FVTPL	862	912,584	–	–	–	–	–	913,446
Financial asset	357,416	–	–	–	–	–	–	357,416
Other assets	23,906	543	–	–	–	–	–	24,449
Total financial assets	**1,335,786**	**2,309,215**	**1,784**	**1,873**	**2,085**	**3,248**	**26**	**3,654,017**
Liabilities								
Customers' deposits	2,612,143	369,526	148	377	234	–	–	2,982,428
Lease liabilities	1,044	–	–	–	–	–	–	1,044
Acceptances, guarantees and letters of credit	7,456	–	–	–	–	–	–	7,456
Provisions, creditors and accruals	255,303	2,413	1	203	76	98	2	258,096
Total financial liabilities	**2,875,946**	**371,939**	**149**	**580**	**310**	**98**	**2**	**3,249,024**
Net on–balance sheet	**(1,540,160)**	**1,937,276**	**1,635**	**1,293**	**1,775**	**3,150**	**24**	**404,993**
Credit commitments	**29,296**	**25,092**	**–**	**–**	**–**	**–**	**–**	**54,388**

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(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risks *...continued*

3.2 Market risk *...continued*

3.2.2 Foreign exchange risk *...continued*

Concentration of currency risk *...continued*

As of June 30, 2022	XCD $	USD $	EURO $	GBP $	CAN $	BDS $	GUY $	Total $
Assets								
Cash and balances with Central Bank	213,865	5,096	16	9	24	7	–	219,017
Treasury bills	71,253	–	–	–	–	–	–	71,253
Deposits with other financial institutions	48,240	510,541	1,213	2,515	1,357	592	21	564,479
Loans and advances to customers	566,187	398,402	–	–	–	–	–	964,589
Originated debts	34,011	120,200	–	–	–	–	–	154,211
Acceptances, guarantees and letters of credit	6,541	–	–	–	–	–	–	6,541
Investment securities – FVOCI	9,616	52,859	–	–	–	–	–	62,475
Investment securities – FVTPL	863	1,107,303	–	–	–	–	–	1,108,166
Financial asset	360,794	–	–	–	–	–	–	360,794
Other assets	19,442	380	–	–	2	–	–	19,824
Total financial assets	**1,330,812**	**2,194,781**	**1,229**	**2,524**	**1,383**	**599**	**21**	**3,531,349**
Liabilities								
Customers' deposits	2,339,797	499,619	142	24	244	–	–	2,839,826
Borrowings	–	21,164	–	–	–	–	–	21,164
Lease liabilities	1,549	–	–	–	–	–	–	1,549
Acceptances, guarantees and letters of credit	6,541	–	–	–	–	–	–	6,541
Provisions, creditors and accruals	206,966	69,494	43	512	67	204	2	277,288
Total financial liabilities	**2,554,853**	**590,277**	**185**	**536**	**311**	**204**	**2**	**3,146,368**
Net on–balance sheet	**(1,224,041)**	**1,604,504**	**1,044**	**1,988**	**1,072**	**395**	**19**	**384,981**
Credit commitments	**33,440**	**34,760**	–	–	–	–	–	**68,200**

(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risks *...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 Group 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.

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

(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risks *...continued*

3.2 Market risk *...continued*

3.2.3 Interest rate risk *...continued*

	Up to 1 month $	1 to 3 months $	3 to 12 months $	1 to 5 years $	Over 5 years $	Non–interest bearing $	Total $
As of June 30, 2023							
Assets							
Cash and balances with Central Bank	–	–	–	–	–	225,874	225,874
Treasury bills	53,234	109,360	194,690	–	–	3,320	360,604
Deposit with other financial institutions	101,208	13,513	22,303	46,229	–	201,167	384,420
Loans and advances to customers	348,840	1,122	4,400	77,118	558,315	227	990,022
Originated debts	13,502	–	6,959	73,578	24,743	754	119,536
Acceptances, guarantees and letters of credit	–	–	–	–	–	7,456	7,456
Investment securities – FVOCI	14,604	676	5,936	96,183	123,850	29,545	270,794
Investment securities – FVTPL	–	–	2,625	–	–	910,821	913,446
Financial asset	–	–	–	351,294	–	6,122	357,416
Other assets	624	–	–	–	–	23,825	24,449
Total financial assets	**532,012**	**124,671**	**236,913**	**644,402**	**706,908**	**1,409,111**	**3,654,017**
Liabilities							
Customers' deposits	771,463	210,257	948,312	–	–	1,052,396	2,982,428
Lease liabilities	51	102	457	415	19	–	1,044
Acceptances, guarantees and letters of credit	–	–	–	–	–	7,456	7,456
Provisions, creditors and accruals	(4)	–	–	–	–	258,100	258,096
Total financial liabilities	**771,510**	**210,359**	**948,769**	**415**	**19**	**1,317,952**	**3,249,024**
Total interest repricing gap	**(239,498)**	**(85,688)**	**(711,856)**	**643,987**	**706,889**	**91,159**	**404,993**

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(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risks *...continued*

3.2 Market risk *...continued*

3.2.3 Interest rate risk *...continued*

As of June 30, 2022	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	–	–	–	–	–	219,017	219,017
Treasury bills	12,957	3,196	54,679	–	–	421	71,253
Deposit with other financial institutions	97,001	40,497	175,487	44,872	–	206,622	564,479
Loans and advances to customers	346,482	411	2,549	63,153	551,758	236	964,589
Originated debts	–	38,860	39,950	50,717	23,726	958	154,211
Acceptances, guarantees and letters of credit	–	–	–	–	–	6,541	6,541
Investment securities – FVOCI	–	–	220	29,154	13,918	19,183	62,475
Investment securities – FVTPL	–	–	1,793	2,022	–	1,104,351	1,108,166
Financial asset	–	–	–	351,458	–	9,336	360,794
Other assets	567	–	–	–	–	19,257	19,824
Total financial assets	**457,007**	**82,964**	**274,678**	**541,376**	**589,402**	**1,585,922**	**3,531,349**
Liabilities							
Customers’ deposits	791,947	213,730	921,851	–	–	912,298	2,839,826
Borrowings	–	–	–	21,164	–	–	21,164
Lease liabilities	64	128	577	742	38	–	1,549
Acceptances, guarantees and letters of credit	–	–	–	–	–	6,541	6,541
Provisions, creditors and accruals	–	–	–	–	–	277,288	277,288
Total financial liabilities	**792,011**	**213,858**	**922,428**	**21,906**	**38**	**1,196,127**	**3,146,368**
Total interest repricing gap	**(335,004)**	**(130,894)**	**(647,750)**	**519,470**	**589,364**	**389,795**	**384,981**

(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risks *...continued*

3.2 Market risk *...continued*

3.2.3 Interest rate risk *...continued*

The Group's fair value market rate risk arises from debt securities classified as fair value through other comprehensive income and fair value through profit or loss. 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 $2,457 (2021: $454) lower/higher as a result of the decrease/increase in revaluation reserve for fair value through other comprehensive income debt securities and profit or loss for the year would have been $181 (2022: $246) lower/higher due to an decrease/increase in fair value of debt securities measured at fair value through profit or loss.

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 $4,158 (2022: $4,223) 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 Group is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

3.3.1 Liquidity risk management

The Group's liquidity is managed and monitored by the Finance Division with guidance, where necessary, from the Board of Directors. The Group'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 Group's reputation. This includes:

- Daily monitoring of the Group'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 statement of financial position liquidity ratios against internal and regulatory requirements.

(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risks *...continued*

3.3 Liquidity risk *...continued*

3.3.1 Liquidity risk management *...continued*

- Managing the concentration and profile of debt maturities.

- Formalised arrangements with non-regional financial institutions to fund any liquidity needs that may arise.

3.3.2 Funding approach

Sources of liquidity are regularly reviewed to maintain a wide diversification of geography, currency, providers, products and terms. The Group holds a diversified portfolio of cash loans and investment securities to support payment obligations and contingent funding in a stressed market environment. The Group'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;
- Originated debts;
- Investment securities;
- Financial asset;
- Acceptances, guarantees and letters of credit; and
- Other assets.

(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risks *...continued*

3.3 Liquidity risk *...continued*

3.3.3 Cash flows

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

	Up to 1 month $	1 to 3 months $	3 to 12 months $	1 to 5 years $	Over 5 years $	Total $
As of June 30, 2023						
Financial liabilities						
Customers' deposits	1,810,758	214,846	981,914	–	–	3,007,518
Lease liabilities	52	104	470	431	19	1,076
Acceptances, guarantees and letters of credit	–	–	–	–	7,456	7,456
Other liabilities	241,580	16,516	–	–	–	258,096
Total financial liabilities	**2,052,390**	**231,466**	**982,384**	**431**	**7,475**	**3,274,146**
Assets held to manage liquidity risk	**1,941,123**	**124,671**	**236,913**	**644,402**	**706,908**	**3,654,017**
Net liquidity gap	**(111,267)**	**(106,795)**	**(745,471)**	**643,971**	**699,433**	**379,871**
As of June 30, 2022						
Financial liabilities						
Customers' deposits	1,691,503	218,259	954,797	–	–	2,864,559
Borrowings	21,164	–	–	–	–	21,164
Lease liabilities	67	134	602	770	39	1,612
Acceptances, guarantees and letters of credit	–	–	–	–	6,541	6,541
Other liabilities	263,989	13,299	–	–	–	277,288
Total financial liabilities	**1,976,723**	**231,692**	**955,399**	**770**	**6,580**	**3,171,164**
Assets held to manage liquidity risk	**2,042,929**	**82,964**	**274,678**	**541,376**	**589,402**	**3,531,349**
Net liquidity gap	**66,206**	**(148,728)**	**(680,721)**	**540,606**	**582,822**	**360,185**

(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risks *...continued*

3.3 Liquidity risk *...continued*

3.3.4 Off-balance sheet items

Loan commitments

The dates of the contractual amounts of the Group's off-balance sheet financial instruments that commit it to extend credit to customers and other facilities (note 31), are summarised in the table below.

As of June 30, 2023	**Up to 1 year $**	**1 to 3 years $**	**Over 3 years $**	**Total $**
Loan commitments	7,400	492	31,189	39,081
Credit card commitments	15,307	–	–	15,307
	22,707	**492**	**31,189**	**54,388**
As of June 30, 2022				
Loan commitments	8,823	88	45,287	54,198
Credit card commitments	14,002	–	–	14,002
	22,825	**88**	**45,287**	**68,200**

3.4 Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

To limit the Group's exposure of potential loss on an insurance policy, the Group ceded certain levels of risk to a reinsurer. The Group selects reinsurers which have a well-established capability to meet their contractual obligations, and which generally have high credit ratings.

For its property risks, the Group uses quota share and excess of loss catastrophe reinsurance treaties to obtain reinsurance coverage. Catastrophe reinsurance is obtained for multiple claims arising from one event or occurring within a specified time period. However, treaty limits may apply and may expose the insurer to further claims exposure.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefits payments exceed the carrying amount of the insurance liabilities. This could occur because of the frequency or severity of claims and if benefits payments are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate.

(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risks *...continued*

3.4 Insurance risk *...continued*

The concentration of insurance risk before and after reinsurance by risk category is summarised below, with reference to the carrying amount of the insurance liabilities (gross and net of reinsurance) arising from insurance contracts:

	Gross liability		**Reinsurers' share**		**Net liability**	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**
	$	**$**	**$**	**$**	**$**	**$**
St. Kitts	**8,742**	7,943	–	–	**8,742**	7,943
Nevis	**496**	577	–	–	**496**	577
Anguilla	**883**	873	–	–	**883**	873
	10,121	9,393	–	–	**10,121**	9,393
Health & Life	**4,398**	4,741	–	–	**4,398**	4,741
Liability	**270**	–	–		**270**	–
Motor	**5,160**	3,373	–	–	**5,160**	3,373
Property	**293**	1,279	–	–	**293**	1,279
	10,121	9,393	–	–	**10,121**	9,393

i) *Property insurance*

Property insurance contracts are underwritten using the following main risk categories: fire, business interruption, weather damage and theft.

Frequency and severity of claims
For property insurance contracts, climatic changes give rise to more frequent and severe extreme weather events (for example, flooding, hurricanes, earthquake, etc.), increase the frequency and severity of claims and their consequences. The Group manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

The Group has the right to re-price the risk on renewal. It also has the ability to impose deductibles and reject fraudulent claims. These contracts are underwritten by reference to the commercial replacement value of the properties and contents insured and claim payment limits are always included to cap the amount payable on occurrence of the insured event. Cost of rebuilding properties, of replacement or indemnity for contents and time taken to restart operations for business interruption are the key factors that influence the level of claims under these policies. The greatest likelihood of significant losses on these contracts arises from fire, hurricane, and earthquake damage. The Group has reinsurance cover for such damage to limit losses to $0.50 million (2022: $0.50 million) in any one occurrence, per individual property risk.

(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risks *...continued*

3.4 Insurance risk *...continued*

i) Property insurance ...continued

Sources of uncertainty in the estimation of future claim payments
Claims on property contracts are payable on a claims-occurrence basis. The Group is liable for all insured events that occurred during the term of the contract even if the loss is discovered after the end of the contract term. There are several variables that affect the amount and timing of cash flows from these contracts. The compensation paid on these contracts is the monetary awards granted for property damage caused by insured perils as stated in the contract of insurance.

The estimated costs of claims include direct expenses to be incurred in settling claims. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. Property claims are less sensitive as the shorter settlement period for these claims allows the Group to achieve a higher degree of certainty about the estimated cost of claims. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The liability for these contracts comprises a provision for incurred but not reported (IBNR) and a provision for reported claims not yet paid (outstanding claims) at the reporting date.

ii) Casualty insurance

The Group's casualty insurance is motor, marine and liability insurance.

Frequency and severity of claims
The frequency and severity of claims can be affected by several factors. The most significant is the number of cases coming to Court that have been inactive or latent for a long period of time. Estimated inflation is also a significant factor due to the long period required to settle these cases.

The Group manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Group has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of a fraudulent claim. Furthermore, the Group's strategy limits the total exposure to the Group only by the use of reinsurance treaty arrangements. The reinsurance arrangements include excess of loss cover. The effect of such reinsurance arrangements is that the Group should not suffer total net insurance loss of more than $0.50 million (2022: $0.50 million) per risk for casualty insurance.

Sources of uncertainty in the estimation of future claim payments
Claims on casualty contracts are payable on a claims-occurrence basis. The Group is liable for all insured events that occurred during the term of the contract even if the loss is discovered after the end of the contract term. As a result, casualty and financial risk claims are settled over a longer period of time. There are several variables that affect the amount and timing of cash flows from these contracts. These mainly relate to the inherent risks of the business activities carried out by individual contract holders and the risk management procedures they adopted. The compensation paid on these contracts is the monetary awards granted for bodily injury suffered by employees (for employers' liability covers). Such awards are lump-sum payments that are calculated as the present value of the lost earnings and rehabilitation expenses that the injured party will incur because of the accident.

(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risks *...continued*

3.4 Insurance risk *...continued*

ii) Casualty insurance ...continued

Sources of uncertainty in the estimation of future claim payments*...continued*
The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The liability for these contracts comprises a provision for incurred but not reported (IBNR) and a provision for reported claims not yet paid (outstanding claims) and a provision for unexpired risks at the reporting date. The Group's IBNR loss reserves are derived using paid loss development estimation method (triangular method). Each business classes' IBNR was calculated using claims data and loss history. The quantum of casualty claims is particularly sensitive to the level of Court awards and to the development of legal precedent on matters of contract and tort.

iii) Life insurance contracts

The Group is exposed to potential loss on its life insurance policies from the possibility that an insured event occurs. The Group has no reinsurance on its life insurance contracts. Hence, this risk is fully borne by the Group.

iv) Claims development

The Group employs loss (claims) development tables as a means of measuring actual claims compared with previous estimates. Claims are typically resolved within one year and are assessed on a case-by-case basis. The claims that tend to extend beyond one year are normally from the Accident line of business and to a lesser extent, the motor line.

(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risks *...continued*

3.4 Insurance risk *...continued*

iv) Claims development ...continued

The claims reserve for the individual event years at the respective reporting dates (gross) are as follows:

EC$	Event year											
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
Date	$	$	$	$	$	$	$	$	$	$	$	$
30/6/2013	7,911	–	–	–	–	–	–	–	–	–	–	7,911
30/6/2014	3,962	2,707	–	–	–	–	–	–	–	–	–	6,669
30/6/2015	2,771	358	3,385	–	–	–	–	–	–	–	–	6,514
30/6/2016	1,638	561	358	3,455	–	–	–	–	–	–	–	6,012
30/6/2017	1,142	380	212	256	3,244	–	–	–	–	–	–	5,234
30/6/2018	971	343	114	205	474	5,632	–	–	–	–	–	7,739
30/6/2019	115	331	61	145	417	1,102	4,146	–	–	–	–	6,317
30/6/2020	83	40	61	145	417	972	437	3,174	–	–	–	5,329
30/6/2021	83	40	19	145	342	816	719	680	4,253	–	–	7,097
30/6/2022	78	40	19	152	345	514	300	543	610	6,792	–	9,393
30/6/2023	–	70	19	10	73	488	222	492	639	986	7,122	10,121

Claims reserves are made up as follows (see note 18):

	$
Outstanding claims – Life	**807**
Outstanding claims – Non-life	**6,995**
Claims IBNR – Non-life	**2,319**
	10,121

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED

Notes to Consolidated Financial Statements

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(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risks *...continued*

3.5 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 31. 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.

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 fixed deposits. 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 to customers and originated debts represent the discounted amount of estimated future cash flow expected to be received. Expected cash flows are discounted at current market rate to determine fair value. Initial loan 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 are at rates which reflect market conditions, are assumed to have fair values which approximate carrying values.

v) Borrowings

The estimated fair value of 'borrowings' is the amount payable on demand.

vi) Acceptances, guarantees and letters of credit

Acceptances, guarantees and letters of credit are short-term in nature therefore fair value in this category is estimated to approximate carrying value.

(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risks *...continued*

3.5 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 Group's consolidated statement of financial position at their fair value.

	Carrying value		Fair value	
	2023	**2022**	**2023**	**2022**
	$	**$**	**$**	**$**
Financial assets				
Cash and balances with Central Bank	**225,874**	219,017	**225,874**	219,017
Treasury bills	**360,604**	71,253	**360,604**	71,253
Deposits with other financial institutions	**384,420**	564,479	**384,420**	564,479
Financial asset	**357,416**	360,794	**357,416**	360,794
Loans and advances to customers	**990,022**	964,589	**882,945**	914,994
Originated debts	**119,536**	154,211	**119,536**	154,211
Acceptances, guarantees and letters of credit	**7,456**	6,541	**7,456**	6,541
Other assets	**24,449**	19,824	**24,449**	19,824
	2,469,777	2,360,708	**2,362,700**	2,311,113
Financial liabilities				
Customers' deposits	**2,982,428**	2,839,826	**2,982,428**	2,839,826
Borrowings	–	21,164	–	21,164
Lease liabilities	**1,044**	1,549	**1,044**	1,549
Acceptances, guarantees and letters of credit	**7,456**	6,541	**7,456**	6,541
Other liabilities	**258,096**	277,288	**258,096**	277,288
	3,249,024	3,146,368	**3,249,024**	3,146,368

3.5.1 Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial and non-financial instruments 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. No transfers occurred between the levels of the securities during the year.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair values 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).

(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risks*...continued*

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

3.5.2 Fair value measurements of FVTPL and FVOCI investment securities

	Level 1 $	Level 2 $	Level 3 $	Total $
As of June 30, 2023				
Debt securities	248,234	–	4,347	252,581
Equities	875,772	2,525	53,362	931,659
	1,124,006	**2,525**	**57,709**	**1,184,240**
As of June 30, 2022				
Debt securities	45,844	–	5,496	51,340
Equities	1,057,696	17,270	44,335	1,119,301
	1,103,540	**17,270**	**49,831**	**1,170,641**

3.5.3 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 of June 30, 2023				
Land and buildings	–	–	**32,480**	**32,480**
As of June 30, 2022				
Land and buildings	–	–	33,167	33,167

The fair value of the Group's land and buildings included in property, plant and equipment 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.

3.6 Capital management

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

- To comply with the capital requirement set by the Central Bank;
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by the Group's management, employing techniques based on the guidelines developed by the Central Bank for supervisory purposes.

(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risks *...continued*

3.6 Capital management *...continued*

In addition, there are also capital requirements for the insurance business based on the Insurance Act No. 8 of 2009. According to the Act, the required paid-up capital is $2,000 (2022: $2,000). The Group has met this capital requirement for its insurance business.

The Central Bank requires each Bank or Banking group to: (a) hold the minimum level of the regulatory capital of $20,000 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 commercial 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.
- 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 below 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 to which it must comply.

	2023 **$**	**2022** **$**
Tier 1 capital		
Issued share capital	**141,750**	141,750
Share premium	**3,877**	3,877
Issued bonus shares from capitalisation of unrealised assets revaluation gain reserve	**(4,500)**	(4,500)
Reserves	**406,363**	402,828
Add fair value reserves – FVOCI	**3,709**	7,703
Less revaluation reserve	**(21,297)**	(21,296)
Accumulated deficit	**(124,979)**	(168,581)
Total qualifying tier 1 capital	**404,923**	361,781
Tier 2 capital		
Fair value reserves – FVOCI	**(3,709)**	(7,703)
Revaluation reserve	**21,297**	21,296
Bonus shares capitalisation	**4,500**	4,500
Total qualifying tier 2 capital	**22,088**	18,093
Investment in subsidiaries	**(23,633)**	(24,246)
Total regulatory capital	**403,378**	355,628

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3 Management of financial and insurance risks *...continued*

3.6 Capital management *...continued*

	2023 $	2022 $
Risk-weighted assets:		
On-balance sheet	**1,926,678**	1,980,867
Off-balance sheet	**54,803**	58,228
Total risk-weighted assets	**1,981,481**	2,039,095
Tier 1 capital ratio	**20%**	18%
Basel ratio	**20%**	17%

With respect to its insurance line of business, the Group's objectives when managing capital are:

- To comply with the insurance capital requirements required by the regulators of the insurance markets where the Group operates;
- To safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders; and
- To provide an adequate return to shareholders by pricing insurance commensurately with the level of risk.

The Group manages its capital to ensure that it will be able to continue as a going concern and to satisfy regulators' capital requirements. The capital structure comprises equity, comprising issued share capital, reserves and retained earnings.

The capital requirement in accordance with the Insurance Act No.8 of 2009 for insurance companies conducting life and general business is paid up capital of $2,000. The insurance subsidiary has issued and fully paid-up capital of $10,000 and has met the criteria of the Insurance Act.

In St. Kitts and Nevis, the solvency criteria prescribed by section 54 (c) of the Insurance Act 2009 states that in the case of a registered insurance company carrying on both long-term insurance and general insurance business, shall be deemed to be insolvent, if the excess of its total assets over its total liabilities is less than the greater of the following amounts:

i) $500 or 20% of its premium income in respect of the general insurance business in its last preceding financial year and,
ii) 5% of the life liability.

	2023 $	2022 $
20% of net premium income of the preceding year (2022: $30,726; 2021: $31,622)	**6,145**	6,324
5% of life liability (2023: $92,829,435; 2022: $89,171,596)	**4,641**	4,459
5% of life liability (2023: $92,829,435; 2022: $89,171,596)	**10,786**	10,783

(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risks *...continued*

3.6 Capital management *...continued*

Compliance with minimum margin of solvency of the insurance subsidiary is determined as follows:

	2023 $	2022 $
Total assets of St. Kitts and Nevis operations	**306,646**	295,681
Total liabilities of St. Kitts and Nevis operations	**(196,028)**	(188,602)
Margin of solvency	**110,618**	107,079
Required minimum margin of solvency	**(10,787)**	(10,783)
Margin of solvency in excess of requirement	**99,831**	96,296

The margin of solvency was met and exceeded by the insurance subsidiary in 2023 and 2022 in accordance with the regulations of St. Kitts and Nevis.

In Anguilla, the solvency criteria is prescribed by section 8 (13) of the Insurance Act 2004. An operating entity is considered insolvent if total admissible assets less total liabilities is less than the minimum margin of solvency. The required minimum margin of solvency is stated as 20% of EC$13,441 with an additional requirement of 10% applied to the portion of net premiums in excess of EC$13,441.

Compliance with minimum margin of solvency of the insurance subsidiary is determined as follows:

	2023 $	2022 $
Total assets	**327,177**	314,714
Assets not allowed	**(4,678)**	(4,589)
Total liabilities	**(211,727)**	(202,232)
Margin of solvency	**110,772**	107,893
Required minimum margin of solvency	**(5,699)**	(5,521)
Margin of solvency in excess of requirement	**105,073**	102,372

The margin of solvency was met and exceeded by the insurance subsidiary in 2023 and 2022 in accordance with the regulations of Anguilla.

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(expressed in thousands of Eastern Caribbean dollars)

4 Critical accounting estimates and judgements

The Group's consolidated 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 consolidated 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 Group 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 Group'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 Group 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 Group 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 Group considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument.

In addition, IFRS 9 emphasizes 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 Group 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 Group can explain the reasons for those sales and why those sales do not reflect a change in the Group's objective for the business model.

(expressed in thousands of Eastern Caribbean dollars)

4 Critical accounting estimates and judgements *...continued*

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 Group 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. To the extent that the net present value of estimated cash flows differs by +/-5%, the provision for loans and advances to customers would be estimated as $2,955 lower or $5,405 higher (2022: $8,500 lower or $8,888 higher).

iv) Estimate of insurance actuarial liabilities

The Group issues whole life, limited payment life, endowment, term insurance, health and medical insurance policies. The estimation of the actuarial liabilities arising under these insurance contracts is dependent on estimates made by the Group. The estimate is subject to several sources of uncertainty that need to be considered in determining the future benefit payments.

i. Mortality – Estimates are made as to the expected number of deaths for each of the years in which the Group is exposed to the risk. The Group bases these estimates on the UK A67/70 for assured lives. For contracts that insure the risk of longevity, appropriate but not excessively prudent allowance is made for expected mortality improvements. The estimated number of deaths determines the value of the benefit payments. An increase in the rate of mortality will lead to a larger number of claims, resulting in lower income. Were the mortality rate to differ by +/-10% from management’s estimate, the actuarial liabilities would decrease by approximately $6,049 or increase by approximately $5,041.

ii. Discount rate – Estimates are also made as to the discount rate use in the valuation of the insurance plans to determine the actuarial liabilities. A net rate of 3.4% (2022: 3.4%) was used as the discount rate in the valuation of insurance plans having a reversionary bonus, which is used to distribute profits to the policies. A net rate of 4.15% (2022: 4.15%) is used in the valuation for plans which do not participate in profits. Were the discount rate to differ by +/-50 basis points from management’s estimate, the actuarial liabilities would decrease by approximately $8,904 or increase by approximately $14,134.

(expressed in thousands of Eastern Caribbean dollars)

4 Critical accounting estimates and judgements *...continued*

v) Estimate of outstanding claims

The estimation of the ultimate liability arising from claims incurred under property and casualty insurance contracts is subject to several sources of uncertainty that need to be considered in determining the amount that the insurer will ultimately pay for such claims. Provisions are made at the year-end for the estimated cost of claims incurred but not settled at the reporting date, including the cost of claims incurred but not yet reported to the Group. The estimated cost of claims includes expenses to be incurred in settling claims and a deduction for the expected value of salvage and other recoveries. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. These are determined based upon previous claims experience, knowledge of events and the terms and conditions of the relevant policies and on interpretation of circumstances. Particularly relevant is experience with similar cases and historical payment trends. The approach also includes the consideration of the development of loss payment trends, the levels of unpaid claims, legislative changes, judicial decisions, economic conditions, and changes in medical condition of claimants.

The estimation of the ultimate liability arising from claims incurred under property and casualty insurance contracts is subject to several sources of uncertainty that need to be considered in determining the amount that the insurer will ultimately pay for such claims. Provisions are made at the year-end for the estimated cost of claims incurred but not settled at the reporting date, including the cost of claims incurred but not yet reported to the Group. The estimated cost of claims includes expenses to be incurred in settling claims and a deduction for the expected value of salvage and other recoveries. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. These are determined based upon previous claims experience, knowledge of events and the terms and conditions of the relevant policies and on interpretation of circumstances. Particularly relevant is experience with similar cases and historical payment trends. The approach also includes the consideration of the development of loss payment trends, the levels of unpaid claims, legislative changes, judicial decisions, economic conditions and changes in medical condition of claimants.

However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

The estimation of claims incurred but not reported (“IBNR”) is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Group, where more information about the claim event is generally available. Claims IBNR may often not be apparent to the insurer until many years after the event giving rise to the claims has happened.

If the IBNR rates were adjusted by +/-1%, the change in the statement of comprehensive income would be to decrease or increase reported profits by approximately -/+$102.

Management engages loss adjusters and independent actuaries, either to assist in making or to confirm the estimate of claim liabilities. The ultimate liability arising from claims incurred under property and casualty insurance contracts may be mitigated by recovery arising from reinsurance contracts held.

vi) 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 Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group

(expressed in thousands of Eastern Caribbean dollars)

4 Critical accounting estimates and judgements *...continued*

vi) Pension benefits ...continued

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 34.

vii) 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 Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the 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

	Note	2023 $	2022 $
Cash on hand		**22,176**	18,606
Balances with Central Bank other than mandatory deposits		**23,889**	30,653
Included in cash and cash equivalents	**33**	**46,065**	49,259
Mandatory deposits with Central Bank		**179,809**	169,758
		225,874	219,017

The Group 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 Group's collateral amount held with the Central Bank at June 30, 2023 amounted to $13,566 (2022: $10,022).

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 Group's day-to-day operations.

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

(expressed in thousands of Eastern Caribbean dollars)

6 Treasury bills

	2023 $	2022 $
Treasury Bills – Federal Government of the USA	**285,971**	–
Treasury bills – Government of St Kitts & Nevis	**71,376**	70,844
Interest receivable	**3,320**	421
Treasury bills, gross	**360,667**	71,265
Less: provision for expected credit losses	**(63)**	(12)
Total treasury bills, net	**360,604**	71,253

Treasury bills are held with the Government of Saint Kitts and Nevis and the Federal Government of the United States of America with original terms to maturity of 90 days to one year. The treasury bills included in cash and cash equivalents as at June 30, 2023 amounted to $13,819 (2022: $13,282) (see note 33). Interest on treasury bills is accrued at interest rates ranging from 2.75% to 5.15% (2022: 4.0%).

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

	2023 $	2022 $
Balance at beginning of year	**71,253**	70,708
Additions	**692,955**	70,843
Disposals (sales/redemptions)	**(406,452)**	(70,334)
Impairment (losses)/recoveries during the year, net	**(51)**	29
Movement of interest receivable	**2,899**	7
Balance at end of year	**360,604**	71,253

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

	2023 $	2022 $
Balance at beginning of year	**12**	41
Expected credit losses/(recoveries) during the year, net	**51**	(29)
Balance at end of year	**63**	12

(expressed in thousands of Eastern Caribbean dollars)

7 Deposits with other financial institutions

	Note	2023 $	2022 $
Operating cash balances		**288,225**	273,227
Interest bearing term deposits		**15,968**	205,255
Items in the course of collection		**5,776**	8,488
Included in cash and cash equivalents	**33**	**309,969**	486,970
Interest bearing term deposits		**27,364**	32,329
Restricted term deposits		**46,228**	44,872
		383,561	564,171
Interest receivable		**931**	947
Total deposits with other financial institutions, gross		**384,492**	565,118
Less: provision for expected credit losses		**(72)**	(639)
Total deposits with other financial institutions, net		**384,420**	564,479
Current		**338,192**	519,607
Non-current		**46,228**	44,872
		384,420	564,479

The operating balances are zero-interest bearing (2022: 0%). The amounts held in these accounts are to facilitate the short-term commitments and day-to-day operations of the Group.

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

Interest earned on restricted term deposits is credited to the consolidated statement of income. The effective interest rate on 'Deposits with other financial institutions' at June 30, 2023 was 1.19% (2022: 2.45%).

Interest bearing term deposits are interest bearing which earn interest at a rate of 1.50% to 4.85% per annum (2022: 1.05% to 3.35%) and have original terms of maturity of 180 days to one year ending within the period July 7, 2023 to June 29, 2024 (2023: July 11, 2022 to June 29, 2023).

The movement in expected credit losses is as follows:

	2023 $	2022 $
Balance at beginning of year	**639**	141
Expected credit (recoveries)/losses during the year, net	**(567)**	498
Balance at end of year	**72**	639

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8 Loans and advances to customers

	2023 $	2022 $
Performing		
Demand	**425,234**	401,041
Mortgages	**135,076**	134,187
Other secured	**23,234**	23,743
Overdrafts	**11,981**	17,430
Credit cards	**10,340**	9,233
Consumer	**7,693**	5,744
Under-performing		
Demand	**1,568**	5,257
Mortgages	**2,615**	2,351
Other secured	**18**	12
Credit cards	**360**	455
Consumer	**152**	158
Non-performing	**404,046**	443,865
Interest receivable	**1,604**	1,920
Total loans and advances to customers, gross	**1,023,921**	1,045,396
Less: provision for expected credit losses	**(33,899)**	(80,807)
Total loans and advances to customers, net	**990,022**	964,589
Current	**354,589**	349,678
Non-current	**635,433**	614,911
	990,022	964,589

The weighted average effective interest rate on performing loans and advances excluding overdrafts at June 30, 2023 was 5.85% (2022: 5.78%) and on overdrafts was 6.51% (2022: 5.80%).

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

	Note	2023 $	2022 $
Balance at beginning of year		**80,807**	72,593
Expected credit losses during the year, net	**26**	**1,304**	8,239
Write offs		**(48,212)**	(25)
Balance at end of year		**33,899**	80,807

(expressed in thousands of Eastern Caribbean dollars)

9 Originated debts

	2023 $	2022 $
Local sovereign bonds	**24,761**	23,731
Regional sovereign bonds	**48,442**	49,155
International corporate bond	**45,944**	80,454
	119,147	153,340
Interest receivable	**754**	958
Total originated debts, gross	**119,901**	154,298
Less: provision for expected credit losses	**(365)**	(87)
Total originated debts, net	**119,536**	154,211
Current	**21,215**	79,768
Non-current	**98,321**	74,443
	119,536	154,211

Originated debts are bonds held with sovereigns in the Eastern Caribbean Currency Union (ECCU), bonds in a regional financial institution and international financial institutions.

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% (2022: 1.50% – 6.75%). Bonds have remaining terms to maturity ranging from within one month – 34 years (2022: within three months – 35 years) and will mature between July 18, 2023 and April 18, 2057 (2022: September 10, 2022 and April 18, 2057) and pay semi-annual coupon interest payments until maturity.

b) International corporate bond

The Bank holds various bonds with Wells Fargo which are denominated in United States Dollars and which yield interest rates ranging from 3.0% to 5.75% (2022: 1.9%). The bonds have maturity dates ranging from December 23, 2024 – June 15, 2026 (2022: September 29, 2022 – June 9, 2025).

c) 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.

By April 28, 2010, the Bank had placed total deposits of $32,000 with ABIB. On May 7, 2010, these deposits, along with an additional $6,710 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.

(expressed in thousands of Eastern Caribbean dollars)

9 Originated debts *...continued*

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

On July 22, 2011, the 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 the ECCB of the total outstanding amounts of the COP, 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 intended 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 amounted to $36,243. All of the COP have matured and are past due. A decision was made and approved by the Board of Directors to have the COP which amounted to $36,243 written-off at the end of the financial year ended June 2022. As at June 30, 2023, the Bank's financial statements no longer show an interest under COP.

The Bank will continue to pursue its entitlement under the COP 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 anticipate an eventual settlement.

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

	Note	2023 $	2022 $
Balance at beginning of year		**154,211**	110,312
Additions		**45,353**	121,902
Disposals (sales/redemptions)		**(79,546)**	(42,215)
Direct write-offs during the year	26	**–**	(36,243)
Expected credit (loss)/recoveries during the year, net		**(278)**	194
Movement in interest receivable		**(204)**	261
Balance at end of year		**119,536**	154,211

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

	2023 $	2022 $
Balance at beginning of year	**87**	281
Expected credit loss/(recoveries), net	**278**	(194)
Balance at end of year	**365**	87

(expressed in thousands of Eastern Caribbean dollars)

10 Investment securities

	2023 $	2022 $
FVTPL		
Equity investments	**910,821**	1,104,352
Debt investments	**2,625**	3,814
	913,446	1,108,166
FVOCI – equity securities		
Quoted equity investments	**11,970**	5,828
Unquoted equity investments	**8,868**	9,121
	20,838	14,949

	2023 $	2022 $
FVOCI – debt securities		
Quoted corporate bonds	**172,861**	42,238
Quoted sovereign bonds	**50,570**	4,871
Government sponsored enterprise debentures	**15,333**	–
Certificates of deposits	**8,447**	–
Interest receivable	**2,745**	417
Total debt securities – FVOCI	**249,956**	47,526
Total investment securities	**1,184,240**	1,170,641
Current	**934,132**	1,108,585
Non-current	**250,108**	62,056
Total investment securities	**1,184,240**	1,170,641

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

	FVTPL $	Equity securities – FVOCI $	Debt securities – FVOCI $	Total $
Balance as at June 30, 2022	1,108,166	14,949	47,526	1,170,641
Additions	270,037	3,869	305,825	579,731
Disposals (sales/redemptions)	(543,233)	(3,869)	(105, 310)	(652, 412)
Fair value gains on disposal of investment securities	46,436	–	628	47,064
Fair value (losses)/gains on existing securities	32,040	5,889	(1,041)	36,888
Movement of interest receivable	–	–	2,328	2,328
Balance as at June 30, 2023	**913,446**	**20,838**	**249,956**	**1,184,240**

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10 Investment securities *...continued*

	FVTPL $	Equity securities – FVOCI $	Debt securities – FVOCI $	Total $
Balance as at June 30, 2021	1,270,726	36,903	43,623	1,351,252
Additions	723,585	–	22,420	746,005
Disposals (sales/redemptions)	(567,334)	(29,841)	(13,568)	(610,743)
Fair value gains/(losses) on disposal of investment securities	51,785	(9,123)	(450)	42,212
Fair value (losses)/gains on existing securities	(370,596)	17,010	(4,286)	(357,872)
Movement of interest receivable	–	–	(213)	(213)
Balance as at June 30, 2022	**1,108,166**	**14,949**	**47,526**	**1,170,641**

Borrowings – line of credit

The Bank has an operating line of credit with one of its investment custodians, Raymond James, to facilitate investment transactions. As at the reporting date, the line of credit was not used and as such had a zero balance as the outstanding balance held at June 2022 was repaid during the financial year (2022: $21,164). The line of credit has a limit of US$50 million or EC$135,130,000 and bears interest at a rate of 6% (2022: 1.5%).

i) FVTPL – quoted debt and equity instruments

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

ii) FVOCI – equity instruments

The Group maintains certain equity instruments which are quoted and unquoted. The instruments are denominated in USD and XCD currency. The Group 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.

Unquoted equity instruments

For unquoted securities, the Group undertakes a fair value assessment at each reporting date to assess the gains or losses attributable to such assets. During the financial year, net fair value losses related to financial assets in equity securities which are not trading in an active market amounted to $253 (2022: $ nil).

Fair value hedge

During the year, the Group purchased a fair value hedge instrument to minimise price risk exposures with respect to the fair value of certain equity instruments which were quoted. The hedge instrument was exchange-traded and was acquired on February 9, 2023, and will expire on July 21, 2023. The Group is exposed to credit risk on the hedge instrument only to the extent of its carrying amount, which is the fair value.

(expressed in thousands of Eastern Caribbean dollars)

10 Investment securities *...continued*

ii) FVOCI – equity instruments ...continued

Fair value hedge ...continued

Carrying amount of hedge instrument was allocated as follows:

	As at June 30, 2023 $	Change in fair value $
FVTPL – equity instruments	**235,349**	(10,488)
FVOCI – equity instruments	**2,696**	(109)
Total	**238,045**	**(10,597)**

	As at June 30, 2023 $	Change in fair value $
FVTPL – equity instruments	**802,545**	(864)
FVOCI – equity instruments	**9,193**	2,458
Total	**811,738**	**1,594**

The Group assessed the hedge effectiveness as at June 30, 2023 to be 29%. The strike price of the hedge is $10.

The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market prices. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

i) FVOCI – debt securities – quoted corporate and sovereign bonds

The Group has certain investment securities which comprise of quoted corporate and sovereign fixed rate bonds. Bonds have coupon rates of 0.125% to 9.375% (2022: 0.125% to 7.375%); whilst, the effective interest rate for these bonds ranges from 0.5% to 11.25% (2022: 0.5% to 11.85%). Bonds have a maximum term of ten (10) years and will mature between July 2023 and March 2032 and pay semi-annual coupon interest payments until maturity. As at June 30, 2023, the fair values of these amounted to $249,956 (2022: $47,526).

ii) Government sponsored enterprise debentures

The Group has certain debt instruments in government sponsored enterprises of the Federal Government of the United States of America. The bonds have maturity dates ranging from October 2023 to December 2037. The bonds have coupon rates of 4.87% to 6.23%.

iii) Certificates of deposits

The Group has certificates of deposits with various financial institutions based in United States and Canada. The certificates of deposits have maturity dates ranging from May 2025 – July 2027. The certificates of deposits have coupon rates of 1.73% to 3.50%.

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11 Property inventory

Property inventory relates mainly to land and buildings held for sale by certain companies within the Group and, is measured at the lower of cost and net realisable value.

	2023 $	2022 $
Cost	**8,783**	8,783
Net realisable value	**8,565**	8,565

12 Investment property

	2023 $	2022 $
Land at Camps	**2,021**	2,021
Land at Brighton	**2,019**	2,019
	4,040	4,040

All of the Group's investment property is held under freehold interests. The estimated fair market value of the investment property is $4,355 based on an independent valuation that was performed in 2020.

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(expressed in thousands of Eastern Caribbean dollars)

13 Property and equipment

	Land and Buildings $	Equipment, furniture and fittings $	Motor vehicles $	Reference books $	Projects ongoing $	Total $
At June 30, 2021						
Cost or valuation	34,870	24,074	1,560	161	1,377	62,042
Accumulated depreciation	(1,880)	(20,950)	(899)	(160)	–	(23,889)
Net book value	**32,990**	**3,124**	**661**	**1**	**1,377**	**38,153**
Year ended June 30, 2022						
Opening net book value	32,990	3,124	661	1	1,377	38,153
Additions	864	716	307	–	32	1,919
Disposals	–	(1,147)	(196)	–	–	(1,343)
Depreciation charge	(687)	(953)	(221)	–	–	(1,861)
Write-back on disposals	–	1,147	196	–	–	1,343
Closing net book value	**33,167**	**2,887**	**747**	**1**	**1,409**	**38,211**
At June 30, 2022						
Cost or valuation	35,734	23,643	1,671	161	1,409	62,618
Accumulated depreciation	(2,567)	(20,756)	(924)	(160)	–	(24,407)
Net book value	**33,167**	**2,887**	**747**	**1**	**1,409**	**38,211**

(expressed in thousands of Eastern Caribbean dollars)

13 Property and equipment *...continued*

	Land and Buildings $	Equipment, furniture and fittings $	Motor vehicles $	Reference books $	Projects ongoing $	Total $
Year ended June 30, 2023						
Opening net book value	33,167	2,887	747	1	1,409	38,211
Additions	–	2,413	592	–	–	3,005
Disposals	–	–	(403)	–	(919)	(1,322)
Depreciation charge	(687)	(1,155)	(254)	–	–	(2,096)
Write-back on disposals	–	–	198	–	–	198
Closing net book value	**32,480**	**4,145**	**880**	**1**	**490**	**37,996**
At June 30, 2023						
Cost or valuation	35,734	26,056	1,860	161	490	64,301
Accumulated depreciation	(3,254)	(21,911)	(980)	(160)	–	(26,305)
Net book value	**32,480**	**4,145**	**880**	**1**	**490**	**37,996**

(expressed in thousands of Eastern Caribbean dollars)

13 Property and equipment *...continued*

In 2020, the Group's land and buildings 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 'revaluation reserve' in shareholders' equity.

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

	Land $	Buildings $	Total $
At June 30, 2023			
Cost	4,656	17,935	22,591
Accumulated depreciation	–	(8,236)	(8,236)
Net book value	**4,656**	**9,699**	**14,355**
At June 30, 2022			
Cost	4,656	17,935	22,591
Accumulated depreciation	–	(7,700)	(7,700)
Net book value	**4,656**	**10,235**	**14,891**

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(expressed in thousands of Eastern Caribbean dollars)

14 Intangible assets

	Computer software licenses $
At June 30, 2021	
Cost	8,448
Accumulated amortisation	(8,027)
Net book value	**421**
Year ended June 30, 2022	
Opening net book value	421
Additions	258
Amortisation charge	(289)
Closing net book value	**390**
At June 30, 2022	
Cost	8,706
Accumulated amortisation	(8,316)
Net book value	**390**
Year ended June 30, 2023	
Opening net book value	390
Additions	885
Amortisation charge	(205)
Closing net book value	**1,070**
At June 30, 2023	
Cost	9,591
Accumulated amortisation	(8,521)
Net book value	**1,070**

(expressed in thousands of Eastern Caribbean dollars)

15 Leases

The Group leases properties and equipment for its operations with lease terms ranging from 3 to 10 years. The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets.

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

i) Amounts recognised in the consolidated statement of financial position:

Right-of-use assets	**$**
Cost	2,973
Accumulated depreciation	(1,091)
Balance as at June 30, 2021	**1,882**
Year ended June 30, 2022	
Opening net book value	1,882
Additions	499
Depreciation charge	(863)
Closing net book value	**1,518**
Cost	3,472
Accumulated depreciation	(1,954)
Balance as at June 30, 2022	**1,518**
Year ended June 30, 2023	
Opening net book value	1,518
Additions	647
Depreciation charge	(1,143)
Closing net book value	**1,022**
Cost	4,119
Accumulated depreciation	(3,097)
Balance as at June 30, 2023	**1,022**

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Notes to Consolidated Financial Statements

June 30, 2023

(expressed in thousands of Eastern Caribbean dollars)

15 Leases *...continued*

i) Amounts recognised in the consolidated statement of financial position:...continued

	Note	2023 $	2022 $
Lease liabilities			
Balance at beginning of year		**1,549**	1,909
Additions		**647**	499
Interest expense	**22**	**45**	50
Lease payments		**(1,197)**	(909)
Balance at end of year		**1,044**	1,549
Current		**610**	769
Non-current		**434**	780
		1,044	1,549

ii) Amounts recognised in the consolidated statement of financial position:

	2023 $	2022 $
Depreciation charge on right-of-use assets	**1,143**	863
Interest expense on lease liabilities	**45**	50
	1,188	913

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

(expressed in thousands of Eastern Caribbean dollars)

15 Leases *...continued*

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

June 30, 2023 **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	14	6	3	11	11
Storage facilities	2	Less than 1 year	Less than 1 year	2	1
IT Equipment	8	Less than 1 year	Less than 1 year	8	–

June 30, 2022 **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	11	Up to 7 years	5.5 years	8	9
Storage facilities	2	Up to 1 year	1 year	2	1
IT Equipment	8	Up to 1.5 years	1.5 year	8	–

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

	Within 1 year $	**1 – 2 years $**	**2 – 3 years $**	**3 – 4 years $**	**4 – 5 years $**	**After 5 years $**	**Total $**
June 30, 2023							
Lease payments	626	222	144	42	23	19	1,076
Finance charges	(16)	(9)	(4)	(2)	(1)	–	(32)
Net present values	**610**	**213**	**140**	**40**	**22**	**19**	**1,044**
June 30, 2022							
Lease payments	803	431	199	121	19	39	1,612
Finance charges	(34)	(16)	(8)	(3)	(1)	(1)	(63)
Net present values	**769**	**415**	**191**	**118**	**18**	**38**	**1,549**

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15 Leases *...continued*

Lease payments not recognised as a liability

The Group 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.

16 Other assets

	Note	2023 $	2022 $
Insurance and other receivables, gross		**27,530**	28,081
Provision for expected credit losses		**(757)**	(757)
Insurance and other receivables, net		**26,773**	27,324
Acceptances, guarantees and letters of credit		**7,456**	6,541
Net defined benefit asset	34	**17,708**	17,822
Prepayments		**8,872**	3,555
Stationery and card stock		**843**	953
		61,652	56,195
Current		**38,207**	32,636
Non-current		**23,445**	23,559
		61,652	56,195

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

	2023 $	2022 $
Opening provision for expected credit losses	**757**	5,683
Impairment recoveries, net	**–**	(4,926)
Ending provision for expected credit losses	**757**	757

(expressed in thousands of Eastern Caribbean dollars)

17 Customers' deposits

	2023 $	2022 $
Fixed deposit accounts	**1,236,620**	1,224,802
Direct demand accounts	**997,995**	864,896
Savings accounts	**674,145**	621,727
Call accounts	**61,208**	116,222
	2,969,968	2,827,647
Interest payable	**12,460**	12,179
	2,982,428	2,839,826
Current	**2,982,428**	2,839,826
Non-current	**–**	–
	2,982,428	2,839,826

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

The Group pays interest on all categories of customers' deposits except demand deposits. At the reporting date, total interest expense on customers' deposit accounts for the year amounted to $47,911 (2022: $50,591). The average effective rate of interest paid on customers' deposits was 1.83% (2022: 1.85%).

18 Provisions, creditors and accruals

	2023 $	2022 $
Actuarial liabilities	**105,960**	101,328
Deposit pension funds	**64,160**	60,381
Suspense liabilities	**35,869**	66,807
Other payables	**32,594**	29,175
Insurance contract liabilities	**27,533**	29,778
Unpaid drafts on other banks	**2,697**	3,338
Managers' cheques and banker's payments	**2,319**	1,799
	271,132	292,606
Current	**206,972**	232,225
Non-current	**64,160**	60,381
	271,132	292,606

(expressed in thousands of Eastern Caribbean dollars)

18 Provisions, creditors and accruals *...continued*

Actuarial liabilities

Actuarial liabilities comprise the reserves maintained for the Group's individual life insurance business. The actuarial liabilities are calculated using the Net Level Premium (NLP) reserve method. This reserve method is a net premium reserve method that does not use lapse rates or expenses.

	2023 $	2022 $
Whole life plans	**90,046**	86,486
Endowment plans	**9,426**	8,816
Limited payment life plans	**5,310**	4,812
Other plans	**1,178**	1,214
Total actuarial liabilities	**105,960**	101,328

The actuarial liabilities are largely backed by short-term deposits, cash and treasury bills. The valuation rate for insurance plans is based on an expected ultimate short-term (one year or less) reinvestment rate assumption. Non-participating plans use an ultimate rate of 4.15% (2021: 4.15%). A spread of 0.75% is deducted for the plans with reversionary bonuses in support of bonus payments for a net rate of 3.4% (2022: 3.4%).

Deposit pension funds

	2023 $	2022 $
Contributions	**3,130**	2,715
Interest	**2,342**	2,237
	5,472	4,952
Less expenses		
Group pension benefits	**158**	145
Management expenses	**1,535**	1,722
	1,693	1,867
Surplus for the year	**3,779**	3,085
Funds at beginning of year	**60,381**	57,296
Funds at end of year	**64,160**	60,381

The deposit pension funds represent pension funds which the Group manages for its employees and certain other entities. The funds provide a guaranteed minimum rate of 4% (2022: 4%). The fund balance represents the amount standing on account of the contributors to the fund and those liabilities are supported by term deposits and treasury bills.

(expressed in thousands of Eastern Caribbean dollars)

18 Provisions, creditors and accruals *...continued*

Insurance contract liabilities

The insurance contract liabilities primarily relate to the non-life insurance business and are comprised of the following:

	2023 $	2022 $
Life		
Outstanding claims	**807**	1,407
Non-life		
Unexpired risks	**13,036**	13,839
Reinsurance premiums payable	**4,376**	5,067
Outstanding claims	**6,995**	5,429
IBNR	**2,319**	2,557
Premiums received in advance	**–**	1,479
	26,726	28,371
	27,533	29,778

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19 Taxation

In 2020, as part of the COVID-19 stimulus package, the Government of St. Kitts and Nevis granted a reduction in the corporate income tax rate from 33% to 25% on the assessable income for businesses that retain at least 75% of their employees. This temporary reduction resulted in an effective tax rate of 25% (2022: 25%) for the year. The exemption period expires on December 31, 2023.

	2023 $	2022 $
Net income/(loss) before tax	**32,550**	(304,789)
Tax expense/(credit) at effective tax rate of 25% (2022: 25%)	**8,138**	(76,197)
Non-deductible expenses and other permanent differences	**9,268**	8,465
Deferred tax movement not recorded	**253**	73,080
Income not subject to tax	**(4,920)**	(4,803)
Prior year's deferred income tax	**(5,233)**	(276)
Movement in deferred tax recognised during the year	**(17,323)**	–
Tax credit from discounted interest on government loans	**(7,316)**	(8,845)
Income tax credit	**(17,133)**	(8,576)
Represented as follows:		
Current year's income tax expense/(credit)	**5,933**	(94)
Prior year income tax expense overstated	**(67)**	(2)
Tax credit from discounted interest on government loans	**(7,316)**	(8,845)
	(1,450)	(8,941)
Deferred tax (credit)/expense	**(15,683)**	365
Income tax credit	**(17,133)**	(8,576)

During the year, the Group incurred realised losses of $nil (2022: $9,123) on FVOCI equity securities held by the Bank, with a tax benefit of $nil (2022: $2,281). In 2022, the Bank was in a tax loss position, and therefore the tax benefit recognised directly in retained earnings in the amount of $2,281 represented a deferred tax benefit. In 2023, the Bank was in a taxable income position and utilised the deferred tax asset that was recognised in 2022, related to the realised losses on the FVOCI equity securities.

(expressed in thousands of Eastern Caribbean dollars)

19 Taxation *...continued*

Deferred tax asset/(liability)

The net deferred tax asset/(liability) is comprised as follows:

	2023 $	2022 $
Items recognised in profit or loss:		
Accelerated depreciation	**1,180**	1,208
Unutilised capital cost allowances	**–**	456
Tax losses carried forward	**17,325**	–
Net defined benefit asset	**(4,573)**	(3,415)
	13,932	(1,751)
Items recognised directly in other comprehensive income:		
Unrealised losses on FVOCI securities	**3,196**	5,102
Revaluation of buildings	**(1,849)**	(1,849)
Unutilised tax loss on realised losses on FVOCI equity securities	**–**	2,281
Net defined benefit asset	**(1,271)**	(1,753)
	76	3,781
	14,008	2,030
Comprised as follows on the consolidated statement of financial position:		
Deferred tax asset	**17,805**	5,387
Deferred tax liability	**(3,797)**	(3,357)
	14,008	2,030

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

	2023 $	2022 $
Balance at beginning of year	**2,030**	398
Movement in net unrealised losses on investment securities	**(1,906)**	(1,049)
Utilisation of tax losses on prior year's realised losses on FVOCI equity securities	**(2,281)**	–
Deferred tax movement for pension asset in profit and loss	**(1,158)**	(623)
Movement in decelerated depreciation	**(28)**	(198)
Unutilised capital cost allowances	**(456)**	456
Unutilised tax losses	**17,325**	2,281
Movement in re-measurement of defined benefit asset	**482**	765
Balance at end of year	**14,008**	2,030

(expressed in thousands of Eastern Caribbean dollars)

19 Taxation *...continued*

Income tax payable

The movement in the income tax payable is as follows:

	2023 $	2022 $
Balance at beginning of year	**188**	13,460
Current tax expense for the year	–	121
Transfer of advance tax overpayment to tax recoverable	–	3,492
Payment previously applied to tax recoverable reclassified	–	(948)
Prior year over-provision in tax payable	**(67)**	(1)
Current year's tax liability (limited to 20%)	**1,047**	–
Taxes paid during the year	**(38)**	(15,936)
Balance at end of year	**1,130**	188

Tax losses

The Group has incurred income tax losses amounting to $283,829 (2022: $303,924) which may be carried forward and applied to reduce taxable income by an amount not exceeding one half of taxable income in any one year of assessment within 5 years following the year in which the losses were incurred. The losses are based on income tax returns, which have not yet been assessed by the Inland Revenue Department.

The losses expire as follows:

Year of loss	Year loss expire	Balance at June 30, 2022 $	Expired or utilised $	Incurred loss $	Balance at June 30, 2023 $
2017	2022	579	(579)	–	–
2018	2023	513	–	–	513
2019	2024	470	–	–	470
2020	2025	475	–	–	475
2021	2026	572	–	–	572
2022	2027	846	(20,934)	301,887	281,799
		3,455	**(21,513)**	**301,887**	**283,829**

Deferred tax asset

As at June 30, 2023, the Group recognised a deferred tax asset of $17,325 (2022: $6,912) in its financial year based on management's estimates of its ability to earn future taxable profits to utilize the loss.

Income tax recoverable

Included in the consolidated statement of financial position is an amount of $38,313 (2022: $21,135) that relates to income tax credits/advance tax payments due from the IRD in respect of tax assessments that were finalised up to the year ended June 30, 2020 and the change in the Group'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 Group, with certain agreed restrictions.

(expressed in thousands of Eastern Caribbean dollars)

19 Taxation *...continued*

Income tax recoverable *...continued*

The movement in the income tax recoverable is as follows:

	2023 $	2022 $
Balance, beginning of year	**21,135**	1,030
Current year's income tax credit	**6,616**	9,060
Taxes paid during the year	**14,749**	8,500
Transfer from income tax liability	**–**	3,492
Payment previously applied to tax liability reclassified	**–**	(948)
Prior year over-provision in tax liability offset amount	**–**	1
Current year's income tax expense offset	**(4,187)**	–
Balance, end of year	**38,313**	21,135

20 Issued share capital

	2023 $	2022 $
Authorised		
270,000,000 ordinary shares of $1 each	**270,000**	270,000
Issued and fully paid		
141,750,000 ordinary shares of $1 each	**141,750**	141,750

21 Reserves

The reserves are comprised as follows:

	2023 $	2022 $
Statutory reserve	**144,457**	144,457
Revaluation reserve	**25,924**	25,924
Fair value reserves – FVOCI	**(3,562)**	(7,533)
Other reserves	**290,104**	288,909
	456,923	451,757

i) *Statutory reserve*
In accordance with Section 45 (1) of Saint Christopher and Nevis Banking Act, 2015, the Group 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 Group's paid-up capital.

The reserve requirement was met in the year ended June 30, 2020. Accordingly, no additional transfers were made during the year.

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21 Reserves *...continued*

ii) Revaluation reserve

	2023 $	2022 $
Balance at beginning of year	**25,924**	25,924
Change in fair value of land and buildings	**–**	–
Balance at end of year	**25,924**	25,924

iii) Fair value reserves – FVOCI

	2023 $	2022 $
Balance at beginning of year	**(7,533)**	(9,666)
Realised losses transferred to accumulate deficit, net of tax	**2,281**	6,842
Movement in market value of securities, net	**1,312**	(4,713)
Expected credit losses recognised on investment securities	**378**	4
Balance at end of year	**(3,562)**	(7,533)

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

	2023 $	2022 $
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods		
Net unrealised losses on investment securities, net of tax	**(689)**	(2,706)
Net realised losses on investment securities, net of tax	**420**	(450)
	(269)	(3,156)
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods		
Net unrealised gains on investment securities, net of tax	**3,862**	5,285
Net realised losses on investment securities, net of tax	**(2,281)**	(6,842)
	1,581	(1,557)
	1,312	(4,713)

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
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21 Reserves *...continued*

iv) Other reserves

	Note	2023 $	2022 $
Balance at beginning of year		**288,909**	222,400
Transfer to regulatory reserve for loan impairment		**17,948**	69,420
Transfer to regulatory reserve for interest accrued on non-performing loans		**6,798**	7,314
Transfer to insurance and claims equalisation reserves		**2,174**	2,062
Remeasurement loss on defined benefit asset, net of tax		**(979)**	(1,553)
Transfer from accumulated deficit to general reserve		**–**	66,000
Transfer from general reserve to regulatory reserves		**(24,746)**	(76,734)
Balance at end of year		**290,104**	288,909
Other reserves is represented by:			
Regulatory reserve for loan impairment	**3.1.2**	**162,973**	145,025
Regulatory reserve for interest accrued on non-performing loans	**3.1.2**	**73,787**	66,989
Insurance and claims equalisation reserves		**46,065**	43,891
General reserve		**4,746**	29,492
Defined benefit pension plan reserve		**2,533**	3,512
		290,104	288,909

The details of the movement in the general reserve is as follows:

	2023 $	2022 $
Balance at beginning of year	**29,492**	40,046
Transfer to regulatory reserve for interest accrued on non-performing loans	**(6,798)**	(7,314)
Transfer from accumulated deficit to general reserves	**–**	66,000
Transfer to regulatory reserve for loan impairment	**(17,948)**	(69,240)
Balance at end of year	**4,746**	29,492

Included in other reserves are the following individual reserves:

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.

Insurance and claims equalisation reserves
The insurance reserve is a discretionary reserve for the health and public liability insurance business. The underlying assets are included in the Group's cash balances which form part of 'Cash and cash equivalents'.

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21 Reserves *...continued*

iv) Other reserves ...continued

Insurance and claims equalisation reserves ...continued
Claims equalisation reserve represents cumulative amounts appropriated from retained earnings based on the discretion of the Board of Directors as part of the Insurance Company's risk management strategies to mitigate against catastrophic events. Annually, the claims equalisation reserve is assessed, and transfers made as considered necessary by the Board of Directors. This reserve is in addition to the catastrophe reinsurance cover.

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.

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 received.

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.

22 Net interest income

	Note	2023 $	2022 $
Interest income			
Loans and advances to customers		**43,484**	42,133
Financial asset	**32**	**5,657**	8,576
Originated debts		**6,312**	4,546
Deposits with other financial institutions		**2,916**	2,775
Investment securities at FVTPL and FVOCI		**7,795**	2,301
Others		**8,236**	2,898
Interest income for the year		**74,400**	63,229
Interest expense			
Fixed deposit accounts		**34,121**	37,581
Savings accounts		**12,300**	11,612
Direct demand accounts		**573**	624
Line of credit		**609**	435
Call accounts		**263**	289
Finance lease liabilities	**15**	**45**	50
Interest expense for the year		**47,911**	50,591
Net interest income		**26,489**	12,638

(expressed in thousands of Eastern Caribbean dollars)

23 Net fees and commission income

	2023 $	2022 $
Fees and commission income		
International business and foreign exchange	**20,559**	15,621
Brokerage and other fees and commission	**4,228**	4,159
Credit related fees and commission	**3,797**	3,266
Fees and commission income for the year	**28,584**	23,046
Fee expenses		
International business and foreign exchange	**16,892**	17,091
Other fee expenses	**2,222**	1,176
Brokerage and other related fee expenses	**1,495**	1,982
Fee expenses for the year	**20,609**	20,249
Net fees and commission income	**7,975**	2,797

24 Other income/(loss), net

	Note	2023 $	2022 $
Net gains/(losses) on FVTPL investment securities		**38,616**	(252,916)
Net insurance premium income	**36**	**43,972**	41,083
Dividend income		**10,186**	9,893
Foreign exchange gain		**8,016**	5,746
Other operating income		**3,816**	1,018
Net gains/(losses) on financial assets measured at FVOCI reclassified to profit or loss		**628**	(450)
		105,234	(195,626)

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(expressed in thousands of Eastern Caribbean dollars)

25 Administrative and general expenses

	2023 $	2022 $
Employee cost	**38,844**	32,199
Repairs and maintenance	**12,789**	8,880
Management fees on investment	**9,556**	10,513
Other general	**1,714**	1,475
Advertisement and marketing	**1,326**	847
Communication	**901**	954
Insurance	**817**	861
Utilities	**756**	709
Stationery and supplies	**750**	669
Security services	**695**	653
Legal fees and expenses	**483**	505
Taxes and licences	**434**	387
Shareholders' expenses	**315**	335
Premises upkeep	**80**	73
Rent and occupancy	**35**	67
Sundry losses	**16**	20
	69,511	59,147

Employee cost

	Note	2023 $	2022 $
Salaries and wages		**25,248**	23,892
Other staff cost		**10,435**	4,732
Insurance and other benefits		**2,104**	2,724
Pension expense	34	**1,057**	851
		38,844	32,199

26 Credit and other impairment charges, net

	Note	2023 $	2022 $
Loans and advances to customers	8	**1,304**	8,239
Originated debts written-off directly to income	9	**–**	36,243
Investment securities and other financial assets at amortised cost		**(74)**	(5,365)
		1,230	39,117

(expressed in thousands of Eastern Caribbean dollars)

27 Other expenses

	Note	2023 $	2022 $
Net claims incurred	**36**	**29,831**	21,047
Depreciation and amortisation	**13,14,15**	**3,444**	3,013
Directors' fees and expenses		**2,301**	1,371
Professional fees and related expenses		**831**	903
		36,407	26,334

28 Earnings/(loss) per share

Earnings/(loss) per share' is calculated by dividing the net income/(loss) attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

	2023 $	2022 $
Net income/(loss) attributable to shareholders	**49,683**	(296,213)
Weighted average number of ordinary shares in issue (in thousands)	**141,750**	138,625
Basic and diluted earnings/(loss) per share	**0.35**	(2.14)

29 Dividends

The consolidated financial statements do not reflect any dividends, as no dividend payments for the financial year ended June 30, 2022 were made to the shareholders during the year ended June 30, 2023. Dividends totalling $41,850 were paid in the financial year ended June 30, 2022. This represented a cash dividend payment of $0.05 per share ($6,750) and a 5% stock dividend ($6,750) for the financial year ended June 30, 2020, as well as a subsequent $0.20 cash dividend payment per share ($28,350) for the financial year ended June 2021.

30 Related parties balances and transactions

A related party relationship exists when one party has the ability to control directly or indirectly, through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between or among entities under common control, with the reporting enterprise and its key management personnel, directors and shareholders.

Government of St. Kitts and Nevis

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

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(expressed in thousands of Eastern Caribbean dollars)

30 Related parties balances and transactions *...continued*

	2023 $	2022 $
Public sector		
Customer's deposits	**1,548,013**	1,342,753
Financial asset	**357,416**	360,794
Loans and advances to customers	**362,338**	375,078
Interest on deposits	**32,215**	31,699
Interest on loans and advances to customers	**12,019**	11,954
Gross premium written	**23,208**	11,914
Gross claims incurred	**10,733**	10,828
Interest on financial asset	**5,657**	8,576
Insurance contract liabilities	**2,846**	2,323
Associated companies		
Loans and advances to customers	**51,252**	69,882
Customers' deposits	**6,832**	7,378
Interest on customers' deposits	**86**	60
Directors and associates		
Customers' deposits	**1,870**	1,647
Directors' fees and expenses	**2,301**	1,371
Loans and advances to customers	**826**	204
Interest from loans and advances to customers	**58**	50
Gross premiums written	**36**	27
Interest on customers' deposits	**12**	12
Outstanding balances	**2**	2
Key management		
Salaries and short-term benefits	**5,073**	6,713
Loans and advances to customers	**5,367**	3,350
Customers' deposits	**2,214**	2,106
Interest from loans and advances to customers	**144**	171
Gross written premiums	**77**	77
Interest on customers' deposits	**31**	36
Claims incurred	**24**	24
Insurance contract liabilities	**3**	3

As at June 30, 2023, directors held total shares in the Group of 79 (2022: 147) and key management held total shares in the Group of 21 (2022: 16).

Loans advanced to directors and key management during the year are repayable on a monthly basis at a weighted average effective interest rate of 6.22% (2022: 6.09%). Secured loans are collateralised by cash and mortgages over properties.

No provision (2022: $18,630) has been recognised at June 30, 2023 in respect to advances made to related parties (associated company).

(expressed in thousands of Eastern Caribbean dollars)

31 Contingent liabilities and commitments

Insurance claims

The Group, like all other insurers, is subject to litigation in the normal course of its business. The Group does not believe that such litigation will have a material effect on its consolidated financial statements.

Commitments

As at reporting date, the Group had contractual commitments to extend credit to customers, guarantee and other facilities as follows:

	2023 $	2022 $
Loan commitments	**39,081**	54,198
Credit card commitments	**15,307**	14,002
	54,388	68,200

32 Financial asset

	2023 $	2022 $
Financial asset	**352,284**	352,284
Interest receivable	**7,694**	10,908
Financial asset, gross	**359,978**	363,192
Less provision for expected credit losses	**(2,562)**	(2,398)
Financial asset, net	**357,416**	360,794

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

	2023 $	2022 $
Beginning provision	**2,398**	3,112
Expected credit loss/(recoveries) for the year	**164**	(714)
Ending provision	**2,562**	2,398

(expressed in thousands of Eastern Caribbean dollars)

32 Financial asset *...continued*

The financial asset of $357,416 (2022: $360,794) along with the provision for expected credit losses of $2,562 (2022: $2,398) represents the Group'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 Group 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 Group by the GOSKN, NIA and certain public corporations would be irrevocably released and discharged by the Group in exchange for the transfer of certain land assets to the Group. Further, the unsecured debt obligations owed to the Group by GOSKN, NIA and certain public corporations would be irrevocably released and discharged by the Group 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 Group. 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 $565,070, 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 $230,951 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 Group 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 Group 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 Group land assets shall be applied as follows:

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

    b. Secondly to the Group until the Group 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 Group;

    c. Thirdly to the Group 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 Group prior to the effective date; and

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

(expressed in thousands of Eastern Caribbean dollars)

32 Financial asset *...continued*

For the year ended June 30, 2023, the Group's consolidated statement of income includes interest income amounting to $5,657 (2022: $8,576) (see note 22). Further, as of June 30, 2021, interest receivable of $7,694 (2022: $10,908) was pending from the GOSKN. During the year $8,872 (2022: $9,258) of cumulative interest payments were received from the GOSKN. The increase in the provision for expected credit losses amounted to $164 (2022: decrease $714) during the year.

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 Group. The Group 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 is obligated to transfer additional lands to make up for the shortfall. The Group's interest in the land assets is not subject to variation of returns as there is no risk of loss for the Group, and also the Group does not stand to benefit should the lands be sold for more than the value. Therefore, the Group 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 Group has not included in these consolidated financial statements any investment in SLSC. Further, the Group has not invested any funds in SLSC.

33 Cash and cash equivalents

	Note	2023 $	2022 $
Deposits with other financial institutions	7	**309,969**	486,970
Cash and balances with Central Bank	5	**46,065**	49,259
Treasury bills	6	**13,819**	13,282
		369,853	549,511
Operating line of credit	10	–	(21,164)
		369,853	528,347

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34 Defined benefit asset

The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligation were carried out as of June 30, 2023 by independent actuaries. The present value of the defined benefit obligation and related current service cost were measured using the Projected Unit Credit Method.

	2023 Per annum %	2022 Per annum %
Actuarial assumptions		
Discount rate	**3.50**	3.50
Return on plan assets	**5.00**	5.00
Future salary increases	**3.00**	3.00

Mortality table (UP94 table projected to 2021 using Scale AA) in both years.

	Note	2023 $	2022 $
Changes in the present value of the defined benefit obligation			
Opening defined benefit obligation		**55,730**	51,816
Current service cost		**2,559**	2,357
Interest cost		**1,951**	1,813
Actuarial losses		**816**	1,484
Benefits paid		**(1,707)**	(1,740)
Closing defined benefit obligation		**59,349**	55,730
Changes in the fair value of the plan assets	**Note**		
Opening fair value of plan assets		**73,552**	70,629
Interest income		**3,678**	3,532
Employer's contribution		**2,404**	2,178
Management fees		**(225)**	(213)
Return on plan assets (other than net interest)		**(645)**	(834)
Benefit paid		**(1,707)**	(1,740)
Closing fair value of plan assets		**77,057**	73,552
Benefit cost			
Current service cost		**2,559**	2,357
Interest cost		**1,951**	1,813
Management fees		**225**	213
Interest on plan assets		**(3,678)**	(3,532)
Pension expense	**25**	**1,057**	851

(expressed in thousands of Eastern Caribbean dollars)

34 Defined benefit asset *...continued*

Amount recognised in other comprehensive income	2023 $	2022 $
Actuarial losses	**816**	1,484
Interest income on plan assets	**3,678**	3,532
Actual return on plan assets	**(3,033)**	(2,698)
Re-measurement loss on net defined benefit asset	**1,461**	2,318

Net defined benefit asset recognised in the consolidated statement of financial position	2023 $	2022 $
Fair value of plan assets	**77,057**	73,552
Present value of defined benefit obligation	**(59,349)**	(55,730)
Net defined benefit asset	**17,708**	17,822

Reconciliation: Net defined benefit asset	Note	2023 $	2022 $
Opening balance		**17,822**	18,813
Employer's contribution		**2,404**	2,178
Period cost		**(1,057)**	(851)
Other effects recognised in other comprehensive income		**(1,461)**	(2,318)
Closing balance	16	**17,708**	17,822

Plan assets allocation is as follows:

	2023 %	2022 %
Certificates of deposit	**99.10**	99.10
Shares and treasury bills	**0.90**	0.90
	100.00	100.00

(expressed in thousands of Eastern Caribbean dollars)

34 Defined benefit asset *...continued*

The significant actuarial assumptions for the determination of the defined benefit obligation are the discount rate and the average life expectancy. The calculation of the net defined benefit liability is sensitive to these assumptions. The following table summarises the effects of changes in these actuarial assumptions on the defined benefit obligation.

	Discount rate plus 50 basis points $	**Discount rate minus 50 basis points $**
(Decrease)/increase in obligation	**(2,979)**	**3,259**

	Mortality plus 10% $	**Mortality minus 10% $**
(Decrease)/increase in obligation	**(1,313)**	**1,438**

35 Subsidiaries

	Percentage of direct and indirect equity interest held	
	2023 %	**2022 %**
National Bank Trust Company (St. Kitts-Nevis-Anguilla) Limited	**100**	100
National Caribbean Insurance Company Limited	**100**	100
St. Kitts and Nevis Mortgage and Investment Company Limited	**100**	100

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(expressed in thousands of Eastern Caribbean dollars)

36 Segmental statement of insurance related income – product line

Year ended of June 30, 2023	Note	Medical $	Fire $	Motor $	Marine $	Public liability $	Sundry $	Other $	Total non-life $	Life assurance $	Total $
Gross premiums written		22,866	12,449	6,672	137	1,319	67	1,154	44,664	11,346	56,010
Reinsurers' share of gross premiums		–	(9,752)	(313)	(109)	(1,134)	–	(1,154)	(12,462)	–	(12,462)
		22,866	2,697	6,359	28	185	67	–	32,202	11,346	43,548
Net change in provision for unearned premiums		–	(395)	1,609	1	(25)	(35)	–	1,155	(731)	424
Net insurance premium income	**24**	**22,866**	**2,302**	**7,968**	**29**	**160**	**32**	**–**	**33,357**	**10,615**	**43,972**
Claims and benefits		15,004	(224)	4,416	–	–	–	–	19,196	5,276	24,472
Change in insurance contract liabilities		257	–	1,070	–	–	–	–	1,327	(600)	727
Change in actuarial liabilities		–	–	–	–	–	–	–	–	4,632	4,632
Net claims incurred	**27**	**15,261**	**(224)**	**5,486**	**–**	**–**	**–**	**–**	**20,523**	**9,308**	**29,831**

(expressed in thousands of Eastern Caribbean dollars)

36 Segmental statement of insurance related income – product line *...continued*

Year ended of June 30, 2022	Note	Medical $	Fire $	Motor $	Marine $	Public liability $	Sundry $	Other $	Total non-life $	Life assurance $	Total $
Gross premiums written		21,868	12,907	6,523	140	1,447	37	1,031	43,953	11,051	55,004
Reinsurers' share of gross premiums		–	(10,482)	(304)	(103)	(1,308)	–	(1,031)	(13,228)	–	(13,228)
		21,868	2,425	6,219	37	139	37	–	30,725	11,051	41,776
Net change in provision for unearned premiums		–	257	(175)	1	(26)	1	–	58	(751)	(693)
Net insurance premium income	**24**	**21,868**	**2,682**	**6,044**	**38**	**113**	**38**	**–**	**30,783**	**10,300**	**41,083**
Claims and benefits		13,773	969	2,914	–	–	–	–	17,656	4,204	21,860
Change in insurance contract liabilities		710	–	1,077	–	–	–	–	1,787	510	2,297
Change in actuarial liabilities		–	–	–	–	–	–	–	–	(3,110)	(3,110)
Net claims incurred	**27**	**14,483**	**969**	**3,991**	**–**	–	–	–	**19,443**	**1,604**	**21,047**

(expressed in thousands of Eastern Caribbean dollars)

37 Business segments

As at June 30, 2023, the operating segments of the Group were as follows:

1. Commercial and retail banking incorporating deposit accounts, loans and advances, investment brokerage services and debit, prepaid and gift cards;
2. Insurance including coverage of life assurance, non-life assurance and pension schemes; and
3. Real estate, property management and the provision of trustee services.

Transactions between the business segments are carried out on normal commercial terms and conditions. These operating segments are monitored by the Group's chief operating decision maker and strategic decisions are made on the basis of adjusted segment and rating results.

Segment information is based on internal reporting about the results of operating segments, such as revenue, expenses, profits or losses, assets, liabilities and other information on operations that are regularly reviewed by the Boards of Directors of the various Group companies.

(expressed in thousands of Eastern Caribbean dollars)

37 Business segments *...continued*

The table below gives the results and balances of those transactions:

	Commercial and retail Banking $	Insurance $	Real estate and trust services $	Consolidation and other adjustments $	Total $
June 30, 2023					
Total segment revenues	163,569	44,226	423	–	**208,218**
Intersegment revenues	733	9,588	256	(10,577)	–
Revenue for the year from external customers	164,302	53,814	679	(10,577)	**208,218**
Cost of revenue generation	(137,076)	(48,910)	(1,558)	11,876	**(175,668)**
Income tax credit	18,459	(1,393)	67	–	**17,133**
Net income for the year	**45,685**	**3,511**	**(812)**	**1,299**	**49,683**
Property and equipment and intangible assets	30,749	8,307	10	–	**39,066**
Depreciation and amortisation	2,707	685	52	–	**3,444**
Segment assets	3,719,669	327,177	21,157	(275,428)	**3,792,575**
Segment liabilities	3,292,658	211,727	12,144	(249,542)	**3,266,987**
June 30, 2022					
Total segment revenues	(150,992)	40,604	1,037	–	**(109,351)**
Intersegment revenues	674	5,750	272	(6,696)	–
Revenue for the year from external customers	(150,318)	46,354	1,309	(6,696)	**(109,351)**
Cost of revenue generation	(163,136)	(37,125)	(1,383)	6,206	**(195,438)**
Income tax credit	8,094	603	(121)	–	**8,576**
Net loss for the year	**(305,360)**	**9,832**	**(195)**	**(490)**	**(296,213)**
Property and equipment and intangible assets	30,429	8,156	16	–	**38,601**
Depreciation and amortisation	2,469	537	7	–	**3,013**
Segment assets	3,569,186	314,714	27,648	(271,123)	**3,640,425**
Segment liabilities	3,189,314	202,232	11,883	(238,198)	**3,165,231**

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SUMMARY SEPARATE FINANCIAL STATEMENTS

June 30, 2023

(expressed in Eastern Caribbean Dollars)

Grant Thornton

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Independent Auditor's Report

To the Shareholders of
St. Kitts-Nevis-Anguilla National Bank Limited

Opinion

The summary separate financial statements, which comprise the summary separate statement of financial position as of June 30, 2023, the summary separate statement of comprehensive income, summary separate statement of changes in shareholders' equity and summary separate statement of cash flows for the year then ended, and the related note, are derived from the audited separate financial statements of **St. Kitts-Nevis-Anguilla National Bank Limited** (the "Bank") for the year ended June 30, 2023. We expressed an unqualified opinion in our report dated November 22, 2023.

In our opinion, the accompanying summary separate financial statements are consistent, in all material respects, with the audited separate financial statements, on the basis described in Note 1.

Summary Separate Financial Statements

The summary separate financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary separate financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited separate financial statements and the auditor's report thereon.

The Audited Separate Financial Statements and Our Report Thereon

We expressed an unqualified audit opinion on the audited separate financial statements in our report dated November 22, 2023. Our report also includes the communication of key audit matters. Key audit matters are those matters that in our professional judgement, were of most significance in our audit of the separate financial statements of the current period.

Management's Responsibility for the Summary Separate Financial Statements

Management is responsible for the preparation of the summary separate financial statements on the basis described in Note 1.

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Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary separate financial statements are consistent, in all material respects, with the audited separate financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements*.

Grant Thornton

Chartered Accountants
November 22, 2023
Basseterre, St. Kitts

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED

Summary Separate Statement of Financial Position

For the year ended June 30, 2023

(expressed in Eastern Caribbean dollars)

	2023 $	2022 $
Assets		
Cash and balances with Central Bank	**225,869,583**	219,012,865
Treasury bills	**343,913,435**	55,099,779
Deposits with other financial institutions	**379,787,793**	556,979,790
Loans and advances to customers	**1,001,490,840**	975,494,601
Originated debts	**119,535,676**	154,211,330
Financial asset	**357,415,566**	360,794,213
Investment securities	**1,156,471,093**	1,145,955,305
Investment in subsidiaries	**23,633,438**	24,246,462
Acceptances, guarantees and letters of credit	**7,456,067**	6,541,015
Income tax recoverable	**34,391,873**	19,263,187
Property and equipment	**29,745,150**	30,104,284
Intangible assets	**1,003,862**	324,584
Right-of-use assets	**435,271**	612,852
Other assets	**20,715,012**	15,160,544
Deferred tax asset	**17,804,788**	5,387,185
Total assets	**3,719,669,447**	3,569,187,996
Liabilities		
Customers' deposits	**3,220,494,595**	3,067,114,900
Borrowings	–	21,163,983
Provisions, creditors and accruals	**63,216,741**	93,860,547
Acceptances, guarantees and letters of credit	**7,456,067**	6,541,015
Income tax payable	**1,046,722**	–
Lease liabilities	**443,880**	633,146
Total liabilities	**3,292,658,005**	3,189,313,591
Shareholders' equity		
Issued share capital	**141,750,000**	141,750,000
Share premium	**3,877,424**	3,877,424
Reserves	**406,362,601**	402,828,126
Accumulated deficit	**(124,978,583)**	(168,581,145)
Total shareholders' equity	**427,011,442**	379,874,405
Total liabilities and shareholders' equity	**3,719,669,447**	3,569,187,996

The accompanying note is an integral part of these summary separate financial statements.

Approved for issue by the Board of Directors on November 21, 2023.

Chairman

Director

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED

Summary Separate Statement of Income

For the year ended June 30, 2023

(expressed in Eastern Caribbean dollars)

	2023 $	2022 $
Interest income	**77,144,030**	62,110,742
Interest expense	**(57,901,350)**	(56,724,123)
Net interest income	**19,242,680**	5,386,619
Fees and commission income	**27,546,316**	21,977,648
Fee expenses	**(19,223,835)**	(18,351,854)
Net fees and commission income	**8,322,481**	3,625,794
Net gains/(losses) on investments in debt and equity instruments	**37,951,336**	(250,027,125)
Dividend income	**9,954,583**	9,739,366
Gain on foreign exchange, net	**8,015,954**	5,746,124
Other operating income	**3,690,001**	140,699
Other income/(loss)	**59,611,874**	(234,400,936)
Total operating income/(loss)	**87,177,035**	(225,388,523)
Operating expenses		
Administrative and general expenses	**(52,127,430)**	(44,400,319)
Depreciation and amortisation	**(2,707,178)**	(2,466,340)
Credit and other impairment charges, net	**(2,850,242)**	(39,668,424)
Directors' fees and expenses	**(1,565,194)**	(1,007,310)
Professional fees and related expenses	**(503,100)**	(511,355)
Total operating expenses	**(59,753,144)**	(88,053,748)
Operating profit/(loss) before tax	**27,423,891**	(313,442,271)
Income tax credit	**18,459,381**	8,094,094
Net income/(loss) for the year	**45,883,272**	(305,348,177)
Basic earnings/(loss) per share (basic and diluted)	**0.32**	(2.21)

The accompanying note is an integral part of these summary separate financial statements.

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED

Summary Separate Statement of Comprehensive Income

For the year ended June 30, 2023

(expressed in Eastern Caribbean dollars)

	2023 $	2022 $
Net income/(loss) for the year	**45,883,272**	(305,348,177)
Other comprehensive income/(loss), 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 losses on investment securities, net of tax	**(493,751)**	(2,647,904)
Reclassification adjustments for net gains/(losses) included in income, net of tax	**255,194**	(451,862)
Expected credit losses recognised on FVOCI – debt securities	**378,738**	5,144
	140,181	(3,094,622)
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:		
Financial assets measured at FVOCI – equity instruments:		
Unrealised gains on investment securities, net of tax	**3,854,605**	5,261,989
Realised losses transferred to retained earnings, net of tax	**(2,280,710)**	(6,842,129)
Re-measurement loss on defined benefit asset, net of tax	**(460,311)**	(1,512,267)
	1,113,584	(3,092,407)
Total other comprehensive income/(loss) for the year, net of tax	**1,253,765**	(6,187,029)
Total comprehensive income/(loss) for the year	**47,137,037**	(311,535,206)

The accompanying note is an integral part of these summary separate financial statements.

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED

Summary Separate Statement of Changes in Shareholders' Equity

For the year ended June 30, 2023

(expressed in Eastern Caribbean dollars)

	Issued share capital $	Share premium $	Reserves $	Retained earnings/ (Accumulated deficit) $	Total $
Balance as of June 30, 2021	**135,000,000**	**3,877,424**	**336,173,026**	**251,459,161**	**726,509,611**
Net loss for the year	–	–	–	(305,348,177)	(305,348,177)
Other comprehensive income/(loss), net	–	–	655,100	(6,842,129)	(6,187,029)
Total comprehensive income for the year	**–**	**–**	**655,100**	**(312,190,306)**	**(311,535,206)**
Transfer to reserve	–	–	66,000,000	(66,000,000)	–
Transaction with owners					
Dividends	6,750,000	–	–	(41,850,000)	(35,100,000)
Balance as of June 30, 2022	**141,750,000**	**3,877,424**	**402,828,126**	**(168,581,145)**	**379,874,405**
Net income for the year	–	–	–	45,883,272	45,883,272
Other comprehensive income/(loss), net	–	–	3,534,475	(2,280,710)	1,253,765
Total comprehensive income for the year	**–**	**–**	**3,534,475**	**43,602,562**	**47,137,037**
Balance as of June 30, 2023	**141,750,000**	**3,877,424**	**406,362,601**	**(124,978,583)**	**427,011,442**

The accompanying note is an integral part of these summary separate financial statements.

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED

Summary Separate Statement of Cash Flows

For the year ended June 30, 2023

(expressed in Eastern Caribbean dollars)

	2023 $	2022 $
Cash flows from operating activities		
Operating profit/(loss) before tax	**27,423,891**	(313,442,271)
Adjustments for:		
Interest expense	**57,901,350**	56,724,123
Credit and other impairment charges	**2,850,242**	39,668,424
Depreciation and amortisation	**2,707,178**	2,466,340
Loss on disposal of property and equipment	**919,318**	392
Pension expense	**900,622**	736,565
Gain on sale of property and equipment	**(91,774)**	(19,999)
Dividend income	**(9,954,583)**	(9,739,366)
Fair value gains/(losses), net on FVTPL investment securities	**(30,916,554)**	366,879,307
Interest income	**(77,144,030)**	(62,110,742)
Operating (loss)/income before changes in operating assets and liabilities	**(25,404,340)**	81,162,773
(Increase)/decrease in operating assets:		
Loans and advances to customers	**(27,909,300)**	(105,807,419)
Mandatory deposits with Central Bank	**(10,051,090)**	1,597,083
Other assets	**(5,377,071)**	7,681,311
Increase/(decrease) in operating liabilities:		
Customers' deposits	**153,115,049**	251,538,561
Provisions, creditors and accruals	**(30,643,806)**	27,363,291
Cash generated from operations	**53,729,442**	263,535,600
Interest received	**58,634,766**	53,117,176
Pension contributions paid	**(1,765,050)**	(1,567,738)
Income taxes paid	**(12,000,000)**	(21,000,000)
Interest paid	**(57,616,200)**	(56,655,157)
Net cash from operating activities	**40,982,958**	237,429,881
Cash flows from investing activities		
Proceeds from sale of investment securities and originated debts	**683,825,884**	659,556,203
Interest received from investment securities and originated debts	**16,686,475**	9,084,934
Dividends received	**9,954,583**	9,739,366
Proceeds from sale of property and equipment	**296,000**	19,999
Payments received from the financial asset	**–**	205,742,524
Purchase of equipment and intangible assets	**(3,375,310)**	(1,924,891)
Increase in term deposits and treasury bills	**(282,362,516)**	(50,204,229)
Increase in investment securities and originated debts	**(621,381,387)**	(883,687,263)
Net cash used in investing activities	**(196,356,271)**	(51,673,357)
Balance carried forward	**(155,373,313)**	185,756,524

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED

Summary Separate Statement of Cash Flows *...continued*

For the year ended June 30, 2023

(expressed in Eastern Caribbean dollars)

	2023 $	2022 $
Balance brought forward	**(155,373,313)**	185,756,524
Cash flows from financing activities		
Dividends paid	**–**	(35,100,000)
Interest paid on lease liabilities	**(20,504)**	(27,954)
Repayments of lease liabilities	**(787,241)**	(653,131)
Net cash used in financing activities	**(807,745)**	(35,781,085)
Net (decrease)/increase in cash and cash equivalents	**(156,181,058)**	149,975,439
Cash and cash equivalents, beginning of year	**507,569,274**	357,593,835
Cash and cash equivalents, end of year	**351,388,216**	507,569,274

The accompanying note is an integral part of these summary separate financial statements.

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED

Note to Summary Separate Financial Statements

June 30, 2023

(expressed in Eastern Caribbean dollars)

1 Basis of preparation

These summary separate financial statements are derived from the audited separate financial statements of St. Kitts-Nevis-Anguilla National Bank for the year ended June 30, 2023.

Notes

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SUSTAINABILITY
OUR FOCUS AND THRUST

ANNUAL REPORT 2023

WORKING HARDER TODAY FOR A BRIGHTER TOMORROW

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