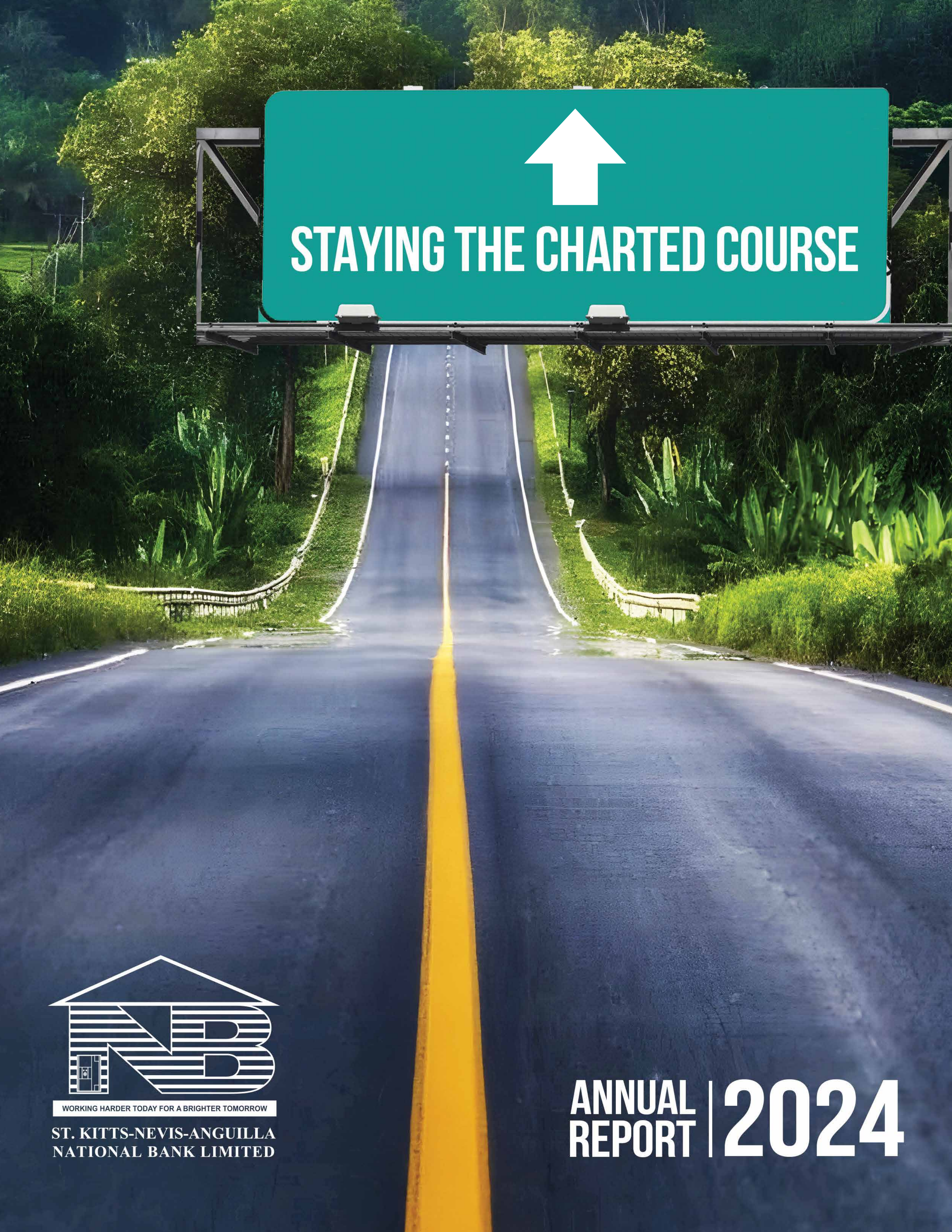

STAYING THE CHARTED COURSE

WORKING HARDER TODAY FOR A BRIGHTER TOMORROW

ST. KITTS-NEVIS-ANGUILLA
NATIONAL BANK LIMITED

ANNUAL REPORT | 2024

"Staying the Charted Course..."

As we navigate through an evolving and challenging environment, SKNANB remains committed to delivering value to our shareholders. "Staying the Charted Course" reflects our dedication to steady and purposeful progress. We are on course, as planned, and this journey, while not without its challenges, reaffirms our resilience and careful consideration.

Through diligent effort, continuous consultation, and ongoing strategizing, we are addressing the complexities ahead with a clear and pragmatic approach.

We are moving cautiously and conservatively, ensuring that our steady and deliberate progress lays a strong foundation for a sustainable and prosperous future for all stakeholders.

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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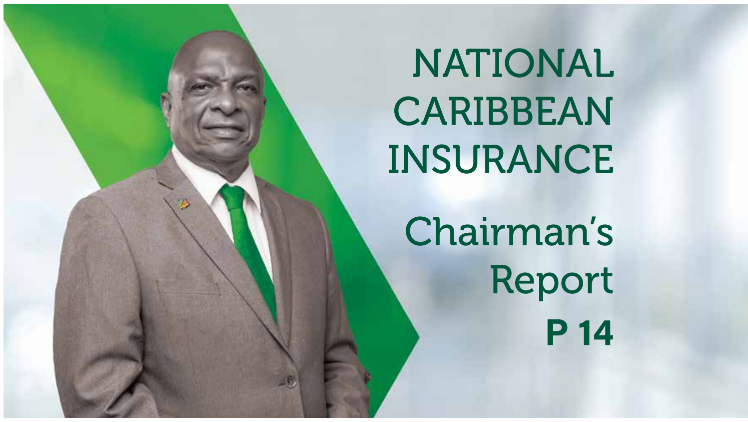

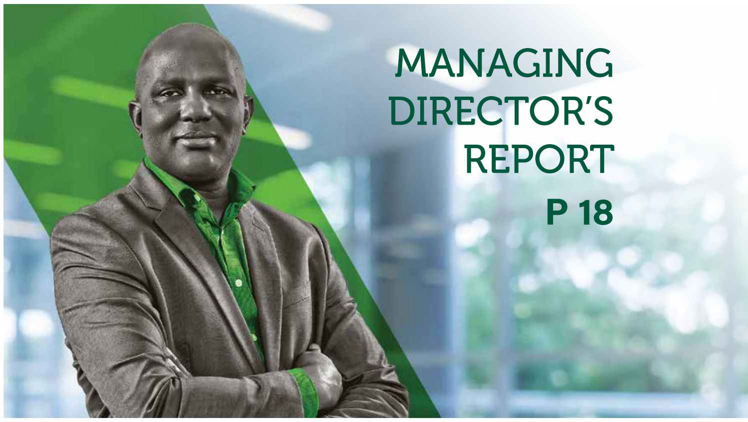

NOTICE OF MEETING

Notice is hereby given that the **FIFTY-FOURTH ANNUAL GENERAL MEETING OF ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED** will be held at the Royal St. Kitts Hotel, Frigate Bay on Thursday 20th March 2025 at 5:00 p.m. for the following purposes: -

1. To read and confirm the Minutes of the Meeting held on Wednesday 27th December 2023.
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 2024.
6. To declare a Dividend.
7. To elect Directors
8. To confirm the appointment of Auditors for year ending 30th June 2025 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 30th November 2024 will be entitled to receive a dividend in respect of the financial year ended 30th June 2024.

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 of 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.

Financial Highlights

	2024	2023 (Restated)	2022 (Restated)	2021	2020
	EC $'000	EC $'000	EC $'000	EC $'000	EC $'000
BALANCE SHEET INFORMATION					
Total assets	3,559,067	3,773,788	3,620,139	3,737,031	3,359,921
Total customer's deposits	2,707,136	2,982,428	2,839,826	2,595,318	2,525,825
Net Loans & advances	1,046,128	990,022	964,589	867,445	809,249
Investment securities and originated debts	1,391,239	1,303,776	1,324,852	1,461,564	1,119,200
Cash, cash equivalents and term deposits	256,051	397,217	581,840	451,452	455,188
OPERATING RESULTS					
Gross operating (loss)/income	182,266	162,236	(109,351)	421,091	218,636
Interest income	95,713	74,400	63,229	62,023	67,162
Interest expense	52,178	47,914	50,591	48,466	44,494
Net (loss)Income	50,811	47,017	(296,213)	188,368	28,382
Operating expenses	95,568	82,835	105,730	102,991	92,561
Operating/provisions	2,723	2,236	39,117	26,768	46,501
Number of employees*	303	289	274	269	263
Gross revenue per employee	602	561	(399)	1,565	831
Average assets per employee	12,100	12,800	13,434	13,191	13,403
SHARE CAPITAL & DIVIDEND INFORMATION					
Common shares issued and outstanding (in thousands)	141,750	141,750	141,750	135,000	135,000
Total shareholder's equity	586,300	539,183	491,587	812,769	612,989
Dividends paid	7,087	-	41,850	-	20,250
Number of shareholders*	5,853	5,800	5,795	5,642	5,893
Earnings per share ($)*	0.36	0.33	(2.14)	1.40	0.21
Dividends per share ($)*	0.05	-	0.30	-	0.15
Book value per common share*	4.14	3.80	3.47	6.02	4.54
BALANCE SHEET AND OPERATING RESULTS	%	%	%	%	%
RATIOS (%)					
Gross loans and advances to deposits	40.0	34.3	36.7	36.2	35.8
Staff Cost/Total Cost	23.3	23.6	16.5	21.4	16.0
Staff Cost/Total Revenue	19.2	19.4	(29.4)	9.1	13.4
Cost/Income (Efficiency) before impairment	73.4	72.4	(66.1)	27.6	53.2
Cost/Income (Efficiency) after impairment	75.6	74.4	(90.6)	34.8	79.9
Return on Equity	9.0	9.1	(45.4)	26.4	4.7
Return on Assets	1.4	1.3	(8.0)	5.3	0.8
Asset Utilization	5.0	4.4	(3.0)	11.9	6.2
Yield on Earning Assets	3.1	2.3	2.0	2.0	2.2
Cost to fund Earning Assets	1.7	1.5	1.6	1.6	1.5
Net Interest Margin	1.4	0.8	0.4	0.4	0.7

CORPORATE INFORMATION

BOARD OF DIRECTORS

Carol Boddie	Chairman
Terrence Crossman	1st Vice Chairman
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

SECRETARY

Stephen O. A. Hector

AUDITORS

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

BRANCHES, ATMS AND SUBSIDIARIES

BRANCHES

Head Office
Central Street,
Basseterre
Nevis Branch
Charlestown, Nevis
Sandy Point Branch
Main Street, Sandy Point, St. Kitts
Pelican Mall Branch
Bay Road, Basseterre, St. Kitts
RLB Airport Branch
RLB International Airport

ATMS

Basseterre Branch
Buckley's
Cayon
CAP Southwell Industrial Park
Frigate Bay - Marriott
Frigate Bay - Sugars Complex
Lodge
Mapau
Molineux
Nevis Branch
Old Road
Pelican Mall
RLB International Airport
Sandy Point
Saddlers
St. Paul's
St. Peter's
Tabernacle
The Circus
Belmont Gardens, Pinneys, Nevis

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

> We are committed to fostering a positive institutional culture, promoting constructive behaviours that align with the values and mission of the Bank.

Carol I. Boddie
Chairman, SKNANB

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED (SKNANB)

Chairman's Report

The fiscal year ended June 30, 2024, was a period of significant progress for the St. Kitts-Nevis- Anguilla National Bank Limited (SKNANB) as we stayed true to our course and remained steadfast to our commitment to sustained profitability, technological advancement, and the introduction of new, customer-centered products. I extend sincere gratitude to our dedicated team whose dedication and unwavering efforts continue to propel our Institution forward.

This year, we bid a fond farewell to Mr. Donald Thompson, who retired as CEO after 27 years of distinguished service. We also extend our heartfelt thanks to Mrs. Jacqueline Hewlett, Chief Risk and Compliance Officer (Retired) for her invaluable contributions, particularly in establishing our Risk and Compliance Framework, as well as to other long-serving staff members who retired during the year under review. They have left an indelible mark on the Bank and we are deeply grateful for their service.

KEY ACHIEVEMENTS FOR THE PERIOD

1. **Launch of New Products:** Our new HOME Loans suite, including SWITCH, APEX, WOW, and OWN provides customers with more options and flexibility, empowering them to re-align their finances so that they have more disposable income and, giving them the wherewithal to purchase or build homes.

2. **Enhanced Customer Experience:** We invested in continuous customer service training for our staff and refurbished our banking hall to create a more spacious, aesthetically pleasing, and welcoming environment.

3. **Improved Accessibility:** Differently-abled persons can now access the Bank via our new wheel chair ramp to perform in-person transactions. Additionally, we have expanded our ATM network across St. Kitts and Nevis and upgraded our MoBanking services to offer new features such as wire transfers, Electronic Funds Transfer (EFT) and phone top-ups. During the upcoming year, additional ATMs will be strategically placed across the Federation to better serve our growing customer base.

4. **Profitability:** Once again, SKNANB recorded a profit which we attribute to our deliberate strategy of increasing revenue while maintaining cost efficiency. I would like to thank our management, staff, and loyal customers for their unwavering support and dedication.

FUTURE INITIATIVES

As we move into the fiscal year beginning July 1, 2024, SKNANB is committed to driving growth through several targeted initiatives that enhance our product offerings and operational efficiency:

1. **Expansion of Loan Products:** We plan to introduce additional loan products tailored to meet the evolving needs of our customers. Whether purchasing a home or expanding a business, our enhanced product offerings will provide greater financial support while allowing us to diversify our revenue base and, reinforcing our role as a trusted financial partner.

2. **Core Banking System Enhancement:** To further improve our service delivery, we are implementing a new core banking system that will integrate our services and provide for a more seamless, efficient and real-time management of our customers' data. This system upgrade will allow us to be more responsive to market demands and regulatory requirements, thereby positioning SKNANB as an even more technologically advanced and customer-focused institution.

3. **Branch Upgrades:** We will also upgrade our Nevis and Sandy Point Branches, thereby providing modern, welcoming environments that will better serve the communities and enhance the in-branch experience for customers and staff alike.

4. **Investment in Staff Development:** We will invest further in our staff to provide them with the skills and knowledge needed to provide exceptional service and to continue to adapt to the ever-changing financial landscape. This focus on staff development will not only empower them but will enhance employee engagement and retention, ensuring a stronger and more motivated workforce.

5. **Strengthening Institutional Culture:** We are committed to fostering a positive institutional culture, promoting constructive behaviours that align with the values and mission of the Bank. With a focus on the principles of the institution we aim to build a more unified, customer centric culture and to increase both employee and customer satisfaction and loyalty and in the process, strengthening the SKNANB brand as a most trusted institution in our community.

These initiatives have been carefully planned with our stakeholders in mind. However, as we pursue these initiatives we are cognizant of the need to balance progress with the rising costs associated with regulatory compliance and enhanced security posture that could withstand the ever increasing threats.

We must be mindful of the ever-evolving economic landscape and the lessons of the past that shape our future. In 2022, St. Kitts-Nevis-Anguilla National Bank recorded a significant net loss resulting in a decline in retained earnings from $251 million to ($168.5 million), Shareholder Equity from $726.5 million to $380 million and Capital Adequacy Ratio (CAR) from 26.2% to 11.2% (as per ECCB standards).

Since then, the bank has been steadily improving its position. The years ending 30 June 2023 and 2024 show net profit of $49.7 million and $48.7 million respectively. Retained Earnings has improved from ($168 million) in 2022 to ($99) million in 2024, while CAR is now 14.6% (as per ECCB standards).

Notwithstanding this improvement, the Board of Directors and Management have redoubled our efforts to strengthen the capital position of the SKNANB. In this regard, our Capital Augmentation Plan is fully operational, and we are committed to driving long-term value creation for our stakeholders.

On behalf of the Board of Directors, I thank you for your continued trust and support. Together we look forward to achieving new milestones in 2024- 2025, as we continue our journey of growth and excellence.

Carol I. Boddie
Chairman SKNANB

Year at a Glance

Group Performance

$50.8
Million

AFTER-TAX PROFIT (GROUP)

Demonstrates the Group's resilience, profitability, and sustained financial strength.

64.3%
Growth

NET INTEREST INCOME SOARS TO $43.5 MILLION (GROUP)

Reflects strong investment performance and growth in the lending portfolio.

$1.046
Billion

TOTAL LOANS & ADVANCES HITS NEW HIGH (BANK)

A 5.67% increase, reinforcing expansion in mortgage, commercial, and personal lending.

22% & 24%

CAPITAL ADEQUACY RATIOS (BANK)

Ensuring the Bank's financial security and regulatory compliance.

22.7%

INCREASE IN INSURANCE REVENUE (NCI)

$62.5M in 2024 ($50.9M in 2023)

1.4

RETURN ON ASSETS (ROA) (GROUP)

Improved from 1.3 in 2023, delivering higher returns for shareholders.

NATIONAL CARIBBEAN INSURANCE

Chairman's Report

> As we continue to grow and evolve, we remember that our strength lies in our commitment to our mission, our clients, and each other.

H.E. Ambassador Cedric Liburd
Chairman NCI

DEAR SHAREHOLDERS,

It is with immense pleasure and gratitude that I present the Chairman's Report for National Caribbean Insurance for the fiscal year 2023–2024. This year's theme "Staying the Charted Course" resonates profoundly with the values we uphold as an insurance company. We operate in an industry built on the promises of security, reliability, and protection and maintaining a forward direction is not just a strategy, but a responsibility.

OUR MISSION AND VISION

Over the last 50 years we have charted a course driven by our overarching mission to protect and serve our customers with commitment and dedication. Our goal continued to be providing security in uncertain times. As we endeavour to stay on this path, we recognize that the industry landscape is continually evolving and new risks and uncertainties are emerging and we have to navigate with foresight and dexterity.

TRANSFORMATION

As NCI celebrated its 50th anniversary during the fiscal year, the focus was on implementing strategic initiatives to transform the company reposition the company as the leading insurer in the territories in which we operate. As part of this undertaking, In July 2023, LPD Hall & Associates (LPD) was invited by NCI to conduct an organization review that would enable the Company to identify and address factors affecting overall productivity and performance. Coming out of the review it was noted that the environment was primed for transformation. The recommended areas of transformation identified were:

- Organisational Structure and Culture
- Organisation capability/capacity
- Operational Efficiencies
- Enhanced core corporate values

To facilitate the recommendations made by LPD Hall. The Board engaged the services of a business consultant to assist the management team with the realization of the objectives. Additionally in January 2024 the Board bolstered the leadership of the institution with the employment of a General Manager and an Assistant General Manager, who bring not only financial service industry experience, but also a transformative style of leadership.

HEADWINDS, INCLUDING GLOBAL CHALLENGES ENCOUNTERED

The increase in extreme and unpredictable weather that has been influenced by climate change, has led to insurers facing higher payouts, prompting them to reassess the cover offered in their policies and the premiums to be charged. To mitigate this challenge, NCI is engaging with A-rated reinsurers only, employing clearly defined underwriting policies and practices and encouraging homeowners to invest in resilient home features to lower the risk of damage. In this way the stakeholders embrace resilience and sustainability while ensuring a more secure future for all.

LOOKING AHEAD

The company is focused on enhancing operational efficiency by restructuring and resourcing the business, delivering exceptional customer experiences, introducing technological modernization and digitalization, and building effective leadership. Infrastructure enhancement also remains very much a part of our development agenda. We embarked on the acquisition of 4.265 acres of land from Cable and Wireless located at Needsmust, St. Kitts. The land will be earmarked as the location for a new corporate headquarters designed to create a modern, comfortable workspace that fosters collaboration and enhances customer experience. We are also examining the option of purchasing property in Anguilla with a view to having a base for our operations.

GRATITUDE AND ACKNOWLEDGMENTS

In conclusion, I extend heartfelt gratitude to the Board of Directors, Management Team and staff of NCI for their unyielding dedication and commitment to our growth and development. To our esteemed shareholders, thank you for your unwavering support which has been instrumental in our continued success. In staying on the chartered course, we will remain true to who we are while navigating change with confidence and agility. We will continue to be the company that our customers trust not only today but for years to come. As we continue to grow and evolve, we remember that our strength lies in our commitment to our mission, our clients, and each other. Together, we will continue to build a future where we remain the trusted partner in times of uncertainty. Thank you for your trust and partnership.

H.E. Ambassador Cedric Liburd
Chairman NCI

NATIONAL BANK TRUST COMPANY

Chairman's Report

> We are focused on establishing new client relationships in these areas, offering tailored services that align with both individual and institutional needs.

R.A. Peter Jenkins
Chairman NBT

OVERVIEW OF THE YEAR IN REVIEW

The financial year from July 1, 2023, to June 30, 2024, marked a period of strategic realignment and steady progress. While the Trust has faced challenges, particularly in light of the ongoing restructuring, we have continued to focus on strengthening core operational capabilities and diversifying our revenue streams.

In addition to our role in the Citizenship by Investment (CBI) Programme, we have actively sought to expand into other key areas of income, such as investments, wealth management, and trust administration. These areas are critical to ensuring the long-term sustainability and growth of the Trust.

BUILDING NEW RELATIONSHIPS AND EXPLORING NEW REVENUE STREAMS

Over the year, we have continued to build relationships with partners involved in the CBI Programme. However, we also recognized the need to diversify our revenue sources. Investments in wealth management and trust administration have become important pillars of our strategy moving forward.

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We are focused on establishing new client relationships in these areas, offering tailored services that align with both individual and institutional needs. By expanding our offerings beyond the CBI space, we are better positioned to withstand market fluctuations and create a more stable financial base for the Trust.

EQUIPPING OUR TEAM FOR FUTURE GROWTH

To capitalize on these expanded opportunities, we have invested in training and development programs for our team. Staff members are being equipped with the knowledge and skills required to manage diverse portfolios, engage with clients in wealth management and trust administration, and navigate the complexities of regulatory requirements across these new areas.

By building a well-rounded and agile team, we are ensuring that the Trust can proactively pursue opportunities in various financial sectors, while maintaining a strong focus on compliance and client satisfaction.

OUTLOOK FOR 2024-25

As we continue with our restructuring efforts, our focus will remain on diversifying revenue streams and solidifying the Trust's presence in key areas such as investments, wealth management, and trust administration. We are confident that these strategies will enable us to build a more resilient and sustainable future for the Trust.

By "Staying the Charted Course," we remain focused on creating long-term value for our stakeholders and ensuring the Trust's position as a trusted, reliable partner in the financial services sector.

Thank you for your continued trust and support.

Sincerely,

R.A. Peter Jenkins

R.A. Peter Jenkins
Chairman of the Board
National Bank Trust Company (St. Kitts-Nevis-Anguilla) Limited
January 2025

Terrence A. Crossman
Managing Director

Managing Director's Report

With a disciplined approach, strategic foresight, and an unwavering commitment to stakeholders, we remain focused on Staying the Charted Course, ensuring the National Bank Group continues to build resilience and drive long-term value creation.

Terrence A. Crossman
Managing Director

NAVIGATING A DYNAMIC LANDSCAPE: STAYING THE CHARTED COURSE

As the financial landscape continues to evolve, the St. Kitts-Nevis-Anguilla National Bank and its Subsidiaries Group of Companies remain steadfast in their commitment to **sustainable growth, operational resilience,** and **strategic alignment** with market realities. The Group's performance over the past year reflects both the **challenges encountered** and the **initiative-taking measures taken** to ensure stability and profitability.

MACROECONOMIC AND INDUSTRY CONTEXT

The global economy demonstrated resilience in 2024, with projected growth of **3.2%,** supported by **strong consumer demand** and **monetary policy easing** in key economies. Regionally, the **Eastern Caribbean Currency Union (ECCU)** maintained strong economic growth, led by **tourism and construction,** with a projected **5% increase in GDP.** However, economic volatility, geopolitical uncertainties, and inflationary pressures remain factors requiring careful navigation.

Domestically, **St. Kitts and Nevis** recorded **GDP growth of 4.73%,** with inflation declining to **2.46%.** Government-led initiatives have contributed positively to the business environment. Despite these advancements, challenges such as **fluctuating foreign direct investment, regulatory shifts, and economic headwinds** continue to impact financial institutions. The Group remains actively engaged in monitoring these trends to adjust its strategic approach effectively.

FINANCIAL PERFORMANCE AND KEY METRICS

Despite a complex environment, the **Group** delivered a strong financial performance, achieving an **after-tax profit of $50.8 million** for the fiscal year ending **June 2024.** This result underscores our ability to sustain profitability through **strategic fiscal management and operational efficiencies.**

- **Net Interest Income:** Increased to **$43.5 million,** reflecting a **64.3% year-over-year growth,** driven by **improved investment returns** and **consumer lending.**
- **Non-Interest Income:** Declined by **$1.3 million,** primarily due to **lower foreign exchange gains and commission income.**
- **Operating Expenses:** Increased by 1**5.5% to $98.3 million,** reflecting **higher employee costs and general administrative expenditures.**
- **Loan Portfolio Growth:** Total **loans and advances increased by 5.67%** to **$1.046 billion,** with **mortgages, demand loans, and overdrafts** driving this expansion.
- **Deposit Base:** Deposits declined slightly by **$0.27 billion,** due to **shifts in fixed deposit and demand deposit balances.**

The Group's **Tier 1 Capital Ratio** and **Basel Ratio** remain robust at **22% and 24%,** respectively, ensuring our **financial stability and regulatory compliance. Liquidity levels remain adequate** to meet obligations and sustain business continuity.

SUBSIDIARY PERFORMANCE AND STRATEGIC REALIGNMENT

National Caribbean Insurance Company (NCIC)

Net income before tax was $3.0 million, showing increased investment income and net insurance revenue, offset by increased actuarial and operational costs. This was driven by the introduction of IFRS 17, which resulted in a **change in the accounting treatment of premiums and expenses.** The adjustments required under this new financial reporting standard directly impacted revenue recognition and expense allocation, influencing NCIC's overall financial performance. Despite these changes, the company continues to focus on **underwriting discipline** and **enhanced customer engagement** to sustain profitability.

National Bank Trust Company

- Reported an **after-tax loss of $0.48 million.**
- **Restructuring efforts** are in progress, with a focus on **diversifying services** and strengthening our **risk management framework.**

RISK MANAGEMENT AND COMPLIANCE

In an increasingly complex regulatory and operational environment, the Group has enhanced its **Risk Management Framework** to address **financial, cyber, and compliance risks.**

The Internal Capital Adequacy Assessment Process (ICAAP) was conducted to ensure sufficient capital reserves.

The **Credit & Recoveries Division** is expanding to improve **loan portfolio performance** and reduce **non-performing loans.**

Investment risks are being actively managed, with a **deliberate shift from equities to fixed-income instruments** for greater portfolio stability.

Additionally, ongoing **regulatory alignment** ensures compliance with both **local and international financial oversight bodies.** Strengthening **anti-money laundering (AML) protocols** and **cybersecurity measures** remains a high priority for operational integrity.

TECHNOLOGY AND CUSTOMER-CENTRIC INNOVATIONS

The Group remains committed to **enhancing digital banking services** and operational efficiencies. We are in the process of **upgrading our core banking platform,** which has been in place for over **40 years.**

The **Core Banking System Upgrade** is a key strategic initiative aimed at:

- **Modernizing** our technology infrastructure
- **Improving service delivery**
- **Enhancing cybersecurity measures**

Additional **automation and digital tools** are being deployed to **enhance customer experience** and i**ncrease transaction security.**

OUTLOOK AND STRATEGIC PRIORITIES FOR 2025

Looking ahead, the National Bank Group is positioning itself for continued progress through:

- **Revenue Diversification:** Strengthening core banking operations to **reduce dependence on investments** and create a more sustainable financial foundation.
- **Operational Efficiency:** Leveraging **technology and process automation to streamline costs** and **improve service levels.**
- **Customer Engagement:** Strengthening **product offerings and digital experiences** to meet evolving consumer expectations.
    - o **Prioritize improvements in physical spaces.**
- **Regulatory Adaptation:** Enhancing **governance frameworks** to align with evolving compliance requirements.
- **Strategic Talent Development:** Investing in **employee training and development** to drive innovation and service excellence.
    - o **Strengthening the recruitment process** will be a key focus.

With a **disciplined approach, strategic foresight, and an unwavering commitment** to stakeholders, we remain focused on **Staying the Charted Course,** ensuring the National Bank Group continues to **build resilience and drive long-term value creation.**

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 Associations mandates a Board size for effective decision-making is 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. 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 is comprised of ten (10) members who were elected and appointed by the holders of ordinary shares. The Board of NCIC is comprised of ten (10) elected members. The Board of National Bank Trust Company is comprised of five (5) elected members.

The table below outlines the relevant qualifications of each Director.

Director	Qualification
Mrs. Carol Boddie	Certified Public Accountant (CPA) Bachelor of Arts (Accounting) Accredited Director (Acc. Dir)
Mr. Terrence 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 Diploma - Port Statistics, Costs and Tariffs Accredited Director (Acc. Dir)
Mr. Glenville Rogers	Bachelor of Arts (Accounting) Accredited Director (Acc. Dir)
Mr. Winston Hutchinson	Certified Public Accountant (CPA) Master of Business Administration Accredited Director (Acc. Dir)
Mr. Mitchell Gumbs	Diploma – Retail Management
Mr. Stephen O.A. Hector – Corporate Secretary	Legal Education Certificate (LEC), Bachelor of Laws, Bachelor of History Accredited Director (Acc. Dir)

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 which could be reasonably expected to interfere with the exercise of an independent director's judgment.

All Directors must take 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 which 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 which 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:

1) disclose that interest;

2) leave the meeting during Board or committee discussion; and

3) do not vote on the matter.

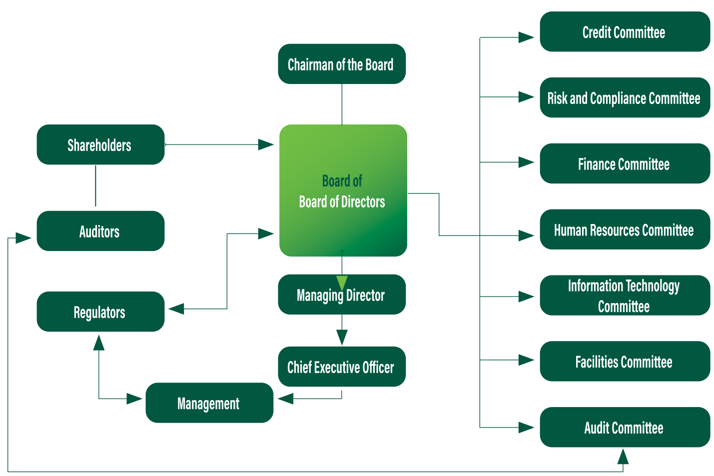
THE DEVELOPMENT OF DIRECTORS' KNOWLEDGE, EXPERIENCE AND SKILLS

During the financial period, Directors participated in local 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 affects the Group.

- Anti-Money Laundering/Counter Financing of Terrorism and Proliferation Financing Compliance Training
- Directors Accreditation
- CAB Annual Conference - Embracing Change and Building Resilience in a Dynamic Environment
- FIBA AML CONFERRENCE 2024
- MasterCard Innovation Forum
- Visa Payment Forum
- EURONET ITM User Conference
- CAB CEO & Director Forum
- Raymond James Bond School - Fixed Income Capital Markets

COMMUNICATION

Management provides reporting 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 2024

DIRECTORS	No. of Meetings Attended	Meeting Attendance	
		Number	Rate (%)
Mrs. Carol Boddie	24 of 24	24	100
Mr. Terrence Crossman	24 of 24	24	100
Ms. Lorna Hunkins	24 of 24	24	100
Ms. Ophelia Blanchard	24 of 24	24	100
Mr. Glenville Rogers	24 of 24	24	100
Ms. Azuree Liburd	21 of 24	21	88
Mr. Ronald Powell	24 of 24	24	100
Mr. Hollis Prentice	24 of 24	24	100

Mr. Winston Hutchinson	23 of 24	23	96
Mr. Mitchell Gumbs	20 of 24	20	83
Mr. Stephen Hector (Secretary)	23 of 24	23	96
No. of Meetings		24	

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 2024

Director	No. of Meetings Attended	Meeting Attendance	
		Number	Rate (%)
Mr. Cedric R. Liburd	14	14 of 15	93
Mrs. Emileta Warner-Paul	15	15 of 15	100
Ms. Thamesha Fyfield	13	13 of 15	87
Mr. Shannoid L. Bass	15	15 of 15	100
Mrs. Juliette James	15	15 of 15	100
Ms. Deanne Arthurton	15	15 of 15	100
Ms. Dorothy Caines	14	14 of 15	93
Mr. McLevon Tross	15	15 of 15	100
Mrs. Chanelle Myers	15	15 of 15	100
Mr. Terrence Crossman	14	14 of 15	93
Ms. Julita Lawrence (Secretary)	15	15 of 15	100
No. of Meetings		15	

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

Attendance Report for year ended 30 June 2024

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

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 St. Kitts and Nevis Mortgage and Investment Company Ltd (MICO). The St. Kitts-Nevis-Anguilla National Bank Trust Company Ltd is responsible for 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 be 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 election. 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 the Note 27 "Other Expenses".

DIRECTORS' SHAREHOLDINGS

Director	No. of Shares Owned	Type of Director
Ms. Carol Boddie	2,972	Non-Executive
Ms. Lorna Hunkins	840	Non-Executive
Mr. Terrence Crossman	31,920	Executive
Ms. Ophelia Blanchard	1,500	Non-Executive
Ms. Azuree Liburd	175	Non-Executive
Mr. Hollis Prentice	278	Non-Executive
Mr. Ronald Powell	300	Non-Executive
Mr. Glenville Rogers	1,500	Non-Executive
Mr. Winston Hutchinson	1,000	Non-Executive
Mr. Mitchel Gumbs	39,328	Non-Executive

ELECTION

Unless it be 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.

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, 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 on 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. The members of the Committee are as follows:

Ms. Lorna Hunkins – CHAIRMAN

Mr. Terrence 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 monitor compliance with regulatory, prudential, legal and ethical standards. The members of the Committee are as follows:

Mr. Glenville Rogers – CHAIRMAN

Ms. Azuree Liburd

Mr. Hollis Prentice

Mr. Winston Hutchinson

Mrs. Carol Boddie

Ms. Kimmoye Byron – RECORDER

Effective May 2024, Mrs. Jacqueline Hewlett retired from the role of Recorder for the Risk and Compliance Committee, Ms. Kimmoye Byron replaced Mrs. Hewlett as Recorder.

FINANCE COMMITTEE

The 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 Finance Committee is as follows:

Mr. Terrence Crossman- CHAIRMAN

Mr. Glenville Rogers

Mr. Ronald Powell

Mrs. Carol Boddie

Mr. Winston Hutchinson

Mr. Anthony Galloway– EX OFFICIO

Mrs. Petronella Crooke – RECORDER

Effective September 2023, Mr. Donald Thompson retired from EX OFFICIO member of the Finance Committee. Mr. Anthony Galloway was appointed EX OFFICIO and Mrs. Petronella Crooke was appointed 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 make appropriate recommendations to the Board of Directors. The Credit Committee also reviews all loan requests when special considerations are necessary. The members of the Committee are as follows:

Mrs. Carol Boddie – CHAIRMAN

Ms. Lorna Hunkins

Mr. Terrence Crossman

Mr. Glenville Rogers

Mr. Winston Hutchinson

Mr. Anthony Galloway – EX OFFICIO

Mr. Stephen Hector - SECRETARY

Effective September 2023, Mr. Donald Thompson retired from EX OFFICIO member of the Credit Committee, and he was replaced by Mr. Anthony Galloway.

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. The members of the Committee are as follows:

Mr. Terrence Crossman – CHAIRMAN

Mrs. Carol Boddie

Ms. Azuree Liburd

Ms. Ophelia Blanchard

Mr. Glenville Rogers

Mr. Anthony Galloway – EX OFFICIO

Ms. Giselle Solomon – RECORDER

Effective September 2023, Mr. Donald Thompson retired from EX OFFICIO member of the Human Resources Committee, and he was replaced by Mr. Anthony Galloway.

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. The members of the Committee are as follows:

Ms. Ophelia Blanchard – CHAIRMAN
Ms. Lorna Hunkins
Mr. Terrence Crossman
Mr. Ronald Powell
Mrs. Carol Boddie
Mr. Mitchell Gumbs
Mr. Quincy Prentice – EX OFFICIO
Mr. Anthony Galloway – EX OFFICIO
Ms. M. Patricia Bass - RECORDER

Effective September 2023, Mr. Donald Thompson retired from EX OFFICIO member of the IT Committee, and he was replaced by Mr. Anthony Galloway.

Effective January 2024, Mr. Terrence Crossman was appointed to the Information Technology (IT) Committee. Ms. M. Patricia Bass was appointed Recorder of the IT Committee which was previously held by Mr. Quincy Prentice and Mr. Prentice remains a member of the IT Committee as EX OFFICIO.

FACILITIES COMMITTEE

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

The members of the Committee are as follows:

Mr. Ronald Powell - CHAIRMAN
Mr. Glenville Rogers
Mr. Hollis Prentice
Ms. Ophelia Blanchard
Mr. Terrence 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 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
Ms. Kimmoye Byron – EX OFFICIO
Ms. Almaz Glasford - RECORDER

Effective May 2024, Mrs. Jacqueline Hewlett retired from the role of Recorder for the Risk and Compliance Committee, Ms. Kimmoye Byron replaced Mrs. Hewlett as Recorder.

INVESTMENT AND FINANCE COMMITTEE

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

The members of the committee are as follows:

Mr. Terrence Crossman - CHAIRMAN
Mr. McLevon Tross
Mrs. Chanelle Myers
Mrs. Emileta Warner-Paul
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 - CHAIRPERSON
Mrs. Emileta Warner-Paul
Mr. Shannoid Bass
Ms. Juliana Sargeant
Mr. Zeon Hector
Mr. Ericson James – EX OFFICIO
Ms. Eugenia Petty - RECORDER

INTERNAL AUDIT OVERSIGHT

The third line of defense in the Group of Companies is 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. The Chief Internal Auditor 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 whether it is appropriate, risk based and addresses critical activities over a measurable cycle. The Chief Internal Auditor reviews the status of the audit plan and any changes needed quarterly, including reviews of:

i) the results of audit activities, 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. Periodically, 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

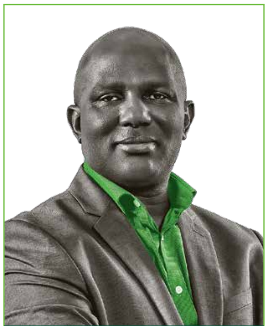
Mrs. Carol I. Boddie

Chairman

Certified Public 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

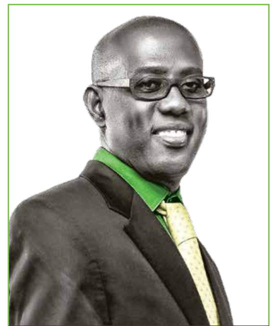
2nd Vice Chair

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

Diploma - Port Statistics, Costs and Tariffs
Accredited Director (Acc. Dir.)

Mr. Glenville Rogers

Director

Bachelor of Arts (Accounting)

Accredited Director (Acc. Dir.)

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

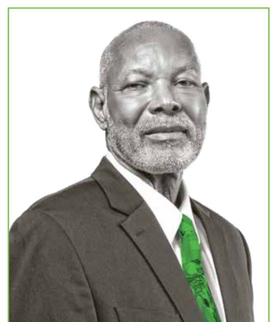
Associates in Education (UWI)

Mr. Ronald Powell

Director

Entrepreneur and Procurement Specialist

Accredited Director (Acc. Dir.)



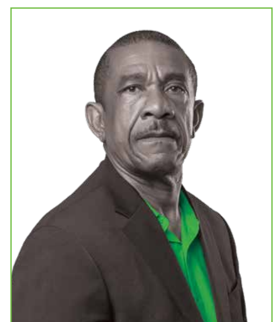
Mr. Winston Hutchinson

Director

Certified Public Accountant (CPA)

Master of Business Administration

Accredited Director (Acc. Dir.)



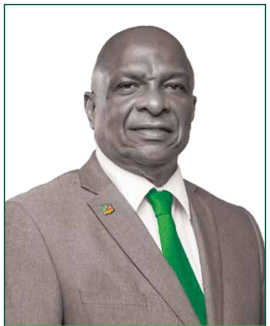
Mr. Mitchell Gumbs

Director

Diploma – Retail Management

Accredited Director (Acc. Dir.)

NCI Board of Directors



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

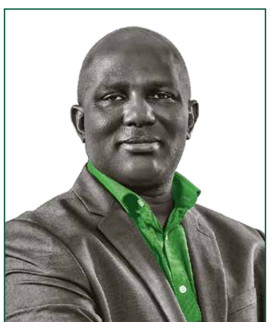
Accredited Director (Acc. Dir.)

Ms. Dorothy Caines

Director

Bachelor of Arts (Language Education – Literacy Studies)

Certificate – Primary Education



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. 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

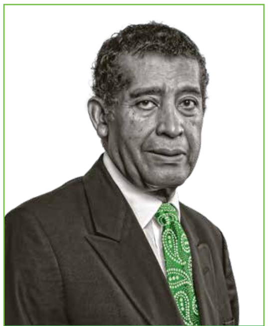
Accredited Director (Acc. Dir.)

National Trust Board of Directors

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)

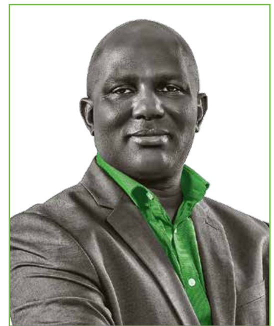
Barrister – at Law Certificate

Mrs. Carol I. Boddie
Director

Certified Public 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.)

DIRECTORS' REPORT

The Directors have pleasure in submitting their Report for the financial year ended June 30, 2024.

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:

Mr. Ronald Powell
Mr. Hollis Prentice
Mr. Glenville Rogers

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 2020 to June 2024, dividend payments were as follows:

- 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),
- cash dividend payment of $7.1m (for the financial year ended June 30, 2023).

These represent a total dividend payout over the period of $49.0m.

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, 2024, amounted to $50.8 million, with earnings per common share of $0.36.

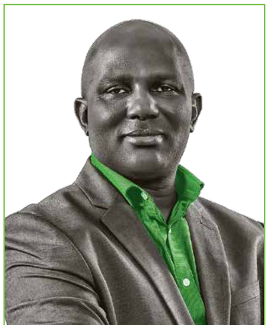
An in-depth discussion of the financial performance for the year can be found in the Management's Discussion and Analysis, which is presented in a separate section of this Annual Report.

The Directors have decided to recommend a dividend payment of 5 cents per share for the financial year ended June 30, 2024. 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, 2024.

By Order of the Board of Directors

Stephen O. A. Hector
CORPORATE SECRETARY

National Bank Executive Management



Mr. Terrence A. Crossman
Managing Director

Mr. Anthony Galloway
Chief Executive Officer

Mrs. Derry-Anne Browne
Chief Internal Auditor

Ms. Kimmoye Byron
Officer in Charge,
Risk & Compliance Unit

Mrs. Petronella Crooke
Chief Financial Officer

Mrs. Bernice Grant Kelly
Chief Electronic Services Officer

Mr. David Lake
Group Commercial Head

Ms. Paula Morton
Chief Credit Officer

Mr. Quincy Prentice
Chief Information Officer

Ms. Sandra Richardson
Senior Manager, Customer Experience and Support - Retail Banking

Mrs. Ermelin Sebastian-Duggins
Chief Legal Counsel

Ms. Giselle Solomon
Officer in Charge
Human Resources Unit

Ms. Michele Thomas
Senior Manager, Pelican Mall and Branch Operations

National Bank Senior Management

Mr. David Edwards
Executive Manager
Systems

Mr. Elroy Halliday
Executive Manager
Network Administration

Ms. Keesha Jones
Manager
Nevis Branch

Ms. Lisa Merchant
Manager
Sandy Point Branch

Mr. Anthony Morton
Executive Manager
Business Development
and Marketing

Mrs. June O'Brien
Executive Manager
Administration Dept.

National Bank Trust General Manager

Mr. Collin Walwyn
General Manager,
National Bank Trust

National Caribbean Insurance Management

Ms. Diana Williams - Humphrey

General Manager

Mr. Ryeburn Boyce

Deputy General Manager

Ms. Atisha Byron

Assistant General Manager

Mr. Clive Blanchard

Senior Manager, MIS

Mr. Floyd Charles

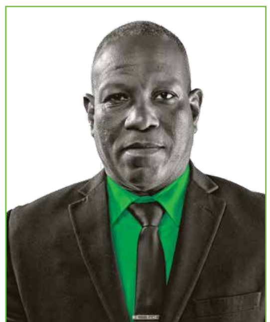
Senior Manager, Sales & Marketing

Mr. Clive Collins

Executive Manager, Management Accounting

Ms. Almaz Glasford

Manager, Risk and Compliance



Mr. Ericson James

Executive Manager Human Resources

Ms. Sherlene Johnson

Executive Manager, Corporate Services

Mrs. Hazel Manners-David

Branch Manager, Nevis

Ms. Eugenia Petty

Senior Manager, Administration

Mrs. Vernice Richardson

Branch Manager, Anguilla

Mrs. Gayanne Scarborough-Huggins

Executive Manager, Financial Accounting

Mr. Alister Thomas

Executive Manager, Claims

Mrs. Lola Warner

Executive Manager, Non-Life Department

Anthony Galloway
Chief Executive Officer

Management Discussion and Analysis

"Together, we have navigated challenges, celebrated milestones and continued to build on our legacy of excellence.

Anthony Galloway
Chief Executive Officer

OPERATING ENVIRONMENT

Globally, regionally and domestically, growth has remained stable and resilient despite adverse economic challenges.

Global projected growth of 3.2% is anticipated at the end of 2024 and economic resilience has been buoyant due to robust consumer spending in many developed and developing countries as a result of high levels of employment, rising real wages, slowed inflation and easing by Central Banks. Conflicts, election uncertainties, monetary policies and inflation all played a role in global economic performance.

Against this backdrop, the economies of the Eastern Caribbean Currency Union performed well with growth in 2024 projected to accelerate to approximately 5%. The currency union continues to be strengthened by tourism and construction activity with the latter sector sustained by home construction as foreign direct investment related construction activity remains depressed. The spillover effects from these sectors have added value to other major sectors including wholesale and retail trade. Inflation has eased significantly, down from a high of 9.5% in 2022 to 2.2% in 2023 and hovering at 1.9% as at end of financial year June 2024. Geopolitical tensions, policy uncertainties in the international markets, investment flows and threats from hurricanes continue to pose downside risks for the economies.

On the home front, the economy of St. Kitts and Nevis has expanded moderately when compared to the performance of 2022/2023. According to the IMF World Outlook report, GDP growth of 4.73% is expected in 2024 with inflation at 2.46% when compared to GDP growth of 3.45% in 2023 and inflation of 3.61%. The stability of our twin island Federation relies on diversification, technology, tourism and financial services. Government incentives aimed at diversifying the economy by encouraging investment in energy, information technology and real estate coupled with low interest rates had positive spinoffs of growth in the construction sector and consumer expenditure. Despite this, tourism remains the highest growth sector, contributing over 60% to the GDP. The Citizenship by Investment Programme facilitated by the Government and which has been a substantial contributor to economic activity, had a notable recession in turnover during the financial year which has negatively impacted on operations. Nationwide, commercial banks are generally well capitalized, with liquidity and profitability remaining high.

In this environment, the St. Kitts-Nevis-National Bank Group reports another successful year of operations.

RESULTS OF OPERATION

This past year has been marked by the resilience, innovation and unwavering dedication that defines the National Bank Group of companies. Together, we have navigated challenges, celebrated milestones and continued to build on our legacy of excellence. Turning an after-tax profit of $50.8 million as at end of year June 2024, the National Bank Group of companies continued its trajectory of sustainable profitability.

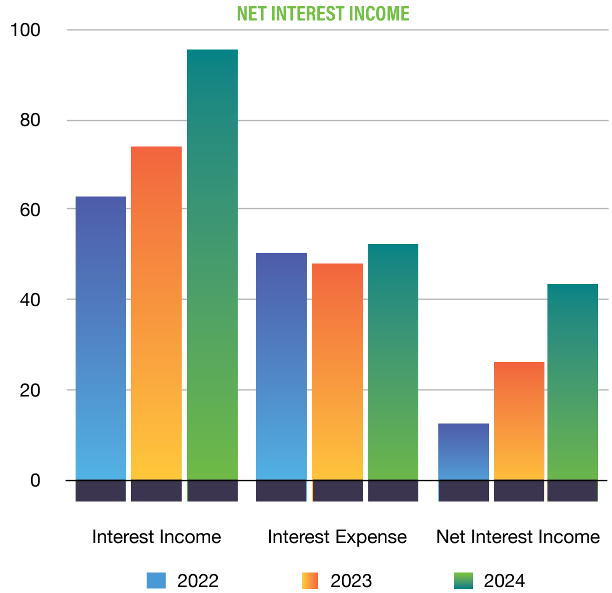
Net Interest Income

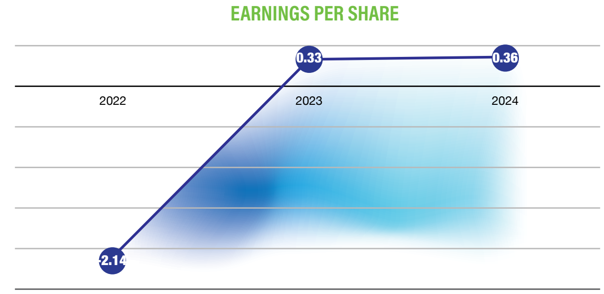
Net interest income for the year was $43.5 million, an increase of $17.0 million or 64.3% when compared with $26.5 million reported for 2023. This year-over-year increase in net interest income was the result of a more significant upswing in interest income ($21.3 million) than interest expenses ($4.3 million) for the period. (See Table 1)

Restructuring the investment strategy coupled with impetus from consumer lending led to a 62.5% and 4.6% increase respectively in interest income from investments and loans. Interest expenses increased primarily on fixed deposits during the year. Consequently, the Bank's net interest margin (net interest income as a percentage of average assets) increased to 1.2% in 2024 from 0.7% in 2023

TABLE 1.

			Change	
(In Millions)	**2024**	**2023**	**$**	**%**
Interest Income	**95.7**	**74.4**	**21.3**	**28.6**
Loans & Advances	45.5	43.5	2.0	4.6
Investments	50.2	30.9	19.3	62.5
Interest Expense	**52.2**	**47.9**	**4.3**	**8.9**
Demand	0.6	0.8	(0.2)	(25.0)
Savings	13.0	12.3	0.7	5.7
Time	38.5	34.1	4.4	12.9
Other	0.07	0.7	(0.6)	(90.0)
Net Interest Income	**43.5**	**26.5**	**17.0**	**64.3**



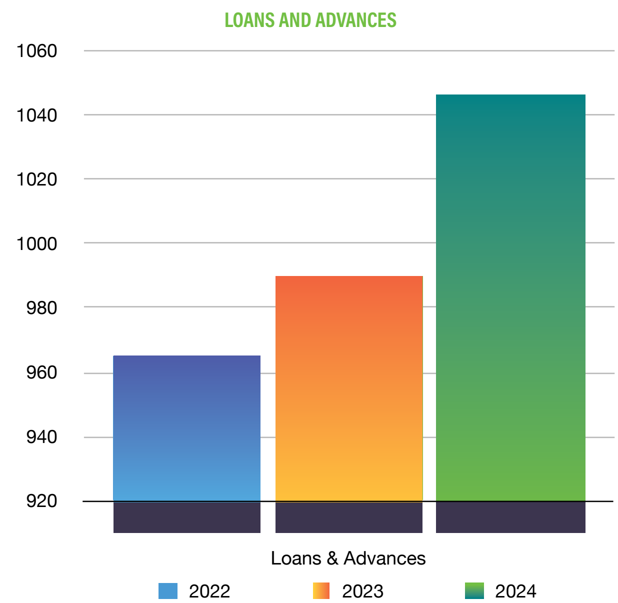


FINANCIAL CONDITIONS

Loans and Advances

Total Loans and Advances to customers increased by $56.1 million or 5.67% to $1,046.1 billion in 2024 over 2023, driven by strong demand for Mortgages, Demand Loans and Overdrafts.

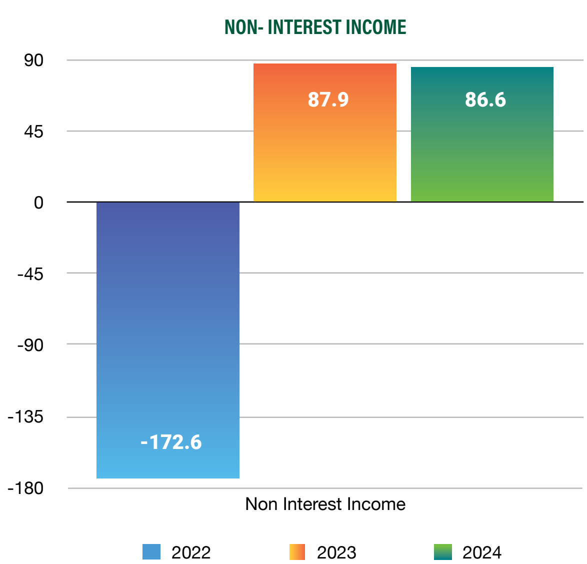
SKNANB's market share of total loans and advances in the Federation of St Kitts and Nevis increased 70 basis points from 42.5% in 2023 to 43.2% in 2024 which underscores the drive to improve the portfolio.



Non-Interest Income

Non-interest income decreased by $1.3 million or 1.5% when compared with 2023. The stock market rebound continued into this financial year with a $5.5 million increase year over year on net investment income. However, these gains were nullified by lower foreign exchange gains, fees and commission income and other income, all indicative of prevailing local and global economic conditions. *(See Table 2)*

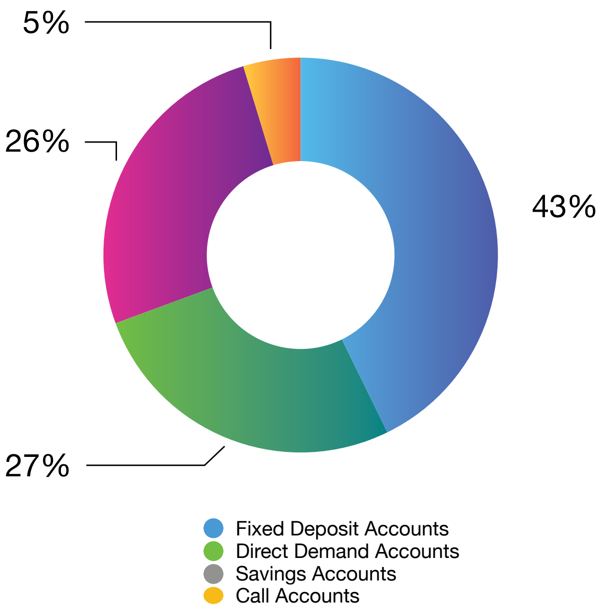
			Change	
(In Millions)	**2024**	**2023**	$	%
Fee and Commission	25.7	27.9	(2.2)	(7.9)
Dividend	9.7	10.2	(0.5)	(4.9)
Net Gains/(losses) on Investments	44.6	39.1	5.5	14.1
Net Insurance related income	0.0	(2.0)	2.0	(100.0)
Foreign Exchange Gains	5.5	8.0	(2.5)	(31.3)
Other	1.1	4.7	(3.6)	(76.6)
Non-Interest Income (Loss)	**86.6**	**87.9**	**(1.3)**	**(1.5)**



Deposits

Customer deposits decreased by $0.27 billion in 2024 when compared with 2023. Decreased fixed deposits and direct demand deposits were the main contributing factors to the overall decline in customer deposits.

DEPOSIT MIX



CAPITAL AND LIQUIDITY

The Group ensures its capital position adequately supports business activities and aligns with the inherent risk, its risk appetite and strategic planning. The commitment to 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 counterparties, maintain ready access to liquidity sources, remain a source of strength for its subsidiaries and satisfy current regulatory capital requirements. As capital plays a crucial role in mitigating potential risks, the group must reiterate that it has not lost its focus on capital management. Tier 1 capital ratio and Basel ratio were recorded at 22% and 24% respectively as of June 30th, 2024, well above the internationally agreed minimum.

The Group also remained liquid despite maintaining lower levels of liquid deposits when compared to the previous year. Despite the lower position, it is still an indication that the bank possesses the appropriate amount of liquidity in support of its assets, giving it the ability to meet its contractual obligations as they fall due.

RISK MANAGEMENT

Amidst a challenging geopolitical and financial landscape, the National Bank Group continued to effectively manage its operational, financial, earnings, strategic, regulatory, capital, cyber security and compliance risks. The Group continually augments its Risk Management Framework to keep abreast of regulatory changes and remain sound in an evolving regulatory environment.

During fiscal year 2024, the Bank carried out the Internal Capital Adequacy Assessment Process (ICAAP) to ensure the sufficiency of the capital base to sustain the institution in the face of various risks. The ICAAP incorporates the Group's strategies and its risk appetite to ensure that there is sufficient capital available as the Group continues to enact its strategic agenda. To mitigate earnings risk, the Group enhanced its marketing strategy and introduced innovative products and services to boost its market share and generate additional revenue which will in turn help to strengthen its capital base.

The Credit Division was expanded to include a Recoveries Unit and was subsequently rebranded as the Credit and Recoveries Division. With the expansion of the Division, the Loans Department and Recoveries & Administration Department were placed under the leadership of separate managers who both report to the Chief Credit Officer. This realignment was implemented to facilitate a more proactive focus on impaired loans by having the dedicated Recoveries Unit actively mitigate credit risk through managing the loan book to reduce the probability of default by borrowers and aggressively following up on loans going into default. This initiative is a key component in reducing the NPLs to Gross loan ratio and bringing it in line with the regulatory requirement.

The Group continued to mitigate market risk by actively managing the investment portfolio and implementing diversification strategies to hedge against market volatility. Stress testing was regularly conducted to assess the resilience of the investment portfolio to adverse events with a view to swiftly adjusting the portfolio allocation where necessary to guard against adverse market movements.

The year brought an increased focus on improving operational efficiency through automation of processes which will address challenges in data gathering and reporting. The ongoing upgrade of the Core Banking system will enhance efficiency and provide top-class service to our customers thus enabling the institution to remain competitive. Management and the Board continue to permeate the Group with a risk mindset via increased training and capacity building in risk management.

NATIONAL CARIBBEAN INSURANCE COMPANY (NCI)

NCI achieved a net income before tax of $3.0 million; an increase of $1.6 million over the before tax profit of $1.4 million which was reported for 2023. The increase was driven by higher investment income and net insurance revenue; offset by increased actuarial and other expenses.

NATIONAL BANK TRUST COMPANY

At the end of June 2024, the National Bank Trust Company reported an after-tax loss of $0.48 million; a 33% increase over the previous year's loss of $0.36 million. Whilst operating income was promising, the general administrative expenses and other expenses far exceeded these earnings resulting in a loss position.

MICO

The St. Kitts-Nevis Mortgage and Investment Company reported an after-tax loss of $0.5 million in 2024; less favourable than desired.

OUTLOOK

The global economy is predicted to stabilize as inflation returns closer to targets and monetary easing supporting economic activity. However, the outlook remains subdued by recent historical standards. In 2024-25, growth is set to underperform its 2010s average in nearly 60 percent of economies, comprising over 80 percent of the global population according to the World Bank. On average, developing countries are expected to grow 4% over 2024 - 2025, with growth in advanced economies rising to 1.7% in 2025 leading to a moderate global expansion of an estimated 2.7%. Downside risks predominate, including geopolitical tensions, trade fragmentation, higher-for-longer interest rates, and climate-related disasters.

Our economy here in St. Kitts and Nevis is expected to record growth of 4.3% at the end of 2024 with a projected growth of 2.5% in 2025 and average medium growth of 2.8% per annum over the term 2025 to 2027. With tourism remaining the cornerstone of the economy, service-related sectors have been projected to contribute significantly to this outlook.

The group remains committed to the development of its staff and the banking sector at large and endeavours to meet all the objectives as laid out in the strategic plan.

Anthony Galloway
Chief Executive Officer

> We envision and work towards a future where each one of us plays a vital role in our collective success.

Diana Williams-Humphrey
General Manager

NATIONAL CARIBBEAN INSURANCE COMPANY LIMITED (NCIC)

General Manager

The National Caribbean Insurance Company Limited (NCIC) has played a pivotal role in our national development over the last 50 years. As we bask in this golden era, we know that NCI has proven that it has longevity, and the tools required for success. At this 50th step in our journey, the path looks much different than the one we embarked on just over five decades ago. We find ourselves operating in an environment characterized by digitization, increased competition and changing customer expectations. Being cognizant of this, over the fiscal year 2023-2024, the company embarked on a transformative journey designed to increase operational efficiencies and financial performance, while remaining true to our core values and adapting to new challenges.

FINANCIAL PERFORMANCE

The fiscal year 2023-24 marked the first year that NCI was officially reporting under IFRS17, which requires insurance companies to recognise profits as it delivers insurance services (rather than when it receives premiums). Over the period we saw an increase in insurance revenue by 22.7% in 2024 (EC$50.9M in 2023 to EC$62.5M in 2024). Net investment income also increased by 13.4% in 2024. The recovery of the U.S stock market was the major contributor to this increase. As we continue along this progressive path, it must be noted that we have seen steady growth in our life and health portfolio and identified opportunities for expansion in our other lines of business, primarily, fire.

JUBILEE CELEBRATIONS

NCI celebrated its Golden Jubilee under the chosen theme, "At Fifty We Stand Tall – NCI Cares for All". The year-long celebration was dedicated to the recognition of NCI's founders, its management, and staff and especially its customers. Highlights of the year included a 50th anniversary banquet that paid homage to the pioneers who had guided NCI to 50 outstanding years. Among these were NCI's past 7 general managers and long serving staff members. During the year NCI reaffirmed its commitment to nation development through the distribution of care packages to the elderly and the provision of 5 scholarships to primary school students across St Kitts and Nevis.

GLOBAL HEADWINDS

The last 50 years have taught us the importance of resilience. Global crises, economic uncertainty, and unpredictable disasters have tested the strength of NCI. Through it all, by staying the course, we have weathered the storms. Our ability to navigate through these turbulent times is not just a testament to our strength, but also to the commitment of our people. Coming out of Covid-19 there is an increasing demand for increased technological structure to support business processes and a redefining of the business model. Digital transformation to drive operational efficiency and maintain the competitive edge continues to be an area of focus for NCI. We actively pursued the acquisition of new software to support our Life and Health Claims Administration processes, and this is expected to be operational in the upcoming financial year.

LOOKING AHEAD

As we look to the future with anticipation, we acknowledge that we must be visionaries who anticipate change and prepare for it, while also being mindful of the values and principles that have sustained us for 50 years. A part of that vision has been look at sustainable strategic initiatives to guide our journey. These initiatives include:

1. **Organisational Transformation:** With the assistance of a business consultant the team has started a fundamental reboot aimed at redesigning existing processes or creating new ones to align with goals or strategies with a view to achieving greater efficiency, competitiveness and innovation.
2. **Increased Brand Awareness and Recognition:** In the new fiscal year we will be unveiling our brand refresh which is geared at revitalizing and strengthening our brand identity and visibility as we endeavour to remain relevant amidst the changing conditions. We will also unveil a cutting-edge website to meet the evolving needs of our stakeholders.
3. **Human Capital Investment:** Recognizing our employees as our greatest asset, we continue to focus on staff engagement and professional development. This commitment ensures that our workforce remains not only skilled but also motivated to deliver excellence.
4. **Facilities Enhancement:** As NCI continues to expand, we note that our current staff and business has outgrown our company headquarters in Basseterre. Therefore to create a more comfortable workspace for staff and a more welcoming environment for customers, the majority of the St Kitts team will be relocating to a more modernized workspace at Port Zante in the upcoming year.

GRATITUDE AND ACKNOWLEDGMENTS

In conclusion, we envision and work towards a future where each one of us plays a vital role in our collective success. Through combined efforts, we can achieve remarkable things. The journey will not be easy, but it will be extraordinary because of the continued commitment of the amazing NCI Team who have demonstrated passion, dedication and commitment. Together, with all our stakeholders, we are authoring the next chapter of our success story, and endless possibilities lie ahead. The journey towards another 50 will be an amazing one! Thank you.

Diana Williams-Humphrey
General Manager

NATIONAL BANK TRUST COMPANY
General Manager's Report

"As we expand into new areas, we have encountered challenges, particularly in aligning our operations to meet the diverse needs of clients in investments and wealth management.

Collin W. Walwyn
General Manager

OPERATIONAL REVIEW

The Trust has made measurable progress in strengthening core operations during the year. As part of the ongoing restructuring process, we have focused on improving service delivery, increasing compliance standards, and building stronger client relationships.

Alongside our continued role in the CBI Programme, we have actively sought to expand into additional income-generating areas, including investments, wealth management, and trust administration. These sectors are crucial for ensuring the Trust's long-term viability and stability.

BUILDING NEW RELATIONSHIPS AND EXPANDING REVENUE STREAMS

Our efforts to diversify revenue sources have been central to our strategy. We have worked to build new client relationships in wealth management and trust administration, while also exploring investment opportunities that align with the Trust's capabilities. These areas, alongside the CBI Programme, are expected to provide a more diversified and stable foundation for our future growth.

By expanding our service offerings, we are creating additional revenue streams that will contribute to the Trust's long-term financial health.

EQUIPPING OUR TEAM FOR SUCCESS

To ensure that we can effectively capitalize on new opportunities, we have continued to invest in training our team in key areas such as wealth management, investments, and trust administration. Our staff is being equipped with the skills necessary to proactively engage with clients, manage complex portfolios, and navigate regulatory challenges across these diverse areas.

This ongoing development ensures that we can offer clients comprehensive solutions and respond to emerging business needs with confidence.

CHALLENGES AND RESPONSES

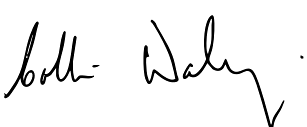
As we expand into new areas, we have encountered challenges, particularly in aligning our operations to meet the diverse needs of clients in investments and wealth management. We have taken steps to streamline processes and ensure that we can meet these evolving demands.

OUTLOOK FOR 2024-25

Looking ahead, the focus will continue to be on completing our restructuring process while diversifying our revenue base through investments, wealth management, and trust administration. We are confident that these efforts will position the Trust for sustainable growth in the coming years.

By "Staying the Chartered Course," we remain committed to ensuring that the Trust remains resilient, adaptable, and well-equipped to take advantage of new opportunities while managing risks effectively.

Sincerely,



Collin W. Walwyn
General Manager

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024

(expressed in thousands of Eastern Caribbean Dollars)

Grant Thornton

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Corner Bank Street and West
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Basseterre, St. Kitts
West Indies

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F + 1 869 466 9822

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 at June 30, 2024, 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 material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to audits of the financial statements of public interest entities in the Eastern Caribbean, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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, 2024, the Group's financial assets with credit risk that are subject to ECL assessment amounted to $2,328,185 which represents 65% of total assets.

Accordingly, the Group used an 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*

Adoption of IFRS 17 Insurance Contracts

Description of the Matter

On July 1, 2022, the Group adopted IFRS 17 with a transition date of July 1, 2022 and restated comparative information for 2023 applying the transition provisions of IFRS 17. The adoption of the standard significantly impacted how the Group recognises, measures, presents and discloses insurance contracts.

Changes in accounting policies resulting from the adoption of IFRS 17 were applied using a full retrospective approach applying alternative transition methods where the full retrospective approach was impractical. The full retrospective approach was mostly applied to the insurance contracts in force at the transition date that were originated less than 3 to 5 years prior to transition. Where the full retrospective approach was determined to be impracticable, the fair value approach was applied. These changes required management judgment in developing and implementing accounting policies, including policies specific to transition.

We considered this a key audit matter as auditing the Group's transition to IFRS 17 required significant audit effort as it related to the measurement of the Group's insurance contract and reinsurance contract liabilities. This required the application of management judgment, with the assistance of management actuarial experts, due to the complexity of the models, and in the determination of key assumptions, specifically the discount rate and risk adjustment relating to the measurement of the insurance contract liabilities, and the development of fair value assumptions used in the determination of the contractual service margin (CSM) at the date of transition.

How the Matter was addressed in the Audit

Our approach to addressing the matter, with the assistance of our actuarial experts included, amongst others, the following procedures:

- Evaluated the accounting policies and the elections involved in the IFRS 17 transition.

- Assessed the appropriateness and consistency of key assumptions used in the measurement of insurance contract liabilities and the transition CSM by comparing to published industry studies, market data, entity specific facts and circumstances, our knowledge of the products and the requirements of IFRS 17.

- Tested, on a sample basis, underlying support and documentation such as executed policy holder insurance contracts.

- Tested the methodology and calculations of the IFRS 17 insurance contract liabilities and transition CSM through review of the calculation logic with the newly implemented models.

- Assessed the disclosures within the consolidated financial statements for compliance with the requirements of IFRS 17.

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Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

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

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

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

Responsibilities of Management and 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 Accounting Standards as issued by the IASB, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

GrantThornton

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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional 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.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

Grant Thornton

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
February 4, 2025
Basseterre, St. Kitts

Consolidated Statement of Financial Position
As of June 30, 2024

(expressed in thousands of Eastern Caribbean dollars)

	Notes	2024 $	2023 $ Restated	2022 $ Restated
Assets				
Cash and balances with Central Bank	5	**211,799**	225,874	219,017
Treasury bills	6	**145,408**	360,604	71,253
Deposits with other financial institutions	7	**208,115**	384,420	564,479
Loans and advances to customers	8	**1,046,128**	990,022	964,589
Originated debts	9	**155,641**	119,536	154,211
Financial asset	32	**357,629**	357,416	360,794
Investment securities	10	**1,235,598**	1,184,240	1,170,641
Property inventory	11	**8,565**	8,565	8,565
Investment property	12	**4,040**	4,040	4,040
Income tax recoverable	19	**50,602**	34,392	19,263
Property and equipment	13	**45,718**	37,996	38,211
Intangible assets	14	**774**	1,070	390
Right-of-use assets	15	**2,368**	1,063	1,518
Other assets	16	**54,085**	46,745	37,781
Deferred tax asset	19	**32,597**	17,805	5,387
Total assets		**3,559,067**	3,773,788	3,620,139
Liabilities				
Customers' deposits	17	**2,707,136**	2,982,428	2,839,826
Borrowings	10	**–**	–	21,164
Provisions, creditors and accruals	18	**251,193**	237,867	252,334
Acceptances, guarantees and letters of credit		**7,456**	7,456	6,541
Income tax payable	19	**981**	1,974	3,781
Lease liabilities	15	**2,446**	1,084	1,549
Deferred tax liability	19	**3,555**	3,796	3,357
Total liabilities		**2,972,767**	3,234,605	3,128,552
Shareholders' equity				
Issued share capital	20	**141,750**	141,750	141,750
Share premium		**3,877**	3,877	3,877
Reserves	21	**471,426**	456,923	451,757
Accumulated deficit		**(30,753)**	(63,367)	(105,797)
Total shareholders' equity		**586,300**	539,183	491,587
Total liabilities and shareholders' equity		**3,559,067**	3,773,788	3,620,139

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

Approved for issue by the Board of Directors on February 3, 2025.

Chairman

Director

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED

Consolidated Statement of Income
For the year ended June 30, 2024

(expressed in thousands of Eastern Caribbean dollars)

	Notes	2024 $	2023 $ Restated
Interest income	**22**	**95,713**	74,400
Interest expense	**22**	**(52,178)**	(47,914)
Net interest income		**43,535**	26,486
Fees and commission income	**23**	**25,680**	27,907
Fees expenses	**23**	**(24,333)**	(19,224)
Net fees and commission income		**1,347**	8,683
Other income, net	**24**	**60,873**	59,929
Operating income		**105,755**	95,098
Operating expenses			
Administrative and general expenses	**25**	**(64,981)**	(57,496)
Other expenses	**27**	**(6,254)**	(6,115)
Credit impairment charges, net	**26**	**(2,723)**	(2,236)
Total operating expenses		**(73,958)**	(65,847)
Net income before tax		**31,797**	29,251
Income tax credit	**19**	**19,014**	17,766
Net income for the year		**50,811**	47,017
Earnings per share (basic and diluted)	**28**	**0.36**	0.33

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

Consolidated Statement of Comprehensive Income
For the year ended June 30, 2024

(expressed in thousands of Eastern Caribbean dollars)

	Notes	2024 $	2023 $ Restated
Net income for the year		**50,811**	47,017
Other comprehensive income, net of tax:			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Financial assets measured at FVOCI – debt instruments:			
Net unrealised gains/(losses) on investment securities, net of tax	**21**	**8,263**	(689)
Expected credit recoveries recognised on FVOCI – debt securities	**21**	**111**	378
Reclassification adjustments for net (losses)/gains included in income, net of tax	**21**	**(927)**	420
		7,447	109
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**	**3,294**	3,862
Utilisation of tax losses on prior year's realised losses on FVOCI equity instruments		**–**	(2,281)
Realised losses transferred to retained earnings, net of tax	**21**	**(5,480)**	–
Re-measurement loss on defined benefit asset, net of tax	**21**	**(1,868)**	(978)
		(4,054)	603
Total other comprehensive income for the year, net of tax		**3,393**	712
Total comprehensive income for the year		**54,204**	47,729

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

Consolidated Statement of Changes in Shareholders' Equity
For the year ended June 30, 2024

(expressed in thousands of Eastern Caribbean dollars)

	Note	Issued share capital $	Share premium $	Reserves $	Accumulated deficit $	Total $
Balance at July 1, 2022 as previously reported		**141,750**	**3,877**	**451,757**	**(122,190)**	**475,194**
Impact of initial application of IFRS 17, net of tax		–	–	–	16,393	16,393
Balance at July 1, 2022 (Restated)		**141,750**	**3,877**	**451,757**	**(105,797)**	**491,587**
Net profit for the year		–	–	–	47,017	47,017
Other comprehensive income		–	–	2,993	(2,281)	712
Total comprehensive loss for the year		–	–	2,993	44,736	47,729
Prior year adjustment for Leases					(133)	(133)
Transfer to reserves		–	–	2,173	(2,173)	–
Balance at June 30, 2023 (Restated)		**141,750**	**3,877**	**456,923**	**(63,367)**	**539,183**
Net income for the year		–	–	–	50,811	50,811
Other comprehensive income		–	–	8,873	(5,480)	3,393
Total comprehensive income for the year		**–**	**–**	**8,873**	**45,331**	**54,204**
Transfer to reserves		–	–	5,630	(5,630)	–
Transactions with shareholders						
Dividends	**29**	–	–	–	(7,087)	(7,087)
Balance at June 30, 2024		**141,750**	**3,877**	**471,426**	**(30,753)**	**586,300**

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, 2024

(expressed in thousands of Eastern Caribbean dollars)

	Notes	2024 $	2023 $ Restated
Cash flows from operating activities			
Net income before tax		**31,797**	29,251
Adjustments for items not affecting cash:			
Interest expense	**22**	**52,178**	47,914
Depreciation and amortisation	**13, 14, 15**	**4,278**	3,441
Credit and other impairment charges, net	**26**	**2,723**	2,236
Pension expense	**34**	**1,263**	1,057
Dividend income	**24**	**(9,682)**	(10,186)
Fair value gains on FVTPL investment securities		**(35,062)**	(32,040)
Interest income	**22**	**(95,713)**	(74,400)
Operating loss before changes in operating assets and liabilities		**(48,218)**	(32,727)
Changes in operating assets:			
Loans and advances to customers		**(57,933)**	(27,681)
Mandatory deposits with Central Bank		**16,668**	(10,051)
Other assets		**(8,971)**	(9,078)
Financial asset		**–**	(683)
Changes in operating liabilities:			
Customers' deposits		**(275,013)**	142,369
Provisions, creditors and accruals		**13,326**	(14,467)
Acceptances, guarantees and letters of credit		**–**	915
Cash (used in)/generated from operations		**(360,141)**	48,597
Interest received		**54,467**	56,285
Pension contributions paid	**34**	**(2,676)**	(2,404)
Income tax paid	**19**	**(15,821)**	(14,786)
Interest paid		**(52,391)**	(47,633)
Net cash (used in)/from operating activities		**(376,562)**	40,059
Cash flows from investing activities			
Disposals of investment securities and originated debts		**835,361**	687,247
Changes in term deposits and treasury bills, net		**265,218**	696,565
Interest received		**36,345**	17,320
Dividends received		**9,682**	10,186
Proceeds from disposal of property and equipment		**42**	1,124
Acquisition of intangible assets	**14**	**(134)**	(885)
Purchase of equipment	**13**	**(10,188)**	(3,005)
Purchase of investment securities and originated debts		**(896,944)**	(1,605,908)
Net cash from/(used in investing activities		**239,382**	(197,356)
Subtotal carried forward		**(137,180)**	(157,297)

Consolidated Statement of Cash Flows *...continued*

For the year ended June 30, 2024

(expressed in thousands of Eastern Caribbean dollars)

	Notes	2024 $	2023 $ Restated
Subtotal brought forward		**(137,180)**	(157,297)
Cash flows from financing activities			
Repayments of lease liabilities	**15**	**(1,368)**	(1,149)
Interest paid on lease liabilities	**15**	**(66)**	(48)
Dividends paid	**29**	**(7,087)**	–
Net cash used in financing activities		**(8,521)**	(1,197)
Net decrease in cash and cash equivalents		**(145,701)**	(158,494)
Cash and cash equivalents, beginning of year		**369,853**	528,347
Cash and cash equivalents, end of year	**33**	**224,152**	369,853

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

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.

2 Material accounting policy information

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 IFRS Accounting Standards 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 Accounting Standards as issued by the IASB 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, 2023

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

Except for IFRS 17, Insurance Contracts and the related amendments, these new standards and amendments do not have a material impact on these consolidated financial statements and therefore the disclosures have not been made.

IFRS 17, Insurance Contracts

The Group has initially applied IFRS 17, including any consequential amendments to other standards, from July 1, 2023. This standard has brought significant changes to the accounting for insurance and reinsurance contracts. As a result, the Group has restated certain comparative amounts and presented a third consolidated statement of financial position as at July 1, 2022.

Except for the changes below, the Group has consistently applied the accounting policies as set out in the material accounting policy information to all periods presented in these financial statements. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

2 Material accounting policy information …*continued*

2.2 Changes in accounting policies…*continued*

New and revised standards and amendments that are effective for the financial year beginning July 1, 2023*…continued*

The nature and effects of the key changes in the Group's accounting policy resulting from its adoption of IFRS 17 is summarised below.

IFRS 17 Insurance Contracts

Changes to classification, measurement

The adoption of IFRS 17 did not change the classification of the Group's insurance contracts. IFRS 17 establishes specific principles for the recognition and measurement of insurance contracts issued and reinsurance contracts held by the Group.

The key principles of IFRS 17 are that the Group:

- Identifies insurance contracts as those under which the Group accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder
- Separates specified embedded derivatives, distinct investment components and distinct goods or services other than insurance contract services from insurance contracts and accounts for them in accordance with other standards
- Divides the insurance and reinsurance contracts into groups it will recognise and measure
- Recognises and measures groups of insurance contracts at:
  - A risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all available information about the fulfilment cash flows in a way that is consistent with observable market information
    Plus
  - An amount representing the unearned profit in the group of contracts (the contractual service margin or CSM)
- Recognises profit from a group of insurance contracts over each period the Group provides insurance contract services, as the Group is released from risk. If a group of contracts is expected to be onerous (i.e., loss-making) over the remaining coverage period, the Group recognises the loss immediately.
- Recognises an asset for insurance acquisition cash flows in respect of acquisition cash flows paid, or incurred, before the related group of insurance contracts is recognised. Such an asset is derecognised when the insurance acquisition cash flows are included in the measurement of the related group of insurance contracts.

The Group's classification and measurement of insurance and reinsurance contracts is explained in Note 2.

2 Material accounting policy information *...continued*

2.2 Changes in accounting policies *...continued*

New and revised standards and amendments that are effective for the financial year beginning July 1, 2023*...continued*

IFRS 17 Insurance Contracts *...continued*

Changes to presentation and disclosure

For presentation in the consolidated statement of financial position, the Group aggregates portfolios of insurance and reinsurance contracts issued and reinsurance contracts held and presents separately:
- Portfolios of insurance and reinsurance contracts issued that are assets
- Portfolios of reinsurance contracts held that are assets
- Portfolios of insurance contracts and reinsurance contracts issued that are liabilities
- Portfolios of reinsurance contracts held that are liabilities

The portfolios referred to above are those established at initial recognition in accordance with the IFRS 17 requirements.

The line-item descriptions in the statement of profit or loss and other comprehensive income have been changed significantly compared with last year. Previously the Group reported the following line items:
- Premium income
- Policyholder claims and benefits
- Change in insurance contract liabilities

Instead, IFRS 17 requires separate presentation of:
- Insurance revenue
- Insurance service expense
- Insurance finance income or expenses
- Income or expenses from reinsurance contracts held

The Group provides disaggregated qualitative and quantitative information in the notes to the financial statements about:
- Amounts recognised in its financial statements from insurance contracts
- Significant judgements, and changes in those judgements, when applying the standard

Transition

On the transition date, July 1, 2022, the Group has identified, recognised and measured each group of insurance contracts as if IFRS 17 had always applied, unless impracticable.
- Has identified, recognised and measured assets for insurance acquisition cash flows as if IFRS 17 had always applied. However, no recoverability assessment was performed before the transition date. At transition date, a recoverability assessment was performed and no impairment loss was identified
- Derecognised any existing balances that would not exist had IFRS 17 always applied
- Recognised any resulting net difference in equity

2 Material accounting policy information *...continued*

2.2 Changes in accounting policies *...continued*

New and revised standards and amendments that are effective for the financial year beginning July 1, 2023*...continued*

IFRS 17 Insurance Contracts *...continued*

Transition ...continued

Full retrospective approach

On transition to IFRS 17, the Group has applied the full retrospective approach unless impracticable. The Group has applied the full retrospective approach on transition to all contracts issued on or after 1 January 2017. For certain groups of contracts issued prior to 2017, the modified retrospective approach and the fair value approach were applied.

Modified retrospective approach

The Group has applied the modified retrospective approach for certain groups of contracts in the immediate annuity portfolio, as prior to transition, it grouped its contracts from multiple cohorts and years into a single unit for accounting purposes. The application of the full retrospective approach on transition for these portfolios was determined to be impracticable for the Group, as obtaining all required historical data for its existing products from the actuarial valuation reports was not possible. Therefore, the Group has used reasonable and supportable information from its existing reporting systems, which resulted in the closest outcome to the full retrospective approach.

The Group has aggregated contracts issued more than one year apart for groups of contracts applying the modified retrospective approach at transition, as it did not have supportable information to aggregate contracts into groups including only contracts issued within one year.

The Group has elected to use the simplification in the modified retrospective approach for determining the CSM or loss component of the liability for remaining coverage at the transition date.

The Group has used the following procedure to determine the CSM at initial recognition for these contracts:

- Estimated future cash flows at the date of initial recognition as the amount of the future cash flows at transition date, adjusted by the cash flows that have occurred between the date of initial recognition and the transition date. The cash flows that are known to have occurred include cash flows resulting from contracts that ceased to exist before the transition date

- Estimated historical discount rates applied to some cash flows in the period prior to 2017 using an observable market interest curve for that period, adjusted by the average spread between observable market yield curves and the yield curve used to determine current discount rates for the years between July 1, 2017 and June 30, 2022.

- Estimated the risk adjustment for non-financial risk at the date of initial recognition by adjusting the risk adjustment at transition date by the expected release of risk in the periods before transition. The expected release of risk was determined with reference to the release of risk for similar contracts that the Group has issued subsequent to the transition date.

2 Material accounting policy information *...continued*

2.2 Changes in accounting policies *...continued*

New and revised standards and amendments that are effective for the financial year beginning July 1, 2023 *...continued*

IFRS 17 Insurance Contracts *...continued*

Transition ...continued

Modified retrospective approach ...continued

The CSM at transition date has been further determined by:

- Using the modified discount rates determined at initial recognition to accrete interest on the CSM
- Applying the amount of the CSM recognised in profit or loss because of the transfer of services before the transition date, by comparing the remaining coverage units at that date with the coverage units provided under the group of contracts before the transition date.

The Group has elected to disaggregate insurance finance income or expenses between amounts included in profit or loss and amounts included in other comprehensive income and reset the cumulative amount of insurance finance income or expenses recognised in other comprehensive income at the transition date to zero.

Fair value approach

The Group has applied the fair value approach on transition for certain groups of term-life contracts as, prior to transition, it grouped contracts from multiple cohorts and years into a single unit for accounting purposes. Obtaining reasonable and supportable information to apply the full retrospective approach was impracticable without undue cost or effort. The Group has determined the CSM of the liability for remaining coverage at the transition date, as the difference between the fair value of the group of insurance contracts and the fulfilment cash flows measured at that date. In determining fair value, the Group has applied the requirements of IFRS 13 Fair Value Measurement, except for the demand deposit floor requirement.

The Group has aggregated contracts issued more than one year apart in determining groups of insurance contracts under the fair value approach at transition as it did not have reasonable and supportable information to aggregate groups into those including only contracts issued within one year.

For the application of the fair value approach, the Group has used reasonable and supportable information available at the transition date in order to:

- Identify groups of insurance contracts
- Determine whether any contracts are direct participating insurance contracts
- Identify any discretionary cash flows for insurance contracts without direct participation features

The discount rate for the group of contracts applying the fair value approach was determined at the transition date. Therefore, for the measurement of fulfilment cash flows at the date of transition, the locked-in discount rate is the weighted average of the rates applicable at the date of initial recognition of contracts that joined a group over a 12-month period.

2 Material accounting policy information *...continued*

2.2 Changes in accounting policies *...continued*

New and revised standards and amendments that are effective for the financial year beginning July 1, 2023*...continued*

IFRS 17 Insurance Contracts *...continued*

Transition ...continued

Fair value approach ...continued

The discount rate used for accretion of interest on the CSM is determined using the bottom-up approach (Note 4 iv) at inception.

The Group has elected to disaggregate insurance finance income or expenses between amounts included in profit or loss and amounts included in other comprehensive income and reset the cumulative amount of insurance finance income or expenses recognised in other comprehensive income at the transition date to zero.

The Group used the income approach to determine the fair value amount used for establishing the insurance contract liabilities at the transition date.

Summary of measurement approaches

IFRS 17 introduces different measurement models for calculating insurance contract assets and liabilities. For short-duration contracts, IFRS 17 permits a simplified approach, the Premium Allocation Approach (PAA), which can be applied to contracts with a coverage period of 12 months or less, or where the resulting liability for remaining coverage would not differ materially from that produced using the General Measurement Model (GMM). The Group applies the GMM for recognition and measurement of all life insurance contracts and the PAA for non-life insurance contracts and reinsurance contracts held.

	Product classification	Measurement model
Contracts issued		
Life insurance	Insurance contracts issued	General measurement model (GMM)
Non-life insurance	Insurance contracts issued	Premium allocation approach (PAA)
Reinsurance contracts held		
Non-life insurance	Reinsurance contracts held	Premium allocation approach (PAA)

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.

2 Material accounting policy information *...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, 2024. 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.

2 Material accounting policy information *...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.

2 Material accounting policy information *...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 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.

2 Material accounting policy information *...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.

2 Material accounting policy information *...continued*

2.5 Financial assets and liabilities *...continued*

Credit risk measurement *...continued*

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

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 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, 2024 and June 30, 2023.

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.

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.

2 Material accounting policy information *...continued*

2.5 Financial assets and liabilities *...continued*

Credit risk measurement *...continued*

Default ...continued

Impairment measurement

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

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.

2 Material accounting policy information *...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.

2 Material accounting policy information *...continued*

2.6 Employee benefits *...continued*

iii) Pension plan ...continued

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.

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:

2 Material accounting policy information *...continued*

2.7 Property and equipment *...continued*

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

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 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 Material accounting policy information *...continued*

2.9 Insurance and reinsurance contracts

i) Classification

The Group issues insurance contracts in the normal course of business, under which it accepts significant insurance risk from its policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event had not occurred. Insurance contracts can also transfer financial risk. The Group issues immediate annuity contracts and term life contracts with a surrender value.

The Group also issues reinsurance contracts in the normal course of business to compensate other entities for claims arising from one or more insurance contracts issued by those entities. The Group provides reinsurance cover for immediate annuity and term life contracts.

The Group does not issue any contracts with direct participating features.

ii) Separating components from insurance and reinsurance contracts

The Group assesses its life insurance and reinsurance products to determine whether they contain components which must be accounted for under another IFRS rather than IFRS 17 (distinct non insurance components). After separating any distinct components, an entity must apply IFRS 17 to all remaining components of the (host) insurance contract. Currently, the Group's products do not include distinct components that require separation.

Some term life contracts issued by the Group include a surrender option under which the surrender value is paid to the policyholder on maturity or earlier lapse of the contract. These surrender options have been assessed to meet the definition of a non-distinct investment component in IFRS 17. IFRS 17 defines investment components as the amounts that an insurance contract requires an insurer to repay to a policyholder in all circumstances, regardless of whether an insured event has occurred. Investment components which are highly interrelated with the insurance contract of which they form a part are considered non-distinct and are not separately accounted for. However, receipts and payments of the investment components are excluded from insurance revenue and insurance expenses. The surrender options are considered non distinct investment components as the Group is unable to measure the value of the surrender option component separately from the life insurance portion of the contract.

Some life reinsurance contracts issued contain profit commission arrangements. Under these arrangements, there is a minimum guaranteed amount that the policyholder will always receive – either in the form of profit commission, or as claims, or another contractual payment irrespective of the insured event happening. The profit commission components have been assessed to be highly interrelated with the insurance component of the reinsurance contracts and are, therefore, non-distinct investment components which are not accounted for separately. However, receipts and payments of these investment components are recognised outside of profit or loss.

2 Material accounting policy information *...continued*

2.9 Insurance and reinsurance contracts *...continued*

iii) Level of aggregation

IFRS 17 requires an entity to determine the level of aggregation for applying its requirements. The level of aggregation for the Group is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together. Portfolios are further divided based on expected profitability at inception into three categories: onerous contracts, contracts with no significant risk of becoming onerous, and the remainder. This means that, for determining the level of aggregation, the Group identifies a contract as the smallest 'unit', i.e., the lowest common denominator. However, the Group makes an evaluation of whether a series of contracts can be treated together in making the profitability assessment based on reasonable and supportable information, or whether a single contract contains components that need to be separated and treated as if they were stand-alone contracts. As such, what is treated as a contract for accounting purposes may differ from what is considered as a contract for other purposes (i.e., legal or management). IFRS 17 also notes that no group for level of aggregation purposes may contain contracts issued more than one year apart.

The Group has defined portfolios of insurance and reinsurance contracts issued based on its product lines, namely immediate annuity and term life contracts due to the fact that the products are subject to similar risks and managed together. The expected profitability of these portfolios at inception is determined based on the existing actuarial valuation models which take into consideration existing and new business. In determining groups of contracts, the Group has elected to include in the same group contracts where its ability to set prices or levels of benefits for policyholders with different characteristics is constrained by regulation.

The groups of contracts for which the modified retrospective and the fair value approach has been adopted on transition include contracts issued more than one year apart.

The annuity and term insurance and reinsurance contracts portfolios are divided into:

- A group of contracts that are onerous at initial recognition
- A group of contracts that at initial recognition have no significant possibility of becoming onerous subsequently
- A group of the remaining contracts in the portfolio

The reinsurance contracts held portfolios are divided into:

- A group of contracts on which there is a net gain on initial recognition
- A group of contracts that have no significant possibility of a net gain arising subsequent to initial recognition
- A group of the remaining contracts in the portfolio

2 Material accounting policy information *...continued*

2.9 Insurance and reinsurance contracts *...continued*

iv) Recognition

The Group recognises groups of insurance contracts that it issues from the earliest of the following:

- The beginning of the coverage period of the group of contracts
- The date when the first payment from a policyholder in the group is due, or when the first payment is received if there is no due date
- For a group of onerous contracts, as soon as facts and circumstances indicate that the group is onerous.

The Group recognises a group of reinsurance contracts held it has entered into from the earliest of the following:

- The beginning of the coverage period of the group of reinsurance contracts held. However, the Group delays the recognition of a group of reinsurance contracts held that provide proportionate coverage until the date when any underlying insurance contract is initially recognised, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held; and
- The date the Group recognises an onerous group of underlying insurance contracts if the Group entered into the related reinsurance contract held in the group of reinsurance contracts held at or before that date

The reinsurance contracts held by the Group provide proportionate cover. Therefore, the Group does not recognise a proportional reinsurance contract held until at least one underlying direct insurance contract has been recognised. The Group adds new contracts to the group in the reporting period in which that contract meets one of the criteria set out above.

v) Onerous groups of contracts

The Group issues some contracts before the coverage period starts and the first premium becomes due. Therefore, the Group has determined whether any contracts issued form a group of onerous contracts before the earlier of the beginning of the coverage period and the date when the first payment from a policyholder in the group is due. The Group looks at facts and circumstances to identify if a group of contracts are onerous based on:

- Pricing information;
- Results of similar contracts it has recognised; and
- Environmental factors, e.g., a change in market experience or regulations,

vi) Contract boundary

Group includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay the premiums, or in which the Group has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation to provide insurance contract services ends when:

2 Material accounting policy information *...continued*

2.9 Insurance and reinsurance contracts *...continued*

vi) Contract boundary *...continued*

- The Group has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks; or
- Both of the following criteria are satisfied:
  - The Group has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio; and
  - The pricing of the premiums up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract are not recognised. Such amounts relate to future insurance contracts.

For life contracts with renewal periods, the Group assesses whether premiums and related cash flows that arise from the renewed contract are within the contract boundary. The pricing of the renewals are established by the Group by considering all the risks covered for the policyholder by the Group, that the Group would consider when underwriting equivalent contracts on the renewal dates for the remaining service. The Group reassesses contract boundary of each group at the end of each reporting period.

vii) Insurance contracts – initial measurement

The general model measures a group of insurance contracts as the total of:
- Fulfilment cash flows
- A CSM representing the unearned profit the Group will recognise as it provides insurance contract services under the insurance contracts in the group

Fulfilment cash flows comprise unbiased and probability-weighted estimates of future cash flows, discounted to present value to reflect the time value of money and financial risks, plus a risk adjustment for non-financial risk.

The Group's objective in estimating future cash flows is to determine the expected value, or the probability-weighted mean, of the full range of possible outcomes, considering all reasonable and supportable information available at the reporting date without undue cost or effort. The Group estimates future cash flows considering a range of scenarios which have commercial substance and give a good representation of possible outcomes. The cash flows from each scenario are probability-weighted and discounted using current assumptions.

2 Material accounting policy information *...continued*

2.9 Insurance and reinsurance contracts *...continued*

vii) Insurance contracts – initial measurement *...continued*

When estimating future cash flows, the Group includes all cash flows that are within the contract boundary including:

- Premiums and related cash flows;
- Claims and benefits, including reported claims not yet paid, incurred claims not yet reported and expected future claims;
- Payments to policyholders resulting from embedded surrender value options;
- An allocation of insurance acquisition cash flows attributable to the portfolio to which the contract belongs;
- Claims handling costs;
- Policy administration and maintenance costs, including recurring commissions that are expected to be paid to intermediaries;
- An allocation of fixed and variable overheads directly attributable to fulfilling insurance contracts; and
- Transaction-based taxes.

The Group does not provide investment-return services in respect of contracts that it issues, nor does it perform investment activities for the benefit of policyholders.

The Group incorporates, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows. The Group estimates the probabilities and amounts of future payments under existing contracts based on information obtained, including:

- Information about claims already reported by policyholders.
- Other information about the known or estimated characteristics of the insurance contracts.
- Historical data about the Group's own experience, supplemented when necessary with data from other sources. Historical data is adjusted to reflect current conditions.
- Current pricing information, when available.

The measurement of fulfilment cash flows includes insurance acquisition cash flows which are allocated as a portion of premium to profit or loss (through insurance revenue) over the period of the contract in a systematic and rational way on the basis of the passage of time. The Group does not elect to accrete interest on insurance acquisition cash flows to be allocated to profit or loss.

viii) Reinsurance contracts held – initial measurement

The measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued, with the exception of the following:

- Measurement of the cash flows include an allowance on a probability-weighted basis for the effect of any non-performance by the reinsurers, including the effects of collateral and losses from disputes.
- The Group determines the risk adjustment for non-financial risk so that it represents the amount of risk being transferred to the reinsurer.

2 Material accounting policy information *...continued*

2.9 Insurance and reinsurance contracts *...continued*

viii) Reinsurance contracts held – initial measurement *...continued*

- The Group recognises both day 1 gains and day 1 losses at initial recognition in the statement of financial position as a CSM and releases this to profit or loss as the reinsurer renders services, except for any portion of a day 1 loss that relates to events before initial recognition

Where the Group recognises a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group, it establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses.

The Group calculates the loss-recovery component by multiplying the loss recognised on the underlying insurance contracts and the percentage of claims on the underlying insurance contracts the Group expects to recover from the group of reinsurance contracts held. Where only some contracts in the onerous underlying group are covered by the group of reinsurance contracts held, the Group uses a systematic and rational method to determine the portion of losses recognised on the underlying group of insurance contracts to insurance contracts covered by the group of reinsurance contracts held.

The loss-recovery component adjusts the carrying amount of the asset for remaining coverage. Where the Group enters into reinsurance contracts held which provide coverage relating to events that occurred before the purchase of the reinsurance, such cost of reinsurance is recognised in profit or loss on initial recognition.

ix) Insurance contracts – subsequent measurement

The CSM at the end of the reporting period represents the profit in the group of insurance contracts that has not yet been recognised in profit or loss, because it relates to future service to be provided.

For a group of insurance contracts the carrying amount of the CSM of the group at the end of the reporting period equals the carrying amount at the beginning of the reporting period adjusted, as follows:

- The effect of any new contracts added to the group
- Interest accreted on the carrying amount of the CSM during the reporting period, measured at the discount rates at initial recognition
- The changes in fulfilment cash flows relating to future service, except to the extent that:
  - Such increases in the fulfilment cash flows exceed the carrying amount of the CSM, giving rise to a loss; or
  - Such decreases in the fulfilment cash flows are allocated to the loss component of the liability for remaining coverage.
- The effect of any currency exchange differences on the CSM
- The amount recognised as insurance revenue because of the transfer of insurance contract services in the period, determined by the allocation of the CSM remaining at the end of the reporting period (before any allocation) over the current and remaining coverage period.

2 Material accounting policy information *...continued*

2.9 Insurance and reinsurance contracts *...continued*

ix) Insurance contracts – subsequent measurement *...continued*

The locked-in discount rate is the weighted average of the rates applicable at the date of initial recognition of contracts that joined a group over a 12-month period. The discount rate used for accretion of interest on the CSM is determined using the bottom-up approach at inception.

The changes in fulfilment cash flows relating to future service that adjust the CSM comprise of:

- Experience adjustments that arise from the difference between the premium receipts (and any related cash flows such as insurance acquisition cash flows and insurance premium taxes) and the estimate, at the beginning of the period, of the amounts expected. Differences related to premiums received (or due) related to current or past services are recognised immediately in profit or loss while differences related to premiums received (or due) for future services are adjusted against the CSM
- Changes in estimates of the present value of future cash flows in the liability for remaining coverage, except those relating to the time value of money and changes in financial risk (recognised in the statement of profit or loss and other comprehensive income rather than adjusting the CSM)
- Differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period. Those differences are determined by comparing (i) the actual investment component that becomes payable in the period with (ii) the payment in the period that was expected at the start of the period plus any insurance finance income or expenses related to that expected payment before it becomes payable. The same applies to a policyholder loan that becomes repayable.
- Changes in the risk adjustment for non-financial risk that relate to future service.

Except for changes in the risk adjustment, adjustments to the CSM noted above are measured at discount rates that reflect the characteristics of the cash flows of the group of insurance contracts at initial recognition.

Where, during the coverage period, a group of insurance contracts becomes onerous, the Group recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Group for the liability for remaining coverage for such onerous group depicting the losses recognised.

The Group measures the carrying amount of a group of insurance contracts at the end of each reporting period as the sum of: (i) the liability for remaining coverage comprising fulfilment cash flows related to future service allocated to the group at that date and the CSM of the group at that date; and (ii) the liability for incurred claims for the Group comprising the fulfilment cash flows related to past service allocated to the group at that date.

2 Material accounting policy information *...continued*

2.9 Insurance and reinsurance contracts *...continued*

x) Reinsurance contracts held – subsequent measurement

The measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued, with the exception of the following:

- Changes in the fulfilment cash flows are recognised in profit or loss if the related changes arising from the underlying ceded contracts have been recognised in profit or loss. Alternatively, changes in the fulfilment cash flows adjust the CSM.
- Changes in the fulfilment cash flows that result from changes in the risk of non-performance by the issuer of a reinsurance contract held do not adjust the contractual service margin as they do not relate to future service.

Any change in the fulfilment cash flows of a retroactive reinsurance contract held due to the changes of the liability for incurred claims of the underlying contracts is taken to profit and loss and not the contractual service margin of the reinsurance contract held.

Where a loss component has been set up subsequent to initial recognition of a group of underlying insurance contracts, the portion of income that has been recognised from related reinsurance contracts held is disclosed as a loss-recovery component.

Where the Group has established a loss-recovery component, the Group adjusts the loss-recovery component to reflect changes in the loss component of an onerous group of underlying insurance contracts.

A loss-recovery component reverses consistent with reversal of the loss component of underlying groups of contracts issued, even when a reversal of the loss-recovery component is not a change in the fulfilment cash flows of the group of reinsurance contracts held. Reversals of the loss- recovery component that are not changes in the fulfilment cashflows of the group of reinsurance contracts held adjust the CSM.

xi) Insurance contracts – modification and derecognition

The Group derecognises insurance contracts when:

- The rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled or expired); or
- The contract is modified such that the modification results in a change in the measurement model, or the applicable standard for measuring a component of the contract. In such cases, the Group derecognises the initial contract and recognises the modified contract as a new contract.

2 Material accounting policy information *...continued*

2.9 Insurance and reinsurance contracts *...continued*

xii) Insurance acquisition cash flows

Insurance acquisition cash flows arise from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs.

Where insurance acquisition cash flows have been paid or incurred before the related group of insurance contracts is recognised in the statement of financial position, a separate asset for insurance acquisition cash flows is recognised for each related group.

The asset for insurance acquisition cash flow is derecognised from the statement of financial position when the insurance acquisition cash flows are included in the initial measurement of the CSM of the related group of insurance contracts. The Group expects to derecognise all assets for insurance acquisition cash flows within one year.

xiii) Presentation

The Group has presented separately in the consolidated statement of financial position the carrying amount of portfolios of insurance contracts issued that are assets, portfolios of insurance contracts issued that are liabilities, portfolios of reinsurance contracts held that are assets and portfolios of reinsurance contracts held that are liabilities.

Any assets for insurance acquisition cash flows recognised before the corresponding insurance contracts are recognised are included in the carrying amount of the related portfolios of insurance contracts issued.

The Group disaggregates the amounts recognised in the statement of profit or loss and other comprehensive income into an insurance service result, comprising insurance revenue and insurance service expenses, and insurance finance income or expenses.

The Group does not disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion and includes the entire change as part of the insurance service result.

The Group separately presents income or expenses from reinsurance contracts held from the expenses or income from insurance contracts issued.

xiv) Insurance revenue

The Group’s insurance revenue depicts the provision of services arising from a group of insurance contracts at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. Insurance revenue from a group of insurance contracts is therefore the relevant portion for the period of the total consideration for the contracts, (i.e., the amount of premiums paid to the Group adjusted for financing effect (the time value of money) and excluding any investment components).

2 Material accounting policy information *...continued*

2.9 Insurance and reinsurance contracts *...continued*

xiv) Insurance revenue *...continued*

The total consideration for a group of contracts covers amounts related to the provision of services and is comprised of:

- Insurance service expenses, excluding any amounts relating to the risk adjustment for non-financial risk and any amounts allocated to the loss component of the liability for remaining coverage
- Amounts related to income tax that are specifically chargeable to the policyholder
- The risk adjustment for non-financial risk, excluding any amounts allocated to the loss component of the liability for remaining coverage
- The CSM release
- Amounts related to insurance acquisition cash flows

xv) Loss components

The Group has grouped contracts that are onerous at initial recognition separately from contracts in the same portfolio that are not onerous at initial recognition. Groups that were not onerous at initial recognition can also subsequently become onerous if assumptions and experience changes. The Group has established a loss component of the liability for remaining coverage for any onerous group depicting the future losses recognised.

A loss component represents a notional record of the losses attributable to each group of onerous insurance contracts (or contracts profitable at inception that have become onerous). The loss component is released based on a systematic allocation of the subsequent changes relating to future service in the fulfilment cash flows to: (i) the loss component; and (ii) the liability for remaining coverage excluding the loss component. The loss component is also updated for subsequent changes relating to future service in estimates of the fulfilment cash flows and the risk adjustment for non-financial risk. The systematic allocation of subsequent changes to the loss component results in the total amounts allocated to the loss component being equal to zero by the end of the coverage period of a group of contracts (since the loss component will have been materialised in the form of incurred claims). The Group uses the proportion on initial recognition to determine the systematic allocation of subsequent changes in future cash flows between the loss component and the liability for remaining coverage excluding the loss component.

xvi) Loss-recovery components

When the Group recognises a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group, the Group establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses.

Where a loss component has been set up subsequent to initial recognition of a group of underlying insurance contracts, the portion of income that has been recognised from related reinsurance contracts held is disclosed as a loss-recovery component.

2 Material accounting policy information *...continued*

2.9 Insurance and reinsurance contracts *...continued*

xvi) Loss-recovery components *...continued*

Where a loss-recovery component has been set up at initial recognition or subsequently, the Group adjusts the loss-recovery component to reflect changes in the loss component of an onerous group of underlying insurance contracts.

The carrying amount of the loss-recovery component must not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the Group expects to recover from the group of reinsurance contracts held. On this basis, the loss-recovery component recognised at initial recognition is reduced to zero in line with reductions in the onerous group of underlying insurance contracts and is nil when loss component of the onerous group of underlying insurance contracts is nil.

xvii) Insurance finance income or expenses

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:
- The effect of the time value of money and changes in the time value of money
- The effect of financial risk and changes in financial risk

The Group disaggregates insurance finance income or expenses on insurance contracts issued for its immediate annuity and term life portfolios between profit or loss and OCI. The impact of changes in market interest rates on the value of the life insurance and related reinsurance assets and liabilities are reflected in OCI in order to minimise accounting mismatches between the accounting for financial assets and insurance assets and liabilities. The Group’s financial assets backing the insurance issued portfolios are predominantly measured at amortised cost or FVOCI. Finance income or expenses on the Group’s issued reinsurance contracts is not disaggregated because the related financial assets are managed on a fair value basis and measured at fair value through profit or loss.

The Group systematically allocates expected total insurance finance income or expenses over the duration of the group of contracts to profit or loss using discount rates determined on initial recognition of the group of contracts.

In the event of transfer of a group of insurance contracts or derecognition of an insurance contract, the Group reclassifies the insurance finance income or expenses to profit or loss as a reclassification adjustment to any remaining amounts for the group (or contract) that were previously recognised in other comprehensive income.

xviii) Net income or expense from reinsurance contracts held

The Group presents separately on the face of the statement of profit or loss and other comprehensive income the amounts expected to be recovered from reinsurers, and an allocation of the reinsurance premiums paid.

2 Material accounting policy information *...continued*

2.9 Insurance and reinsurance contracts *...continued*

xviii) Net income or expense from reinsurance contracts held *...continued*

The Group treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held, and excludes investment components and commissions from an allocation of reinsurance premiums presented on the face of the statement of profit or loss and other comprehensive income. Amounts relating to the recovery of losses relating to reinsurance of onerous direct contracts are included as amounts recoverable from the reinsurer.

2.10 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.

2.11 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.

2 Material accounting policy information *...continued*

2.12 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.

2 Material accounting policy information *...continued*

2.12 Revenue recognition *...continued*

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

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

2.13 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.

2.14 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'.

2.15 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.

2 Material accounting policy information *...continued*

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

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.

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
Accumulated deficit include cumulative balance of net (losses), dividend distributions, effect of changes in accounting policy and other capital adjustments.

2.16 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.

2 Material accounting policy information *...continued*

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

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.

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 25% (2023: 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.

2.17 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.

2.18 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.

2.19 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 Material accounting policy information *...continued*

2.20 Earnings per share

Basic earnings per share are determined by dividing income 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 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 per share is equal to the basic earnings per share.

2.21 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.

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.

3 Management of financial and insurance risks *…continued*

3.1 Credit risk *…continued*

i) Loans and advances to customers …continued

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.

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

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

3.1 Credit risk *...continued*

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

i) Collateral ...continued

- 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.

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)

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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	28,161	73,100	82,029	–	498,400	25,288	706,978
Non–investment grade	20,606	72,365	74,290	359,994	49,603	1,617	578,475
Default	–	–	–	–	–	1,111	1,111
Gross carrying amount	48,767	145,465	156,319	359,994	548,003	28,016	1,286,564
Loss allowance	(97)	(57)	(678)	(2,365)	–	(1,310)	(4,507)
Carrying amount as at June 30, 2024	**48,670**	**145,408**	**155,641**	**357,629**	**548,003**	**26,706**	**1,282,057**
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	954	573,055
Default	–	–	–	–	–	1,112	1,112
Gross carrying amount	90,491	360,667	119,901	359,978	249,956	18,542	1,199,535
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**	**17,785**	**1,195,716**

(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	630,621	17,434	13,360	661,415
Under-performing	4,652	–	466	5,118
Non–performing	358,504	55,864	739	415,107
Gross carrying amount	993,777	73,298	14,565	1,081,640
Loss allowance	(29,180)	(4,240)	(2,092)	(35,512)
Carrying amount as at June 30, 2024	**964,597**	**69,058**	**12,473**	**1,046,128**
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**

(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 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	706,978	–	–	706,978
Non–investment grade	538,385	30,589	9,501	578,475
Default	–	–	1,111	1,111
Gross carrying amount	1,245,363	30,589	10,612	1,286,564
Loss allowance	(1,047)	(2,150)	(1,310)	(4,507)
Carrying amount as at June 30, 2024	**1,244,316**	**28,439**	**9,302**	**1,282,057**
Credit grade:				
Investment grade	625,368	–	–	625,368
Non–investment grade	534,162	30,709	8,184	573,055
Default	–	–	1,112	1,112
Gross carrying amount	1,159,530	30,709	9,296	1,199,535
Loss allowance	(744)	(2,318)	(757)	(3,819)
Carrying amount as at June 30, 2023	**1,158,786**	**28,391**	**8,539**	**1,195,716**

(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	661,415	–	–	661,415
Under-performing	–	5,118	–	5,118
Non–performing	–	–	415,107	415,107
Gross carrying amount	661,415	5,118	415,107	1,081,640
Loss allowance	(5,948)	(1,481)	(28,083)	(35,512)
Carrying amount as at June 30, 2024	**655,467**	**3,637**	**387,024**	**1,046,128**
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**

Loss allowances

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

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

(expressed in 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, 2023	744	2,318	757	3,819
New financial assets originated or purchased	65	–	–	65
Financial assets fully derecognised during the year	(26)	–	–	(26)
Changes to inputs used in ECL calculation	264	(168)	553	649
Loss allowance as at June 30, 2024	**1,047**	**2,150**	**1,310**	**4,507**
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)	–	–	(13)
Changes to inputs used in ECL calculation	(379)	(3)	–	(382)
Loss allowance as at June 30, 2023	**744**	**2,318**	**757**	**3,819**

(expressed in thousands of Eastern Caribbean dollars)

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

31 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, 2023	6,281	1,118	26,500	33,899
Transfers:				
Transfer from stage 1 to stage 2	(34)	34	–	–
Transfer from stage 1 to stage 3	(44)	–	44	–
Transfer from stage 2 to stage 1	31	(31)	–	–
Transfer from stage 2 to stage 3	–	(118)	118	–
Transfer from stage 3 to stage 1	121	–	(121)	–
Transfer from stage 3 to stage 2	–	–	–	–
New financial assets originated or purchased	1,040	14	20	1,074
Financial assets fully derecognised during the year	(90)	(14)	(208)	(312)
Changes to inputs used in ECL calculation	(1,357)	478	1,730	851
Loss allowance as at June 30, 2024	**5,948**	**1,481**	**28,083**	**35,512**
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**

According to the ECCB loan provisioning guidelines, the calculated allowance for loan impairment amounts to $199,119 (2023: $196,873). The loan loss provision calculated under IFRS 9 for the loans held by the Group amounted to $35,512 (2023: $33,899). 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, 2024, 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 $415,107 (2023: $404,046).

(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 $80,533 (2023: $73,787) 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, 2023	1,159,530	30,709	9,296	1,199,535
New financial assets originated or purchased	826,640	–	–	826,640
Financial assets fully derecognised during the year	(749,375)	–	–	(749,375)
Changes in principal and interest	8,568	(120)	1,316	9,764
Gross carrying amount at June 30, 2024	**1,245,363**	**30,589**	**10,612**	**1,286,564**
Gross carrying amount as at June 30, 2022	892,930	30,642	9,295	932,867
New financial assets originated or purchased	1,076,518	–	–	1,076,518
Financial assets fully derecognised during the year	(819,736)	–	–	(819,736)
Changes in principal and interest	9,818	67	1	9,886
Gross carrying amount at June 30, 2023	**1,159,530**	**30,709**	**9,296**	**1,199,535**

(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*

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, 2023	**615,162**	**4,713**	**404,046**	**1,023,921**
Transfers:				
Transfer from stage 1 to stage 2	(4,206)	4,206	–	–
Transfer from stage 1 to stage 3	(5,254)	–	5,254	–
Transfer from stage 2 to stage 1	1,280	(1,280)	–	–
Transfer from stage 2 to stage 3	–	(4,808)	4,808	–
Transfer from stage 3 to stage 1	1,982	–	(1,982)	–
Transfer from stage 3 to stage 2	–	4	(4)	–
New financial assets originated or purchased	124,898	558	319	125,775
Financial assets fully derecognised during the year	(29,631)	(577)	(3,417)	(33,625)
Changes in principal and interest	(42,816)	2,302	6,083	(34,431)
Gross carrying amount as at June 30, 2024	**661,415**	**5,118**	**415,107**	**1,081,640**
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**

(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, 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	12.1%	8.90%
	Downside	2.60%	-0.60%
St. Lucia GDP growth rate	Base	7.90%	2.60%
	Upside	13.5%	9.00%
	Downside	2.20%	-3.80%

As at June 30, 2024

		2024	**2025**
World GDP growth rate	Base	2.90%	3.20%
	Upside	4.70%	5.00%
	Downside	1.10%	1.40%
US GDP growth rate	Base	1.40%	2.60%
	Upside	3.30%	4.40%
	Downside	-0.60%	0.80%
St. Kitts and Nevis GDP growth rate	Base	4.20%	4.10%
	Upside	8.90%	8.80%
	Downside	-0.60%	-0.60%
St. Lucia GDP growth rate	Base	2.60%	2.70%
	Upside	9.00%	9.00%
	Downside	-3.80%	-3.50%

(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, 2024	**82%**	**4%**	**14%**
June 30, 2023	80%	10%	10%

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

		ECL impact of:	
Loss Given Default	**Change in threshold**	**Increase in value $**	**Decrease in value $**
Debt securities – amortised cost	+/- 5%	179	(179)
Debt securities – FVOCI	+/- 5%	109	(109)
		ECL impact of:	
Collateral haircut	**Change in threshold**	**Increase in value $**	**Decrease in value $**
Loans	+/- 5%	4,604	(4,604)
Advances	+/- 5%	32	(32)

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 $286 (2023: $254).

(expressed in thousands of Eastern Caribbean dollars)

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, 2024					
Cash and balances with Central Bank	26,002	–	–	–	26,002
Treasury bills	72,332	73,076	–	–	145,408
Deposits with other financial institutions	39,567	158,024	2,959	7,565	208,115
Financial asset	357,629	–	–	–	357,629
Loans and advances to customers	951,476	66,719	1,558	26,375	1,046,128
Originated debts	25,894	81,976	–	47,771	155,641
Debt investment securities	–	548,003	–	–	548,003
Acceptances, guarantees and letters of credit	7,456	–	–	–	7,456
Other assets	18,502	748	–	–	19,250
	1,498,858	**928,546**	**4,517**	**81,711**	**2,513,632**

(expressed in thousands of Eastern Caribbean dollars)

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, 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	10,048	281	–	–	10,329
	1,424,530	**962,621**	**33,015**	**86,087**	**2,506,253**

(expressed in thousands of Eastern Caribbean dollars)

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, 2024							
Cash and balances with Central Bank	–	–	–	26,002	–	–	26,002
Treasury bills	145,408	–	–	–	–	–	145,408
Deposits with other financial institutions	29,942	–	–	178,173	–	–	208,115
Financial asset	357,629	–	–	–	–	–	357,629
Loans and advances to customers	239,400	119,459	209,524	38,963	327,544	111,238	1,046,128
Originated debts	155,641	–	–	–	–	–	155,641
Debt investment securities	260,030	467	272	149,501	–	137,733	548,003
Acceptances, guarantees and letters of credit	3,381	–	–	–	–	4,075	7,456
Other assets	1,188	–	–	2,658	1,458	13,946	19,250
	1,192,619	**119,926**	**209,796**	**395,297**	**329,002**	**266,992**	**2,513,632**

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(expressed in thousands of Eastern Caribbean dollars)

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

3.1 Credit risk *...continued*

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

	Public sector $	Construction $	Tourism $	Financial institutions $	Individuals $	Other industries $	Total $
As of June 30, 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	–	–	1,539	1,054	7,078	10,329
	1,136,731	**120,935**	**208,365**	**545,566**	**268,010**	**226,646**	**2,506,253**

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 $583,165 (2023: $588,066) or 23% (2023: 23%) 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 arises 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 $67,969 (2023: $91,345).

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.

(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

	XCD $	USD $	EURO $	GBP $	CAN $	BDS $	GUY $	Total $
As of June 30, 2024								
Assets								
Cash and balances with Central Bank	207,128	4,475	57	86	27	26	–	211,799
Treasury bills	72,332	73,076	–	–	–	–	–	145,408
Deposits with other financial institutions	42,815	159,557	825	665	716	3,516	21	208,115
Loans and advances to customers	633,147	412,981	–	–	–	–	–	1,046,128
Originated debts	34,653	120,988	–	–	–	–	–	155,641
Acceptances, guarantees and letters of credit	7,456	–	–	–	–	–	–	7,456
Investment securities – FVOCI	7,897	548,008	–	–	–	–	–	555,905
Investment securities – FVTPL	1,035	678,658	–	–	–	–	–	679,693
Financial asset	357,629	–	–	–	–	–	–	357,629
Other assets	8,514	10,736	–	–	–	–	–	19,250
Total financial assets	**1,372,606**	**2,008,479**	**882**	**751**	**743**	**3,542**	**21**	**3,387,024**
Liabilities								
Customers' deposits	2,363,602	343,105	28	213	188	–	–	2,707,136
Lease liabilities	2,446	–	–	–	–	–	–	2,446
Acceptances, guarantees and letters of credit	7,456	–	–	–	–	–	–	7,456
Provisions, creditors and accruals	201,469	35,379	3	369	817	118	2	238,157
Total financial liabilities	**2,574,973**	**378,484**	**31**	**582**	**1,005**	**118**	**2**	**2,955,195**
Net on–balance sheet	**(1,202,367)**	**1,629,995**	**851**	**169**	**(262)**	**3,424**	**19**	**431,829**
Credit commitments	**37,321**	**24,714**	–	–	–	–	–	**62,035**

(expressed in thousands of Eastern Caribbean dollars)

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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 *...continued*

As of June 30, 2023	**XCD $**	**USD $**	**EURO $**	**GBP $**	**CAN $**	**BDS $**	**GUY $**	**Total $**
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	9,785	544	–	–	–	–	–	10,329
Total financial assets	**1,321,665**	**2,309,216**	**1,784**	**1,873**	**2,085**	**3,248**	**26**	**3,639,897**
Liabilities								
Customers' deposits	2,612,143	369,526	148	377	234	–	–	2,982,428
Lease liabilities	1,084	–	–	–	–	–	–	1,084
Acceptances, guarantees and letters of credit	7,456	–	–	–	–	–	–	7,456
Provisions, creditors and accruals	222,038	2,413	1	203	76	98	2	224,831
Total financial liabilities	**2,842,721**	**371,939**	**149**	**580**	**310**	**98**	**2**	**3,215,799**
Net on–balance sheet	**(1,521,056)**	**1,937,277**	**1,635**	**1,293**	**1,775**	**3,150**	**24**	**424,098**
Credit commitments	**29,296**	**25,092**	**–**	**–**	**–**	**–**	**–**	**54,388**

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)

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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, 2024							
Assets							
Cash and balances with Central Bank	–	–	–	–	–	211,799	211,799
Treasury bills	31,832	17,116	93,571	–	–	2,889	145,408
Deposit with other financial institutions	112,883	13,511	26,818	13,869	–	41,034	208,115
Loans and advances to customers	352,996	595	5,261	81,096	591,581	14,599	1,046,128
Originated debts	–	25,235	27,013	75,927	25,862	1,604	155,641
Acceptances, guarantees and letters of credit	–	–	–	–	–	7,456	7,456
Investment securities – FVOCI	270	1,080	24,632	297,217	158,529	74,177	555,905
Investment securities – FVTPL	–	–	–	–	–	679,693	679,693
Financial asset	–	–	–	351,492	–	6,137	357,629
Other assets	752	–	–	–	–	18,498	19,250
Total financial assets	**498,733**	**57,537**	**177,295**	**819,601**	**775,972**	**1,057,886**	**3,387,024**
Liabilities							
Customers' deposits	866,897	216,363	859,523	20	–	764,333	2,707,136
Lease liabilities	105	210	945	1,186	–	–	2,446
Acceptances, guarantees and letters of credit	–	–	–	–	–	7,456	7,456
Provisions, creditors and accruals	(9)	–	–	–	–	238,166	238,157
Total financial liabilities	**866,993**	**216,573**	**860,468**	**1,206**	**–**	**1,009,955**	**2,955,195**
Total interest repricing gap	**(368,260)**	**(159,036)**	**(683,173)**	**818,395**	**775,972**	**47,931**	**431,829**

(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, 2023	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	–	–	–	–	–	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	–	–	–	–	9,705	10,329
Total financial assets	**532,012**	**124,671**	**236,913**	**644,402**	**706,908**	**1,394,991**	**3,639,897**
Liabilities							
Customers' deposits	771,463	210,257	948,312	–	–	1,052,396	2,982,428
Lease liabilities	51	101	455	458	19	–	1,084
Acceptances, guarantees and letters of credit	–	–	–	–	–	7,456	7,456
Provisions, creditors and accruals	(4)	–	–	–	–	224,835	224,831
Total financial liabilities	**771,510**	**210,358**	**948,767**	**458**	**19**	**1,284,687**	**3,215,799**
Total interest repricing gap	**(239,498)**	**(85,687)**	**(711,854)**	**643,944**	**706,889**	**110,304**	**424,098**

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 $5,445 (2023: $2,457) higher/lower as a result of the increase/decrease in revaluation reserve for fair value through other comprehensive income debt securities and profit or loss for the year would have been $nil (2023: $181) higher/lower due to an increase/decrease 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 $4,935 (2023: $4,158) 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.

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.

As of June 30, 2024	**Up to 1 month $**	**1 to 3 months $**	**3 to 12 months $**	**1 to 5 years $**	**Over 5 years $**	**Total $**
Financial liabilities						
Customers' deposits	1,618,951	221,099	890,829	20	–	2,730,899
Lease liabilities	109	219	983	1,213	–	2,524
Acceptances, guarantees and letters of credit	–	–	–	–	7,456	7,456
Other liabilities	219,762	18,395	–	–	–	238,157
Total financial liabilities	**1,838,822**	**239,713**	**891,812**	**1,233**	**7,456**	**2,979,036**
Assets held to manage liquidity risk	**1,556,619**	**57,537**	**177,295**	**819,601**	**775,972**	**3,387,024**
Net liquidity gap	**(282,203)**	**(182,176)**	**(714,517)**	**818,368**	**768,516**	**407,988**
As of June 30, 2023						
Financial liabilities						
Customers' deposits	1,810,758	214,846	981,914	–	–	3,007,518
Lease liabilities	52	104	470	479	19	1,124
Acceptances, guarantees and letters of credit	–	–	–	–	7,456	7,456
Other liabilities	208,315	16,516	–	–	–	224,831
Total financial liabilities	**2,019,125**	**231,466**	**982,384**	**479**	**7,475**	**3,240,929**
Assets held to manage liquidity risk	**1,927,003**	**124,671**	**236,913**	**644,402**	**706,908**	**3,639,897**
Net liquidity gap	**(92,122)**	**(106,795)**	**(745,471)**	**643,923**	**699,433**	**398,968**

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(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, 2024	Up to 1 year $	1 to 3 years $	Over 3 years $	Total $
Loan commitments	9,006	389	36,325	45,720
Credit card commitments	16,315	–	–	16,315
	25,321	**389**	**36,325**	**62,035**
As of June 30, 2023				
Loan commitments	7,400	492	31,189	39,081
Credit card commitments	15,307	–	–	15,307
	22,707	**492**	**31,189**	**54,388**

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.

The Group attempts to limit its exposure of potential loss on an insurance policy, by ceding 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. The credit ratings of reinsurers are monitored by management on a regular basis.

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. Under some treaties, when treaty limits are reached, the insurer may be required to pay an additional premium to reinstate the reinsurance coverage.

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.

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

3.4 Insurance risk *...continued*

For other insurance risks, the Group limits their exposure by event or per person by excess of loss or through quota share treaties. Retention limits represent the level of risk retained by the insurer. Coverage in excess of these limits is ceded to reinsurers up to the treaty limit.

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.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

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 underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type, the amount of risk and industry.

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 (2023: $0.50 million) in any one occurrence, per individual property risk. There is a balance between commercial and personal properties in the overall portfolio of insured buildings.

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 incurred claims for these contracts also include a provision for incurred but not reported claims (IBNR), risk adjustments, consideration for the effect of discounting and a provision for reported claims not yet paid (outstanding claims) at the reporting date.

In estimating the cost of reported claims not yet paid, the Group considers any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods. Claims are assessed on a case-by-case basis.

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.

The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type, the amount of risk and industry.

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 (2023: $0.50 million) per risk for casualty insurance.

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

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.

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 incurred claims for these contracts includes a provision for incurred but not reported claims, risk adjustments, consideration for the effect of discounting and a provision for reported claims not yet paid (outstanding claims) at the reporting date. The Group's loss reserves are derived using the paid loss development estimation method (triangular method). Each business classes' loss reserve was calculated using claims data and loss history for all regions combined, where the Group conducts business. 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.

The estimated cost of unpaid claims is calculated based upon actual claims experience as time passes. Claims reserves are estimated on a case-by-case basis. An estimate of the reserve is arrived at by examining the following:

- Circumstances which caused the loss or injury,
- The nature of the loss or injury,
- The settlement experience with the type of loss,
- The average amount of time from inception to settlement and,
- The professional advice of loss adjusters, retained attorneys, medical practitioners, etc, of the cost/awards and related expenses of settlement.

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.

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) 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	
	2024	**2023**	**2024**	**2023**
	$	**$**	**$**	**$**
Financial assets				
Cash and balances with Central Bank	**211,799**	225,874	**211,799**	225,874
Treasury bills	**145,408**	360,604	**145,408**	360,604
Deposits with other financial institutions	**208,115**	384,420	**208,115**	384,420
Financial asset	**357,629**	357,416	**357,629**	357,416
Loans and advances to customers	**1,046,128**	990,022	**913,836**	914,431
Originated debts	**155,641**	119,536	**155,641**	119,536
Acceptances, guarantees and letters of credit	**7,456**	7,456	**7,456**	7,456
Other assets	**19,250**	10,329	**19,250**	10,329
	2,151,426	2,455,657	**2,019,134**	2,380,066
Financial liabilities				
Customers' deposits	**2,707,136**	2,982,428	**2,707,136**	2,982,428
Lease liabilities	**2,446**	1,084	**2,446**	1,084
Acceptances, guarantees and letters of credit	**7,456**	7,456	**7,456**	7,456
Other liabilities	**238,157**	224,831	**238,157**	224,831
	2,955,195	3,215,799	**2,955,195**	3,215,799

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, 2024	**$**	**$**	**$**	**$**
Debt securities	491,994	–	56,009	548,003
Equities	604,877	1,315	81,403	687,595
	1,096,871	**1,315**	**137,412**	**1,235,598**
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**

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, 2024				
Land and buildings	**–**	**–**	**31,890**	**31,890**
As of June 30, 2023				
Land and buildings	–	–	32,480	32,480

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 (2023: $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.

	2024 $	2023 $ Restated
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	**471,426**	456,923
Fair value reserves – FVOCI	**(7,181)**	3,562
Less revaluation reserve	**(25,924)**	(25,924)
Accumulated deficit	**(30,753)**	(63,367)
Total qualifying tier 1 capital	**548,695**	512,321
Tier 2 capital		
Fair value reserves – FVOCI	**7,181**	(3,562)
Revaluation reserve	**25,924**	25,924
Bonus shares capitalisation	**4,500**	4,500
Total qualifying tier 2 capital	**37,605**	26,862
Total regulatory capital	**586,300**	539,183

(expressed in thousands of Eastern Caribbean dollars)

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

3.6 Capital management *...continued*

	2024 $	2023 $ Restated
Risk-weighted assets:		
On-balance sheet	**2,416,546**	1,926,678
Off-balance sheet	**53,532**	54,803
Total risk-weighted assets	**2,470,078**	1,981,481
Tier 1 capital ratio	**22%**	25%
Basel ratio	**24%**	27%

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.

	2024 $	2023 $ Restated
20% of net premium income of the preceding year (2024: $35,239; 2023: $30,726)	**7,048**	6,145
5% of life liability (2024: $74,049; 2023: $92,829,435)	**3,702**	4,641
	10,750	10,786

(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:

	2024 $	2023 $ Restated
Total assets of St. Kitts and Nevis operations	**318,902**	308,340
Total liabilities of St. Kitts and Nevis operations	**(188,044)**	(179,286)
Margin of solvency	**130,858**	129,054
Required minimum margin of solvency	**(10,750)**	(10,787)
Margin of solvency in excess of requirement	**120,108**	118,267

The margin of solvency was met and exceeded by the insurance subsidiary in 2024 and 2023 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:

	2024 $	2023 $ Restated
Total assets	**318,902**	327,177
Assets not allowed	**(4,955)**	(4,678)
Total liabilities	**(188,044)**	(211,727)
Margin of solvency	**125,903**	110,772
Required minimum margin of solvency	**(6,164)**	(5,699)
Margin of solvency in excess of requirement	**119,739**	105,073

The margin of solvency was met and exceeded by the insurance subsidiary in 2024 and 2023 in accordance with the regulations of Anguilla.

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.

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 $3,025 lower or $5,588 higher (2023: $2,955 lower or $5,405 higher).

iv) Insurance and reinsurance contracts

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur. The Group disaggregates information to disclose life insurance contracts issued and reinsurance contracts issued separately. This disaggregation has been determined based on how the company is managed.

The methods used to measure insurance contracts

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.

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

iv) Insurance and reinsurance contracts ...continued

The methods used to measure insurance contracts ...continued

i. Mortality and morbidity rates – Assumptions are based on standard industry and national tables, according to the type of contract written and the territory in which the insured person resides. They reflect recent historical experience and are adjusted when appropriate to reflect the Group's own experiences. An appropriate, but not excessive, allowance is made for expected future improvements. Assumptions are differentiated by policyholder gender, underwriting class and contract type. An increase in expected mortality and morbidity rates will increase the expected claim cost which will reduce future expected profits of the Group. Were the mortality rate to differ by +/-10% from management's estimate, the actuarial liabilities would decrease by approximately $2,854 or increase by approximately $2,764.

ii. Longevity – Assumptions are based on standard industry and national tables, adjusted when appropriate to reflect the Group's own risk experience. An appropriate, but not excessive, allowance is made for expected future improvements. Assumptions are differentiated by a number of factors including (but not limited to) policyholder gender, underwriting class and contract type. An increase in expected longevity rates will lead to an increase in expected cost of immediate annuity payments which will reduce future expected profits of the Group.

iii. Expenses – Operating expenses assumptions reflect the projected costs of maintaining and servicing in–force policies and associated overhead expenses. The current level of expenses is taken as an appropriate expense base, adjusted for expected expense inflation if appropriate. An increase in the expected level of expenses will reduce future expected profits of the Group. The cash flows within the contract boundary include an allocation of fixed and variable overheads directly attributable to fulfilling insurance contracts. Such overheads are allocated to groups of contracts using methods that are systematic and rational, and are consistently applied to all costs that have similar characteristics.

iv. Lapse and surrender rates – Lapses relate to the termination of policies due to non–payment of premiums. Surrenders relate to the voluntary termination of policies by policyholders. Policy termination assumptions are determined using statistical measures based on the Group's experience and vary by product type, policy duration and sales trends. An increase in lapse rates early in the life of the policy would tend to reduce profits of the Group, but later increases are broadly neutral in effect.

Discount rates

Life insurance contract liabilities are calculated by discounting expected future cash flows at a risk free rate, plus an illiquidity premium where applicable. Risk free rates are determined by reference to the yields of highly liquid AAA-rated sovereign securities in the currency of the life insurance contract liabilities. The illiquidity premium is determined by reference to observable market rates, including sovereign debt, corporate debt and market swap rates.

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

iv) Insurance and reinsurance contracts…continued

Discount rates ...continued

Discount rates applied for discounting of future cash flows are listed below:

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk represents the compensation that the Group requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts and covers insurance risk, lapse risk and expense risk. The risk adjustment reflects an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the best estimate amount.

The Group has estimated the risk adjustment using a cost of capital technique. The cost of capital technique requires the Company to estimate the probability distribution of the fulfilment cash flows, and the additional capital that it requires at each future date in the cash flow projection to comply with the Group's internal economic capital requirements.

A cost of capital rate is applied to the additional capital requirement in future reporting periods. The cost of capital represents the return required by the Group to compensate for exposure to the non-financial risk. The Group's cost of capital is set at 6% per annum. The calculated risk adjustment at future durations is discounted to the reporting date at the risk free rate, to be held as a part of the total life insurance contract liability.

The risk adjustment for life insurance corresponds with 80% to 85% confidence levels (2023: 80% to 85%).

Amortisation of the Contractual Service Margin

The CSM is a component of the asset or liability for the group of insurance contracts that represents the unearned profit the Group will recognise as it provides services in the future. An amount of the CSM for a group of insurance contracts is recognised in profit or loss as insurance revenue in each period to reflect the insurance contract services provided under the group of insurance contracts in that period. The amount is determined by:

- Identifying the coverage units in the group
- Allocating the CSM at the end of the period (before recognising any amounts in profit or loss to reflect the insurance contract services provided in the period) equally to each coverage unit provided in the current period and expected to be provided in the future
- Recognising in profit or loss the amount allocated to coverage units provided in the period

The number of coverage units in a group is the quantity of insurance contract services provided by the contracts in the group, determined by considering the quantity of the benefits provided and the expected coverage period. For groups of life insurance contracts, the quantity of benefits is the contractually agreed sum insured over the period of the contracts. The total coverage units of each group of insurance contracts are reassessed at the end of each reporting period to adjust for the reduction of remaining coverage for claims paid, expectations of lapses and cancellation of contracts in the period. They are then allocated based on probability-weighted average duration of each coverage unit provided in the current period and expected to be provided in the future.

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

iv) Insurance and reinsurance contracts ...continued

Amortisation of the Contractual Service Margin ...continued

For reinsurance contracts issued, the number of coverage units in a group reflects the expected pattern of underwriting of the underlying contracts because the level of service provided depends on the number of underlying contracts in force. The quantity of benefit is the maximum probable loss. The remaining coverage units are reassessed at the end of each reporting period to reflect the expected pattern of service and the expectations of lapses and cancellations of contracts. The remaining coverage is allocated based on probability-weighted average duration of each coverage unit provided in the current period and expected to be provided in the future.

For reinsurance contracts held, the CSM amortisation is similar to the reinsurance contracts issued and reflects the expected pattern of underwriting of the underlying contracts because the level of service provided depends on the number of underlying contracts in-force.

Assets for insurance acquisition cash flows

The Group applies judgement in determining the inputs used in the methodology to systematically and rationally allocate insurance acquisition cash flows to groups of insurance contracts. This includes judgements about whether insurance contracts are expected to arise from renewals of existing insurance contracts and, where applicable, the amount to be allocated to groups including future renewals and the volume of expected renewals from new contracts issued in the period.

In the current and prior years, the Group did not allocate any insurance acquisition cash flows to future groups of insurance contracts, as it did not expect any renewal contracts to arise from new contracts issued in the period. In the current and prior year, the Group did not identify any facts and circumstances indicating that the assets may be impaired.

(expressed in thousands of Eastern Caribbean dollars)

5 Cash and balances with Central Bank

	Note	2024 $	2023 $
Cash on hand		**22,656**	22,176
Balances with Central Bank other than mandatory deposits		**26,002**	23,889
Included in cash and cash equivalents	**33**	**48,658**	46,065
Mandatory deposits with Central Bank		**163,141**	179,809
		211,799	225,874

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, 2024 amounted to $14,130 (2023: $13,566).

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

	2024 $	2023 $
Treasury Bills – Federal Government of the USA	**70,647**	285,971
Treasury bills – Government of St Kitts & Nevis	**71,929**	71,376
Interest receivable	**2,889**	3,320
Treasury bills, gross	**145,465**	360,667
Less: provision for expected credit losses	**(57)**	(63)
Total treasury bills, net	**145,408**	360,604

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, 2024 amounted to $14,376 (2023: $13,819) (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:

	2024 $	2023 $
Balance at beginning of year	**360,604**	71,253
Additions	**237,394**	692,956
Disposals (sales/redemptions)	**(452,165)**	(406,453)
Impairment recoveries/(losses) during the year, net	**6**	(51)
Movement of interest receivable	**(431)**	2,899
Balance at end of year	**145,408**	360,604

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

	2024 $	2023 $
Balance at beginning of year	**63**	12
Expected credit (losses)/recoveries during the year, net	**(6)**	51
Balance at end of year	**57**	63

(expressed in thousands of Eastern Caribbean dollars)

7 Deposits with other financial institutions

	Note	2024 $	2023 $
Operating cash balances		**156,828**	288,225
Interest bearing term deposits		**1,673**	15,968
Items in the course of collection		**2,617**	5,776
Included in cash and cash equivalents	33	**161,118**	309,969
Interest bearing term deposits		**31,899**	27,364
Restricted term deposits		**13,869**	46,228
		206,886	383,561
Interest receivable		**1,326**	931
Total deposits with other financial institutions, gross		**208,212**	384,492
Less: provision for expected credit losses		**(97)**	(72)
Total deposits with other financial institutions, net		**208,115**	384,420
Current		**194,246**	338,192
Non-current		**13,869**	46,228
		208,115	384,420

The operating balances are zero-interest bearing (2023: 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, 2024 was 4.24% (2023: 1.19%).

Interest bearing term deposits are interest bearing which earn interest at a rate of 1.50% to 5.75% per annum (2023: 1.50% to 4.85%) and have original terms of maturity of 180 days to one year ending within the period July 9, 2024 to June 30, 2025 (2023: July 7, 2023 to June 29, 2024).

The movement in expected credit losses is as follows:

	2024 $	2023 $
Balance at beginning of year	**72**	639
Expected credit losses/(recoveries) during the year, net	**25**	(567)
Balance at end of year	**97**	72

(expressed in thousands of Eastern Caribbean dollars)

8 Loans and advances to customers

	2024 $	2023 $
Performing		
Demand	**405,199**	425,234
Mortgages	**185,396**	135,076
Other secured	**27,425**	23,234
Overdrafts	**17,434**	11,981
Credit cards	**13,360**	10,340
Consumer	**10,899**	7,693
Under-performing		
Demand	**2,915**	1,568
Mortgages	**1,472**	2,615
Other secured	**–**	18
Credit cards	**466**	360
Consumer	**265**	152
Non-performing	**415,107**	404,046
Interest receivable	**1,702**	1,604
Total loans and advances to customers, gross	**1,081,640**	1,023,921
Less: provision for expected credit losses	**(35,512)**	(33,899)
Total loans and advances to customers, net	**1,046,128**	990,022
Current	**373,451**	354,589
Non-current	**672,677**	635,433
	1,046,128	990,022

The weighted average effective interest rate on performing loans and advances excluding overdrafts at June 30, 2024 was 5.45% (2023: 5.85%) and on overdrafts was 7.26% (2023: 6.51%).

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

	Note	2024 $	2023 $
Balance at beginning of year		**33,899**	80,179
Expected credit losses during the year, net	**26**	**1,925**	1,932
Write offs		**(312)**	(48,212)
Balance at end of year		**35,512**	33,899

(expressed in thousands of Eastern Caribbean dollars)

9 Originated debts

	2024 $	2023 $
Local sovereign bonds	**25,879**	24,761
Regional sovereign bonds	**47,727**	48,442
International sovereign bond	**35,222**	–
International Gov't agency bonds	**45,887**	45,944
	154,715	119,147
Interest receivable	**1,604**	754
Total originated debts, gross	**156,319**	119,901
Less: provision for expected credit losses	**(678)**	(365)
Total originated debts, net	**155,641**	119,536
Current	**53,852**	21,215
Non-current	**101,789**	98,321
	155,641	119,536

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% (2023: 1.50% – 6.75%). Bonds have remaining terms to maturity ranging from within three months – 33 years (2023: within one month – 34 years) and will mature between September 12, 2024 and April 18, 2057 (2023: July 18, 2023 and April 18, 2057) and pay semi-annual coupon interest payments until maturity.

b) International bonds

The Bank holds various Agency bonds purchased through Wells Fargo which are denominated in United States Dollars and which yield interest rates ranging from 3.0% to 4.75% (2023: 3.0% to 5.75%). The bonds have maturity dates ranging from December 23, 2024 – February 8, 2029 (2023: December 23, 2024 – June 15, 2026). During the year, the Bank reinvested non-interest-bearing funds in Sovereign bond purchased through Wells Fargo, which will mature March 5, 2029 and yields interest at a rate of 5.50%.

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 and 2024, 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:

	2024 $	2023 $
Balance at beginning of year	**119,536**	154,211
Additions	**68,714**	45,353
Disposals (sales/redemptions)	**(33,146)**	(79,546)
Expected credit losses during the year, net	**(313)**	(278)
Movement in interest receivable	**850**	(204)
Balance at end of year	**155,641**	119,536

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

	2024 $	2023 $
Balance at beginning of year	**365**	87
Expected credit losses, net	**313**	278
Balance at end of year	**678**	365

(expressed in thousands of Eastern Caribbean dollars)

10 Investment securities

	2024 $	2023 $
FVTPL		
Equity investments	**679,693**	910,821
Debt investments	**–**	2,625
	679,693	913,446
FVOCI – equity securities		
Quoted equity investments	**403**	11,970
Unquoted equity investments	**7,499**	8,868
	7,902	20,838
FVOCI – debt securities		
Quoted corporate bonds	**275,510**	172,861
Quoted sovereign bonds	**243,293**	50,570
Government sponsored enterprise debentures	**12,989**	15,333
Certificates of deposits	**9,493**	8,447
Interest receivable	**6,718**	2,745
Total debt securities – FVOCI	**548,003**	249,956
Total investment securities	**1,235,598**	1,184,240
Current	**746,238**	934,132
Non-current	**489,360**	250,108
Total investment securities	**1,235,598**	1,184,240

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

	FVTPL $	Equity securities – FVOCI $	Debt securities – FVOCI $	Total $
Balance as at June 30, 2023	913,446	20,838	249,956	1,184,240
Additions	223,596	–	582,568	806,164
Disposals (sales/redemptions)	(533,455)	(18,539)	(297,657)	(849,651)
Fair value gains/(losses) on disposal of investment securities	41,044	7,307	(1,219)	47,132
Fair value (losses)/gains on existing securities	35,062	(1,704)	10,382	43,740
Movement of interest receivable	–	–	3,973	3,973
Balance as at June 30, 2024	**679,693**	**7,902**	**548,003**	**1,235,598**

(expressed in thousands of Eastern Caribbean dollars)

10 Investment securities *…continued*

	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/(losses) 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**

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 at June 30, 2024 and 2023. The line of credit has a limit of US$50 million or EC$135,130,000.

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 $1,369 (2023: $253).

Fair value hedge

During the previous financial year ended June 2023, the Bank 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 acquired on February 9, 2023 and expired on July 21, 2023. As at June 30, 2024, the Bank held no hedge instruments.

(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)**

Carrying amount of hedged items:

	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 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.

iii) 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 0.949% to 9.70% (2023: 0.125% to 9.375%); whilst, the effective interest rate for these bonds ranges from 0.95% to 10.15% (2023: 0.5% to 11.25%). Bonds have a maximum term of ten (10) years and will mature between July 2024 and February 2062 and pay semi-annual coupon interest payments until maturity. As at June 30, 2024, the fair values of these amounted to $548,003 (2023: $249,956).

iv) 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 September 2026 to December 2037. The bonds have coupon rates of 4.55% to 6.23% (June 2023: 4.87% to 6.23%).

v) 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 August 2024 – March 2028. The certificates of deposits have coupon rates of 2.90% to 5.35%.

(expressed in thousands of Eastern Caribbean dollars)

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.

	2024 $	2023 $
Cost	**8,783**	8,783
Net realisable value	**8,565**	8,565

12 Investment property

	2024 $	2023 $
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.

(expressed in thousands of Eastern Caribbean dollars)

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13 Property and equipment

	Land and Buildings $	Equipment, furniture and fittings $	Motor vehicles $	Reference books $	Projects ongoing $	Total $
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**
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*

	Land and Buildings $	Equipment, furniture and fittings $	Motor vehicles $	Reference books $	Projects ongoing $	Total $
Year ended June 30, 2024						
Opening net book value	32,480	4,145	880	1	490	37,996
Additions	95	2,290	–	–	7,803	10,188
Disposals	–	(2,447)	(277)	–	–	(2,724)
Depreciation charge	(685)	(1,477)	(262)	–	–	(2,424)
Write-back on disposals	–	2,446	236	–	–	2,682
Closing net book value	**31,890**	**4,957**	**577**	**1**	**8,293**	**45,718**
At June 30, 2024						
Cost or valuation	35,829	25,899	1,583	161	8,293	71,765
Accumulated depreciation	(3,939)	(20,942)	(1,006)	(160)	–	(26,047)
Net book value	**31,890**	**4,957**	**577**	**1**	**8,293**	**45,718**

(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, 2024			
Cost	4,656	18,030	22,686
Accumulated depreciation	–	(8,773)	(8,773)
Net book value	**4,656**	**9,257**	**13,913**
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**

(expressed in thousands of Eastern Caribbean dollars)

14 Intangible assets

	Computer software licenses $
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**
Year ended June 30, 2024	
Opening net book value	1,070
Additions	134
Amortisation charge	(430)
Closing net book value	**774**
At June 30, 2024	
Cost	9,725
Accumulated amortisation	(8,951)
Net book value	**774**

(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	3,604
Accumulated depreciation	(1,999)
Balance as at June 30, 2022	**1,605**
Year ended June 30, 2023	
Opening net book value	1,605
Additions	598
Depreciation charge	(1,140)
Closing net book value	**1,063**
Cost	4,202
Accumulated depreciation	(3,139)
Balance as at June 30, 2023	**1,063**
Year ended June 30, 2024	
Opening net book value	1,063
Additions	2,729
Depreciation charge	(1,424)
Closing net book value	**2,368**
Cost	6,931
Accumulated depreciation	(4,563)
Balance as at June 30, 2024	**2,368**

(expressed in thousands of Eastern Caribbean dollars)

15 Leases *...continued*

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

	Note	2024 $	2023 $
Lease liabilities			
Balance at beginning of year		**1,084**	1,635
Additions		**2,730**	598
Interest expense	**22**	**66**	48
Lease payments		**(1,434)**	(1,197)
Balance at end of year		**2,446**	1,084
Current		**1,260**	607
Non-current		**1,186**	477
		2,446	1,084

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

	2024 $	2023 $
Depreciation charge on right-of-use assets	**1,424**	1,140
Interest expense on lease liabilities	**66**	48
	1,490	1,188

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, 2024 **Right-of-use asset**	**No. of right-of-use assets leased**	**Range of remaining term**	**Average Remaining lease term**	**No. of leases with extension option**	**No. of leases with termination options**
Office buildings	15	5	3	11	11
Storage facilities	2	–	–	2	1
IT Equipment	8	3	2.5 years	8	-

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	–

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, 2024							
Lease payments	1,311	858	286	39	30	–	2,524
Finance charges	(51)	(22)	(4)	(1)	–	–	(78)
Net present values	**1,260**	**836**	**282**	**38**	**30**	**–**	**2,446**
June 30, 2023							
Lease payments	630	266	144	42	23	19	1,124
Finance charges	(23)	(10)	(4)	(2)	(1)	–	(40)
Net present values	**607**	**256**	**140**	**40**	**22**	**19**	**1,084**

(expressed in thousands of Eastern Caribbean dollars)

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	2024 $	2023 $ Restated
Insurance related and other receivables, gross		**14,386**	11,734
Provision for expected credit losses		**(1,310)**	(757)
Insurance and other receivables, net		**13,076**	10,977
Acceptances, guarantees and letters of credit		**7,456**	7,456
Net defined benefit asset	34	**16,632**	17,709
Suspense assets and prepayments		**15,975**	9,760
Stationery and card stock		**946**	843
		54,085	46,745
Current		**31,718**	23,301
Non-current		**22,367**	23,444
		54,085	46,745

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

	2024 $	2023 $
Opening provision for expected credit losses	**757**	757
Impairment losses, net	**553**	–
Ending provision for expected credit losses	**1,310**	757

(expressed in thousands of Eastern Caribbean dollars)

17 Customers' deposits

	2024 $	2023 $
Fixed deposit accounts	**1,150,299**	1,236,620
Direct demand accounts	**720,902**	997,995
Savings accounts	**697,169**	674,145
Call accounts	**126,519**	61,208
	2,694,889	2,969,968
Interest payable	**12,247**	12,460
	2,707,136	2,982,428
Current	**2,707,136**	2,982,428

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 $52,178 (2023: $47,914). The average effective rate of interest paid on customers' deposits was 2.66% (2023: 1.83%).

18 Provisions, creditors and accruals

	2024 $	2023 $ Restated
Insurance contract liabilities	**102,719**	96,928
Reinsurance contract liabilities	**5,684**	1,242
Deposit pension funds	**67,541**	64,160
Suspense liabilities	**31,937**	35,869
Other payables	**37,256**	34,652
Unpaid drafts on other banks	**3,073**	2,697
Managers' cheques and banker's payments	**2,983**	2,319
	251,193	237,867
Current	**183,652**	173,707
Non-current	**67,541**	64,160
	251,193	237,867

(expressed in thousands of Eastern Caribbean dollars)

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

Deposit pension funds

	2024 $	2023 $
Contributions	**3,317**	3,130
Interest	**2,462**	2,342
	5,779	5,472
Less expenses		
Management expenses	**(158)**	(158)
Group pension benefits	**(2,240)**	(1,535)
	(2,398)	(1,693)
Surplus for the year	**3,381**	3,779
Fund at beginning of the year	**64,160**	60,381
Fund at end of the year	**67,541**	64,160

The deposit funds represent pension funds which the Company manages on behalf of the Bank and its subsidiaries and third-party entities. The fund balance represents the amount outstanding on account of the contributors to the fund and those liabilities are supported by term deposits and treasury bills held by the Company as disclosed in notes 5 and 6. There are additional deposits maintained by the Company to support the liability in the amounts of $25,812 (2023: $24,552).

(expressed in thousands of Eastern Caribbean dollars)

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

Insurance contract liabilities

The roll-forward of the net asset or liability for insurance contracts issued, showing the liability for remaining coverage and the liability for incurred claims is disclosed in the table below. The Company has made an accounting policy choice to expense acquisition cash flows as they arise.

	Liabilities for remaining coverage		Liabilities for incurred claims		Total $
Insurance contracts issued	**Excluding loss component $**	**Loss Component $**	**Present value of future cash flows $**	**Risk adjustment for non-financial risk $**	
Opening insurance contract liabilities	84,084	1,482	10,310	1,052	96,928
Opening insurance contract assets	–	–	–	–	–
Net balance as of July 1, 2023, restated	**84,084**	**1,482**	**10,310**	**1,052**	**96,928**
Insurance revenue	(62,567)	–	–	–	**(62,567)**
Insurance service expenses					
Incurred claims and other directly attributable expenses	426	(671)	36,504	325	**36,584**
Changes that relate to past and future service -adjustments to the LIC	–	2,406	(2,645)	(332)	**(571)**
Insurance service expenses	426	1,735	33,859	(7)	**36,013**
Insurance service result	(62,141)	1,735	33,859	(7)	**(26,554)**
Finance expenses from insurance contracts issued	5,113	60	483	10	**5,666**
Total amounts recognised in comprehensive income	(57,028)	1,795	34,342	3	**(20,888)**

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(expressed in thousands of Eastern Caribbean dollars)

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

Insurance contract liabilities ...continued

Insurance contracts issued	Liabilities for remaining coverage		Liabilities for incurred claims		Total $
	Excluding loss component $	Loss Component $	Present value of future cash flows $	Risk adjustment for non-financial risk $	
Cash flows:					
Premiums received	65,071	–	–	–	**65,071**
Claims and other directly attributable expenses paid	(2,582)	–	(35,810)	–	**(38,392)**
Total cash flows	62,489	–	(35,810)	–	**26,679**
Net balance as of June 30, 2024	**89,545**	**3,277**	**8,842**	**1,055**	**102,719**
Closing insurance contract liabilities	**89,545**	**3,277**	**8,842**	**1,055**	**102,719**
Closing insurance contract assets	**–**	**–**	**–**	**–**	**–**
Net balance as of June 30, 2024	**89,545**	**3,277**	**8,842**	**1,055**	**102,719**

(expressed in thousands of Eastern Caribbean dollars)

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

Insurance contract liabilities ...continued

	Liabilities for remaining coverage		Liabilities for incurred claims		Total $
Insurance contracts issued	**Excluding loss component $**	**Loss Component $**	**Present value of future cash flows $**	**Risk adjustment for non-financial risk $**	
Opening insurance contract liabilities	77,675	–	11,160	941	**89,776**
Opening insurance contract assets	–	–	–	–	–
Net balance as of July 1, 2022, restated	77,675	–	11,160	941	**89,776**
Insurance revenue	(50,992)	–	–	–	**(50,992)**
Insurance service expenses					
Incurred claims and other directly attributable expenses	765	(270)	35,984	447	**36,926**
Changes that relate to past and future service - *adjustments to the LIC*	–	1,740	(1,223)	(346)	**171**
Insurance service expenses	765	1,470	34,761	101	**37,097**
Insurance service result	(50,227)	1,470	34,761	101	**(13,895)**
Finance expenses from insurance contracts issued	5,358	11	634	10	**6,013**
Total amounts recognised in comprehensive income	(44,869)	1,481	35,395	111	**(7,882)**
Cash flows:					
Premiums received	53,547	–	–	–	**53,547**
Claims and other directly attributable expenses paid	(2,269)	–	(36,245)	–	**(38,514)**
Total cash flows	51,278	–	(36,245)	–	**15,033**
Net balance as of June 30, 2023, restated	**84,084**	**1,482**	**10,310**	**1,052**	**96,928**
Closing insurance contract liabilities	**84,084**	**1,482**	**10,310**	**1,052**	**96,928**
Closing insurance contract assets	–	–	–	–	–
Net balance as of June 30, 2023	**84,084**	**1,482**	**10,310**	**1,052**	**96,928**

(expressed in thousands of Eastern Caribbean dollars)

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

Insurance contract liabilities ...continued

Reinsurance contracts held

	2024 $	2023 $ Restated
Opening reinsurance contract assets	**2,556**	–
Opening reinsurance contract liabilities	**(1,242)**	(731)
Net balance as of July 1,	**1,314**	(731)
Net expenses from reinsurance contracts held		
Reinsurance expenses	**(20,865)**	(9,935)
Cash flows		
Premiums paid net of ceding commissions	**14,941**	11,980
Balance at end of year	**(4,610)**	1,314

	2024 $	2023 $
Closing reinsurance contract assets	**1,074**	2,556
Closing reinsurance contract liabilities	**(5,684)**	(1,242)
	(4,610)	1,314

(expressed in thousands of Eastern Caribbean dollars)

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. The Government of St. Kitts and Nevis has since set the tax rate at 25% indefinitely and so the effective tax rate of 25% (2023: 25%) is applicable for the year.

	2024 $	2023 $ Restated
Net income before tax	**31,797**	29,251
Tax expense at effective tax rate of 25% (2023: 25%)	**7,949**	7,313
Non-deductible expenses and other permanent differences	**8,272**	9,325
Deferred tax movement not recorded	**249**	413
Income not subject to tax	**(4,936)**	(4,944)
Prior year's deferred income tax, not previously recognized	**(4,614)**	(5,233)
Movement in deferred tax on unutilised tax losses recognised during the year	**(18,722)**	(17,324)
Tax credit from discounted interest on government loans	**(7,212)**	(7,316)
Income tax credit	**(19,014)**	(17,766)
Represented as follows:		
Current year's income tax expense	**7,656**	5,234
Tax credit from discounted interest on government loans	**(7,212)**	(7,316)
	444	(2,082)
Deferred tax credit	**(19,458)**	(15,684)
Income tax credit	**(19,014)**	(17,766)

During the year, the Group incurred realised losses of $7,307 (2023: $nil) on FVOCI equity securities held by the Bank, with a tax benefit of $1,827 (2023: $nil), that were transferred directly to retained earnings.

(expressed in thousands of Eastern Caribbean dollars)

19 Taxation *...continued*

Deferred tax asset/(liability)

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

	2024 $	**2023 $ Restated**
Items recognised in profit or loss:		
Accelerated depreciation	**1,468**	1,181
Tax losses carried forward	**36,049**	17,325
Net defined benefit asset	**(4,126)**	(4,573)
	33,391	13,933
Items recognised directly in other comprehensive income:		
Unrealised losses on FVOCI securities	**(1,851)**	3,196
Revaluation of buildings	**(1,849)**	(1,849)
Net defined benefit asset	**(649)**	(1,271)
	(4,349)	76
	29,042	14,009
Comprised as follows on the consolidated statement of financial position:		
Deferred tax asset	**32,597**	17,805
Deferred tax liability	**(3,555)**	(3,796)
	29,042	14,009

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

	2024 $	**2023 $ Restated**
Balance at beginning of year	**14,009**	2,030
Movement in net unrealised losses on investment securities	**(5,047)**	(4,187)
Deferred tax movement for pension asset in profit and loss	**447**	(1,158)
Movement in accelerated depreciation	**287**	(27)
Unutilised capital cost allowances	**–**	(456)
Unutilised tax losses	**18,724**	17,325
Movement in re-measurement of defined benefit asset	**622**	482
Balance at end of year	**29,042**	14,009

(expressed in thousands of Eastern Caribbean dollars)

19 Taxation *...continued*

Income tax payable

The movement in the income tax payable is as follows:

	2024 $	2023 $
Balance at beginning of year	**1,974**	3,780
Transfer of advance tax overpayment to tax recoverable	**1,905**	–
Prior year over-provision in tax payable	**–**	(67)
Current year's tax liability (limited to 20% of the Bank's taxes)	**923**	1,047
Taxes paid during the year	**(3,821)**	(2,786)
Balance at end of year	**981**	1,974

Tax losses

The Group has incurred income tax losses amounting to $264,861 (2023: $282,901) 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. Subsequent to the year end, on December 31, 2024, the IRD approved the request from the Bank to carry forward the number of years to utilise the tax losses from five to ten years.

The losses expire as follows:

Year of loss	Year loss expire	Balance at June 30, 2023 $	Expired or utilised $	Incurred loss $	Balance at June 30, 2024 $
2018	2023	513	(513)	–	–
2019	2024	470	–	–	470
2020	2025	475	–	–	475
2021	2026	572	–	–	572
2022	2027	281,799	(18,455)	–	263,344
		283,829	**(18,968)**	**–**	**264,861**

Deferred tax asset

As at June 30, 2024, the Group recognised a deferred tax asset of $36,049 (2023: $17,325) 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 $50,602 (2023: $34,392) 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:

	2024 $	2023 $ Restated
Balance, beginning of year	**34,392**	19,263
Current year's income tax credit	**7,212**	7,316
Taxes paid during the year	**12,000**	12,000
Transfer from income tax liability	**1,905**	–
Current year's income tax expense offset	**(4,907)**	(4,187)
Balance, end of year	**50,602**	34,392

20 Issued share capital

	2024 $	2023 $
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:

	2024 $	2023 $
Statutory reserve	**144,457**	144,457
Revaluation reserve	**25,924**	25,924
Fair value reserves – FVOCI	**7,181**	(3,562)
Other reserves	**293,864**	290,104
	471,426	456,923

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, 2024 and 2023. Accordingly, no additional transfers were made in both years.

(expressed in thousands of Eastern Caribbean dollars)

21 Reserves *...continued*

ii) Revaluation reserve

	2024 $	2023 $
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

	2024 $	2023 $
Balance at beginning of year	**(3,562)**	(7,533)
Realised losses transferred to accumulated deficit, net of tax	**5,480**	2,281
Movement in market value of securities, net	**5,150**	1,312
Expected credit recoveries recognised on investment securities	**111**	378
Other changes	**2**	–
Balance at end of year	**7,181**	(3,562)

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

	2024 $	2023 $
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods		
Net unrealised gains/(losses) on investment securities, net of tax	**8,263**	(689)
Net realised (losses)/gains on investment securities, net of tax	**(927)**	420
	7,336	(269)
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods		
Net unrealised gains on investment securities, net of tax	**3,294**	3,862
Net realised losses on investment securities, net of tax	**(5,480)**	(2,281)
	(2,186)	1,581
	5,150	1,312

(expressed in thousands of Eastern Caribbean dollars)

21 Reserves *...continued*

iv) Other reserves

	Note	2024 $	2023 $
Balance at beginning of year		**290,104**	288,909
Transfer to regulatory reserve for loan impairment		**633**	17,949
Transfer to regulatory reserve for interest accrued on non-performing loans		**6,746**	6,798
Transfer to insurance and claims equalisation reserves		**2,142**	2,172
Remeasurement loss on defined benefit asset, net of tax		**(1,868)**	(978)
Transfer from accumulated deficit to general reserve		**3,486**	–
Transfer from general reserve to regulatory reserves		**(7,379)**	(24,746)
Balance at end of year		**293,864**	290,104
Other reserves is represented by:			
Regulatory reserve for loan impairment	**3.1.2**	**163,607**	162,974
Regulatory reserve for interest accrued on non-performing loans	**3.1.2**	**80,533**	73,787
Insurance and claims equalisation reserves		**48,206**	46,064
General reserve		**853**	4,746
Defined benefit pension plan reserve		**665**	2,533
		293,864	290,104

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

	2024 $	2023 $
Balance at beginning of year	**4,746**	29,492
Transfer to regulatory reserve for interest accrued on non-performing loans	**(6,746)**	(6,798)
Transfer from accumulated deficit to general reserves	**3,486**	–
Transfer to regulatory reserve for loan impairment	**(633)**	(17,948)
Balance at end of year	**853**	4,746

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'.

(expressed in thousands of Eastern Caribbean dollars)

21 Reserves *…continued*

vi) 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

	Notes	2024 $	2023 $
Interest income			
Loans and advances to customers		**45,524**	43,484
Financial asset	**32**	**5,673**	5,657
Originated debts		**8,381**	6,312
Deposits with other financial institutions		**3,779**	2,916
Investment securities at FVTPL and FVOCI		**21,667**	7,795
Others		**10,689**	8,236
Interest income for the year		**95,713**	74,400
Interest expense			
Fixed deposit accounts		**38,534**	34,121
Savings accounts		**13,017**	12,300
Direct demand accounts		**(200)**	573
Line of credit		**1**	609
Call accounts		**760**	263
Finance lease liabilities	**15**	**66**	48
Interest expense for the year	**17**	**52,178**	47,914
Net interest income		**43,535**	26,486

(expressed in thousands of Eastern Caribbean dollars)

23 Net fees and commission income

	2024 $	2023 $
Fees and commission income		
International business and foreign exchange	**17,573**	20,559
Brokerage and other fees and commission	**3,890**	3,551
Credit related fees and commission	**4,217**	3,797
Fees and commission income for the year	**25,680**	27,907
Fee expenses		
International business and foreign exchange	**21,771**	16,892
Other fee expenses	**2,470**	2,222
Brokerage and other related fee expenses	**92**	110
Fee expenses for the year	**24,333**	19,224
Net fees and commission income	**1,347**	8,683

24 Other income, net

	2024 $	2023 $ Restated
Net gains on FVTPL investment securities	**45,519**	38,616
Dividend income	**9,682**	10,186
Foreign exchange gain	**5,500**	8,016
Other operating income	**1,060**	4,662
Net insurance financial result	**23**	(2,053)
Net (losses)/gains on financial assets measured at FVOCI reclassified to profit or loss	**(911)**	502
	60,873	59,929

Net insurance financial result

	Note	2024 $	2023 $
Insurance revenue	18	**62,567**	50,992
Insurance service expense	18	**(36,013)**	(37,097)
Net expense from reinsurance contracts held		**(20,865)**	(9,935)
Insurance service result		**5,689**	3,960
Investment return			
Net finance expenses from insurance contracts	18	**(5,666)**	(6,013)
Net financial result		**23**	(2,053)

(expressed in thousands of Eastern Caribbean dollars)

25 Administrative and general expenses

2024	Expenses related to insurance $	Other operating expenses $	Total $
Employee cost	8,557	35,060	**43,617**
Management fees on investment	–	9,910	**9,910**
Repairs and maintenance	2,720	8,009	**10,729**
Other general	–	2,806	**2,806**
Advertisement and marketing	–	2,493	**2,493**
Legal fees and expenses	–	1,158	**1,158**
Communication	–	993	**993**
Stationery and supplies	–	882	**882**
Utilities	–	864	**864**
Security services	–	780	**780**
Insurance	–	669	**669**
Sundry losses	–	365	**365**
Taxes and licences	–	306	**306**
Shareholders' expenses	–	278	**278**
Rent and occupancy	–	257	**257**
Premises upkeep	–	151	**151**
	11,277	**64,981**	**76,258**

2023, restated	Expenses related to insurance $	Other operating expenses $	Total $
Employee cost	7,422	31,439	**38,861**
Management fees on investment	–	9,556	**9,556**
Repairs and maintenance	2,559	6,884	**9,443**
Other general	–	3,015	**3,015**
Advertisement and marketing	–	1,326	**1,326**
Legal fees and expenses	–	483	**483**
Communication	–	901	**901**
Stationery and supplies	–	751	**751**
Utilities	–	747	**747**
Security services	–	695	**695**
Insurance	–	817	**817**
Sundry losses	–	16	**16**
Taxes and licences	–	435	**435**
Shareholders' expenses	–	315	**315**
Rent and occupancy	–	36	**36**
Premises upkeep	–	80	**80**
	9,981	**57,496**	**67,477**

(expressed in thousands of Eastern Caribbean dollars)

25 Administrative and general expenses *...continued*

Employee cost

	Note	2024 $	2023 $ Restated
Salaries and wages		**27,292**	25,265
Other staff cost		**12,590**	10,435
Insurance and other benefits		**2,472**	2,104
Pension expense	34	**1,263**	1,057
		43,617	38,861

26 Credit and other impairment charges, net

	Note	2024 $	2023 $
Loans and advances to customers	8	**1,925**	1,932
Investment securities and other financial assets at amortised cost		**798**	304
		2,723	2,236

27 Other expenses

2024	Notes	Expenses related to insurance $	Other operating expenses $	Total $
Depreciation and amortisation	13, 14, 15	715	3,563	**4,278**
Directors' fees and expenses		–	1,954	**1,954**
Professional fees and related expenses		–	737	**737**
		715	**6,254**	**6,969**

2023, restated	Notes	Expenses related to insurance $	Other operating expenses $	Total $
Depreciation and amortisation	13, 14, 15	458	2,983	3,441
Directors' fees and expenses		–	2,301	2,301
Professional fees and related expenses		–	831	831
		458	6,115	6,573

28 Earnings per share

Earnings 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.

	2024 $	2023 $
Net income attributable to shareholders	**50,811**	47,017
Weighted average number of ordinary shares in issue (in thousands)	**141,750**	141,750
Basic and diluted earnings per share	**0.36**	0.33

29 Dividends

The consolidated financial statements reflect dividends of $7,087 or 0.05 per share for the financial year ended June 30, 2024, paid on December 27, 2023. Approval of this payment was given at the Fifty-third Annual General Meeting held on December 27, 2023.

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.

(expressed in thousands of Eastern Caribbean dollars)

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

	2024 $	2023 $
Public sector		
Customer's deposits	**1,332,972**	1,548,013
Financial asset	**357,629**	357,416
Loans and advances to customers	**358,298**	362,338
Interest on deposits	**33,223**	32,215
Interest on loans and advances to customers	**11,439**	12,019
Gross premium written	**29,176**	23,208
Gross claims incurred	**11,907**	10,733
Interest on financial asset	**5,673**	5,657
Insurance contract liabilities	**–**	2,846
Associated companies		
Loans and advances to customers	**51,252**	51,252
Customers' deposits	**15,670**	6,832
Interest on customers' deposits	**87**	86
Directors and associates		
Customers' deposits	**1,949**	1,870
Directors' fees and expenses	**1,954**	2,301
Loans and advances to customers	**1,355**	826
Interest from loans and advances to customers	**52**	58
Gross premiums written	**44**	36
Interest on customers' deposits	**12**	12
Outstanding balances	**3**	2
Key management		
Salaries and short-term benefits	**9,001**	9,062
Loans and advances to customers	**1,388**	1,378
Customers' deposits	**1,308**	2,214
Interest from loans and advances to customers	**56**	144
Gross written premiums	**82**	77
Interest on customers' deposits	**20**	31
Claims incurred	**39**	24
Insurance contract liabilities	**2**	3

As at June 30, 2024, directors held total shares in the Group of 80 (2023: 79) and key management held total shares in the Group of 11 (2023: 21).

Loans advanced to directors and key management during the year are repayable on a monthly basis at a weighted average effective interest rate of 6.19% (2023: 6.22%). Secured loans are collateralised by cash and mortgages over properties.

No provision (2023: $18,630) has been recognised at June 30, 2024 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:

	2024 $	2023 $
Loan commitments	**45,720**	39,081
Credit card commitments	**16,315**	15,307
	62,035	54,388

Contingent Liabilities

Legal Matters subsequent to the financial year ended June 30, 2024

Nautilus Club (Nevis) Ltd v St. Kitts-Nevis-Anguilla National Bank Ltd

On January 13, 2025 the Bank was served with a claim instituted by the Nautilus Club (Nevis) Limited. In its claim, The Nautilus Club (Nevis) Limited alleges that the Bank failed to honour its obligations under the loan agreement dated April 16, 2021 by refusing to provide the agreed drawdowns which constitutes a breach of contract.

The Nautilus Club (Nevis) Limited seeks damages for breach of contract, breach of fiduciary care and professional negligence, exemplary damages, restitution, declarations and costs

The Bank has retained external legal counsel, Michael J. Hylton KC, whose firm is currently in the process of filing the relevant acknowledgment of service and defence.

Glimbaro International Trading Company Limited v St. Kitts Nevis Anguilla National Bank Limited

The Bank was served with a claim in this matter on October 11, 2024. It is the Claimant's (Glimbaro) case that the Bank breached Glimbaro's constitutional rights and committed multiple breaches of the Laws of the Federation of St. Christopher and Nevis; namely, the Banking Act, Consumer Affairs Act, Freedom of Information Act, and the Integrity in Public Life Act. Glimbaro seeks (i) declarations to that extent, (ii) damages (of an unspecified sum) to be assessed, (iii) interest, and (iv) costs.

The allegations stem from a loan and overdraft facility that Glimbaro held with the Bank. Glimbaro claims that neither its loan refinancing request nor its request for the renewal of its overdraft facility were approved by the Bank. Glimbaro asserts that this was done without reason and consequently, it suffered economic loss and damages to its property.

(expressed in thousands of Eastern Caribbean dollars)

31 Contingent liabilities and commitments *...continued*

Contingent Liabilities *...continued*

The Bank filed its Acknowledgment of Service on October 21, 2024, its Defence on November 8, 2024, and a Strike Out Application on November 15, 2024. On January 22, 2025, Glimbaro filed an Affidavit in response to the Bank's Strike Out Application. The Bank is currently awaiting a court date.

The Bank has estimated that the financial effect on the Bank from possible loss will be negligible based on the likelihood of success in both matters.

32 Financial asset

	2024 **$**	**2023** **$**
Financial asset	**352,284**	352,284
Interest receivable	**7,710**	7,694
Financial asset, gross	**359,994**	359,978
Less provision for expected credit losses	**(2,365)**	(2,562)
Financial asset, net	**357,629**	357,416

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

	2024 **$**	**2023** **$**
Beginning provision	**2,562**	2,398
Expected credit (recoveries)/losses for the year	**(197)**	164
Ending provision	**2,365**	2,562

The financial asset of $357,629 (2023: $357,416) along with the provision for expected credit losses of $2,365 (2023: $2,562) 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

32 Financial asset *...continued*

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.

For the year ended June 30, 2024, the Group's consolidated statement of income includes interest income amounting to $5,673 (2023: $5,657) (see note 22). Further, as of June 30, 2024, interest receivable of $7,710 (2023: $7,694) was pending from the GOSKN. During the year $5,657 (2023: $8,872) of cumulative interest payments were received from the GOSKN. The decrease in the provision for expected credit losses amounted to $197 (2023: increase $164) 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

(expressed in thousands of Eastern Caribbean dollars)

32 Financial asset *...continued*

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

	Notes	2024 $	2023 $
Deposits with other financial institutions	7	**161,118**	309,969
Cash and balances with Central Bank	5	**48,658**	46,065
Treasury bills	6	**14,376**	13,819
		224,152	369,853

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, 2024 by independent actuaries. The present value of the defined benefit obligation and related current service cost were measured using the Projected Unit Credit Method.

	2024 Per annum %	2023 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

(expressed in thousands of Eastern Caribbean dollars)

34 Defined benefit asset *...continued*

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

	Note	2024 $	2023 $
Changes in the present value of the defined benefit obligation			
Opening defined benefit obligation		**59,348**	55,730
Current service cost		**2,811**	2,559
Interest cost		**2,077**	1,951
Actuarial losses		**1,642**	815
Benefits paid		**(2,070)**	(1,707)
Closing defined benefit obligation		**63,808**	59,348
Changes in the fair value of the plan assets			
Opening fair value of plan assets		**77,057**	73,552
Interest income		**3,853**	3,678
Employer’s contribution		**2,676**	2,404
Management fees		**(228)**	(225)
Return on plan assets (other than net interest)		**(848)**	(645)
Benefit paid		**(2,070)**	(1,707)
Closing fair value of plan assets		**80,440**	77,057
Benefit cost			
Current service cost		**2,811**	2,559
Interest cost		**2,077**	1,951
Management fees		**228**	225
Interest on plan assets		**(3,853)**	(3,678)
Pension expense	**25**	**1,263**	1,057

	2024 $	2023 $
Amount recognised in other comprehensive income		
Actuarial losses	**1,642**	815
Interest income on plan assets	**3,853**	3,678
Actual return on plan assets	**(3,005)**	(3,033)
Re-measurement loss on net defined benefit asset	**2,490**	1,460

(expressed in thousands of Eastern Caribbean dollars)

34 Defined benefit asset *...continued*

	Note	2024 $	2023 $
Net defined benefit asset recognised in the consolidated statement of financial position			
Fair value of plan assets		**80,440**	77,057
Present value of defined benefit obligation		**(63,808)**	(59,348)
Net defined benefit asset		**16,632**	17,709

	Note	2024 $	2023 $
Reconciliation: Net defined benefit asset			
Opening balance		**17,709**	17,822
Employer's contribution		**2,676**	2,404
Period cost		**(1,263)**	(1,057)
Other effects recognised in other comprehensive income		**(2,490)**	(1,460)
Closing balance	**16**	**16,632**	17,709

Plan assets allocation is as follows:

	2024 %	2023 %
Certificates of deposit	**99.60**	99.10
Shares and treasury bills	**0.40**	0.90
	100.00	100.00

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	**(3,050)**	**3,336**

(expressed in thousands of Eastern Caribbean dollars)

34 Defined benefit asset *...continued*

	Mortality plus 10% $	Mortality minus 10% $
(Decrease)/increase in obligation	**(1,346)**	**1,473**

35 Subsidiaries

	Percentage of direct and indirect equity interest held 2024 %	2023 %
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

36 Business segments

As at June 30, 2024, 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)

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36 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, 2024					
Total segment revenues	176,709	5,116	441	–	**182,266**
Intersegment revenues	749	5,750	234	(6,733)	–
Revenue for the year from external customers	177,458	10,866	675	(6,733)	**182,266**
Cost of revenue generation	(148,808)	(7,842)	(1,703)	7,884	**(150,469)**
Income tax credit	20,050	(1,036)	–	–	**19,014**
Net income for the year	**48,700**	**1,988**	**(1,028)**	**1,151**	**50,811**
Property and equipment and intangible assets	38,495	7,976	21	–	**46,492**
Depreciation and amortisation	3,160	1,067	51	–	**4,278**
Segment assets	3,499,087	318,902	22,444	(281,366)	**3,559,067**
Segment liabilities	3,026,884	188,044	15,065	(257,226)	**2,972,767**
June 30, 2023					
Total segment revenues	163,569	(1,766)	433	–	**162,236**
Intersegment revenues	733	9,588	256	(10,577)	–
Revenue for the year from external customers	164,302	7,822	689	(10,577)	**162,236**
Cost of revenue generation	(136,878)	(6,407)	(1,576)	11,876	**(132,985)**
Income tax expense	18,460	(694)	–	–	**17,766**
Net income for the year	**45,884**	**721**	**(887)**	**1,299**	**47,017**
Property and equipment and intangible assets	30,749	8,307	10	–	**39,066**
Depreciation and amortisation	2,708	685	48	–	**3,441**
Segment assets	3,719,670	308,340	20,613	(274,835)	**3,773,788**
Segment liabilities	3,292,658	179,286	12,207	(249,546)	**3,234,605**

SUMMARY SEPARATE FINANCIAL STATEMENTS

June 30, 2024

(expressed in Eastern Caribbean Dollars)

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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, 2024, 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, 2024. We expressed an unqualified opinion in our report dated February 4, 2025.

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 February 4, 2025. 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.

Grant Thornton

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
February 4, 2025
Basseterre, St. Kitts

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED

Summary Separate Statement of Financial Position
For the year ended June 30, 2024

(expressed in Eastern Caribbean Dollars)

	2024 $	2023 $
Assets		
Cash and balances with Central Bank	**211,793,644**	225,869,583
Treasury bills	**128,160,713**	343,913,435
Deposits with other financial institutions	**203,152,032**	379,787,793
Loans and advances to customers	**1,055,560,298**	1,001,490,840
Originated debts	**155,641,237**	119,535,676
Financial asset	**357,629,437**	357,415,566
Investment securities	**1,206,487,097**	1,156,471,093
Investment in subsidiaries	**23,112,027**	23,633,438
Acceptances, guarantees and letters of credit	**7,456,067**	7,456,067
Income tax recoverable	**49,912,551**	34,391,873
Property and equipment	**37,787,042**	29,745,150
Intangible assets	**707,879**	1,003,862
Right-of-use assets	**821,621**	435,271
Other assets	**28,268,353**	20,715,012
Deferred tax asset	**32,597,277**	17,804,788
Total assets	**3,499,087,275**	3,719,669,447
Liabilities		
Customers' deposits	**2,952,286,966**	3,220,494,595
Provisions, creditors and accruals	**65,384,973**	63,216,741
Acceptances, guarantees and letters of credit	**7,456,067**	7,456,067
Income tax payable	**922,748**	1,046,722
Lease liabilities	**833,748**	443,880
Total liabilities	**3,026,884,502**	3,292,658,005
Shareholders' equity		
Issued share capital	**141,750,000**	141,750,000
Share premium	**3,877,424**	3,877,424
Reserves	**426,138,229**	406,362,601
Accumulated deficit	**(99,562,880)**	(124,978,583)
Total shareholders' equity	**472,202,773**	427,011,442
Total liabilities and shareholders' equity	**3,499,087,275**	3,719,669,447

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

Approved for issue by the Board of Directors on February 3, 2025.

Chairman

Director

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED

Summary Separate Statement of Income
For the year ended June 30, 2024

(expressed in Eastern Caribbean Dollars)

	2024 $	2023 $
Interest income	**94,034,959**	77,144,030
Interest expense	**(58,316,946)**	(57,901,350)
Net interest income	**35,718,013**	19,242,680
Fees and commission income	**25,390,216**	27,546,316
Fee expenses	**(24,332,911)**	(19,223,835)
Net fees and commission income	**1,057,305**	8,322,481
Net gains/(losses) on investments in debt and equity instruments	**42,632,718**	37,951,336
Dividend income	**9,681,762**	9,954,583
Gain on foreign exchange, net	**5,499,592**	8,015,954
Other operating income	**218,755**	3,690,001
Other income/(loss)	**58,032,827**	59,611,874
Total operating income/(loss)	**94,808,145**	87,177,035
Operating expenses		
Administrative and general expenses	**(58,536,087)**	(52,127,430)
Depreciation and amortisation	**(3,160,078)**	(2,707,178)
Credit and other impairment charges, net	**(2,688,113)**	(2,850,242)
Directors' fees and expenses	**(1,144,526)**	(1,565,194)
Professional fees and related expenses	**(629,786)**	(503,100)
Total operating expenses	**(66,158,590)**	(59,753,144)
Operating profit/(loss) before tax	**28,649,555**	27,423,891
Income tax credit	**20,050,122**	18,459,381
Net income/(loss) for the year	**48,699,677**	45,883,272
Basic earnings/(loss) per share (basic and diluted)	**0.34**	0.32

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, 2024

(expressed in Eastern Caribbean Dollars)

	2024 $	2023 $
Net income for the year	**48,699,677**	45,883,272
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	**8,215,266**	(493,751)
Reclassification adjustments for net gains/(losses) included in income, net of tax	**(915,019)**	255,194
Expected credit losses recognised on FVOCI – debt securities	**111,429**	378,738
	7,411,676	140,181
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	**3,373,623**	3,854,605
Realised losses transferred to retained earnings, net of tax	**–**	(2,280,710)
Realised losses transferred to retained earnings, net of tax	**(5,480,126)**	–
Re-measurement loss on defined benefit asset, net of tax	**(1,726,019)**	(460,311)
	(3,832,522)	1,113,584
Total other comprehensive income/(loss) for the year, net of tax	**3,579,154**	1,253,765
Total comprehensive income/(loss) for the year	**52,278,831**	47,137,037

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, 2024

(expressed in Eastern Caribbean Dollars)

	Issued share capital $	Share premium $	Reserves $	Accumulated deficit $	Total $
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**
Net income for the year	–	–	–	48,699,677	48,699,677
Other comprehensive income/(loss), net	–	–	9,059,280	(5,480,126)	3,579,154
Total comprehensive income for the year	**–**	**–**	**9,059,280**	**43,219,551**	**52,278,831**
Transfer to reserve	–	–	10,716,348	(10,716,348)	–
Transaction with owners					
Dividends	–	–	–	(7,087,500)	(7,087,500)
Balance as of June 30, 2024	**141,750,000**	**3,877,424**	**426,138,229**	**(99,562,880)**	**472,202,773**

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, 2024

(expressed in Eastern Caribbean Dollars)

	2024 $	2023 $
Cash flows from operating activities		
Operating profit/(loss) before tax	**28,649,555**	27,423,891
Adjustments for:		
Interest expense	**58,316,946**	57,901,350
Credit and other impairment charges	**1,688,113**	2,850,242
Depreciation and amortisation	**3,160,078**	2,707,178
Loss on disposal of property and equipment	**1,074,159**	919,318
Pension expense	**42,431**	900,622
Gain on sale of property and equipment	**–**	(91,774)
Dividend income	**(9,681,762)**	(9,954,583)
Fair value (gains)/losses, net on FVTPL investment securities	**(32,166,434)**	(30,916,554)
Interest income	**(94,034,958)**	(77,144,030)
Operating loss before changes in operating assets and liabilities	**(42,951,872)**	(25,404,340)
(Increase)/decrease in operating assets:		
Loans and advances to customers	**(54,897,836)**	(27,909,300)
Mandatory deposits with Central Bank	**16,667,915**	(10,051,090)
Other assets	**(8,990,246)**	(5,377,071)
Increase/(decrease) in operating liabilities:		
Customers' deposits	**(267,995,239)**	153,115,049
Provisions, creditors and accruals	**2,168,232**	(30,643,806)
Cash (used in)/generated from operations	**(355,999,046)**	53,729,442
Interest received	**53,813,484**	58,634,766
Pension contributions paid	**(1,938,613)**	(1,765,050)
Income taxes paid	**(13,046,722)**	(12,000,000)
Interest paid	**(58,507,584)**	(57,616,200)
Net cash (used in)/from operating activities	**(375,678,481)**	40,982,958
Cash flows from investing activities		
Proceeds from sale of investment securities and originated debts	**827,943,033**	683,825,884
Interest received from investment securities and originated debts	**35,326,588**	16,686,475
Dividends received	**9,681,762**	9,954,583
Proceeds from sale of property and equipment	**–**	296,000
Purchase of equipment and intangible assets	**(10,226,262)**	(3,375,310)
Decrease/(increase) in term deposits and treasury bills	**243,148,755**	(282,362,516)
Increase in investment securities and originated debts	**(868,959,853)**	(621,381,387)
Net cash generated in/(used in) investing activities	**236,914,023**	(196,356,271)
Balance carried forward	**(138,764,458)**	(155,373,313)

Summary Separate Statement of Cash Flows *...continued*
For the year ended June 30, 2024

(expressed in Eastern Caribbean Dollars)

	2024 $	2023 $
Balance brought forward	**(138,764,458)**	(155,373,313)
Cash flows from financing activities		
Dividends paid	**(7,087,500)**	–
Interest paid on lease liabilities	**(21,752)**	(20,504)
Repayments of lease liabilities	**(718,638)**	(787,241)
Net cash used in financing activities	**(7,827,890)**	(807,745)
Net decrease in cash and cash equivalents	**(146,592,348)**	(156,181,058)
Cash and cash equivalents, beginning of year	**351,388,216**	507,569,274
Cash and cash equivalents, end of year	**204,795,868**	351,388,216

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

Note to Summary Separate Financial Statements
June 30, 2024

(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, 2024.

NOTES

NOTES

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