

BANK OF ST. VINCENT AND THE GRENADINES LTD.

ANNUAL REPORT

2023

OPTIMIZING OPPORTUNITIES



Optimizing Opportunities

Amidst a business environment characterized by ongoing challenges, Bank of St. Vincent & the Grenadines Ltd remains resolute in its mission to transcend these difficulties while actively seeking avenues for growth. Through meticulous analysis and strategic foresight, our goal is to capitalize on these opportunities to secure sustained prosperity.

This resolve has never been more evident than during the 2023 financial period. During this time, we successfully managed the acquisition of assets and liabilities from CIBC FCIB St. Vincent and the Grenadines branch, alongside supporting the clientele of First St. Vincent Bank through its compulsory liquidation process, as mandated by our regulator, the Eastern Caribbean Central Bank.

Throughout these endeavours, the Bank has steadfastly recognized the necessity of maintaining agility and responsiveness to the fluctuating market dynamics. Simultaneously, it upholds an unwavering dedication to its foundational values and ethics.

By adopting this strategy, Bank of St. Vincent & the Grenadines Ltd. is solidifying its stature as a pioneering entity within the banking sector of St. Vincent and the Grenadines. Its capacity to adapt and flourish amidst adversity is a testament to the Bank's proficiency, seasoned experience, and resourcefulness. Consequently, the Bank stands today as a stronger and more robust institution, adept at navigating the complexities of the contemporary business environment.



1. BOSVG acquired location - formerly FCIB
2. BOSVG Chateaubelair
3. BOSVG Reigate

ANNUAL REPORT

2023

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MISSION STATEMENT

We are the providers of diverse financial solutions, adding value to our shareholders, customers, employees and community built on a foundation of excellent service, efficient operations and good governance.

VISION STATEMENT

To be the premier financial institution in St. Vincent and the Grenadines

CORE VALUES

Professionalism
Accountability & Transparency
Integrity
Innovation
Continuous Learning
Results Orientation

FINANCIAL STATEMENTS



Join us in the Digital Age - Transform and Conquer

We are fortunate to be alive during a time of unprecedented change, driven by the rapid advancements in digital technologies. With machines and systems that can learn, adapt, and evolve, we are entering a new era of intelligent automation that has the potential to revolutionize the way we work and live. As we continue to explore the possibilities of this transformational shift, we are presented with endless opportunities to innovate, grow, and succeed.

Innovative technologies are bringing about transformative changes across various industries; and the Banking industry is no exception. Early on, BOSVG has recognized this global trend and has strategically embarked upon a path of digitalization. As we navigate these unprecedented times, we can be sure that the future will be continuously shaped by this ongoing digital revolution. Vincentians must therefore be prepared to constantly adapt and innovate in order to thrive in this new age.

Our cohort of Youthful and Junior Visionaries, selected for this tenth installment of the “NextGen” calendar, share our awareness of the need to be forward thinking and transformative in order to conquer our changing world. They have successfully fought the inertia brought on by perilous and challenging times and have successfully emerged as visionaries; persons who possess original ideas and have positioned themselves to meet the future head on, yes to transform and conquer!

Once again, we thank our Visionaries for allowing us to share their stories in the hope of inspiring others. We also welcome our Junior Visionaries who, from a very early age and through their accomplishments, continue to demonstrate that St. Vincent and the Grenadines is in safe hands.

May 2024 bring with it continued success for you as you join BOSVG in the digital age, so that together we can transform and conquer!

Derry Williams
Managing Director

1. Latonya Hazell - Sweet Tooth SVG
2. Drew Mitchell - Drew's Enterprise
3. Latoya Nero - Beautyholiks
4. Joemar James - Don Digitals and Artwork
5. Kelsea Nichols - Artist
6. Carlisle Richards - Lavish Shoe Polish
7. Alexandria Caeli Samuel - Author
8. Jonard Forde - Project Forde
9. Lenecia Johnson - Fisher - Illusette Ato
10. Anyah Deroche - Anyah's Delights
11. Rashida Baptiste - Nubia Herbals
12. Shernell Hadaway - Ethereal Balloonz

Notice of Annual Meeting



NOTICE OF ANNUAL MEETING

Notice is hereby given that the 38th Annual Meeting of the Shareholders of the Bank of St. Vincent and the Grenadines Ltd. will be held at the Methodist Church Building, Grenville Street, Kingstown, Thursday, June 06, 2024 at 4:30 pm, for the following purposes:

1. To consider and adopt the Report of the Auditors and Audited Financial Statements of the Company for the year ended December 31, 2023
2. To consider and adopt the Directors' Report
3. To sanction cash dividends of \$0.77 per share paid for the financial year ending December 31, 2023
4. To appoint Auditors for the financial year January to December 2024
5. To discuss any other business which may be properly considered at the Annual Meeting

Note: Votes at meetings of shareholders may be given either personally or by proxy or, in the case of a shareholder who is a body corporate or association, by an individual authorized by a resolution of the directors or governing body of that body corporate or association to represent it at meetings of shareholders of the Company. A person appointed by proxy need not be a shareholder. A proxy is enclosed for the use of shareholders and must reach the Corporate Secretary at least 48 hours prior to the date of the meeting.

By Order of the Board



Nandi Williams-Morgan
SENIOR MANAGER LEGAL & CORPORATE SERVICES/
CORPORATE SECRETARY

Bank of St. Vincent and the Grenadines Ltd.

Corporate Information

REGISTERED OFFICE & POSTAL ADDRESS:

Reigate
Granby Street
P.O. Box 880
Kingstown
VC0 100
St. Vincent and the Grenadines
West Indies

Email: info@bosvg.com
Website: www.bosvg.com
Telephone: (784) 457-1844
Fax: (784) 456-2612

Chairman: Mrs. Judith Veira
Secretary: Mrs. Nandi Williams-Morgan

LEGAL COUNSELS:

Williams & Williams
Chambers, Middle Street
P.O. Box 589
Kingstown
St. Vincent
Telephone: (784) 456-1757
Fax: (784) 456-2259

Regal Chambers
Second Floor, Regal Building
Middle Street, Kingstown
St. Vincent
Telephone: (784) 457-2210
Fax: (784) 457-1823
Principal: Mr. Grahame Bollers

Cardinal Law Firm
114 Granby Street
P.O. Box 401
Kingstown
St. Vincent
Telephone: (784) 456-1954
Fax: (784) 451-2391

SUBSIDIARY COMPANY:

Property Holdings SVG Ltd.
Bedford Street
P.O. Box 880
Kingstown
St. Vincent and the Grenadines
Telephone: (784) 457-1844
Fax: (784) 456-2612

AFFILIATIONS:

Member of:
Caribbean Association of Banks
Caribbean Association of Audit Committee
Caribbean Banks Users Group
Eastern Caribbean Institute of Banking
ECCU Bankers Association
St. Vincent and the Grenadines Bankers Association
St. Vincent and the Grenadines Chamber of Industry and Commerce
St. Vincent Employers' Federation

REGULATORS:

Eastern Caribbean Central Bank
Eastern Caribbean Securities Regulatory Commission
Financial Intelligence Unit
Financial Services Authority
Ministry of Finance

EXTERNAL AUDITORS:

Grant Thornton
Sergeant Jack Drive
Arnos Vale
P.O. Box 35
Kingstown
St. Vincent & the Grenadines
Telephone: (784) 456-2300
Fax: (784) 456-2184
Email: info.svg@lc.gt.com

OWNERSHIP IN BANK OF ST.VINCENT AND THE GRENADINES LTD. AS AT 31/12/2023

Gov't of SVG 42.40%
NIS 20%
ECFH 20%
The Public & Staff of BOSVG 17.60%

CORRESPONDENT BANKS

REGIONAL

Antigua Commercial Bank Limited
P.O. Box 95
St. John's, Antigua
Eastern Caribbean Central Bank
P.O. Box 89
Basseterre, St. Kitts

1st National Bank St. Lucia Limited
P.O. Box 168
Castries, St. Lucia

National Bank of Anguilla Ltd.
P.O. Box 44
The Valley
Anguilla

National Bank of Dominica
Roseau, Dominica

Republic Bank Grenada Limited
NCB House, P.O. Box 857, Maurice Bishop Highway,
Grand Anse, St. George's, Grenada

St. Kitts Nevis Anguilla National Bank
P.O. Box 343
Basseterre, St. Kitts

First Citizens Bank
62 Independence Square, Port of Spain
Trinidad

National Commercial Bank Jamaica
54 King Street
Kingston, Jamaica

Republic Bank
Barbados Limited
Trident House
Lower Broad Street
Bridgetown, Barbados

Republic Bank (Guyana) Limited
110 Camp & Regent Streets
Lacytown
Georgetown, Guyana

Republic Bank Trinidad Ltd
59 Independence Square, Port of Spain
Trinidad

INTERNATIONAL

Bank of America
100 SE 2nd Street, 13th Floor, Miami
Florida 33131, USA

Toronto Dominion Bank
Toronto Data Centre
26 Gerrard Street West
Toronto Ontario M5B, 1G3, Canada

Bank of New York Mellon
1 Wall Street
New York, NY 10286

Crown Agents Bank
St. Nicolas House, St. Nicholas Road
Sutton Surrey SM1 1EL
United Kingdom

Financial Highlights 2019 - 2023

Bank of St. Vincent and the Grenadines Ltd.

OPERATING RESULTS (\$'000)	2023	2022	2021	2020	2019
Interest income	73,619,241	54,427,590	50,790,365	53,771,347	53,619,655
Interest expense	(20,539,306)	(15,672,360)	(16,700,067)	(16,921,241)	(16,150,656)
NET INTEREST INCOME	53,079,935	38,755,230	34,090,298	36,850,106	37,468,999
Non interest income	26,643,969	17,679,715	14,082,973	13,984,220	14,778,947
NET OPERATING INCOME	79,723,904	56,434,945	51,229,739	53,667,638	55,495,008
Impairment losses on financial assets	745,638	2,751,617	7,690,484	11,513,269	3,077,041
Impairment losses on investment securities	(2,641,124)	7,422,683	-	-	-
Impairment losses on property and equipment	-	-	-	-	214,506
Income tax expense	4,700,092	2,964,369	(145,904)	2,744,494	2,072,159
Non interest expense	53,702,170	40,389,033	37,857,464	32,954,929	32,790,759
Net income	23,217,128	2,907,243	2,771,227	3,621,634	14,093,481
Dividend declared	11,608,564	1,499,990	-	1,799,988	7,049,927
OPERATING PERFORMANCE					
Basic and diluted earnings per share	1.55	0.19	0.18	0.24	0.94
Cash dividends per share	0.77	0.10	-	0.12	0.47
Book value per share	11.11	9.41	8.98	8.92	8.36
Return on equity	13.9%	2.1%	2.1%	2.7%	11.2%
Return on assets	1.2%	0.2%	0.2%	0.3%	1.3%
Efficiency ratio	65.0%	89.6%	94.9%	88.1%	70.9%
Core banking margin (spread)	2.8%	2.9%	2.6%	3.0%	3.3%
FINANCIAL POSITION DATA (\$'000)					
Cash and deposits with banks	490,884,249	422,470,807	424,725,429	368,895,706	361,427,626
Total assets	1,865,827,938	1,323,231,201	1,294,419,198	1,214,583,302	1,126,608,002
Loans and advances	863,348,294	637,300,272	628,118,551	641,064,848	603,116,302
Investments	374,884,283	185,438,736	165,269,717	120,657,229	80,662,829
Customers deposits	1,623,097,126	1,112,403,167	1,081,376,200	990,312,696	910,319,763
Shareholders equity	166,610,717	141,075,979	134,683,176	133,778,588	125,373,187
CAPITAL AND LIQUIDITY MEASURES					
Capital adequacy	15.6%	24.6%	24.5%	24.3%	26.2%
Total risk weighted assets	1,046,005,000	586,521,000	584,321,000	570,053,517	497,421,029
Loans to deposits	53.2%	57.3%	58.1%	64.7%	66.3%
CREDIT QUALITY					
Impaired loans	47,133,414	43,529,041	37,276,628	44,352,646	40,564,191
Allowance for loan losses	32,180,778	31,136,863	30,978,030	31,236,224	19,836,290
General provision reserve	7,797,010	5,475,297	5,184,573	4,907,450	4,542,702
Impaired loans as a % of loans	5.3%	6.5%	5.7%	6.6%	6.5%
Allowances for credit loss plus contingency reserve fund as a % of np loans	84.8%	84.1%	97.0%	81.5%	60.1%
Provisions for loan losses as a % of loans	3.6%	4.7%	4.7%	4.6%	3.2%
NP loans to total assets	2.5%	3.3%	2.9%	3.7%	3.6%
OTHER					
Number of staff	273	191	203	165	165
Earnings per staff	85,044	15,221	13,651	21,949	85,415
Number of shares	14,999,844	14,999,844	14,999,844	14,999,844	14,999,844

Chairman's Message

- Mrs. Judith Veira

Optimizing Opportunities – Consolidation of Synergies

The past financial year of 2023 has been nothing but exciting, challenging, informative, rewarding, and a critical positive turning point for the Bank. The Management and Staff of the Bank of St. Vincent & the Grenadines Ltd. must be commended, and they must feel a great sense of accomplishment in implementing our key strategic objectives and achieving profitable growth for the 2023 financial year.

The Group successfully navigated a complex macro-economic environment characterized by rising interest rates and volatile global markets.

We have made great strides in improving our financial performance over the period. The financial results for the year ended December 31, 2023, were positive and certainly an improvement to the financial position over recent years. The financial forecast of profit before tax was exceeded. Further, significant progress was made in other key areas, such as training and development, governance and oversight, updating our policies and approving new policies to meet industry standards and, reaffirming the Bank's ISO 27001 and Payment Card Industry Data Security Standard (PCI DSS) certifications. These milestones were achieved while operating under an umbrella of effective governance, risk monitoring, robust internal controls, and reporting.

The Bank embraced and successfully exploited the significant opportunities to expand its asset base during the reporting period. This was particularly evident in the relatively smooth transfer of the acquired assets and liabilities of CIBC FCIB on March 24, 2023, and subsequently, the acquisition of the "good bank" of First St. Vincent Bank on June 1, 2023. This was no small feat.

Even with the costs related to the acquisitions; business reorganization; realignment of processes; legal and consultancy costs; and increased staffing, resulted in positive returns and strong liquidity, capital and provision coverage positions. As expected with the acquisition, capital adequacy declined but still remained at a sound and adequate level of 15.6%, in excess of regulatory minimum requirements. There were improvements in the efficiency ratio, now at 65% compared to 90% in 2022, and in the quality of our assets, as reflected in our non-performing loan ratio of 5.3%, which is slightly in excess of the regulatory guidelines. Asset quality is further buoyed by a provision coverage of NPL of 85%.

The financial services industry continues to change rapidly, and BOSVG is well-positioned to compete with current and emerging trends and be a force to be

The Board applauds and appreciates the tireless and concerted efforts of all at BOSVG, and we recognize that the positive results achieved in 2023 were fortified by management and staff upholding and living the Bank's core values – professionalism, integrity, results orientation, accountability and transparency, continuous learning, and innovation. In closing, I would like to thank all my fellow directors and senior management for your guidance and support during the past year and to the shareholders for your continued trust and confidence in the Board and the staff of BOSVG.



reckoned with, given the strong financial metrics, which provides a solid foundation, and the investments that the Group has made during the past years.

The Directors and Management have been exposed to extensive training on key regulatory and compliance issues, such as Anti-Money Laundering and Combating the Financing of Terrorism and Proliferation (AML/CFT/CFP), anti-bribery and corruption compliance (ABC), Virtual Assets, technology risk management and digital transformation, understanding the state of cybersecurity within the region, and board conflict resolution.

Furthermore, the Group is progressing steadily toward completing and satisfying the outstanding matters raised in the ECCB's Risk-Based Supervision Exam and the AML/CFT/CFP Exam. We expect full resolution to all items in the very short term.

One of the main responsibilities of the Board is to ensure that Management and staff are equipped with the right tools and skills to win in the competitive environment and be prepared to be future leaders. To this end, the Board approved a management succession plan to facilitate a smooth transition between executives, which management is keenly implementing.

The relatively high market interest rate environment presented investment opportunities, with investment income now a major source of income for the Group and attendant risks. The Group must strategically position its focus and resources, and as such, the Board Structure has expanded to include an Investment Committee to provide oversight and monitoring over the investments and the development of a fully functional investment department.

We will be moving into 2024 with a new strategic plan for 2024 to 2027 and the implementation of ICAAP, Basel II/III, ESG standards, and other regulatory requirements. Will life be any calmer next year? I highly doubt it. But we collectively are a far stronger, more resilient, and knowledgeable group, ready to face the challenges (expected and unexpected) of 2024, having travelled on the road of experiences during the past couple of years.

BOSVG shoulders great responsibility, with about 70% of the market share, and therefore we must continue to make reasonable and responsible decisions, harness the opportunities, continue to grow the Bank's profits, while being ever mindful of our risk framework, risk appetite, and the protection of the assets which have been entrusted to us. This requires heightened awareness and diligence by our three lines of defence.

Profile of Directors



MRS. JUDITH VEIRA *Consulting Actuary/ BA Hons. Actuarial Science, Fellow of the Society of Actuaries, Chartered Director (C. Dir.)*
Director Veira is the Chairman of the Board of Directors, member of the Credit Committee and member of the Human Resources Committee. She was reappointed to the Board on June 01, 2022 by the Government of St. Vincent and the Grenadines.



MR. MEDFORD FRANCIS *Economist/ BSc. Economics, MSc. Financial Management, ACC. Dir*
Director Francis is a member of the Risk & Compliance Committee and member of the Human Resources Committee. He was reappointed to the Board on June 01, 2022 by the East Caribbean Financial Holdings Company Ltd.



DR. TIMOTHY PROVIDENCE *Medical Doctor/ MBBS, MRCOG, FRCOG, Chartered Director (C. Dir.)*
Director Providence is the Chairman of the Credit Committee and a member of the Human Resources Committee. He was reelected to the Board on June 01, 2022 by the Public.



MR. LENNOX TIMM *Chartered Certified Accountant/ FCCA, MAAT, CBV, RCC, MSc. International Banking and Finance*
Director Timm is the Chairman of the Risk & Compliance Committee and a member of the Audit Committee, member of the Investment Committee and Chairman of Property Holdings SVG Ltd. (subsidiary of BOSVG). He was reappointed to the Board on June 01, 2022 by the St. Vincent and the Grenadines National Insurance Services.



MR. TERRAL MAPP *Chief Operating Officer/Economist BSc. Economics & Accounting, MA. Economics, ACC Dir.*
Director Mapp is a member of the Risk & Compliance Committee and member of the Investment Committee. He was appointed to the Board on June 01, 2022 by the Government of St. Vincent and the Grenadines.



MR. MAURICE EDWARDS *Financial Consultant / BSc. Accounting, Chartered Financial Analyst (CFA), ACC. Dir*
Director Edwards is the Chairman of the Investment Committee, member of the Audit Committee and member of the Risk & Compliance Committee. He was reappointed to the Board on June 01, 2022 by the Government of St. Vincent and the Grenadines.



MRS. SAIBRINA BREWSTER-DICKSON *Accountant/ BSc. Management, ACCA, FCCA, MBA*
Director Brewster-Dickson is the Chairman of the Audit Committee, a member of the Credit Committee and Director of Property Holdings SVG Ltd. (subsidiary of BOSVG). She was reappointed to the Board on June 01, 2022 by the Government of St. Vincent and the Grenadines.



MR. LENNOX BOWMAN *Retired Chief Executive Officer / MAAT, ACIB*
Director Bowman is the Chairman of the Human Resources Committee, member of the Credit Committee and member of the Investment Committee. He was reappointed to the Board on June 01, 2022 by the St. Vincent and the Grenadines National Insurance Services.



MR. ROLF PHILLIPS *Managing Director/ ACIB, ACC. Dir.*
Director Phillips is a member of the Audit Committee and a member of the Credit Committee. He was appointed to the Board on June 01, 2022 by the East Caribbean Financial Holding Company Limited.



MR. DERRY WILLIAMS *MBA - Finance*
Mr. Derry Williams is the Managing Director appointed by the Board of Directors on April 01, 2011 to April 30, 2016 and from April 01, 2018 to present. The Managing Director is an ex-officio member of the Board of Directors.

Directors' Report

We imagined, believed, achieved and now, we are optimizing the opportunities and consolidating the synergies as we become stronger together. As such, we the Directors of the Bank of St. Vincent and the Grenadines Ltd. (BOSVG) are delighted to present the Report of the Directors for the period January 1 to December 31, 2023.

ROLE AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The role of the Board is to provide strategic guidance; to effectively monitor the management of the Bank; and to provide accountability to the Bank and to its stakeholders. The Eastern Caribbean Central Bank's (ECCB) Guidelines on Corporate Governance for Institutions Licensed to Conduct Banking Business Under the Banking Act outlines the responsibilities of the Board of Directors. These responsibilities in summary are: Implementing sound governance practices; Ensuring there is adequate Board structure; Engaging in strategic planning; Establishing committees of the Board; Convening Board meetings and sharing information; Demonstrating the ability to act independently of Management; Ensuring there is demarcation of responsibilities between the Board and Management; Managing Risk; Ensuring there is integrity of internal controls and management of information systems; Ensuring there is integrity in conducting operations; Appointing and monitoring Senior Management; Approving remuneration; Conducting annual reviews and; Facilitating transparency in governance.

During the 2023 financial year, the Board of Directors provided the strategic guidance and oversight to the Management and stakeholders of BOSVG as referenced above. Therefore, we disclose the following information as part of our reporting responsibility:

GROUP STRUCTURE

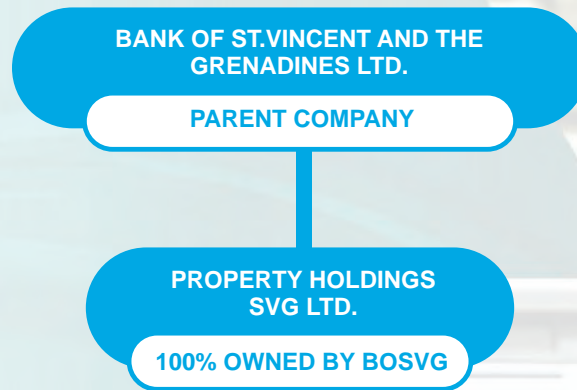
BOSVG is licensed by the ECCB to conduct Banking Business pursuant to Section 14 of the Banking Act 2015. BOSVG, formally the National Commercial Bank (SVG) Ltd. was incorporated on June 1, 1977. The company amalgamated with the St. Vincent and the Grenadines Development Bank Inc. on June 19, 2009 and changed its name from National Commercial Bank (SVG) Ltd. to Bank of St. Vincent and the Grenadines Ltd. on November 26, 2010.

Property Holdings SVG Ltd. is wholly owned by BOSVG and was set up primarily to facilitate the temporary acquisition of distressed properties for future investments. The company was incorporated on December 13, 2010.

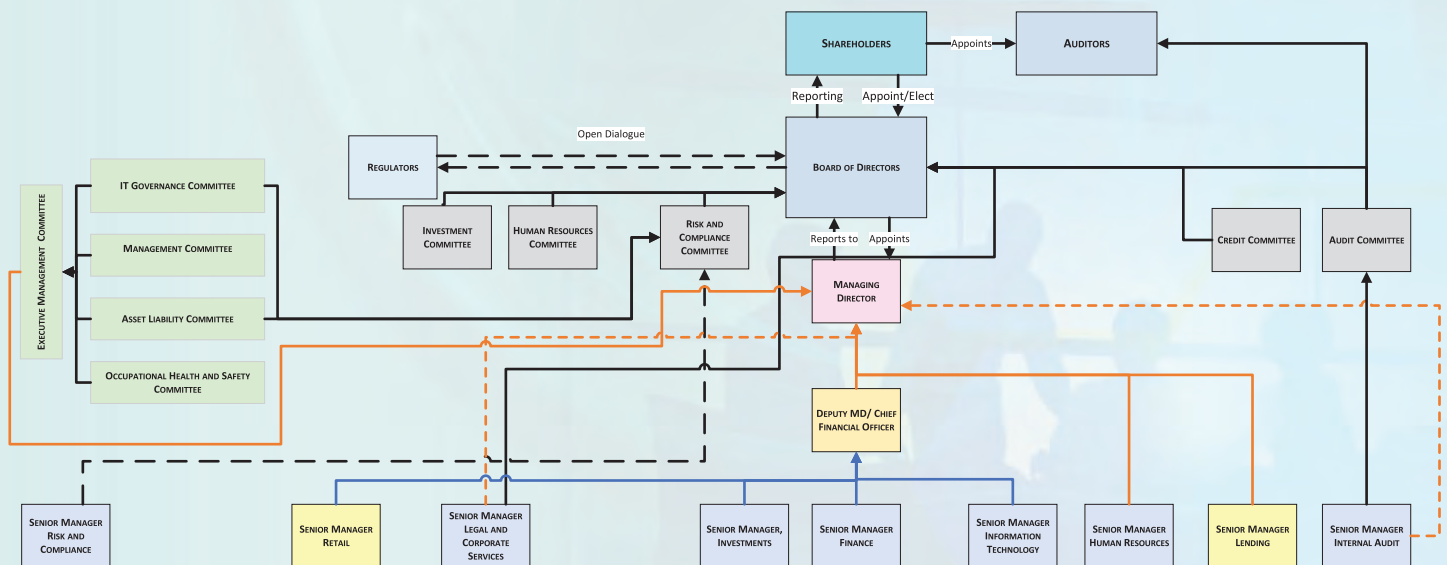
Documents relating to the Company's incorporation, amalgamation and change of name mentioned above are registered with the Company's Registry and are available to the public.

Directors' Report Cont'd

The diagrams below are illustrations of BOSVG's Group and Corporate Governance structures.



BOSVG'S CORPORATE GOVERNANCE FRAMEWORK



Directors' Report Cont'd

DIRECTORSHIP & TENURE

As at December 31, 2023, the members comprising the Board of Directors of the BOSVG were:

- Mrs. Judith Veira – Chairman - Government appointee
- Mr. Maurice Edwards – Government appointee
- Mrs. Saibrina Brewster- Dickson – Government appointee
- Mr. Terral Mapp – Government appointee
- Mr. Rolf Phillips – ECFH appointee
- Mr. Medford Francis – ECFH appointee
- Mr. Lennox Bowman – NIS appointee
- Mr. Lennox Timm – NIS appointee
- Dr. Timothy Providence – Elected by the Public

The members of the Board were elected/appointed for a three-year term at the Annual General Meeting (AGM) held June 01, 2022. There were no new appointments, retirements or resignations for the financial year ended December 31, 2023. Election/Appointment of Directors is scheduled for the 2025 AGM.

As at December 31, 2023, the Directors of the Board of Property Holdings SVG Ltd. were:

- Mr. Lennox Timm - Chairman
- Mrs. Saibrina Brewster-Dickson
- Mr. Bennie Stapleton

There were no changes to the membership of Property Holdings SVG Ltd. Board of Directors for the financial year ended December 31, 2023.

STRATEGIC INITIATIVES

During the 2023 financial year, the Board of Directors sought to optimize the opportunities and consolidate the synergies of two acquisitions, thereby, growing the Bank inorganically, as well as, organically, while at the same time continuing and improving the existing book of business. The key initiatives undertaken during the year were as follows:

ACQUISITION OF THE CIBC FIRST CARIBBEAN INTERNATIONAL BANK LIMITED (CIBC FCIB) BOOK OF BUSINESS IN ST. VINCENT AND THE GRENADINES AND; FIRST ST.VINCENT BANK LTD (FSVB) ACQUISITION

Following an Agreement signed by First Caribbean International Bank (Barbados) Limited and BOSVG on October 12, 2021 to acquire the assets and assume the liabilities of CIBC FCIB in St. Vincent and the Grenadines, and the relevant Board and regulatory approvals, the transfer or acquisition of these assets and liabilities from CIBC FCIB to BOSVG took effect on March 24, 2023 by virtue of FirstCaribbean International Bank (Barbados) Limited, Banking Business Vesting (No.2) Order, 2023.

As part of the Bank's disclosure requirements, the date of transfer was announced to the shareholders in March 2023 prior to the effective date of transfer.

In March 2023, the Board of Directors approved an offer from the ECCB to be the sole acquirer of the "good bank" of FSVB inclusive of performing loans up to 60-days past due, and corresponding deposit liabilities of \$100,000 per customer. Following this, the ECCB in exercise of the powers conferred under Section 138 of the Banking Act No. 4 of 2015 of the laws of Saint Vincent and the Grenadines appointed a Receiver for FSVB with effect from May 26, 2023.

Subsequently, a Purchase and Assumption Agreement of certain assets and liabilities of FSVB (In Receivership) dated May 31, 2023 was made between David Standish and David Collins as Receivers of the first part, the Government of St. Vincent and the Grenadines of the second part and BOSVG as purchaser. The effective date of the transfer was June 01, 2023.

Similarly, communication was also issued to the public by BOSVG about the receivership and information regarding access to FSVB's customers' accounts.

Both businesses, CIBC FCIB St. Vincent and the Grenadines and FSVB's acquired book of business were consolidated into the existing business of BOSVG in 2023.

Directors' Report Cont'd

ESTABLISHMENT OF THE NEW BRANCH AT CHATEAUBELAIR

While the Board in May 2023 approved the sale of the Bedford Street property which housed the BOSVG Bedford Street branch, they took the decision in March 2022 to establish a new branch at Chateaubelair, North Leeward and obtained approval from the ECCB in November 2022. This branch was successfully opened to the public in December 2023.

SUCCESSION PLAN

The Board approved a Management Succession Plan on July 28, 2023 in satisfaction of the Regulator's requirements to develop a succession plan. A training plan and budget were also approved by the Board in 2023. The training plan sought to identify the relevant training programs that Management would use to close the current knowledge gaps of potential successors. Management training relating to this Succession Plan commenced in the 2024 financial year.

STRATEGIC PLANNING

The current Strategic Plan was scheduled to expire in 2024. However, given the recent acquisition of the CIBC FCIB book of business and other developments which could potentially impact the Bank in the medium to long term, the Management and the Board of Directors were of the view that there is a need to revisit the strategic direction of the Bank.

In May 2023, the Board approved the appointment of a Consultant to produce the BOSVG Strategic Plan 2024 – 2027 and in September 2023 the Board, Management, staff and customers - key stakeholders - were engaged in a series of workshops and meetings with the Consultant to gather information, align goals, and define strategic objectives. This was part of the discovery stage of the strategic planning process. The draft Strategic Plan 2024 – 2027 was submitted to the Board in November 2023 for review.

REGULATOR'S OVERSIGHT

Our regulators continue to play a pivotal role by providing the oversight required by legislation and guidelines. As such, the Bank maintained its relationship with the ECCB and provided information relative to their oversight during the financial year under review. Following the reports of the ECCB emanating from the 2022 Remote Anti-Money Laundering and Combating the Financing of Terrorism and Proliferation (AML/CFT/CPF) Examination, and the 2022 Risk-Based Supervision On-site Examination, the Bank continued in 2023 to satisfy the items for remediation. These were encapsulated in the Memorandum of Understanding (MOU) with the ECCB dated November 2022 and the Letter of Commitment signed in March 2023.

MANAGING RISK

In February 2023, the Risk and Compliance Committee of the Board appointed Consultants to conduct an Independent Institutional Risk Assessment of BOSVG. As a requirement of the AML-CFT-Code-2017, regulated financial service providers are required to carry out and document a risk assessment for the purpose of assessing the money laundering and terrorist financing risks they face.

The objective of this Independent Institutional Risk Assessment was to enable the Bank to explain its Money Laundering, Terrorist Financing, Proliferation Financing (ML/TF/PF) and Sanctions Risk and; develop a risk-based Anti-Money Laundering/Counter Financing of Terrorism/Countering the Financing of Proliferation (AML/CFT/CFP) and Sanctions Compliance Program to effectively address the assessed level of risk. The Assessment commenced in April 2023 and was finalized in August 2023. The Assessment was also in satisfaction of one of the MOU items issued by the ECCB.

In addition, the Committee in December 2023 approved the appointment of Consultants to conduct a Business Impact Assessment of the Bank. The objective for the Assessment is to build and strengthen the Bank's organizational resilience and confirm our ability to continue to provide critical services to stakeholders in the event of a business disruption. The Assessment is scheduled to commence in 2024.

Directors' Report Cont'd

POLICIES & PROCEDURES

The Board of Directors approved in total twenty-four policies, procedures and Committee charters over the reporting period. These were:

- Investment Committee Charter
- Revised Audit Committee Charter
- Revised Internal Audit Charter
- Revised Risk & Compliance Department Charter
- Revised IT Governance Committee Charter
- Revised HR Committee Charter
- Local Travel Policy
- BOSVG Company Issued Vehicle Policy
- Revised Corporate Governance Policy
- Revised Credit Policy
- Revised Staff Loan Policy & Guidelines
- Revised Impaired Asset, Provisioning and Write off Policy
- Investment Policy & Guidelines
- Revised Asset & Liability Management Policy
- Revised Correspondent Bank Policy
- Revised Fraud Management Policy
- Revised Wire Transfer Policy
- Security Risk Management Policy
- Compliance Risk Policy
- Whistle Blower Policy
- Directors Continuing Education and Development Policy
- Directors On-Boarding & Orientation Policy and Procedures
- Medicinal Cannabis Industry Banking Procedures
- ISMS Documentation approval Process

BOARD OF DIRECTORS MEETINGS AND ATTENDANCE

The Board is required to meet at least quarterly but will meet as needed for the directors to properly discharge their responsibilities. Nine (9) meetings were held for the year 2023.

Board Attendance Record for the Financial Year ended December 31, 2023

Member	Jan 27 2023	Mar 17 2023	Mar 22 2023	May 17 2023	May 26 2023	Jul 28 2023	Sept 05 2023	Sept 29 2023	Nov 24 2023
Maurice Edwards	x	x	ABSENT	x	x	x	x	x	x
Judith Veira	x	x	x	x	x	x	x	x	x
Saibrina Brewster-Dickson	x	x	x	x	x	x	ABSENT	x	x
Lennox Timm	x	x	x	x	x	x	x	x	x
Lennox Bowman	x	x	x	x	x	x	ABSENT	x	x
Timothy Providence	x	x	x	x	x	x	x	x	x
Medford Francis	x	x	x	x	x	x	x	x	x
Terral Mapp	x	x	x	x	x	x	x	x	x
Rolf Phillips	x	x	x	x	x	x	x	x	x
Derry Williams (MD)	x	x	ABSENT	ABSENT	x	x	ABSENT	x	x

Directors' Report Cont'd

BOARD OF DIRECTORS ASSESSMENTS & DUE DILIGENCE

The Board completed its annual self-assessment for the year ended December 31 2022, in March 2023. All Directors completed their individual self-assessments for the period under review as well. As part of the due diligence policy requirements Directors completed the following due diligence forms in 2023: Directors Declaration, Code of Conduct Acknowledgement, Fit and Proper Declaration, Social-Media and Networking Acknowledgement, Secrecy of Information Declaration, and where applicable, Potential Conflict of Interest Disclosure.

With respect to disclosures of potential conflict of interest, Chairman - Judith Veira declared affiliation with Trinity Consulting Ltd (TCL), Cane Garden, St. Vincent. Chairman Veira is an owner, director and employee of TCL.

The Director further declared that she provides actuarial services for the Bank's Pension Plan, primarily performing the triennial valuation of the Defined Contribution (DC) Staff Plan, most recently as at December 31, 2018. As needed, other pension consultancy services are provided.

COMMITTEES COMPOSITION & MEETINGS

The Credit Committee – As at December 31, 2023, the members of the Credit Committee were: Directors Timothy Providence – Chairman, Judith Veira, Rolf Phillips, Saibrina Brewster-Dickson and Lennox Bowman. There were no changes to the Committee's membership over the period.

This Committee is required to meet at least four (4) times for the year and met five (5) times for 2023 surpassing its Charter requirements.

Credit Committee Attendance Record for the Financial Year ended December 31, 2023

Member	Feb 21 2023	May 05 2023	Jun 27 2023	Nov 06 2023	Dec 08 2023
Saibrina Brewster-Dickson	x	x	x	x	x
Lennox Bowman	x	x	x	x	x
Timothy Providence	x	x	x	x	x
Rolf Phillips	x	x	x	x	x
Judith Veira	x	x	x	x	x

The Audit Committee – The members of the Committee as at December 31, 2023 were: Directors Saibrina Brewster-Dickson - Chairman, Lennox Timm, Maurice Edwards and Rolf Phillips. There were no changes to the Committee's membership over the period. The Audit Committee is required to meet at least once per quarter and met total of five (5) times in 2023, also surpassing its Charter requirements.

Audit Committee Attendance Record for the Financial Year ended December 31, 2023

Member	Feb 03 2023	Mar 10 2023	May 04 2023	Jul19 2023	Nov 17 2023
Lennox Timm	x	x	ABSENT	x	x
Maurice Edwards	x	x	x	x	x
Saibrina Brewster-Dickson	x	x	x	x	x
Rolf Phillips	x	x	x	x	x

Directors' Report Cont'd

The Human Resources Committee –The Committee members as at December 31, 2023 were: Directors Lennox Bowman – Chairman, Timothy Providence, Medford Francis and Judith Veira. There were no changes to the Committee’s membership over the period.

Previously, the Committee was required to meet at least twice per year but in March 2023, the Committee’s Charter was amended to increase the frequency of meetings to four (4) times per year. As such, the Committee met four (4) times for 2023.

Attendance Record for the Financial Year ended December 31, 2023

Member	Feb 09 2023	Mar 15 2023	Jun 12 2023	Nov 10 2023
Judith Veira	x	x	x	x
Lennox Bowman	x	x	x	x
Timothy Providence	x	x	x	x
Medford Francis	ABSENT	x	x	x

Risk & Compliance Committee – As at December 31, 2023, the Committee comprised of 4 members as follows: Directors Lennox Timm– Chairman, Maurice Edwards, Medford Francis and Terral Mapp. There were no changes to the Committee’s membership over the period.

The Committee is required to meet at least quarterly every year. They met for a total of five (5) times for the year.

Attendance Record for the Financial Year ended December 31, 2023

Member	Feb 24 2023	May 17 2023	Sep 11 2023	Nov 09 2023	Nov 24 2023
Lennox Timm	x	x	x	x	x
Maurice Edwards	x	x	x	x	x
Medford Francis	x	x	x	x	x
Terral Mapp	x	x	x	x	x

Investment Committee - The Ad-hoc Investment Committee which was established by the Board on June 02, 2022 was dissolved on January 27, 2023 by the Board. The Committee which was temporary, was replaced by the Investment Committee, established on January 27, 2023 as well. The purpose of the Committee is to assist the Board in fulfilling its responsibilities for the oversight of the Bank’s Investment Management function.

The Committee comprises four non-executive Directors and the members as at December 31, 2023 were: Maurice Edwards - Chairman, Lennox Timm, Terral Mapp and Lennox Bowman.

The Committee is required to meet at least quarterly per year but met five times for 2023.

Directors' Report Cont'd

Investment Committee Cont'd

Attendance Record for the Financial Year ended December 31, 2023:

Member	Mar 02 2023	May 02 2023	Jul 13 2023	Aug 24 2023	Nov 29 2023
Maurice Edwards	x	x	x	x	x
Lennox Timm	x	x	x	x	x
Terral Mapp	x	x	x	x	x
Lennox Bowman	x	x	x	x	x

COMMITTEES ASSESSMENTS

All Committees apart from the new Investment Committee completed their annual Committee assessments in 2023. All assessments were submitted to the full Board for review.

DIRECTORS' INTEREST & VOTING RIGHTS

Directors', Managing Director's & Deputy Managing Director's interests in the common shares of BOSVG as at December 31, 2023 were as follows:

Director	Beneficial Interest	Voting Rights
Judith Veira	46,500	46,500
Maurice Edwards	9,484	9,484
Timothy Providence	200,000	200,000
Lennox Timm	1,481	1,481
Lennox Bowman	0	0
Medford Francis	0	0
Saibrina Brewster-Dickson	0	0
Rolf Phillips	0	0
Terral Mapp	0	0
Derry Williams (MD)	7,975	7,975
Bennie Stapleton	1,822	1,822

SIGNIFICANT CONTRACTS

There was no contract of significance subsisting during or at the end of the financial year in which a Director was materially interested, directly or indirectly.

DIRECTORS' REMUNERATION

Directors are paid a monthly stipend in addition to payment for attending each Board Committee meeting. Total remuneration paid to Directors for the 2023 financial year was \$392,200.00.

Directors' Report Cont'd

DIRECTORS' EDUCATION

The following is a listing of training courses attended by the directors during 2023:

Date	Training Attended	Participants
January 30 - January 31, 2023	ECCB – AML/CFT/CPF Training and Sensitization Saint Vincent and the Grenadines 4th Round CFATF Mutual Evaluation: Demonstrating Effectiveness	Judith Veira Saibrina Brewster-Dickson Timothy Providence Terral Mapp
March 08, 2023	ECSE- Conflict Resolution in the Board Room	Judith Veira Lennox Timm Terral Mapp
June 29, 2023	Information Technology Board Training with Sunil Sheen – Information Technology Consultant 1) Technology Risk Management – The ECCB Prudential Standards, the implication for the Bank and BOD requirements. 2) State of Cybersecurity within the Caribbean Small Medium Enterprises 3) Digital Transformation within Banking and tailored for small and medium financial institutions.	Judith Veira Saibrina Brewster-Dickson Timothy Providence Lennox Bowman Lennox Timm Terral Mapp Rolf Phillips Medford Francis
August 07, 2023	FIU Virtual Assets Training	Judith Veira Saibrina Brewster-Dickson Timothy Providence Lennox Bowman Lennox Timm Terral Mapp
November 15, 2023	AML/CFT & ABC Compliance Training with Compliance AID	Judith Veira Saibrina Brewster-Dickson Timothy Providence Lennox Timm Terral Mapp Rolf Phillips <i>Training material sent to Directors who did not attend</i>
November 13-15, 2023	Directors Education & Accreditation Programme (DEAP) Saint Lucia	Maurice Edwards Medford Francis

The Bank continues to subscribe to an online training series for Directors which covers several areas relating to board governance/oversight. Further, Directors are provided with training material, policies and procedures via MetaCompliance - a cyber security software solution.

Directors' Report Cont'd

SUBSTANTIAL INTEREST IN SHARE CAPITAL AS AT DECEMBER 31, 2023

The shareholding as at December 31, 2023, was as follows:

Shareholder	No. Of Common Shares	Shares as a Percentage of Total	No. Of Common Shares	Shares as a Percentage of Total
Government of St. Vincent and the Grenadines	6,469,222	43.13	6,359,222	42.40
East Caribbean Financial Holding Company Ltd.	3,000,000	20	3,000,000	20
The National Insurance Services	2,999,999	20	2,999,999	20
The Public inclusive of employees of the Bank (no one shareholder owns more than 5% of the shares in this block)	2,530,623	16.87	2,640,623	17.60

SIGNIFICANT TRANSACTIONS

As noted above, BOSVG entered into a Transfer Agreement with First Caribbean International Bank (Barbados) Limited on October 12, 2021, to acquire the assets and assume the liabilities of CIBC First Caribbean International Bank in St. Vincent and the Grenadines. The total purchase consideration paid was \$7,528,242. The details of this transaction can be found under note 13 of the audited Financial Statements for the Year Ended December 31, 2023.

RELATED PARTY TRANSACTIONS

Information relating to Related Parties can be found under note 32 of the audited Financial Statements for the Year Ended December 31, 2023.

SHAREHOLDERS

Proxies

Votes at meetings of shareholders may be given either personally or by proxy or, in the case of a shareholder who is a body corporate or association, by an individual authorized by a resolution of the Directors or governing body of that body corporate or association, to represent it at meetings of shareholders of the Company. A person appointed by proxy need not be a shareholder. Proxies are circulated in shareholders packages and can be requested through the Corporate Secretary.

Voting

Sections 12.6, 12.6.1 and 12.6.5 of the BOSVG's By-Laws provide guidance for voting at the Annual Meeting:

12.6 Votes: Every question submitted to any meeting of shareholders shall be decided in the first instance by a show of hands unless a person entitled to vote at the meeting has demanded a ballot and, if the Articles so provide, in the case of an equality of votes the chairman of the meeting on a ballot have a casting vote in addition to any votes to which he may be otherwise entitled.

12.6.1 At every meeting at which he is entitled to vote, every shareholder, proxy holder or individual authorized to represent a shareholder who is present in person shall have one vote on a show of hands. Upon a ballot at which he is entitled to vote, every shareholder, proxy holder or individual authorized to represent a shareholder shall subject to the articles, have one vote for every share held by the shareholder.

12.6.5 If two or more persons hold shares jointly, one of those present at a meeting of shareholder may, in the absence of the other, vote the shares; but if two or more of those persons are present, in person or by proxy vote, they shall vote as one on the shares jointly held by them."

Directors' Report Cont'd

Eastern Caribbean Securities Exchange (ECSE)

The Bank of St. Vincent and the Grenadines Ltd. shares are publicly traded on the ECSE. Shareholders may visit the ECSE's website: <https://www.ecseonline.com> for trade history and other information about the Eastern Caribbean Securities Market (ECSM) including Licensed Broker Dealers operating on the ECSM.

Dividends

For the financial year ended December 31, 2023, BOSVG made a profit, after tax, in the amount of \$23,217,128. The Board approved a dividend payment of \$11,608,564 (\$0.77 per share) in accordance with the Dividend Policy on March 22, 2024. The dividend equates to a payout of 50% distribution to shareholders.

The following table lists dividends paid to shareholders for the last five financial years ended December 31st.

Financial Year	2019	2020	2021	2022	2023
Profit Before Tax	16,165,640	6,366,128	2,625,323	5,871,613	27,917,220
Tax Expense	(2,146,622)	(2,744,494)	145,904	(2,964,369)	(4,700,092)
Profit After Tax	14,019,018	3,621,634	2,771,227	2,907,244	23,217,128
Dividend Payout	7,009,509	1,799,982	0.00	1,453,622	11,608,564
Dividend Per Share	0.47	0.12	0.00	0.10	0.77

Record Dates

The date fixed for determining shareholders of the Company who are entitled to receive notice of the Company's Annual Meeting is Thursday, May 09, 2024. The date fixed for determining shareholders who are entitled to receive payment of a dividend is Thursday, May 09, 2024.

AUDITORS

The External Auditors, Grant Thornton, retired at the financial year ended December 31, 2023. The Auditors being eligible for re-appointment, offer themselves for re-appointment for the year ending December 31, 2024.

Corporate Social Responsibility

**Thomas Saunders
Secondary
Graduation Ceremony**



**Above:
Sponsorship to
Zero Hunger
Trust Fund**

**Bequia Music
Fest 2023**



**SVG Squash
Team 2023**

**Coast Guard
Summer Programme**



**STEM Bequia
2023**

SVGCC DTVE Cook Off



George Philips Excellence Awardees



Profile of Management Teams

Executive Management




Nandi Williams-Morgan
Senior Manager Legal & Corporate Services/Corporate Secretary
BSc. Economics with Law, LL.M International Trade Law, GDL, CCSec.



Cerlian Russell
Senior Manager Retail
MBA – General Management, Certified Mortgage Residential Underwriter, Anti-Money Laundering Certified Associate (AMLCA)



Derry Williams
Managing Director
MBA - Finance



Bennie Stapleton
Deputy Managing Director / Chief Financial Officer
BSc. Accounting, FCCA, CIA, CISA



Monifa Latham
Senior Manager Lending
BSc Economics, Principal Licence – Eastern Caribbean Securities Regulatory Commission

Senior Management




Nicole Fernandez
Senior Manager Information Technology
Executive Diploma in Information Technology



Celestine Jackson
Senior Manager Finance
BSc. Applied Accounting, FCCA, MSc. /MA Finance and Investment, Diploma in Forensic Accounting, Certified Accounting Technician



Norda Gayle-Delves
Senior Manager Risk & Compliance
BSc. Accounting, CPA



Alicia Bazil
Senior Manager Human Resources
BSc., MSc. HR Management & Development, LL.M Employment Law, Cert-Public Administration



Kurtian Deshong
Senior Manager Internal Audit
FCCA, CIA

Management




Lisa Henry
Manager Employee Engagement
BSc. Accounting Special, MSc. Human Resource Management, Diploma in Counselling, Cert. in Business Administration



Shelly-Ann Samuel
Relationship Banking Manager
International Diploma in Business Management and Administration
Master of Business Administration



Patricia John
Manager Marketing & Communications
Cert. – ECMS Representative Licence



Gillian DaSilva
Manager Payment Solutions
Cert.



Nyron DaSouza
Manager Retail Lending
BA. Business & Enterprise



Chez Quow-Williams
Manager, Initiatives & Transformation
BSc. Banking & Finance, CBIMBA, MCDI, Cert. - ECMS Representative Licence, Cert. Project Management



La Fleur Durrant
Manager Corporate Lending
Baccalaureate in Financial Administration, MBA, Cert.-Administrative Professional Secretaries
Certified Residential Underwriter



Keon Henry
Manager Customer Service
Executive Diploma in Management - CHSB



Inderia Walker-Toney
Manager Risk Services
BSc. Applied Accounting, AICB, FCCA
Certified Anti-Money Laundering Specialist



Laurent Hadley
Manager Treasury & Investment
BSc. Economic & Accounting, Postgraduate Cert. in Business Administration, Principal Licence – ECSCRC



Bernadine Nanton-Cooke
Legal Officer
LLB, BVC, Cert. in Arbitration
CIARB
Cert. in Business Administration



Sandika DaSilva
Manager Credit Administration & Securities
BSc. Economics with Management
MSc. Finance (Economic Policy)




Gilleon O'Garro
Manager Business Relationships
Diploma in Financial Services Management



F. Invia Haynes
Manager Audit Operations
BBA Management



Desmond Errol Armstrong
Manager Credit Relationships
Diploma in Accounts and Book Keeping



Leroy Rose Jr.
Manager Facilities & HSE
Cert.

Management Discussion & Analysis

The 2023 financial year can be characterized as a period of transformation for the Group. The primary strategic focus during the year fully embodied the theme ‘Optimizing Opportunities – Consolidation of Synergies’ as manifested by the benefits arising mainly from the acquisition of the CIBFCIB local operations.

The key benefits include:

1. The increase in the asset base by approximately \$543 million.
2. The expansion of the customer base by just over 15,000 additional customers.
3. The additional investment in excess of \$1.5 million to further enhance and optimize the online banking and other digital platforms to provide greater convenience and security for our customers.
4. The increase in the overall profitability of the Group.

Reflecting on the past year, the synergies realized from the acquisitions and the consequential investments in the Bank’s operating infrastructure have set new standards in innovation and service excellence. Looking forward, we are dedicated to building on this solid foundation, promoting growth, and generating sustainable wealth for our communities and shareholders.

ECONOMIC CONTEXT

The Group’s financial performance was achieved against the backdrop of robust economic recovery locally, regionally and internationally. Preliminary figures suggest that the domestic economy expanded by approximately 4.0%, propelled by increase activities in the construction and tourism sectors mainly. Forecasts indicate that this positive trend will continue into 2024, with growth expected to surpass 6.0%. The anticipated surge can be attributed to substantial collaborations between the public and private sectors, leading to extensive infrastructural development.

On the international market, notwithstanding the ongoing geopolitical challenges, global inflation has remained relatively stable during the period resulting in improvements in the performance of the international markets. This positive trend suggests a promising outlook for continued growth in the earnings of the group.

FINANCIAL PERFORMANCE

I am pleased to report that the Group realized a profit after tax of \$23.2 million for the financial year ended December 31, 2023. This is the highest level of profitability since the incorporation of the Bank in 1977. The performance surpasses the \$2.9 million profit after tax reported in 2022, an increase of \$20.3 million or 699.0%.

Management Discussion & Analysis Cont'd

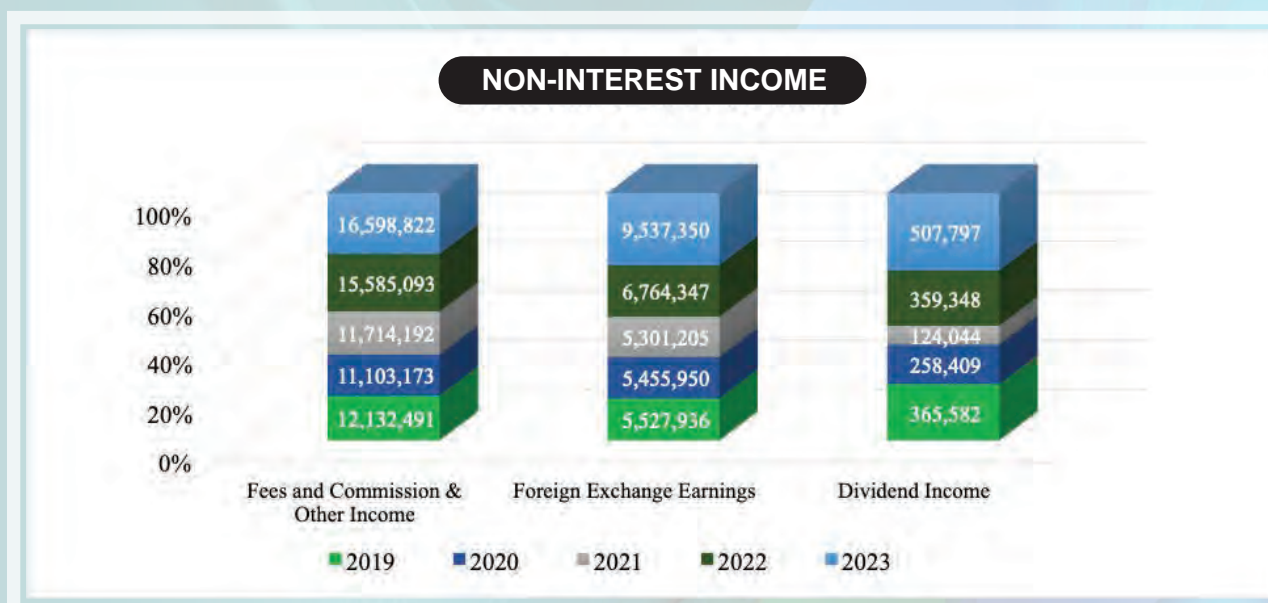
The key highlights show that there was substantial growth in the major revenue categories, while the recurring expenses were controlled at the levels of the prior year. The incremental expenses were related to the combination of the business and the resulting professional fees. It is noteworthy that the overall asset quality ratios improved despite the increase in the asset base of the Group.



OPERATING INCOME

Our total operating income increased by \$23.3 million to \$79.7 million. Notably, Net Interest Income (NII) reached \$53.1 million, a 37.0% increase from the previous year. This was mainly due to the combination of the business following the successful completion of the strategic acquisitions. More specifically, interest income on the loans and advances, as well as interest income from investment increased substantially.

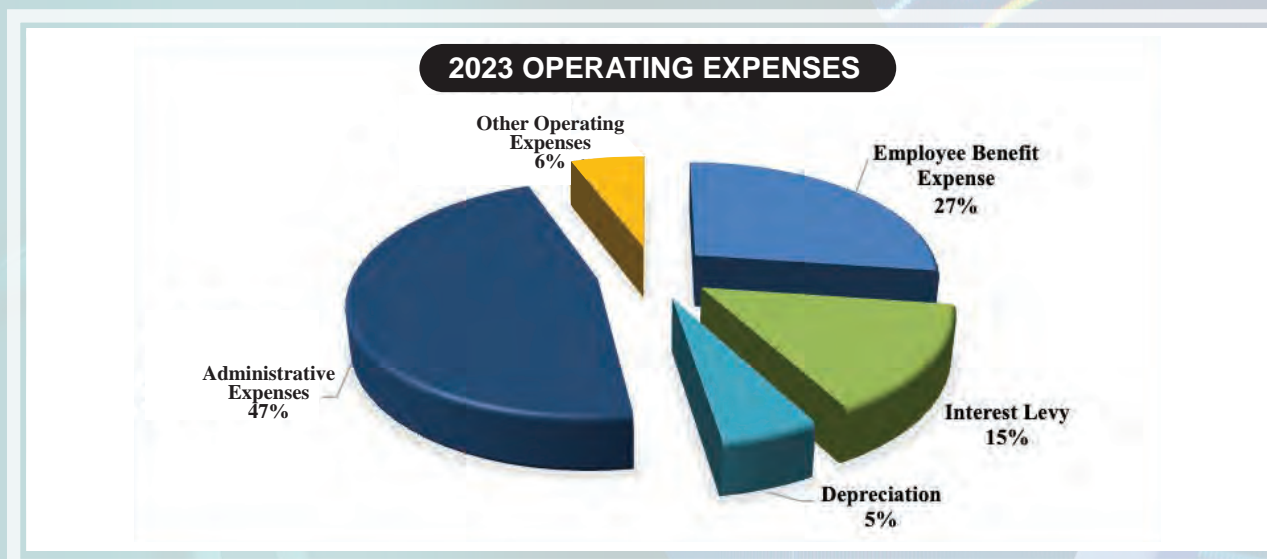
Non-interest income grew by 50.7%, primarily driven by an increase in card service fees from increased transaction volumes and values following the acquisitions. Also, the resurgence in tourism and construction sectors boosted the foreign exchange earnings during the period. Additionally, there were positive fair value adjustments of \$2.6 million due to improvement in the international financial markets.



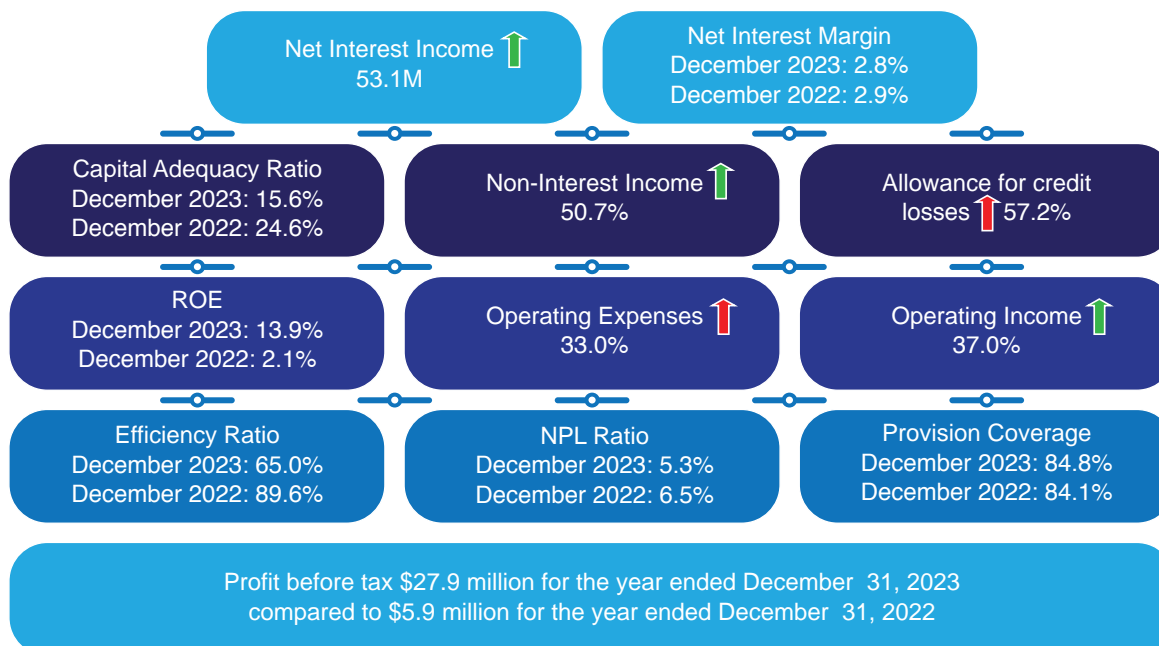
Management Discussion & Analysis Cont'd

OPERATING EXPENSES

Operating expenses rose to \$53.7 million from \$40.4 million in December 2022, largely due to business combination and the costs related to other professional fees associated with the CIBC FCIB acquisition. Over the same period, the growth in operating income exceeded the growth in expenses resulting in a marked improvement in the efficiency ratio, from 89.6% at the end of the 2022 financial year to 65.0%.



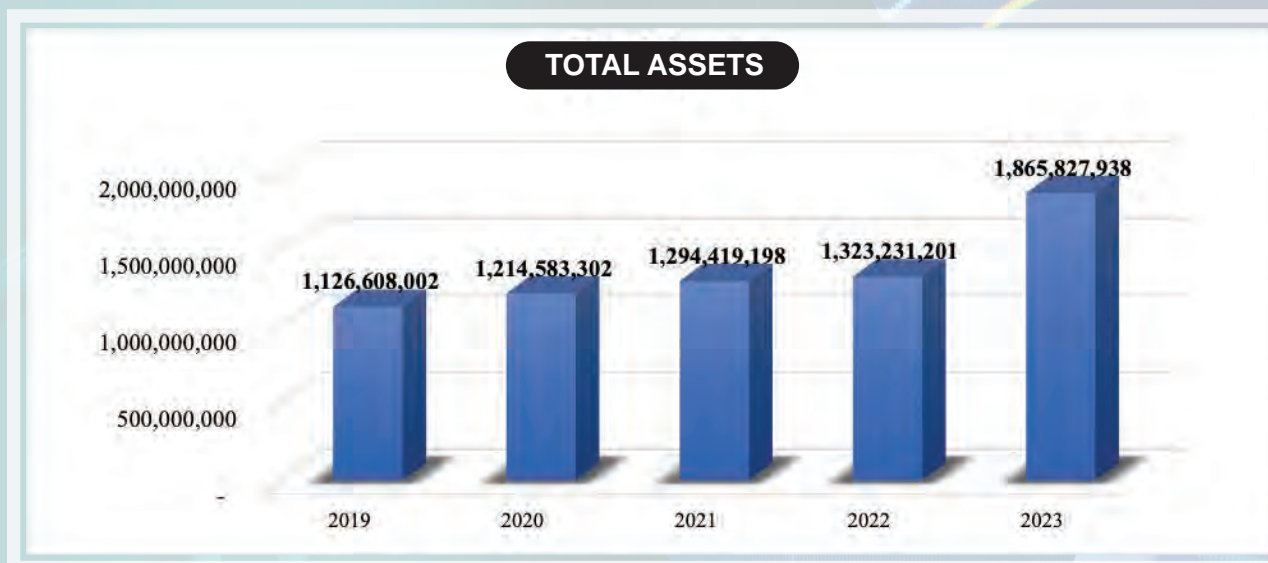
FINANCIAL PERFORMANCE HIGHLIGHTS 2023/2022



Management Discussion & Analysis Cont'd

TOTAL ASSETS

Total assets increased by 41.0% from \$1.323 billion to \$1.866 billion mainly as a result of two acquisitions. This expansion led to a 45.9% increase in total deposits from \$1.112 billion to \$1.6231 billion, and a 35.5% growth in the loans and advances portfolio from \$637.3 million to \$863.3 million. The Group's investment portfolio grew by 102.2% from \$185.4 million to \$374.9 million in 2023, mainly by way of the deployment of the excess liquidity received from the acquisitions.



ASSET QUALITY

The Group's non-performing loans and advances (NPLs) increased to \$47.1 million, inclusive of \$12.8 million from the acquired CIBC FCIB portfolio, while the credit impairment charge on loans and advances decreased by \$0.808 million. Total provisions were maintained at \$32.2 million, while the non-performing loan ratio improved to 5.3% from 6.5% in 2022. Total provision coverage reached 84.8% at the end of the year.



Management Discussion & Analysis Cont'd

LIQUIDITY & CAPITAL MANAGEMENT

Over the period, the Group maintained strong liquidity indicators, with a liquid asset to deposit ratio of 30.9%. Our liquidity contingency plans were rigorously monitored and tested during the year as part of the risk management program.

The Group's Capital Adequacy Ratio (CAR), which currently stands at 15.6% decreased due to the increased risk weighted assets resulting mainly from the CIBC FCIB acquisition. Nonetheless, the CAR remains well above the regulatory limit of 10%. It is anticipated that this will increase gradually in the ensuing periods with the potential improvement in the profitability of the Bank.

RISK MANAGEMENT

In a year of significant changes, the responsibility to protect the safety and the soundness of the institution was paramount, particularly given the challenges emanating from the operating environment. Despite the known challenges, we continue to pursue opportunities for growing the business within the established risk appetite.

The Group's enterprise risks are managed on an ongoing basis by assessing and benchmarking the key risk areas; continuously improving the governance structures and processes and by building invaluable partnerships with subject matter experts as part of the training and development of key personnel. We will also continue the process of integrating key regulatory standards into our risk management framework, ensuring our risk mitigation programs remain relevant and effective at all times.

We also embarked on a journey of culture change and enhancement through continued engagement at all levels of the institution. Significant resources were allocated to addressing areas of improvements highlighted by the regulators and auditors. These include ongoing process reviews, timely revision of existing policies and the development of new policies and procedures where applicable.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

We consistently endeavour to enrich the communities in which we operate, and this period has been no different. Our CSR program focused on youth development and community-based activities. Our support remained unwavering despite several business initiatives undertaken during the last year. We initiated sponsorships that contributed positively to various sectors within the community, thereby reinforcing our commitment to the suitable development of our people.

HUMAN RESOURCES MANAGEMENT (HRM)

The acquisitions completed during the year necessitated a comprehensive HRM strategy to ensure smooth integration and service continuity. This strategy encompassed recruitment, change management, and staff training and development. Our approach was effective and led to the smooth integration of all of our new employees, which further led to the seamless transition of customers and other key stakeholders.

As we seek to advance our wider HRM initiatives, we successfully implemented a new Human Resources Information System (HRIS) to improve the efficiency in handling the administrative activities of the HRM function. This digital platform will also provide a more seamless way for the employees to access and execute actions through the self-service modules, including the completion of annual appraisals.

Also, during the year, we successfully completed a Management Succession Plan for all critical roles in the Group. As part of this Plan, a comprehensive Training program for a period of three years was created to support the development of the key skills for all potential successors for the identified roles.

CUSTOMER SERVICE AND PRODUCT OFFERINGS – IMMEDIATE OUTLOOK

The integration of the acquired businesses synergistically amplified the Group's operational capabilities, paving the way for expanded market reach and diversified revenue streams. This strategic consolidation not only fortified the Group's competitive position, but also, facilitated the strategic agility required to respond to the changing market conditions.

In the short term, it is anticipated that the acquisitions will not substantially alter the Group's product offerings. While the focus may primarily be on integrating the newly acquired businesses into the existing framework, maintaining continuity in product offerings remains paramount.

Management Discussion & Analysis Cont'd

The Group's commitment to preserving customer satisfaction and loyalty necessitates a measured approach to any potential changes in product offerings. Thus, during this transitional period, the emphasis will be on seamless integration, operational efficiency, and ensuring minimal disruption to existing services.

Overall, while immediate changes to product offerings may be limited, the acquisitions have paved the way for the evolution and enhancement of the Group's product suite over time. This cautious yet forward-thinking approach ensures that the Group can effectively capitalize on the opportunities presented by the acquisitions while maintaining stability and continuity for its customer base.

CONCLUSION

The achievements of the past year lay the groundwork for a promising future. Given the pace of change in the business environments, it is imperative that we remain vigilant and efficient. As we advance in 2024, it is anticipated that we will continue on this growth trajectory even as we build out the necessary capacity across all major activities of the Group.

Our strategic focus will emphasize process improvement; ongoing assessment of key risk areas; talent development, and general improvement in our customer service delivery channels. By prioritizing these key areas, we are seeking to position the Group to pursue a sustainable path to growth in an environment characterized by constant and rapid change.

Our strategic plan for the immediate period ahead will place strong emphasis on talent development, including the implementation of the approved succession plans for key roles, while at the same time, investing in training to build competencies in targeted areas of activities. We believe that investing in our people is investing in our future. By nurturing and empowering our employees, we ensure that we have the expertise and capability to navigate complex challenges and capitalize on emerging opportunities.

ACKNOWLEDGEMENTS

On behalf of the Board of Directors, management and staff of the Group, I would like to express sincere gratitude to our customers for your unwavering support during the past year. Thank you for your patience, suggestions and kind words throughout the customer transition processes of the two acquisitions completed during the year.

To all of our employees including the management team, thank you for the dedication and resilience you have demonstrated during a challenging year. Thank you for truly being 'Stronger Together'.

To our Board of Directors, thank you for the guidance and support provided to the management team over the period, and more importantly, for your stewardship of the Group.

To our shareholders, and the general public, we thank you for the support, guidance and encouragement provided during the period.

Our combined effort during the year has contributed immensely to the milestone that we have achieved.

Management Discussion & Analysis Cont'd

BREAKDOWN OF EXPENSES

Expense Category	2023	2022	2021	2020	2019
Employee benefit expense	17,144,292	12,687,203	13,011,547	11,040,701	10,867,702
Repairs and maintenance	1,747,660	649,022	815,148	786,917	573,940
Subscription and donations	163,660	160,229	294,447	170,296	198,281
Bank and other licenses	4,425,591	4,170,057	3,377,240	2,917,388	2,697,700
Legal and professional fees	5,137,180	1,828,962	1,286,829	814,018	879,008
Depreciation	3,409,213	3,040,151	2,894,968	2,698,656	2,466,674
Interest levy expense	9,388,839	6,905,982	6,479,062	5,096,846	5,050,699
Rent	382,881	306,257	312,311	326,352	280,193
Audit and accounting fees	276,771	277,515	271,456	284,770	269,429
Insurance	895,513	801,579	790,727	751,708	715,247
Utilities	2,822,143	2,527,994	2,288,595	2,173,307	2,509,524
Director fees	434,665	415,451	394,273	408,605	311,033
Computer expense	478,303	508,110	394,939	288,824	20,787
Commission and fees	2,535,708	2,363,264	1,990,713	1,884,686	1,970,543
Advertisement and sponsorship	804,098	405,840	670,396	749,671	787,960
Security	455,736	324,256	326,845	319,536	367,762
Postage and stationery	1,808,423	939,579	700,350	582,778	896,845
Other operating expenses	1,391,494	2,077,582	1,557,618	1,659,870	1,927,432
Total	53,702,170	40,389,033	37,857,464	32,954,929	32,790,759

Other Expenses	2023	2022	2021	2020	2019
ATM Expenses	332,705	162,645	188,926	113,142	146,548
Cashiers shorts & Overs	(9,242)	(79,067)	39,880	17,436	(20,675)
Cleaning	324,638	235,772	205,822	207,474	172,672
Motor Vehicle	138,698	168,537	91,557	98,164	94,928
Scholarships	121,023	139,193	121,729	89,500	112,000
Travelling	148,015	28,768	9,921	26,732	178,781
Cash Carriage	575,096	579,027	340,344	530,260	529,880
Loss on revaluation of invest	1,769	-	-	-	19,637
Laundry	2,250	1,660	180	180	180
Library	6,750	-	-	290	986
Office Toiletries & Expenses	438,477	278,083	286,849	282,518	223,587
Sundry Gains & Losses	(771,422)	497,048	201,980	280,062	473,386
Tax paid Invest/dividend	90,953	71,594	62,744	-	-
Transaction fees	(8,216)	(5,678)	7,686	14,112	(4,478)
Total	1,391,494	2,077,582	1,557,618	1,659,870	1,927,432

Staff Development & Training

Management Training



CPR Training



Customer Centric Training



BOSVG Staff Rally



Consolidated Financial Statements

For the year ended 31 December 2023
(Expressed in Easter Caribbean Dollars)

Bank of St. Vincent and the Grenadines Ltd.

Consolidated Financial Statements
For the Year Ended December 31, 2023
(in Eastern Caribbean Dollars)



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Independent Auditor's Report

To the Shareholders
Bank of St. Vincent and the Grenadines Ltd.

Report on the Audit of the Consolidated Financial Statements**Opinion**

We have audited the consolidated financial statements of Bank of St. Vincent and the Grenadines Ltd. and its subsidiary (collectively, "the Group"), which comprise the consolidated statement of financial position as at December 31, 2023 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), as issued by the International Accounting Standards Board.

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 International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in St. Vincent and the Grenadines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

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Key Audit MattersCont'd

Key Audit Matter 1: IFRS 9 Expected Credit Losses	How the matter was addressed in our audit
<p>Refer to Notes 2 and 9 to the Consolidation Financial Statements:</p> <p>The estimation of expected credit losses (ECL) on loans and advances is highly subjective and involves significant judgements and estimates. The key areas where we identified greater levels of management judgement and therefore increased levels of audit focus on the Group's ECL are:</p> <ul style="list-style-type: none"> • Model estimations – inherently judgmental modeling and assumptions are used to estimate ECL, which involves determining Probation of Default (“PD”), Loss Given Default (“LGD”) and Exposure at Default (“EAD”). ECL may be inappropriate if certain models or assumptions do not accurately predict default or recoveries over time or become out of line with experience or fail to reflect the credit risk of financial assets. As a result, certain IFRS 9 models and model assumptions are the drivers of complexity and uncertainty in the Group's calculation of the ECL estimate. • Economic scenarios – IFRS 9 requires ECL in an unbiased forward-looking basis reflecting a range of future economic conditions. Significant management judgement is applied in determining the forward-looking economic scenarios used as inputs to calculate ECL probability weightings associated with scenarios and the complexity of models used to drive the probability weightings. • Qualitative adjustments – Adjustments, referred to as management overlays, to model driven ECL results are raised by management to address known model limitations or emerging trends as well as risk not captured by models. These adjustments are inherently uncertain and significant management judgement is involved in estimating management overlays. 	<p>Our procedures to address the risks included:</p> <p>Risk assessment: We performed detailed risks assessment procedures over loans and advances at amortized costs within the Group's financial statements.</p> <p>Control testing: We performed walkthroughs to identify the key systems, application and control used in the ECL process. We tested the relevant manual, general IT and application controls over key systems used in the ECL process.</p> <p>Key aspects of our control testing involved evaluating the design and implementation and testing the operating effectiveness of the key controls over the:</p> <ul style="list-style-type: none"> - completeness and accuracy of the key inputs in the IFRS 9 model - application of staging criteria - model validation, implementation and monitoring - selection and implementation of economic variables and controls over economic scenarios and probabilities - calculation of management overlays - credit reviews that determine customers credit ratings used in the model. <p>We involved our specialist to assist us in evaluating the appropriateness of the Group's impairment methodologies, including criteria used to determine significant increase in credit risks. We independently, assessed the assumptions underlying the probability of default, loss given default and exposure at default.</p> <p>We evaluated the appropriateness of the Group's methodology for incorporating forward-looking information, management's overlays, and economic scenarios used along with the probability weighting applied to them.</p> <ul style="list-style-type: none"> - We assessed the adequacy of the disclosures, including key judgements, assumptions and sensitivity analysis related to uncertainty in estimating the ECL.

Key Audit Matters Cont'd

Key Audit Matter 2: Fair Value of Unlisted Investments measured at FVOCI	How the matter was addressed in our audit
<p><i>Refer to Notes 2, 3 and 8 to the Consolidated Financial Statements.</i></p> <p>The Group invests in various investment securities for which no published prices in active markets are available and have been classified as Level 3 assets within the IFRS fair value hierarchy.</p> <p>Valuation techniques for these investments can be subjective in nature and involve various assumptions regarding pricing factors. Associated risk management disclosure is complex and dependent on high quality data. A specific area of audit focus includes the valuation of fair value Level 3 assets where valuation techniques are applied in which unobservable inputs are used.</p> <p>These techniques include the use of dividend discount model, comparable company multiples, namely enterprise value to earnings before interest, taxes, depreciation and amortization, price-to-earnings and price-to-tangible book value multiples and adjusted net book value.</p> <p>This is a key audit matter due to the complexity and use of different valuation techniques and assumptions. This could result in significantly different estimates of fair value.</p>	<p>As part of our procedures, we performed the following:</p> <ul style="list-style-type: none"> - We tested the effectiveness of controls over valuation of investment securities ensuring accounting criteria were met. - We reviewed the market prices applied to the Bank's debt and equity securities by comparing the prices used to an independent external source. - We involved our internal valuation specialist to assess the reasonableness of the fair value of which has no observable market prices. - We assessed the adequacy of the disclosures in the consolidated financial statements.

Key Audit Matters Cont'd

Key Audit Matter 3: Acquisition of FirstCaribbean International Bank Limited – St. Vincent Branch	How the matter was addressed in our audit
<p>On March 24, 2023, the Group acquired certain assets and liabilities of FirstCaribbean International Bank Limited – St. Vincent Branch for consideration of \$7,528,242.</p> <p>The accounting for this transaction is complex due to the significant judgements and estimates that are required to determine the values of the consideration transferred and the identification and measurement of the fair value of the assets acquired and liabilities assumed.</p> <p>Due to the size and complexity of the acquisition, we considered this to be a key audit matter.</p>	<p>Our audit procedures in this area included, among others:</p> <ul style="list-style-type: none"> • Challenging the valuations produced by the Group and the methodology used to assess the fair value of the assets and liabilities acquired; in particular: <ul style="list-style-type: none"> - the methodologies adopted and key assumptions used in valuing the fixed assets by comparing them with market information and quoted prices for similar assets; - the key assumptions used to determine the fair value of the customer relationship intangible asset, which included reconciling underlying data to customer contracts and relationship databases; and • evaluating the adequacy of the financial statement disclosures, including disclosures of key assumptions, judgements and sensitivities.

Other Information

Management is responsible for the other information. The other information comprises the Group’s 2023 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 do 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 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 Group’s 2023 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 Those Charged with Governance for the Consolidated Financial Statements

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

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

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

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 judgment 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial StatementsCont'd

- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, 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.



March 26, 2024

Bank of St. Vincent and the Grenadines Ltd.


Consolidated Statement of Financial Position

As of December 31, 2023

(in Eastern Caribbean dollars)

	Notes	2023 \$	2022 \$
ASSETS			
Cash and balances with Eastern Caribbean Central Bank	5	235,234,097	151,014,111
Deposits with other banks	6	255,650,152	271,456,696
Treasury bills	7	10,391,089	11,359,198
Investment securities	8	364,493,194	174,079,538
Loans and advances to customers	9	863,348,294	637,300,272
Other assets	10	61,673,190	14,795,887
Investment properties	11	2,262,000	2,262,000
Property and equipment	12	63,322,998	57,793,363
Intangible assets	13	6,224,223	-
Deferred tax asset	14	3,228,701	3,170,136
TOTAL ASSETS		1,865,827,938	1,323,231,201
LIABILITIES			
Deposits due to banks	15	17,606,016	19,798,819
Due to customers	16	1,623,097,126	1,112,403,167
Corporation tax payable		3,605,337	100,996
Provisions and other liabilities	17	42,312,401	32,758,229
Borrowings	18	12,596,341	17,094,011
TOTAL LIABILITIES		1,699,217,221	1,182,155,222
EQUITY			
Share capital	19	20,753,306	20,753,306
Statutory reserves	20	20,753,306	20,753,306
General reserves	21	7,797,010	5,475,297
Unrealized gain on investments		19,028,723	15,211,136
Retained earnings		98,278,372	78,882,934
TOTAL EQUITY		166,610,717	141,075,979
TOTAL LIABILITIES AND EQUITY		1,865,827,938	1,323,231,201

These financial statements were approved by the Board of Directors and authorized for issue on March 26, 2024, and signed on its behalf by:



Judith Veira
Chairperson



Saibrina Brewster-Dickson
Director

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

Bank of St. Vincent and the Grenadines Ltd.

Consolidated Statement of Changes in Equity For the Year Ended December 31, 2023

(in Eastern Caribbean dollars)

Notes	Share Capital \$	Statutory Reserves \$	General Reserves \$	Unrealized Gain on Investments \$	Retained Earnings \$	Total \$
Balance at January 1, 2022	20,753,306	20,753,306	5,184,573	11,725,576	76,266,415	134,683,176
Total comprehensive income	-	-	-	3,485,560	2,907,243	6,392,803
Transfer to general reserves	-	-	290,724	-	(290,724)	-
Balance at December 31, 2022	20,753,306	20,753,306	5,475,297	15,211,136	78,882,934	141,075,979
Balance at January 1, 2023	20,753,306	20,753,306	5,475,297	15,211,136	78,882,934	141,075,979
Total comprehensive income	-	-	-	3,817,587	23,217,128	27,034,715
Transfer to general reserves	-	-	2,321,713	-	(2,321,713)	-
Dividend paid	-	-	-	-	(1,499,977)	(1,499,977)
Balance at December 31, 2023	20,753,306	20,753,306	7,797,010	19,028,723	98,278,372	166,610,717

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

Bank of St. Vincent and the Grenadines Ltd.

Consolidated Statement of Income

For the Year Ended December 31, 2023

(in Eastern Caribbean dollars)

	Notes	2023 \$	2022 \$
Interest income using the effective interest method	23	73,619,241	54,427,590
Interest expense	23	(20,539,306)	(15,672,360)
Net Interest Income	23	53,079,935	38,755,230
Fee, commission and other income, net	24	16,598,822	10,632,799
Other income	24	9,537,350	6,687,568
Dividend income		507,797	359,348
Net Interest, Fee, Commission and Other Income		79,723,904	56,434,945
Unrealized gains (losses) on financial assets		4,180,359	(5,638,455)
Loss on sales of financial assets		(1,539,235)	(1,784,228)
Credit losses on financial assets	25	(745,638)	(2,751,617)
Operating expenses	26	(53,702,170)	(40,389,033)
Profit before Income Tax		27,917,220	5,871,612
Income tax expense	28	(4,700,092)	(2,964,369)
Profit for the Year		23,217,128	2,907,243
Basic and Diluted Earnings per Share	29	1.55	0.19

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

Bank of St. Vincent and the Grenadines Ltd.

Consolidated Statement of Comprehensive Income For the Year Ended December 31, 2023

(in Eastern Caribbean dollars)

	Notes	2023 \$	2022 \$
Profit for the Year		<u>23,217,128</u>	<u>2,907,243</u>
Other Comprehensive Income			
<i>Other Comprehensive Income that will not be Reclassified to Profit or Loss in subsequent periods (Net of Tax):</i>			
Net change in fair value of equity instruments measured at FVOCI	8	3,247,000	3,534,500
<i>Other Comprehensive Income that will be Reclassified to Profit or Loss in subsequent periods (Net of Tax):</i>			
Net change in fair value of debt instruments measured at FVOCI	8	<u>570,587</u>	(48,940)
Net Other Comprehensive Income to be Reclassified to Profit or Loss in subsequent periods		<u>3,817,587</u>	3,485,560
Total Comprehensive Income for the Year, Net of Tax		<u>27,034,715</u>	<u>6,392,803</u>

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

Bank of St. Vincent and the Grenadines Ltd.

Consolidated Statement of Cash Flows For the Year Ended December 31, 2023

(in Eastern Caribbean dollars)

	Notes	2023 \$	2022 \$
Operating Activities			
Profit before tax		27,917,220	5,871,612
Adjustments for:			
Interest income – investment securities and deposits		(16,416,551)	(7,751,673)
Interest expense – borrowings		726,471	875,566
Impairment losses – loans and advances		3,539,490	4,347,089
Changes in fair value investment securities		1,539,235	5,638,432
Unrealized (gain) loss in securities		(4,180,359)	1,784,228
Impairment on investment securities	25	117,243	(967,482)
Depreciation	12	3,409,213	3,040,151
Dividend income		(507,797)	(359,348)
Fair value loss on investment property		-	150,000
Unrealized loss on foreign exchange	8	-	23
Loss (gain) on disposal of property and equipment		796,347	(14,489)
Net Profit before Changes in Operating Assets and Liabilities		16,940,512	12,614,109
Increase in mandatory deposits with Eastern Caribbean Central Bank		(30,641,638)	(1,861,618)
Increase in loans and advances to customers		(226,048,022)	(13,528,809)
Increase in other assets		(46,877,303)	(2,331,332)
Increase in due to customers		510,693,959	31,026,967
(Decrease) increase in deposits due to banks		(2,192,803)	1,459,854
Increase (decrease) in provisions and other liabilities		9,554,172	(4,500,029)
Cash Generated from Operating Activities		231,428,877	22,879,142
Dividends received		726,471	359,348
Interest received		13,229,536	9,919,891
Interest paid		(731,876)	(875,566)
Income tax paid		(1,254,316)	-
Net Cash Generated from Operating Activities		243,398,692	32,282,815
Cash Flows from Investing Activities			
Increase in interest bearing deposits with financial institutions		(18,888,156)	(86,254,403)
Proceeds from disposal and redemption of investment securities	8	456,579,452	65,091,678
Proceeds from disposal of property and equipment		7,400,000	14,580
Change in treasury bills		968,405	(4,734)
Purchase of investment securities	8	(641,222,789)	(90,014,566)
Purchase of intangible assets		(6,224,223)	-
Purchase of property and equipment	12	(17,135,195)	(5,438,168)
Net Cash Used in Investing Activities		(218,522,506)	(116,605,613)
Cash Flows from Financing Activities			
Dividends paid		(1,499,977)	-
Repayment of borrowings		(4,492,265)	(5,668,588)
Net Cash Used in Financing Activities		(5,992,242)	(5,668,588)
Net Increase (Decrease) in Cash and Cash Equivalents		18,883,944	(89,991,386)
Cash and Cash Equivalents at Beginning of Year		274,959,038	364,950,424
Cash and Cash Equivalents at End of Year	30	293,842,982	274,959,038

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

Bank of St. Vincent and the Grenadines Ltd.

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Bank of St. Vincent and the Grenadines Ltd.

Notes to the Consolidated Financial Statement For the Year Ended December 31, 2023

(in Eastern Caribbean dollars)

1. Reporting Entity

The Bank of St. Vincent and the Grenadines Ltd. (“the Bank”) and its wholly owned subsidiary, Property Holdings SVG Ltd., are incorporated under the laws of St. Vincent and the Grenadines and carry the registration numbers 17 of 2009 and 135 of 2010 respectively. On March 24, 2023, the Bank purchased certain assets and liabilities from FirstCaribbean International Bank Limited and began trading on March 27, 2023. On June 1, 2023, the Bank also acquired certain assets and liabilities of the First St. Vincent Bank Limited operations. The Bank is licensed with the Eastern Caribbean Central Bank to engage in commercial banking activities in St. Vincent and the Grenadines and its subsidiary’s principal activities are the development and management of real estate. The Bank is listed on the Eastern Caribbean Securities Exchange (ECSE) and carries the ticker symbol BOSV.

The Group’s principal place of business and registered office is located at Reigate, Granby Street, Kingstown, St. Vincent.

2. Summary of Material Accounting Policies

The principal accounting policies applied in the preparation of these 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 Accounting

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board (IASB), effective for reporting periods commencing after January 1, 2023.

2.2 Basis of Measurement

The consolidated financial statements have been prepared under the historical cost convention except for the following material items that are measured at fair value in the consolidated statement of financial position.

- Financial assets and liabilities measured at fair value through profit or loss (FVTPL)
- Financial assets and liabilities designated at fair value through profit or loss (FVTPL)
- Equity instruments designated at fair value through other comprehensive income (FVTOCI)
- Debt instruments measured at fair value through other comprehensive income (FVTOCI)
- Investment properties

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving either a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in **Note 4**.

Application of the Going Concern Principle

The Board (including its sub-committees) has assessed the Group’s budgets and cash flow forecasts in considering the Group’s going concern assumption in respect to the existing trends and expected future economic events. This included the impact that projected cashflows will have on the Group’s liquidity risk, credit risk, interest rate risk, regulatory capital and market risks, as well as other related risks; all of which have remained within the risk parameters of the Group’s risk appetite framework.

The assessment entailed the consideration of the adequacy of the Group’s capital and liquidity to meet its operations and strategies during economic downturns. This was done by analyzing the impact of the macro economic outlook on the Group’s forecast growth in earnings and assets and liabilities management to determine the impact to the Group’s financial outlook and operations. Multiple scenarios were completed and tested for sensitivity. The assessment undertaken by the Group demonstrated a positive future outlook for the Group. The going concern assumptions continues to apply and is applicable.

Bank of St. Vincent and the Grenadines Ltd.

Notes to the Consolidated Financial Statement For the Year Ended December 31, 2023

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2. Summary of Material Accounting Policies*Cont'd*

2.3 New and Amended Standards and Interpretations

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2023. The adoption of the new standards during the year have not had any significant impact on the consolidated financial statements. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Management anticipates that all the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. New standards, interpretations and amendments not adopted or listed below are not expected to have a material impact on the Group's financial statements.

Definition of Accounting Estimates – Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023, and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, The IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after January 1, 2023, with earlier adoption permitted. Since the amendments to the Practice Statement 2 provide for non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

Insurance Contracts – IFRS 17

In May 2017, the IASB issue IFRS 17, Insurance Contracts, a comprehensive new accounting for insurance contracts covering recognition and measurement presentation and disclosure. IFRS 17 will replace IFRS 4 Insurance Contracts that was issued in 2005. In June 2020, the IASB published amendments to IFRS 17 to include scope exclusions for certain credit card contracts and similar contracts that provide insurance coverage, the optional scope exclusion for loan contracts that transfer significant insurance risk, and the clarification that only financial guarantees issued are in scope of IFRS 9.

IFRS 17 applies to all types of insurance contracts regardless of the type of entity that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

IFRS 17 is effective for accounting periods beginning on or after January 1, 2023. The Group does not expect the impact of IFRS 17 to be material.

Bank of St. Vincent and the Grenadines Ltd.

Notes to the Consolidated Financial Statement For the Year Ended December 31, 2023

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2. Summary of Material Accounting PoliciesCont'd

2.3 New and Amended Standards and Interpretations

IAS 12 Income Taxes – Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective January 1, 2023)

The amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal.

Nevertheless, it is possible that the resulting deferred tax assets and liabilities are not equal (e.g. if the entity is unable to benefit from the tax deductions or if different tax rates apply to the taxable and deductible temporary differences). In such cases, which the Board expects to occur infrequently, an entity would need to account for the difference between the deferred tax asset and liability in profit or loss.

An entity should apply the amendments to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, it should also recognize a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

Amendments to IFRS 16 Covid-19 Related Rent Concessions

On May 28, 2020, the IASB issued Covid-19 Related Rent Concessions – amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change was not a lease modification.

The amendment was intended to apply until June 30, 2021, but as the impact of the Covid-19 pandemic is continuing, on March 31, 2021, the IASB extended the period of application of the practical expedient to June 30, 2022. The amendment applies to annual reporting periods beginning on or after April 1, 2021. This amendment had no impact on the consolidated financial statements of the Group.

- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective. The new and amended standards and interpretations are not expected to have any significant impact on the Group's consolidated financial statements.

Bank of St. Vincent and the Grenadines Ltd.

Notes to the Consolidated Financial Statement For the Year Ended December 31, 2023

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2. Summary of Material Accounting PoliciesCont'd

2.4 New and Amended Standards and Interpretations Issued but not yet Effective

IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 – Amendments to IAS 1 – Classification of Liabilities as Current or Non-current (effective January 1, 2024)

The IASB issued amendments to paragraphs 60, 69 to 76 and 139 of IAS 1 Presentation of financial statements to specify the requirements for classifying liabilities as current or non-current.

The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument, would the terms of a liability not impact its classification

IFRS 16 Leases – Amendments to IFRS 16 (effective January 1, 2024)

The amendment specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

After the commencement date in a sale and leaseback transaction, the seller-lessee applies paragraphs 29 to 35 of IFRS 16 to the right-of-use asset arising from the leaseback and paragraphs 36 to 46 of IFRS 16 to the lease liability arising from the leaseback. In applying paragraphs 36 to 46, the seller-lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee. Applying these requirements does not prevent the seller-lessee from recognising, in profit or loss, any gain or loss relating to the partial or full termination of a lease, as required by IFRS 16.

The amendment does not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The initial measurement of the lease liability arising from a leaseback may result in a seller-lessee determining 'lease payments' that are different from the general definition of lease payments in Appendix A of IFRS 16. The seller-lessee will need to develop and apply an accounting policy that results in information that is relevant and reliable in accordance with IAS 8.

A seller-lessee applies the amendment to annual reporting periods beginning on or after January 1, 2024. Earlier application is permitted and that fact must be disclosed.

A seller-lessee applies the amendment retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application (i.e. the amendment does not apply to sale and leaseback transactions entered into prior to the date of initial application). The date of initial application is the beginning of the annual reporting period in which an entity first applied IFRS 16.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, and must be applied retrospectively. The Group does not expect any effect on its consolidated financial statements.

2.5 Consolidation

The consolidated financial statements of the Group comprise the financial statements of the parent entity and its Subsidiary (collectively referred to as the "Group") for the year ended December 31, 2023.

A subsidiary is an entity controlled by the Group. Control is achieved when the Group is exposed to, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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Notes to the Consolidated Financial Statement

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2. Summary of Material Accounting Policies*Cont'd*

2.5 Consolidation*Cont'd*

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure to, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

The results of the subsidiaries acquired or disposed of during the year are included in the consolidated statement of income from the effective acquisition date or up to the effective date on which control ceases, as appropriate.

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Notes to the Consolidated Financial Statement

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2. Summary of Material Accounting Policies*Cont'd*

2.5 Consolidation*Cont'd*

Business Combination

The Bank applies the acquisition method in accounting for business combination.

On acquisition, the assets, including intangibles, and any liabilities assessed are measured at their fair value.

The determination of fair values, including intangible assets, is based on management estimates and includes assumptions on the timing and amount of future cash flows. The Bank recognizes as goodwill the excess of the purchase price of an acquired business over the fair value of the underlying net assets, including intangible assets, at acquisition date. Transaction costs associated with a business combination are recognized as expenses when incurred. Acquisition date is the date when the Bank obtains control over the acquired business.

Goodwill

i. Recognition and Measurement

The Bank recognizes goodwill at the excess amount of the purchase price of an acquired business over the fair value of the underlying net assets, including intangibles, at the date of acquisition. Goodwill is not amortized but is tested annually or more frequently, if there are indicators that goodwill may be impaired.

ii. Subsequent Measurement

Goodwill is measured at cost less any impairment losses.

Intangible Assets

Intangible assets which are acquired in a business combination that are separable, and identifiable and their values are reliably determined using a generally accepted valuation method as recognize cost at the date of acquisition. If the intangible asset is assessed to have a finite life, the cost of the intangible is amortized to the statement of income on a systematic basis.

Subsequent to initial recognition of an intangible asset, it is reassessed for impairment in value. To the extent that a previous assessment of impairment is reversed, the reversal is recognized in the statement of income.

Other Intangibles

Other intangibles acquired by the Bank which have a finite useful life are measured at cost less accumulated amortization and impairment.

Transactions with Non-Controlling Interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity. Any losses applicable to the non-controlling interest are allocated against the interests of the non-controlling interest even if this results in a deficit balance. Non-controlling interests are presented separately within equity in the consolidated statement of financial position.

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2. Summary of Material Accounting Policies*Cont'd*

2.5 Consolidation*Cont'd*

Transactions with Non-Controlling Interests*Cont'd*

When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2.6 Fair Value Measurement

The Group measures investment securities and investment properties at fair value at each reporting date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed are summarised in the following notes:

- Disclosures of valuation methods, significant estimates and assumptions Notes 2 and 4
- Quantitative disclosures of fair value measurement hierarchy Note 3
- Investment properties Note 11
- Financial instruments (including those carried at amortised cost) Notes 3, 8 and 9

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability.

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

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

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Bank of St. Vincent and the Grenadines Ltd.

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2. Summary of Material Accounting PoliciesCont'd

2.7 Financial Assets and Liabilities

a) Recognition and Initial Measurement

The Group initially recognises financial assets on the date they originate. Financial assets, except in cases of a financial asset recorded at FVTPL, are measured initially at fair value plus transaction costs are added to or subtracted from this amount.

The Group classifies all of its financial assets into one of the following categories as explained in **Note 2.7(b)**:

- Amortised cost,
- FVTPL, or
- FVOCI.

IFRS 9 classification is generally based on the business model in which a financial asset is managed and the contractual terms.

b) Classification of Financial Instruments

Financial instruments are classified into various categories and are accounted for as shown in the table below.

Classification Category	Instruments	Measurement Category	Recognition at FVTPL	Recognition at FVOCI
Amortised cost	Assets <ul style="list-style-type: none"> • Cash and cash equivalents • Loans and advances to customers • Debt securities held to collect • Deposits with other banks Liabilities <ul style="list-style-type: none"> • Deposits due to banks • Due to customers • Borrowings • Other liabilities 	Amortised cost	<ul style="list-style-type: none"> • Interest income • Interest expense • ECLs and reversals 	
Fair value through other comprehensive income	<ul style="list-style-type: none"> • Equity instruments • Debt instruments 	Fair value	<ul style="list-style-type: none"> • Dividend income • ECLs and reversals 	Unrealised gains/losses from fair value changes
Fair value through profit or loss	<ul style="list-style-type: none"> • Equity instruments • Debt instruments 	Fair value	<ul style="list-style-type: none"> • Gains or losses from fair value changes • ECLs and reversals • Dividend income 	

Business Model Assessment

Business model assessment involves determining how financial assets are managed in order to generate cash flows. The Group's business model assessment is based on the following categories:

- Held to collect: The objective of the business model is to hold assets and collect contractual cash flows. Any sales of assets are incidental to the objective of the model.
- Held to collect and for sale: Both collecting contractual cash flows and sales are integral to achieving the objectives of the business model.
- Other business model: The business model is neither held to collect nor held to collect and for sale.

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Notes to the Consolidated Financial Statement For the Year Ended December 31, 2023

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2. Summary of Material Accounting Policies*Cont'd*

2.7 Financial Assets and Liabilities*Cont'd*

b) Classification of Financial Instruments*Cont'd*

Business Model Assessment*Cont'd*

The Bank assesses business model at a portfolio level reflective of how groups of assets are managed to achieve a particular business objective. For the assessment of a business model, the Bank takes into consideration the following factors:

- How the performance of assets in a portfolio is evaluated and reported to key decision makers within the Bank's business lines;
- How compensation is determined for the Bank's business lines' management that manages the assets;
- Whether the assets are held for trading purposes i.e., assets that the Bank acquires or originate principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking;
- The risks that affect the performance of assets held within a business model and how those risks are managed; and
- The frequency and volume of sales in prior periods and expectations about future sales activity.

Contractual Cash Flow Characteristics Assessment (SPPI Test)

The contractual cash flow characteristics assessment involves assessing the contractual features of an instrument to determine if they give rise to cash flows that are consistent with a basic lending arrangement. Contractual cash flows are consistent with a basic lending arrangement if they represent cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

Principal is defined as the fair value of the instrument at initial recognition. Principal may change over the life of the instrument due to repayments or amortization of premium/discount.

Interest is defined as the consideration for the time value of money and the credit risk associated with the principal amount outstanding and for other basic lending risks and costs (liquidity risk and administrative costs), and a profit margin.

If the Group identifies any contractual features that could significantly modify the cash flows of the instrument such that they are no longer consistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

In contrast, the contractual terms that introduce a more than de minimis exposure to risk or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are SPPI on the amount outstanding. In such cases the financial asset is required to be measured at either FVTPL or FVOCI without recycling.

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Notes to the Consolidated Financial Statement For the Year Ended December 31, 2023

(in Eastern Caribbean dollars)

2. Summary of Material Accounting Policies*Cont'd*

2.7 Financial Assets and Liabilities*Cont'd*

b) Classification of Financial Instruments*Cont'd*

Debt Instruments Measured at Amortised Cost

Financial assets are classified as measured at amortised cost if the following criteria are met:

- The financial assets are held within a business model with the objective of holding the assets to collect the contractual cash flows and;
- The contractual terms for the financial assets give rise to cash flows that are solely payment of principal or interest.

Financial assets are measured amortised cost using the effective interest rate method, with the carrying value adjusted by the expected credit loss (ECL) for each asset. Interest is included in the consolidated statement of income under interest revenue or interest expense on an accrual basis. The movement in ECL for these assets is recognised in the consolidated statement of income.

Debt Instruments Measured at Fair Value through Other Comprehensive Income (FVOCI)

Debt instruments are classified as FVOCI if the following criteria are met:

- The financial assets are held within a business model with the objective of collecting the contractual cash flows or potentially selling the assets, and;
- The contractual terms for the financial assets give rise to cash flows that are solely payment of principal or interest.

Subsequent to initial recognition, unrealized gains and losses on debt instruments measured at FVOCI are recorded in other comprehensive income (OCI), unless the instrument is designated in a fair value hedge relationship. Upon derecognition, realized gains and losses are reclassified from OCI and recorded in non-interest income in the consolidated statement of income on an average cost basis. Foreign exchange gains and losses that relate to the amortised cost of the debt instrument are recognised in the consolidated statement of income.

Premiums, discounts and related transaction costs are amortised over the expected life of the instrument to interest income in the consolidated statement of income using the effective interest rate method.

Impairment on debt instruments measured at FVOCI is calculated using the expected credit loss approach. The ECL on debt instruments measured at FVOCI does not reduce the carrying amount of the asset in the consolidated statement of financial position, which remains at its fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI with a corresponding charge to an allowance for credit losses in the consolidated statement of income. The accumulated allowance recognised in OCI is recycled to the consolidated statement of income upon derecognition of the debt instrument.

Debt instruments are measured at FVTPL for assets:

- held for trading purposes;
- held as part of a portfolio managed on a fair value basis; or
- whose cash flows do not represent payments that are SPPI.

These instruments are measured at fair value in the consolidated statement of financial position, with transaction cost recognised immediately in the consolidated statement of income as part of non-interest income. Realised and unrealized gains and losses are recognised as part of non-interest income in the consolidated statement of income.

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2. Summary of Material Accounting Policies*Cont'd*

2.7 Financial Assets and Liabilities*Cont'd*

b) Classification of Financial Instruments*Cont'd*

Equity Instruments

Equity instruments are classified into one of the following measurement categories:

- Fair value through profit or loss (FVTPL); or
- Designated at fair value through other comprehensive income (FVOCI).

Equity Instruments Designated at FVTPL

Equity instruments are measured at FVTPL, unless an election is made to designate them at FVOCI upon purchase, with transaction costs recognised immediately in the consolidated statement of income as part of non-interest income. Subsequent to initial recognition the changes in fair value are recognised as part of non-interest income in the consolidated statement of income.

Equity Instruments Designated at FVOCI

At initial recognition, there is an irrevocable option for the Group to classify non-trading equity instruments at FVOCI. This election is used for certain equity investments held for strategic or longer-term investment purposes. This election is made on an instrument-by-instrument basis and is not available for equity instruments that are held for trading purposes.

Gains and losses on these instruments including when derecognised/sold are recorded in OCI and are not subsequently reclassified to the consolidated statement of income. As such, there is no specific impairment requirement. Any transaction costs incurred upon purchase of the security are added to the cost basis of the security and are not reclassified to the consolidated statement of income on sale of the security.

Financial Liabilities

The Group classifies financial liabilities other than guarantees and loan commitments as measured at amortised cost.

Reclassification of Financial Assets and Liabilities

The Group classifies its financial assets and liabilities in accordance with its existing business models. If the business model under which the Group holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Group's financial assets. Changes in contractual cash flows are considered under the accounting policy on modification and de-recognition of financial assets described below.

c) Derecognition of Financial Assets and Liabilities

Derecognition of Financial Assets

The derecognition criteria are applied to the transfer of part of an asset, rather than the asset as a whole, only if such part comprises specifically identified cash flows from the asset, a fully proportionate share of the cash flows from the asset or a fully proportionate share of specifically identified cash flows from the asset.

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Notes to the Consolidated Financial Statement For the Year Ended December 31, 2023

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2. Summary of Material Accounting Policies*Cont'd*

2.7 Financial Assets and Liabilities*Cont'd*

c) Derecognition of Financial Assets and Liabilities

A financial asset is derecognised when the contractual rights to the cash flows from the asset has expired; or the Group transfers the contractual rights to receive the cash flows from the financial asset; or has assumed an obligation to pay those cash flows to an independent third-party; or the Group has transferred substantially all the risks and rewards of ownership of that asset to an independent third-party. Management determines whether substantially all the risk and rewards of ownership have been transferred by quantitatively comparing the variability in cash flows before and after the transfer. If the variability in cash flows remains significantly similar subsequent to the transfer, the Group has retained substantially all of the risks and rewards of ownership.

Where substantially all the risks and rewards of ownership of the financial asset are neither retained nor transferred, the Group derecognizes the transferred asset only if it has lost control over that asset. Control over the asset is represented by the practical ability to sell the transferred asset. If the Group retains control over the asset, it will continue to recognize the asset to the extent of its continuing involvement. At times such continuing involvement may be in the form of investment in senior or subordinated tranches of notes issued by non-consolidated structured entities.

On derecognition of a financial asset, the difference between the carrying amount and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in the consolidated statement of income. Transfers of financial assets that do not qualify for derecognition are reported as secured financing in the consolidated statement of financial position.

Derecognition of Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled, or expires. If an existing financial liability is replaced by another from the same counterparty on substantially different terms, or the terms of the existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability at fair value. The difference in the respective carrying amount of the existing liability and the new liability is recognised as a gain/loss in the consolidated statement of income.

d) Impairment of Financial Assets

The Group recognizes loss allowances for expected credit losses (ECLs) on the following financial assets that are not measured at FVTPL:

- debt instruments measured at amortised cost;
- fair value through other comprehensive income;
- loans and advances to customers;
- loan commitments; and
- financial guarantee contracts.

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Notes to the Consolidated Financial Statement For the Year Ended December 31, 2023

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2. Summary of Material Accounting PoliciesCont'd

2.7 Financial Assets and LiabilitiesCont'd

d) Impairment of Financial AssetsCont'd

The measurement of expected credit loss involves complex judgement that includes:

Determining a Significant Increase in Credit Risk since Initial Recognition

The assessment of significant deterioration in credit risks since initial recognition is key in establishing the point of switching between the requirement to measure an allowance based on 12 months ECL and one that is based on lifetime ECL. The quantitative and qualitative assessments to estimate a significant increase in credit risk by comparing the risk of a default occurring on the financial assets as at reporting date with the risk of default occurring on the financial assets as at the date of initial recognition. The Group applies a three-stage approach based on the change in credit quality since initial recognition.

Expected Credit Loss Impairment Model

The Group's allowance for credit losses calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The expected credit loss impairment model reflects the present value of all cash shortfalls related to default events either:

- (i) over the following twelve months; or
- (ii) over the expected life of a financial instrument depending on credit deterioration since origination.

This impairment model measures credit loss allowances using a three-stage approach based on the extent of credit deterioration since origination:

- **Stage 1 – 12-month ECL**

The Group collectively assesses ECL on exposures where there has not been a significant increase in credit risk (SICR) since initial recognition of a financial instrument. An amount equal to 12 months expected credit loss is recorded. The expected credit loss is computed using a probability of default occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to the remaining term to maturity is used.

- **Stage 2 – Lifetime ECL, not Credit Impaired**

The Group collectively assesses ECLs on exposures where there has been a significant increase in credit risk since initial recognition but are not credit impaired. For these exposures, the Group recognises a lifetime ECL (i.e. reflecting the remaining lifetime of the financial asset).

- **Stage 3 – Credit Impaired**

The Group identifies, both collectively and individually, ECLs on those exposures that are assessed as credit impaired based on whether one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For exposures that have become credit impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost (net of allowance) rather than the gross carrying amount. If the asset is no longer credit impaired, then the calculation of the interest income reverts to the gross basis.

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Notes to the Consolidated Financial Statement For the Year Ended December 31, 2023

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2. Summary of Material Accounting PoliciesCont'd

2.7 Financial Assets and LiabilitiesCont'd

d) Impairment of Financial AssetsCont'd

Measurement of Expected Credit Loss

Expected credit losses are computed as unbiased, probability weighted amounts which are determined by evaluating a range of reasonably possible outcomes, the time value of money, and considering all reasonable and supportable information, including that which is forward looking.

ECLs are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls over the expected life of the financial asset discounted by the effective interest rate. The cash shortfall is the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive.
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows discounted by the effective interest rate.
- For undrawn loan commitments the Group estimates the expected portion of the loan commitment that will be drawn down over its expected life and calculates the ECL as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive.
- Financial guarantee contracts as the expected payments to reimburse the holder less any amounts the Group expects to recover.

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

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

Incorporation of Forward-Looking Information

Forward looking assumptions surrounding GDP growth rates, unemployment and general business sentiments are taken into consideration in developing the probability of default (PD), loss given default (LGD), and exposure at default (EAD) in assessing credit risk and expected credit losses inherent in the Group's financial assets. The assumptions are incorporated in the Group's most likely forecast for a range of macroeconomic assumptions. These forecasts are determined using all reasonable and supportable information, which includes both internally developed modules and those available externally.

In cases where there is low correlation between credit losses and macroeconomic indicators, a range of scenarios incorporating management's overlays are assessed for possible outcomes on all significant portfolios.

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2. Summary of Material Accounting Policies*Cont'd*

2.7 Financial Assets and Liabilities*Cont'd*

d) Impairment of Financial Assets*Cont'd*

Assessment of Significant Increase in Credit Risk (SICR)

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward- looking information that was available.

The assessment of an increase in credit risk included macroeconomic outlook, management judgement, and delinquency and monitoring. The importance and relevance of each specific factor depends on the type of product, characteristics of the financial instruments and the borrower and the industry. With regards to delinquency and monitoring, there was a rebuttable presumption that the credit risk of the financial instrument has increased since initial recognition when contractual payments are more than 30 days overdue.

Some of the indicators which were incorporated included:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- actual or expected significant changes in the operating results of the borrower;
- significant increases in credit risk on other financial instruments of the same borrower;
- significant changes in the value of the collateral supporting the obligation or in the quality of third- party guarantees or credit enhancements; and
- significant changes in the actual or expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower.

Quantitative information is a primary indicator of significant increase in credit risk and is based on the change in lifetime determined PD by comparing the remaining lifetime PD at reporting date with the remaining lifetime PD at the point in time that was estimated based on facts and circumstances at the time of initial recognition of the exposure.

The qualitative factors that indicate significant increase in credit risk are reflected in PD models on a timely basis. However, the Group still considers separately some qualitative factors to assess if credit risk has increased significantly. For loans and advances there is particular focus on assets that are included on a 'watch list' once there is a concern that the creditworthiness of the specific counterparty has deteriorated Events such as unemployment, bankruptcy or death are also considered.

Given that a significant increase in credit risk since initial recognition is a relative measure, a given change, in absolute terms, in the PD will be more significant for a financial instrument with a lower initial PD than compared to a financial instrument with a higher PD. Financial assets that are 30 or more days past due and are not credit impaired will always be considered to have experienced a significant increase in credit risk. For less material portfolios where a loss rate or churn rate approach is applied to compute expected credit losses, significant increase in credit risk is primarily based on 30 days past due on the contractual payment.

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Notes to the Consolidated Financial Statement For the Year Ended December 31, 2023

(in Eastern Caribbean dollars)

2. Summary of Material Accounting PoliciesCont'd

2.7 Financial Assets and LiabilitiesCont'd

d) Impairment of Financial AssetsCont'd

Credit Impaired (or Defaulted) Exposures (Stage 3)

Financial assets that are credit impaired (or in default) are referred to as Stage 3 assets and represent those that are at least 90 days past due in respect of principal and/or interest. The contractual terms that introduce a more than de minimis exposure to risk or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are SPPI on the amount outstanding. In such cases the financial asset is required to be measured at FVTPL or FVOCI without recycling. Lifetime ECL is recognised for loans where there is objective evidence of impairment.

Expected credit losses are determined based on an assessment of the recoverable cash flows using a probability weighted range of possible future economic scenarios and applying this to the estimated exposure of the Group at the point of default (exposure at default) after taking into account the value of any collateral held or other mitigants of loss (loss given default), while allowing for the impact of discounting for the time value of money and assumptions about past and future events discounted at the asset's effective interest rate (EIR).

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

- significant financial difficulty of the issuer or obligor; a breach of contract, such as a default or delinquency in interest or principal payments
- the Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
- the likelihood that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties or;
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
 - adverse changes in the payment status of borrowers in the group; or
 - national or local economic conditions that correlate with defaults on the assets in the group.

It may not be possible to identify a single discrete event instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Group assesses whether debt instruments that are financial assets measured at amortised cost or FVOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Group considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

Definition of Default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12 month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

The definition of default is appropriately tailored to reflect different characteristics of different assets. Overdrafts are considered as being past due once the customer has breached an advised limit or has been advised of a limit smaller than the current amount outstanding.

Bank of St. Vincent and the Grenadines Ltd.

Notes to the Consolidated Financial Statement

For the Year Ended December 31, 2023

(in Eastern Caribbean dollars)

2. Summary of Material Accounting Policies*Cont'd*

2.7 Financial Assets and Liabilities*Cont'd*

d) Impairment of Financial Assets*Cont'd*

Improvement in Credit Risk/Curing

A period may elapse from the point at which financial instruments enter lifetime expected credit losses (stage 2 and stage 3) and are reclassified back to 12 month expected credit losses (stage 1). For financial assets that are credit impaired (stage 3), a transfer to stage 2 or stage 1 is only permitted where the instrument is no longer considered to be credit impaired. An instrument will no longer be considered credit impaired when there is no shortfall of cash flows compared to the original contractual terms.

For financial assets within stage 2, these can only be transferred to stage 1 when they are no longer considered to have experienced a significant increase in credit risk.

Where a significant increase in credit risk was determined using quantitative measures, the instruments will automatically transfer back to stage 1 when the original transfer criteria are no longer valid. Where instruments were transferred to stage 2 due to an assessment of qualitative factors, the issues that led to the reclassification must be cured before the instruments can be reclassified to stage 1.

A forbore loan can only be removed from the category (cured) if the loan is performing (stage 1 or 2) and a further one-year probation is met.

In order for a forbearance loan to become performing, the following criteria have to be satisfied:

- At least a year has passed with no default upon the forbore contract terms
- The customer is likely to repay its obligations in full without realising security
- The customer has no accumulated impairment against amount outstanding

Subsequent to the criteria above being met, probation continues to assess if regular payments are made by the customer and none of the exposures to the customer are more than 30 days past due.

Expected Life

When measuring expected credit loss, the Group considers the maximum contractual period over which the Group is exposed to credit risk. All contractual terms are considered when determining the expected life, including prepayment, extension and rollover options. For certain revolving credit facilities, such as credit cards, the expected life is estimated based on the period over which the Group is exposed to credit risk and how the credit losses are mitigated by Management's actions.

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Notes to the Consolidated Financial Statement For the Year Ended December 31, 2023

(in Eastern Caribbean dollars)

2. Summary of Material Accounting Policies*Cont'd*

2.7 Financial Assets and Liabilities*Cont'd*

d) Impairment of Financial Assets*Cont'd*

Presentation of Allowance for Credit Losses in the Consolidated Statement of Financial Position

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the financial assets;
- Debt instruments measured at fair value through other comprehensive income: no allowance is recognised in the consolidated statement of financial position because the carrying values of these assets is their fair values. However, the allowance determined is presented in accumulated other comprehensive income;
- Off-balance sheet credit risks include undrawn lending commitments, letters of credit and letters of guarantee: as a provision in other liabilities.

e) Modified Financial Assets

When a financial asset is modified or an existing financial asset is replaced with a new one, the Group conducts an assessment to determine if the existing financial asset should be derecognised. To determine if the modified terms are substantially different from the original contractual terms the Group considers the following:

- Qualitative factors such as contractual cash flows after modification are no longer SPPI, change in currency or change in counterparty, the extent of change in interest rates, maturity, covenants. If these do not clearly indicate a substantial modification, then;
- A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective interest rate.

If the modification does not result in cash flows that are substantially different, it does not result in derecognition. Based on the change in cash flows discounted at the original rate, the Group records a modification gain or loss to the extent that an impairment loss has not already been recorded. For all loans, performing and credit-impaired, where the modification of terms did not result in the derecognition of the loan, the gross carrying amount of the modified loan is recalculated based on the present value of the modified cash flows discounted at the original effective interest rate and any gain or loss from the modification is recorded in the provision for credit losses line in the consolidated statement of income.

f) Write-Offs of Credit Impaired Assets and Reversal of Impairment

Loans and debt securities are written off when the Group has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Group determines that the borrower does not have assets or source of income that could generate sufficient cash flows to repay the amounts subject to the write off. A write off constitutes a derecognition event. The Group may apply enforcement activities to financial assets written off. Subsequent recoveries of amounts previously written off decrease the amount of the provision for impairment in the consolidated statement of income. If, in a subsequent period, the amount of the credit impairment losses decreases and the decrease can be related objectively to an event occurring after the credit impairment was recognised (such as improvement in the debtor's credit rating), the previously recognised credit impairment loss is reversed by adjusting the provision account. The amount of reversals is recognised in the consolidated statement of income.

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Notes to the Consolidated Financial Statement For the Year Ended December 31, 2023

(in Eastern Caribbean dollars)

2. Summary of Material Accounting Policies*Cont'd*

2.7 Financial Assets and Liabilities*Cont'd*

f) Write-Offs of Credit Impaired Assets and Reversal of Impairment*Cont'd*

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired when the carrying value is greater than the recoverable amount and there is objective evidence of impairment. The recoverable amount is the present value of the future cash flows.

(i) Loans and Advances

All non-performing and performing loans and advances are individually reviewed and specific provisions made for impaired portion based on the realisable value of the loan collateral and discounted by the original effective rate of the loan. The provision made is the difference between the loan balance and the discounted value of the collateral. Previously accrued income is reversed, and further interest income not accrued. Loans and advances with similar characteristics are assessed for impairment on a group basis. Where possible the Group seeks to restructure loans instead of taking possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms are renegotiated, any impairment is measured using the original effective interest rate and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and the future payments likely to occur. The loans continue to be subject to an impairment assessment.

When all efforts have been exhausted to recover a non-performing loan, that loan is deemed uncollectible and written off against the related provision for loan losses.

(ii) Investment Securities

The Group individually assesses each investment security for objective evidence of impairment. If an impaired instrument has been renegotiated, interest continues to accrue at the effective interest rate on the reduced carrying amount of the asset and is recorded as part of "interest income". If the fair value of the instrument increases in a subsequent year, the impairment loss is reversed through the consolidated statement of income.

If there is objective evidence that the cost of an equity instrument may not be recovered, the instrument is considered to be impaired. Objective evidence that the cost may not be recovered includes qualitative impairment criteria as well as a significant or prolonged decline in the fair value below cost.

If an equity instrument is impaired based upon the Group's qualitative and quantitative impairment criteria, any further declines in the fair value at subsequent reporting dates are recognised as impairment losses. Therefore, at each reporting period, for an equity security that is determined to be impaired based on the Group's impairment criteria, an impairment loss is recognised for the difference between the fair value and the original cost, less any previously recognised impairment losses.

Any subsequent increases in value of previously impaired securities are recognised in the consolidated statement of income.

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Notes to the Consolidated Financial Statement For the Year Ended December 31, 2023

(in Eastern Caribbean dollars)

2. Summary of Material Accounting Policies*Cont'd*

2.7 Financial Assets and Liabilities*Cont'd*

g) Offsetting Financial Instruments

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.

2.8 Impairment of Non-Financial Assets

Assets that have an indefinite useful life are not subject to amortisation and are assessed annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or assessed in circumstances indicate that the 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).

2.9 Property and Equipment

(a) Recognition and Measurement

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Work in progress is stated at historical cost, less accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Gains and losses on disposal are determined by comparing proceeds with carrying amount and are included in the consolidated statement of income.

(b) Subsequent Costs

Subsequent expenditures are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All repairs and maintenance costs are charged to the consolidated statement of income during the financial year in which they are incurred.

(c) Depreciation

Land is not depreciated. Depreciation on other assets is calculated on a straight-line basis to write down their cost to their residual values over their estimated useful lives as follows:

Leasehold improvements	20%
Motor vehicles	25%
Equipment	15%
Furniture	10%
Buildings	2%
Computer equipment and software	20%

The assets' residual values and useful lives are reviewed and adjusted if appropriate at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carry amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less cost to sell and value in use.

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Notes to the Consolidated Financial Statement For the Year Ended December 31, 2023

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2. Summary of Material Accounting PoliciesCont'd

2.10 Intangible Assets

Customer List Intangible

The customer list intangible is an intangible asset that represents the intrinsic value that is contained in the customer deposit base acquired in a business combination. It is recognized because it is separable, and the fair value can be reliably measured. The value of the customer list acquired in the business combination is generally determined using income approach methodologies such as the discounted cash flow method. The customer list intangible is recognized at fair value at the acquisition date, which is the deemed cost of the asset. It has a finite useful life and is carried at cost less amortization and allowance for impairment, if any, plus reversals of impairment, if any. The asset is amortized over its estimated useful life based on the expected life of the customer relationship.

Subsequent Measurement

Any intangible assets that are not acquired through a business combination are accounted for using the cost model whereby capitalized costs are amortized on a straight-line basis over their estimated useful lives, generally not exceeding 20 years, as these assets are considered finite. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing as described in **note 13**. The following useful lives are applied:

Software	1 – 5 years
Customer list	8 – 11 years

Amortization of intangible assets has been reported separately within the expenses in the statement of comprehensive income. Subsequent expenditures on the maintenance of computer software are expensed as incurred.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognized in the statement of comprehensive income within 'other income' or 'other expenses'.

Core Customer Base

During the year, the Bank acquired the FirstCaribbean International Bank Limited – St. Vincent Branch customer deposit base. The benefits of an acquired core customer deposit base, which is separable and identifiable, has been independently assessed using a discounted expected cash flows methodology. The assessed fair value of the expected benefits, which has been recognized, at acquisition date, is the deemed cost of the core customer based arising from acquisition of the FirstCaribbean International Bank Limited - St. Vincent Branch operations. The deemed cost of the core customer base is assessed to have a finite useful life, which will be amortized on a straight-line basis. The carrying value of core customer base will be subsequently assessed for impairment. Any assessed impairment in the carrying value of the core customer base will be recognized in the statement of income. Reversals, if any, of previous impairments of the carrying value of the core customer deposits, will be recognized in the statement of income.

2.11 Investment Properties

Properties that are held for long term rental or for capital appreciation or both, and that are not occupied by the Group, are classified as investment properties. Investment property comprises of land held for capital appreciation.

Recognition of investment property takes place only when it is probable that the future economic benefits that are associated with the investment property will flow to the entity and the cost can be measured reliably. Investment properties are measured initially at cost including transaction costs. The carrying amount includes the cost of replacing parts of an existing investment property at the time the cost has incurred if the recognition criteria are met; and excludes the cost of day-to-day servicing of an investment property.

Bank of St. Vincent and the Grenadines Ltd.

Notes to the Consolidated Financial Statement For the Year Ended December 31, 2023

(in Eastern Caribbean dollars)

2. Summary of Material Accounting Policies*Cont'd*

2.11 Investment Properties*Cont'd*

Subsequent expenditure is included in the assets carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the consolidated statement of income during the financial year in which they are incurred.

Investment property is carried at fair value, representing open market value determined annually by external professionally qualified valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Investment property is reviewed annually by independent external evaluators.

Investment property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

2.12 Income Tax

(a) Current Tax

Income tax expense is calculated on the basis of the applicable tax law in the respective jurisdiction and is recognised as an expense (income) for the year except to the extent that current tax related to items that are charged or credited in other comprehensive income or directly to equity. In these circumstances, current tax is charged or credited to the consolidated statement of income.

Where the Group has tax losses that can be relieved against a tax liability for a previous year, it recognises those losses as an asset, because the tax relief is recoverable by refund of tax previously paid. Where tax losses can be relieved only by carry-forward against taxable profits of future years, a deductible temporary difference arises. Those losses carried forward are set off against deferred tax liabilities carried in the consolidated statement of financial position.

The Group does not offset income tax liabilities and income tax assets.

(b) Deferred Tax

Deferred income tax is provided in full on temporary differences arising between the tax base 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 or substantially enacted by the reporting date and are expected to apply when the related deferred tax asset is realized, or the deferred income tax liability is settled.

The rates enacted or substantively enacted at the reporting date are used to determine deferred income tax. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting, nor taxable profit or loss.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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

Bank of St. Vincent and the Grenadines Ltd.

Notes to the Consolidated Financial Statement

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2. Summary of Material Accounting Policies*Cont'd*

2.13 Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the consolidated statement of income using the effective interest method.

2.14 Provisions

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

2.15 Employee Benefits

(a) Defined Contribution Pension Plan

The Group operates a defined contribution pension plan. The plan is generally funded through payments to a trustee-administered fund, as determined by the provisions of the plan. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior years.

The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Short-Term Employee Benefits

Short-term employee benefits, including holiday entitlement, are current liabilities included in other liabilities and accrued expenses, measured at the undiscounted amount that the Bank expects to pay as a result of the unused entitlement.

2.16 Financial Guarantees and Loan Commitments

Guarantees and letters of credit comprise undertakings by the Group to pay bills of exchange. The Group expects most guarantees and letters of credit to be settled simultaneously by reimbursement from customers. Such financial guarantees are given to banks, financial institutions, and other bodies on behalf of customers.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as FVTPL and not arising from a transfer of a financial asset, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9; and
- the amount initially recognised as premium less cumulative amount of income recognised in accordance with the Group's revenue recognition policies.

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Notes to the Consolidated Financial Statement

For the Year Ended December 31, 2023

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2. Summary of Material Accounting PoliciesCont'd

2.17 Share Capital

(a) Share Issue Costs

Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, from the proceeds.

(b) Dividends on Ordinary Shares

Dividends on ordinary shares are recognised in equity in the period in which they are declared. Dividends for the year that are declared after the reporting date are disclosed in the subsequent events note.

2.18 Revenue Recognition

The Effective Interest Rate Method

Interest income and expense is recorded using the Effective Interest Rate (EIR) method for all financial instruments measured at amortised cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Group recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognises the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

Interest Income and Expense

The Group calculates interest income and expense by applying the EIR to the gross carrying amount of financial assets and liabilities other than credit-impaired assets. For purchased or originated credit impaired financial assets a credit, adjusted effective interest rate is applied to the amortised cost of the financial asset.

Interest income on all trading assets and financial assets mandatorily required to be measured at FTVPL is recognised using the contractual interest rate in net trading income and net gains/(losses) on financial assets at fair value through profit or loss, respectively.

Fees and Commission Income

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

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

Dividend Income

Dividend income is recognised when the right to receive payment is established.

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Notes to the Consolidated Financial Statement For the Year Ended December 31, 2023

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2. Summary of Material Accounting Policies*Cont'd*

2.19 Foreign Currency Translation

(a) Functional and Presentation Currency

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

(b) Transactions and Balances

Foreign currency transactions that are transactions denominated, or that require settlement in a foreign currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary items denominated in foreign currency are translated at the closing rates as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated at the exchange rate as at the date of initial recognition.

Foreign exchange gains and losses resulting from the settlement of such transactions and from translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of other comprehensive income.

In the case of changes in the fair value of monetary assets denominated in foreign currency classified as hold to collect and sell a distinction is made between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the monetary assets. Translation differences related to changes in the amortized cost are recognized in profit and loss, and other changes in the carrying amount, except impairment, are recognized in other comprehensive income.

Translation differences on non-monetary financial instruments, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary financial instruments, such as equities classified as fair value through other comprehensive income, are included in the other comprehensive income.

2.20 Leases

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

As a Lessee

At commencement or on modification of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Bank has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Bank of St. Vincent and the Grenadines Ltd.

Notes to the Consolidated Financial Statement

For the Year Ended December 31, 2023

(in Eastern Caribbean dollars)

2. Summary of Material Accounting Policies*Cont'd*

2.20 Leases*Cont'd*

As a LesseeCont'd

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

The right- of- use asset is subsequently depreciated using the straight- line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Bank by the end of the lease term.

In that case the right- of- use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right- of- use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

The Bank determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in- substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right- of- use asset or is recorded in profit or loss if the carrying amount of the right- of- use asset has been reduced to zero.

The Bank presents right- of- use assets and lease liabilities separately in the statement of financial position.

Bank of St. Vincent and the Grenadines Ltd.

Notes to the Consolidated Financial Statement For the Year Ended December 31, 2023

(in Eastern Caribbean dollars)

2. Summary of Material Accounting Policies*Cont'd*

2.20 Leases*Cont'd*

Short-Term Leases and Leases of Low-Value Assets

The Bank has elected not to recognise right- of- use assets and lease liabilities for short- term leases that have a lease term of 12 months or less and low- value assets. The Bank recognises the lease payments associated with these leases as an expense on a straight- line basis over the lease term.

3. Financial Risk Management

Financial Instruments

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

(a) Strategy in using Financial Instruments

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

The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The 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 Management Committee under policies approved by the Board of Directors. The Group's Management Committee identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units.

The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, and non-derivative financial instruments. In addition, the Internal Audit Department is responsible for the independent review of risk management and the control environment.

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

Bank of St. Vincent and the Grenadines Ltd.

Notes to the Consolidated Financial Statement For the Year Ended December 31, 2023

(in Eastern Caribbean dollars)

3. Financial Risk Management*Cont'd*

(b) Credit Risk

Credit risk is the risk of suffering financial loss, should any of the Group's customers, clients or market counterparties fail to fulfill their contractual obligations to the Group. Credit risk arises mainly from commercial and consumer loans and advances to customers, credit cards, and loan commitments arising from such lending activities, but can also arise from credit enhancement provided, such as credit financial guarantees, letters of credit, endorsements and acceptances.

The Group is also exposed to other credit risks arising from balances with central bank, deposits with other banks and non-bank financial institutions, loans and advances to customers, investments in debt securities, treasury bills and other exposures arising from its trading activities ('trading exposures'), including non-equity trading portfolio and other assets and other assets.

The Group's credit risk management process operates on the basis of a hierarchy delegated authorities. The Credit Committee is a sub-committee of the Board of Directors with the authority to exercise the powers of the Board on all risk management decisions.

The debt securities within the Group's investment security portfolio are exposed to credit risk and are management by investment grading or country exposure with pre-set exposure limits as approved the Board of Directors. The credit quality of each individual security is assessed based on the financial strength, reputation and market position of the issuing entity and the ability of that entity to service the debt.

The Group avoids exposure to undue concentrations of risk by placing limits on the amount of risk accepted from a number of borrowers engaged in similar business activities, or activities in the same geographic region or with similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Such risks are controlled and monitored on a revolving basis and are subject to an annual or more frequent review.

Limits on the level of credit risk by product, industry sector or geography are approved by the Board of Directors.

Loans and Advances to Customers

The Group takes on exposure to credit risk which, is the risk that a counterparty will be unable to pay amounts in full when due. Impairment provisions are provided for losses based on an expected credit loss model using counter party probabilities of default across the various loan categories. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration in the 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 credit risk.

Debt Securities and Other Bills

For debt securities and treasury bills, external rating such as Standard & Poor's or Caricris or their equivalents are used by the Asset and Liability Committee for managing of 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.

Bank of St. Vincent and the Grenadines Ltd.

Notes to the Consolidated Financial Statement

For the Year Ended December 31, 2023

(in Eastern Caribbean dollars)

3. Financial Risk Management*Cont'd*

(b) Credit Risk*Cont'd*

Cash and Balances with Banks and Other Financial Institutions

Credit risk from balances with banks and financial institutions is managed by the Group in accordance with the Group's policy. Counterparty credit limits are reviewed by the Group's Risk Department on an annual basis and may be updated throughout the year subject to approval of the Group's Investment Committee and where necessary the Board of Directors. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through potential counterparty's failure to make payments.

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

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

Some other specific control and mitigation measures are outlined below.

Collateral

The 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 credit risk mitigation. The principal collateral types for loans and advances are:

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

The Group's credit risk management policies include requirements relating to collateral valuation and management, including verification requirements and legal certainty. Valuations are updated periodically depending upon the nature of the collateral. Management monitors the market value of collateral and requests additional collateral in accordance with the underlying agreement during its periodic review of loan accounts in arrears. Policies are in place to monitor the existence of undesirable concentration in the collateral supporting the Group's credit exposure.

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

Bank of St. Vincent and the Grenadines Ltd.

Notes to the Consolidated Financial Statement For the Year Ended December 31, 2023

(in Eastern Caribbean dollars)

3. Financial Risk ManagementCont'd

(b) Credit RiskCont'd

Risk Limit Control and Mitigation Policies.....Cont'd

CollateralCont'd

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.

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 authorisations by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

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

Impairment and Allowance Policies

The internal rating systems focus more on credit-quality mapping from the inception of the lending and investment activities. In contrast, impairment allowance are recognised for financial reporting purposes an expected loss model using a three-stage approach.

Management determines whether objective evidence of impairment exists based on the following criteria set out by the Group:

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

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

Bank of St. Vincent and the Grenadines Ltd.

Notes to the Consolidated Financial Statement For the Year Ended December 31, 2023

(in Eastern Caribbean dollars)

3. Financial Risk ManagementCont'd

(b) Credit RiskCont'd

Impairment and Allowance PoliciesCont'd

Financial instruments that are not already credit impaired are originated into stage 1 and a 12-month expected credit loss provision is recognised.

Instruments will remain in stage 1 until they are repaid, unless they experience significant credit deterioration (Stage 2) or they become credit impaired (Stage 3).

Instruments will transfer to stage 2 and a lifetime expected credit loss provision recognised when there has been a significant increase in credit risk compared with what was expected at origination.

The framework used to determine a significant increase in credit risk is set out above (page 30).

Stage 1	Stage 2	Stage 3
12 month expected credit loss - performing	Lifetime expected credit loss -performing but significant increase in credit risk (SICR)	Credit impaired - non-performing

Maximum Exposure to Credit Risk

Credit risk exposures relating to the financial assets in the statement of financial position:

	Maximum Exposure	
	2023	2022
	\$	\$
Deposit with Central Bank	195,417,056	119,706,516
Deposits with other banks	255,650,152	271,456,696
Treasury bills	10,391,089	11,359,198
Investment securities	364,493,194	174,079,538
Loans and advances to customers:		
- Overdrafts	100,642,763	64,808,391
- Term loans	83,661,938	72,576,203
- Business and sovereign	265,647,644	173,838,204
- Mortgage loans	405,431,208	323,303,897
- Credit cards	7,964,741	2,773,577
Other assets	60,929,294	13,031,033
	1,750,229,079	1,226,933,253
Credit Risk Exposures Relating to the Financial Assets		
Guarantees and letters of credit	390,000	390,000
Loan commitments	7,639,541	13,348,621
	8,029,541	13,738,621
	1,758,258,620	1,240,671,874

The above table represents a worst-case scenario of credit risk exposure to the Group at December 31, 2023 and December 2022, without taking account of any collateral held or other credit enhancements attached thereto. For assets included "on" statement of financial position, the exposures set out above are based on net amounts.

As shown above 49.3% (2022: 52%) of the total maximum exposure is derived from loans and advances and commitments to customers; 20.8% (2022: 8%) represents investments in debt securities.

Bank of St. Vincent and the Grenadines Ltd.

Notes to the Consolidated Financial Statement

For the Year Ended December 31, 2023

(in Eastern Caribbean dollars)

3. Financial Risk ManagementCont'd

(b) Credit RiskCont'd

Maximum Exposure to Credit RiskCont'd

Collateral

The value of identifiable collateral for credit impaired loans and advances was \$106,348,681 (2022: \$100,699,579).

	Over Collateralized \$	Under Collateralized \$	Cash Collateral \$	No Collateral \$	Total \$
December 31, 2023					
Loans and advances	37,773,076	3,692,026	378,635	5,289,677	47,133,414
Collateral (FV)	103,726,292	2,216,205	406,184	-	106,348,681
December 31, 2022					
Loans and advances	34,821,285	4,189,179	353,647	4,164,930	43,529,041
Collateral (FV)	96,698,185	3,344,074	657,320	-	100,699,579

Analysis of Credit Quality

Loans and Advances to Customers

	Stage 1 12 months Expected Credit Losses not Credit Impaired		Stage 2 Lifetime Expected Credit Losses not Credit Impaired		Stage 3 Lifetime Expected Credit Losses Credit Impaired	
	2023	2022	2023	2022	2023	2022
	\$	\$	\$	\$	\$	\$
Gross exposure	671,932,665	487,502,343	176,462,993	137,405,751	47,133,414	43,529,041
Less allowance for impairment on loans and advances	(5,388,432)	(3,873,631)	(8,323,451)	(7,492,718)	(18,468,895)	(19,770,514)
Net Exposure	666,544,233	483,628,712	168,139,542	129,913,033	28,664,519	23,758,527

The total credit impairment for loans and advances to customers is \$32,180,778 (2022: \$31,136,863) of which \$18,468,895 (2022: \$19,770,514) represents the individually impaired loans (stage 3) and the remaining amount of \$13,711,883 (2022: \$11,366,349) represents the credit impairment for stage 1 and stage 2 loans. Further information on the staging and allowance for impairment losses on loans and advances to customers is disclosed in **Note 9**.

Bank of St. Vincent and the Grenadines Ltd.

Notes to the Consolidated Financial Statement For the Year Ended December 31, 2023

(in Eastern Caribbean dollars)

3. Financial Risk ManagementCont'd

(b) Credit RiskCont'd

Analysis of Credit QualityCont'd

Debt Securities and Other Eligible Bills

The table below presents an analysis of debt securities and treasury bills by rating agency designation at December 31, 2023 and 2022, based on Standard & Poor's and Caricris ratings:

	Treasury Bills \$	Investment Securities at Amortised Cost \$	Investment Securities at FVOCI \$	Total \$
At December 31, 2023				
AA- to A+	-	134,290,376	25,169,369	159,459,745
Lower than A+	10,391,089	87,450,823	4,046,015	101,887,927
Unrated	-	43,200,231	-	43,200,231
	10,391,089	264,941,430	29,215,384	304,547,903
At December 31, 2022				
AA- to A+		Investment Securities at Amortised Cost \$	Investment Securities at FVOCI \$	Total \$
Lower than A+	10,390,793	79,198,285	3,509,318	93,098,396
Unrated	968,405	32,134,990	-	33,103,395
	11,359,198	111,333,275	3,509,318	126,201,791

Bank of St. Vincent and the Grenadines Ltd.

Notes to the Consolidated Financial Statement
For the Year Ended December 31, 2023

(in Eastern Caribbean dollars)

3. Financial Risk ManagementCont'd

(b) Credit RiskCont'd

Analysis of Credit QualityCont'd

Concentrations of Risks of Financial Assets with Credit Exposure

Geographical Sectors

The Group operates primarily in St. Vincent and the Grenadines. The following summarized the geographical distribution of the Group's financial assets and liabilities:

2023	ECCB					Total
	St. Vincent	United States	United Kingdom	Canada	Other	
	\$	\$	\$	\$	\$	\$
Financial Assets						
Cash and balances with ECCB	39,817,041	195,417,056	-	-	-	235,234,097
Deposits with other banks	10,502,297	53,388,525	170,251,629	19,586,938	1,825,418	255,650,152
Treasury bills	-	10,391,089	-	-	-	10,391,089
Investment securities:						
- At amortised cost	103,425,826	12,601,570	134,289,051	-	14,624,983	264,941,430
- At FVOCI	-	21,576,500	29,215,384	-	333	50,792,217
- At FVTPL	-	-	48,118,297	-	641,250	48,759,547
Loans and receivables:						
- Loans and advances to customers	863,348,294	-	-	-	-	863,348,294
Other assets	60,929,294	-	-	-	-	60,929,294
	1,078,022,752	293,374,740	381,874,361	19,586,938	17,091,984	1,790,046,120
Financial Liabilities						
Deposits from banks	67,354	16,680,385	-	-	858,277	17,606,016
Due to customers	1,623,097,126	-	-	-	-	1,623,097,126
Borrowed funds	1,617,299	-	-	-	10,979,042	12,596,341
Provisions and other liabilities	42,312,401	-	-	-	-	42,312,401
Total Financial Liabilities	1,667,094,180	16,680,385	-	-	11,837,319	1,695,611,884
Net Position	(589,071,428)	276,694,355	381,874,361	19,586,938	5,254,665	94,434,236

Bank of St. Vincent and the Grenadines Ltd.

Notes to the Consolidated Financial Statement
For the Year Ended December 31, 2023

(in Eastern Caribbean dollars)

3. Financial Risk ManagementCont'd

(b) Credit RiskCont'd

Analysis of Credit QualityCont'd

Concentrations of Risks of Financial Assets with Credit ExposureCont'd

Geographical SectorsCont'd

2022	St. Vincent \$	ECCB Currency				United Kingdom \$	Canada \$	Other \$	Total \$
		St. Vincent	Union	United States	United Kingdom				
Financial Assets									
Cash and balances with ECCB	31,307,594	119,706,517	-	-	-	-	-	-	151,014,111
Deposits with other banks	6,022,010	28,414,087	214,348,062	21,785,411	712,481	174,645	-	-	271,456,696
Treasury bills	-	11,359,198	-	-	-	-	-	-	11,359,198
Investment securities:									
- At amortised cost	88,999,278	4,891,072	-	-	-	17,442,925	-	-	111,333,275
- At FVOCI	-	18,329,500	3,509,318	-	-	356	-	-	21,839,174
- At FVTPL	-	-	40,353,589	-	-	553,500	-	-	40,907,089
Loans and receivables:									
- Loans and advances to customers	637,300,272	-	-	-	-	-	-	-	637,300,272
Other assets	13,031,033	-	-	-	-	-	-	-	13,031,033
Total Financial Assets	776,660,187	182,700,374	258,210,969	21,785,411	712,481	18,171,426	-	-	1,258,240,848
Financial Liabilities									
Deposits from banks	77,420	19,285,339	-	-	-	436,060	-	-	19,798,819
Due to customers	1,112,403,167	-	-	-	-	-	-	-	1,112,403,167
Borrowed funds	4,158,082	-	-	-	-	12,935,929	-	-	17,094,011
Provisions and other liabilities	32,758,229	-	-	-	-	-	-	-	32,758,229
Total Financial Liabilities	1,149,396,898	19,285,339	-	-	-	13,371,989	-	-	1,182,054,226
Net Position	(372,736,711)	163,415,035	258,210,969	21,785,411	712,481	4,799,437	-	-	76,186,622

Bank of St. Vincent and the Grenadines Ltd.

Notes to the Consolidated Financial Statement
For the Year Ended December 31, 2023

(in Eastern Caribbean dollars)

3. Financial Risk ManagementCont'd

(b) Credit RiskCont'd

Concentrations of Risks of Financial Assets with Credit ExposureCont'd

Industry Sectors

The following table breaks down the Group's credit exposure at carrying amounts, without considering either collateral held or other credit support, by the industry sectors of the Group's counterparties.

Industry and Economic Concentrations of Assets

	Financial Institutions	Manu- facturing	Tourism	Government	Professional and Other Services	Personal	Other Industries	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cash and balances with ECCB	235,234,097	-	-	-	-	-	-	235,234,097
Deposits with other banks	255,650,152	-	-	-	-	-	-	255,650,152
Treasury bills	-	-	-	10,391,089	-	-	-	10,391,089
Investment securities:								
- At amortised cost	4,788,653	-	10,586,330	227,279,359	-	-	22,287,088	264,941,430
- At FVOCI	25,906,667	-	-	24,336,130	-	-	549,420	50,792,217
- At FVTPL	641,250	-	-	-	-	-	48,118,297	48,759,547
Loans and advances to customers:								
- Business and sovereign	6,035,507	12,004,575	10,975,733	89,633,538	23,070,866	7,920,226	116,007,199	265,647,644
- Term loans	-	33,211	-	-	-	82,914,079	714,648	83,661,938
- Mortgages loans	-	-	-	-	342,919	75,694,963	329,393,326	405,431,208
- Overdrafts	1,316,227	786,796	1,728,089	64,737,287	3,614,553	4,066,982	24,392,829	100,642,763
- Credit cards	13,991	-	15,272	435	499,251	7,125,823	309,969	7,964,741
Other assets	-	-	-	-	-	-	60,929,294	60,929,294
At December 31, 2023	529,586,544	12,824,582	23,305,424	416,377,838	27,527,589	177,722,073	602,702,070	1,790,046,120
Guarantees, Letters of Credit and Loan Commitments	-	-	640,000	-	-	6,378,721	1,010,820	8,029,541

Bank of St. Vincent and the Grenadines Ltd.

Notes to the Consolidated Financial Statement
For the Year Ended December 31, 2023

(in Eastern Caribbean dollars)

3. Financial Risk ManagementCont'd

(b) Credit RiskCont'd

Industry and Economic Concentrations of AssetsCont'd

	Financial Institutions \$	Manu- facturing \$	Tourism \$	Government \$	Professional and Other Services \$	Personal \$	Other Industries \$	Total \$
Cash and balances with ECCB	151,014,111	-	-	-	-	-	-	151,014,111
Deposits with other banks	271,456,696	-	-	-	-	-	-	271,456,696
Treasury bills	-	-	-	11,359,198	-	-	-	11,359,198
Investment securities:								
- At amortised cost	18,192,925	-	-	69,357,027	-	-	23,783,323	111,333,275
- At FVOCI	18,329,856	-	-	-	-	-	3,509,318	21,836,174
- At FVTPL	553,500	-	-	-	-	-	40,353,589	40,907,089
Loans and advances to customers:								
- Business and sovereign	3,247	1,965,470	4,496,012	62,739,313	11,391,357	6,960,962	86,281,843	173,838,204
- Term loans	-	42,198	-	-	4,346	71,928,522	601,137	72,576,203
- Mortgages loans	-	-	-	-	401,367	18,825,948	304,076,582	323,303,897
- Overdrafts	74,338	141,805	2,224,171	43,023,928	2,223,264	2,944,599	14,176,286	64,808,391
- Credit cards	16,667	-	3,795	35,461	1,791	2,675,313	40,550	2,773,577
Other assets	-	-	-	-	-	-	13,031,033	13,031,033
At December 31, 2022	459,641,340	2,149,473	6,723,978	186,514,927	14,022,125	103,335,344	485,853,661	1,258,240,848
Guarantees, Letters of Credit and Loan Commitments	-	-	340,000	87,500	323,000	12,478,121	500,000	13,738,621

Bank of St. Vincent and the Grenadines Ltd.

Notes to the Consolidated Financial Statement

For the Year Ended December 31, 2023

(in Eastern Caribbean dollars)

3. Financial Risk Management*Cont'd*

(c) Market Risk

The Group takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate, because of changes in market prices. Market risks arise from open positions in interest rates and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices. The Group exposure to market risks arises from its non-trading and trading portfolios. Senior management of the Group monitors and manages market through the Asset Liability Committee which advises on financial risks and assigns risk limits for the Group.

Non-trading portfolios market risk primarily arises from the interest rate management of the Group's retail and commercial banking assets and liabilities.

(d) Currency Risk

The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board of Directors sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The 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 exchange rate of the Eastern Caribbean dollar (EC\$) to the United States dollar (US\$) has been formally pegged at EC\$2.70 = US\$1.00 since 1974.

The following table summarizes the Group exposure to foreign currency exchange risk as at December 31, 2023.

Bank of St. Vincent and the Grenadines Ltd.

Notes to the Consolidated Financial Statement
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(in Eastern Caribbean dollars)

3. Financial Risk Management Cont'd

(d) Currency Risk Cont'd

As at December 31, 2023

Financial Assets	ECD	USD	BDS	EURO	GBP	CAD	Other	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cash and balances with ECCB	230,429,413	2,394,436	289,859	894,923	252,937	972,262	267	235,234,097
Deposit with other banks	40,202,028	212,798,491	540,892	20,647	708,223	95,345	1,284,526	255,650,152
Treasury bills	10,391,089	-	-	-	-	-	-	10,391,089
Investment securities:								
– at amortised cost	115,471,600	149,469,830	-	-	-	-	-	264,941,430
– at FVOCI	21,576,500	29,215,384	-	333	-	-	-	50,792,217
– at FVTPL	-	48,118,297	641,250	-	-	-	-	48,759,547
Loans and advances to customers	863,348,294	-	-	-	-	-	-	863,348,294
Other assets	60,929,294	-	-	-	-	-	-	60,929,294
Total Financial Assets	1,342,348,218	441,996,438	1,472,001	915,903	961,160	1,067,607	1,284,793	1,790,046,120
Financial Liabilities								
Deposits due to banks	17,606,016	-	-	-	-	-	-	17,606,016
Due to customers	1,533,140,124	89,785,234	-	168,475	615	2,678	-	1,623,097,126
Provisions and other liabilities	42,312,401	-	-	-	-	-	-	42,312,401
Borrowings	1,617,299	10,979,042	-	-	-	-	-	12,596,341
Total Financial Liabilities	1,594,675,840	100,764,276	-	168,475	615	2,678	-	1,695,611,884
Net (Liabilities) Assets	(252,327,622)	341,232,162	1,472,001	747,428	960,545	1,064,929	1,284,793	94,434,236
Guarantees, Letters of Credit and Loan Commitments	8,029,541	-	-	-	-	-	-	8,029,541

Bank of St. Vincent and the Grenadines Ltd.

Notes to the Consolidated Financial Statement
For the Year Ended December 31, 2023

(in Eastern Caribbean dollars)

3. Financial Risk ManagementCont'd

(d) Currency RiskCont'd

As at December 31, 2022

Financial Assets

	ECD	USD	BDS	EURO	GBP	CAD	Other	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cash and balances with ECCB	148,142,831	1,570,703	189,147	467,915	167,411	475,768	336	151,014,111
Deposit with other banks	27,568,570	241,755,457	115,459	769,679	475,864	712,481	59,186	271,456,696
Treasury bills	11,359,198	-	-	-	-	-	-	11,359,198
Investment securities:								
– at amortised cost	106,842,693	4,490,582	-	-	-	-	-	111,333,275
– at FVOCI	18,329,856	3,509,318	-	-	-	-	-	21,839,174
– at FVTPL	-	40,353,589	553,500	-	-	-	-	40,907,089
Loans and advances to customers	637,300,272	-	-	-	-	-	-	637,300,272
Other assets	13,031,033	-	-	-	-	-	-	13,031,033
Total Financial Assets	962,574,453	291,679,649	858,106	1,237,594	643,275	1,188,249	59,522	1,258,240,848

Financial Liabilities

Deposits due to banks	19,798,819	-	-	-	-	-	-	19,798,819
Due to customers	1,045,561,017	66,528,410	-	309,051	2,069	2,620	-	1,112,403,167
Provisions and other liabilities	32,758,229	-	-	-	-	-	-	32,758,229
Borrowings	4,158,082	12,935,929	-	-	-	-	-	17,094,011
Total Financial Liabilities	1,102,276,147	79,464,339	-	309,051	2,069	2,620	-	1,182,054,226

Net (Liabilities) Assets	(139,701,694)	212,215,310	858,106	928,543	641,206	1,185,629	59,522	76,186,622
Guarantees, Letters of Credit and Loan Commitments	13,738,621	-	-	-	-	-	-	13,738,621

Bank of St. Vincent and the Grenadines Ltd.

Notes to the Consolidated Financial Statement
For the Year Ended December 31, 2023

(in Eastern Caribbean dollars)

3. Financial Risk Management Cont'd

(e) Interest Rate Risk

The table below summarizes the Group's exposure to interest rate risks. Included in the table are the Group's assets and liabilities at carrying amounts, categorized by the earlier of contractual re-pricing or maturity dates.

	Up to 1 Month \$	1 – 3 Months \$	3 – 12 Months \$	1 – 5 Years \$	Over 5 Years \$	Non- Interest Bearing \$	Total \$
As at December 31, 2023							
Financial Assets							
Cash and balances with ECCB	-	-	-	-	-	235,234,097	235,234,097
Deposits with other banks	-	14,264,871	121,958,650	-	-	119,426,631	255,650,152
Treasury bills	-	10,391,089	-	-	-	-	10,391,089
Investment securities:							
– at amortised cost	-	750,000	4,019,442	200,467,779	59,704,209	-	264,941,430
– at FVTPL	-	-	-	-	-	48,759,547	48,759,547
– at FVOCI	-	-	-	29,215,384	-	21,576,833	50,792,217
Loans and advances to customers	36,629,574	9,944,877	94,809,779	129,466,173	592,497,891	-	863,348,294
Other assets	-	-	-	-	-	60,929,294	60,929,294
Total Financial Assets	36,629,574	35,350,837	220,787,871	359,149,336	652,202,100	485,926,402	1,790,046,120
Financial Liabilities							
Deposits due to banks	-	-	8,054,453	-	-	9,551,563	17,606,016
Due to customers	1,092,370,956	27,223,970	47,339,859	-	-	456,162,341	1,623,097,126
Provisions and other liabilities	8,563,039	-	-	-	-	33,749,362	42,312,401
Borrowings	620,174	658,622	2,324,236	7,233,400	1,759,909	-	12,596,341
Total Financial Liabilities	1,101,554,169	27,882,592	57,718,548	7,233,400	1,759,909	499,463,266	1,695,611,884
Net Interest Re-Pricing Gap	(1,064,924,595)	7,468,245	163,069,323	351,915,936	650,442,191	(13,536,864)	94,434,236

Bank of St. Vincent and the Grenadines Ltd.

Notes to the Consolidated Financial Statement
For the Year Ended December 31, 2023

(in Eastern Caribbean dollars)

3. Financial Risk Management *Cont'd*

(e) Interest Rate Risk *Cont'd*

As at December 31, 2022

Financial Assets

Cash and balances with ECCB
Deposits with other banks
Treasury bills
Investment securities:
– at amortised cost
– at FVTPL
– at FVOCI
Loans and advances to customers
Other assets

	Up to 1 Month \$	1 – 3 Months \$	3 – 12 Months \$	1 – 5 Years \$	Over 5 Years \$	Non-Interest Bearing \$	Total \$
	-	-	-	-	-	151,014,111	151,014,111
	-	-	91,158,566	-	-	180,298,130	271,456,696
	-	10,392,285	-	966,913	-	-	11,359,198
	751,996	7,850,677	10,593,312	50,002,357	42,134,933	-	111,333,275
	-	-	-	-	-	40,907,089	40,907,089
	-	-	-	3,509,318	-	18,329,856	21,839,174
	21,907,425	54,300,456	12,736,934	82,173,713	466,181,744	-	637,300,272
	-	-	-	-	-	13,031,033	13,031,033
Total Financial Assets	22,659,421	72,543,418	114,488,812	136,652,301	508,316,677	403,580,219	1,258,240,848

Financial Liabilities

Deposits due to banks
Due to customers
Provisions and other liabilities
Borrowings

	-	-	15,451,439	-	-	4,347,380	19,798,819
	621,315,293	24,274,106	74,019,814	-	-	392,793,954	1,112,403,167
	7,407,661	-	-	-	-	25,350,568	32,758,229
	625,621	621,415	3,382,951	8,944,207	3,519,817	-	17,094,011

Total Financial Liabilities

	629,348,575	24,895,521	92,854,204	8,944,207	3,519,817	422,491,902	1,182,054,226
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Net Interest Re-Pricing Gap

	(606,689,154)	47,647,897	21,634,608	127,708,097	504,796,860	(18,911,683)	76,186,622
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Bank of St. Vincent and the Grenadines Ltd.

Notes to the Consolidated Financial Statement For the Year Ended December 31, 2023

(in Eastern Caribbean dollars)

3. Financial Risk Management*Cont'd*

(e) Interest Rate Risk*Cont'd*

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 or create losses in the event that unexpected movements arise. The Board of Directors sets limits on the level of mismatch of interest rate re-pricing that may be undertaken.

	<u>2023</u>	<u>2022</u>
Loans and Advances to Customers:		
- Overdrafts	4.5%-14%	5.25%-14%
- Term loans	4.0%-16.5%	4.75%-14%
- Business and sovereign	3.5%-14%	5.25%-14%
- Mortgage loans	4.0%-14%	4.5%-14%
- Credit cards	19.5%	19.5%
Investment Security at Amortised Cost	5.0%	4.86%
Investment Securities:		
Government treasury bills and bonds	4.5%	3.25%-7.25%
Other securities	2.1%-7.0%	3.47%-6.83%
Deposits with banks	0.0%-5.95%	0.0%-3.85%
Deposits Due to Customers:		
Term deposits	1.0%-2.5%	1.5%-2.5%
Savings deposits	2.0%-3.0%	2%-3.5%
Demand deposits	0.0%-2.5%	0%-3.5%
Deposits due to banks	0.0%-1.5%	0%-1.5%
Borrowings	2.5%-6.0%	2.5%-6.0%

Interest rate risk arises from loans and advances to customers and borrowings at variable rates. During the year, had variable interest rates been 50 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been \$3,108,054 (2022: \$3,186,808) higher/lower on variable rate loans.

(f) Liquidity Risk

Liquidity risk is the risk that the Group is unable to meet its obligations when they fall due as a result of customer deposits being withdrawn, payment of cash requirements from contractual commitments, or other cash out flows.

Bank of St. Vincent and the Grenadines Ltd.

Notes to the Consolidated Financial Statement For the Year Ended December 31, 2023

(in Eastern Caribbean dollars)

3. Financial Risk Management*Cont'd*

(f) Liquidity Risk*Cont'd*

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

Liquidity Risk Management Process

The matching and controlled mismatching of the contractual maturities and interest rates of assets and liabilities is fundamental to the management of the Group. It is unusual for banks to be completely matched as transacted business is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but also increases the risk of losses.

The contractual maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates and exchange rates.

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Group does not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

Funding approach: Sources of liquidity are regularly reviewed to maintain a wide diversification by currency, geography, provider, product and term.

Non-derivative cash flows: The table below presents the cash flows payable by the Group under non-derivative financial liabilities by remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Group manages the inherent liquidity risk based on expected undiscounted cash inflows.

Bank of St. Vincent and the Grenadines Ltd.

Notes to the Consolidated Financial Statement
For the Year Ended December 31, 2023

(in Eastern Caribbean dollars)

3. Financial Risk ManagementCont'd

(f) Liquidity RiskCont'd

As at December 31, 2023

Financial Liabilities

	Up to 1 Month \$	1 to 3 Months \$	3 to 12 Months \$	1 to 5 Years \$	Over 5 Years \$	Total \$
Deposits due to banks	9,666,016	-	8,126,209	-	-	17,792,225
Due to customers	1,549,766,043	27,253,578	47,409,909	5,776	-	1,624,435,306
Provisions and other liabilities	42,312,401	-	-	-	-	42,312,401
Borrowings	620,174	681,687	2,668,009	8,207,340	1,808,499	13,985,709
Total Financial Liabilities	1,602,364,634	27,935,265	58,204,127	8,213,116	1,808,499	1,698,525,641

Financial Assets

Cash and balances with ECCB	235,234,097	-	-	-	-	235,234,097
Deposits with other banks	119,426,631	14,601,562	125,583,925	-	-	259,612,118
Treasury bills	-	10,439,172	-	-	-	10,439,172
Investment securities:						
- at amortised cost	750,732	-	11,036,943	89,285,894	196,339,347	297,412,916
- at FVTPL	-	-	-	-	48,759,833	48,759,833
- at FVOCI	-	-	-	29,215,384	21,576,833	50,792,217
Loans and advances to customers	34,050,168	43,885,666	184,332,535	383,448,192	550,341,897	1,196,058,458
Other assets	60,929,294	-	-	-	-	60,929,294
Total Financial Assets held-for-managing Liquidity	450,390,922	68,926,400	320,953,403	501,949,470	817,017,910	2,159,238,105

Guarantees, Letters of Credit and Loan

Commitments	7,639,541	-	390,000	-	-	8,029,541
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Bank of St. Vincent and the Grenadines Ltd.

Notes to the Consolidated Financial Statement
For the Year Ended December 31, 2023

(in Eastern Caribbean dollars)

3. Financial Risk ManagementCont'd

(f) Liquidity RiskCont'd

As at December 31, 2022

Financial Liabilities

	Up to 1 Month \$	1 to 3 Months \$	3 to 12 Months \$	1 to 5 Years \$	Over 5 Years \$	Total \$
Deposits due to banks	4,441,286	-	15,569,352	-	-	20,010,638
Due to customers	1,014,897,535	24,336,125	74,871,303	-	-	1,114,104,963
Provisions and other liabilities	32,758,228	-	-	-	-	32,758,228
Borrowings	625,621	681,687	3,891,248	10,264,958	3,693,093	19,156,607
Total Financial Liabilities	1,052,722,670	25,017,812	94,331,903	10,264,958	3,693,093	1,186,030,436

Financial Assets

Cash and balances with ECCB	151,014,111	-	-	-	-	151,014,111
Deposits with other banks	180,298,130	-	93,472,145	-	-	273,770,275
Treasury bills	-	10,440,341	-	1,029,975	-	11,470,316
Investment securities:						
- at amortised cost	755,866	7,887,641	15,462,486	75,599,871	33,954,021	133,659,885
- at FVTPL	-	4,558,952	-	-	36,348,137	40,907,089
- at FVOCI	-	-	-	3,509,318	18,329,856	21,839,174
Loans and advances to customers	21,591,463	68,988,916	81,600,346	304,616,472	423,564,323	900,361,520
Other assets	13,031,033	-	-	-	-	13,031,033

Total Financial Assets held-for-managing Liquidity

	366,690,603	91,875,850	190,534,977	384,755,636	512,196,337	1,546,053,403
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Guarantees, Letters of Credit and Loan Commitments

	13,348,621	-	390,000	-	-	13,738,621
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Bank of St. Vincent and the Grenadines Ltd.

Notes to the Consolidated Financial Statement For the Year Ended December 31, 2023

(in Eastern Caribbean dollars)

3. Financial Risk ManagementCont'd

(f) Liquidity RiskCont'd

Assets held-for-managing Liquidity Risk

The Group holds a diversified portfolio of cash and investment securities to support payment obligations.

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

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

(g) Off-Balance Sheet Items

(i) *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 as disclosed in (Note 21), are summarised in the table below.

(ii) *Financial Guarantees and Other Financial Facilities*

Financial guarantees (Note 21) are also included below based on the earliest contractual maturity date.

	1 Year \$	Total \$
At December 31, 2023		
Loan commitments	7,639,541	7,639,541
Guarantees and letters of credit	390,000	390,000
Total	8,029,541	8,029,541
At December 31, 2022		
Loan commitments	13,348,621	13,348,621
Guarantees and letters of credit	390,000	390,000
Total	13,738,621	13,738,621

(h) 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 used to estimate the fair value of financial instruments are described below:

Bank of St. Vincent and the Grenadines Ltd.

Notes to the Consolidated Financial Statement For the Year Ended December 31, 2023

(in Eastern Caribbean dollars)

3. Financial Risk ManagementCont'd

(h) Fair Values of Financial Assets and LiabilitiesCont'd

The fair values of cash, other assets and liabilities, deposits with other banks and due from other banks are assumed to approximate their carrying values due to their short-term nature.

Due to Customers

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

Investment Securities

Investment securities include interest bearing debt and equity securities are classified at amortised cost and at fair value through other comprehensive income. Assets held for sale are measured at fair value based on market prices or broker/dealer price quotations. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit maturity and yield characteristics.

Loans and Advances

Loans and advances are carried net of allowance for impairment. The estimated fair value of loans and advances represents 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.

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

	Carrying Value		Fair Value	
	2023	2022	2023	2022
	\$	\$	\$	\$
Financial assets				
Loans and advances to customers:				
– Term loans	83,661,938	72,576,203	77,869,071	71,533,664
– Business and sovereign	265,647,644	173,838,204	278,304,182	166,643,240
– Mortgage loans	405,431,208	323,303,897	419,990,485	314,956,681
– Overdrafts	100,642,763	64,808,391	100,642,763	64,808,391
– Credit cards	7,964,741	2,773,577	7,964,741	2,773,577
Investment securities:				
– At amortised cost	264,941,430	111,333,275	263,301,154	110,253,234
Financial liabilities				
Deposits due to banks	17,606,016	19,798,819	17,606,016	19,798,819
Due to customers	1,623,097,126	1,112,403,167	1,623,097,126	1,112,403,167
Provisions and other liabilities	42,312,401	32,758,229	42,312,401	32,758,229
Borrowings	12,596,341	17,094,011	12,596,341	17,094,011

Bank of St. Vincent and the Grenadines Ltd.

Notes to the Consolidated Financial Statement

For the Year Ended December 31, 2023

(in Eastern Caribbean dollars)

3. Financial Risk Management*Cont'd*

(h) Fair Values of Financial Assets and Liabilities*Cont'd*

Management assessed that cash and short-term deposits with other banks, treasury bills, loans and advances, provisions and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The following methods and assumptions were used to estimate the fair values of assets and liabilities:

- The Group's interest-bearing borrowings and loans and advance are determined by using DCF method using the discount rate that reflects the market rate at the end of the period; and
- The value of regional bonds classified as amortised cost with evidence of open market trades at par plus accrued interest is deemed to approximate fair value.

Fair Value Hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on actively traded exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

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

Bank of St. Vincent and the Grenadines Ltd.

Notes to the Consolidated Financial Statement
For the Year Ended December 31, 2023

(in Eastern Caribbean dollars)

3. Financial Risk ManagementCont'd

(h) Fair Values of Financial Assets and LiabilitiesCont'd

The following table sets out information about significant unobservable inputs used in measuring fair value at December 2023 and 2022 in measuring financial instruments at level 3 in the fair value hierarchy.

Type of Financial Instrument	Fair Value at December 2023	Fair Value at December 2022	Valuation Techniques	Significant Unobservable Input	Range of Estimates (weighted-average) for Unobservable Input	Fair Value Measurement Sensitivity to Unobservable Input
Equity securities measured at FVOCI	21,576,833	18,329,856	Discounted cash flows	Expected cash flows derived from the entity historical performance	Investment based	A significant increase in in expected cash flows would result in a higher fair value
Loans and advances to customers	884,771,242	620,715,553	Discounted cash flows	Discounted at the market rate	5.5% – 12.0%	A significant increase in the discount rate would result in a lower fair value

Bank of St. Vincent and the Grenadines Ltd.

Notes to the Consolidated Financial Statement
For the Year Ended December 31, 2023

(in Eastern Caribbean dollars)

3. Financial Risk Management *Cont'd*

(h) Fair Values of Financial Assets and Liabilities *Cont'd*

Fair Value Hierarchy

The following table outlines the fair value hierarchy of instruments carried at fair value on a recurring basis and instruments not carried at fair value.

	2023			2022				
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$	\$	\$	\$	\$
As at December 31								
Financial Assets								
Investment securities at FVTPL	48,759,547	-	-	48,759,547	40,907,088	-	-	40,907,088
Investment securities at FVOCI	29,215,384	-	21,576,833	50,792,217	3,509,318	-	18,329,856	21,839,174
Financial Assets for which Fair Values are disclosed								
Investment securities at amortised cost	-	263,301,154	-	263,301,154	-	110,253,234	-	110,253,234
Loans and advances to customers	-	-	884,771,242	884,771,242	-	-	620,715,553	620,715,553
Total Financial Assets	77,974,931	263,301,154	906,348,075	1,247,624,160	44,416,406	110,253,234	639,045,409	793,715,049
Liabilities for which Fair Values are disclosed								
Deposits due to banks	-	-	17,606,016	17,606,016	-	-	19,798,819	19,788,819
Due to customers	-	-	1,623,097,126	1,623,097,126	-	-	1,112,403,167	1,112,403,167
Provisions and other liabilities	-	-	43,904,174	43,904,174	-	-	32,758,229	32,758,229
Borrowings	-	12,596,341	-	12,596,341	-	17,094,011	-	17,094,011
	-	12,596,341	1,684,607,316	1,697,203,657	-	17,094,011	1,164,960,215	1,182,044,226

Bank of St. Vincent and the Grenadines Ltd.

Notes to the Consolidated Financial Statement For the Year Ended December 31, 2023

(in Eastern Caribbean dollars)

3. Financial Risk Management*Cont'd*

(h) Fair Values of Financial Assets and Liabilities*Cont'd*

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

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter fixed income securities) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, dividend discount model, comparable company multiples, namely enterprise value to earnings before interest, taxes, depreciation and amortization, price-to-earnings and price-to-tangible book value multiples and adjusted net book value, are used to determine fair value for the remaining financial instruments.

There were no transfers between levels in the fair value hierarchy during the year.

Level 3 Investments

	2023	2022
	\$	\$
As at January 1	18,329,856	14,795,379
Total gains and losses in OCI	3,247,000	3,534,500
Currency revaluation	(23)	(23)
As at December 31	21,576,833	18,329,856

Bank of St. Vincent and the Grenadines Ltd.

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(in Eastern Caribbean dollars)

3. Financial Risk Management*Cont'd*

(i) Capital Management

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

- To comply with the capital requirements of the Banking Act No. 4 of 2015.
- To comply with the capital requirements set by the regulators of the banking markets where the Group operates;
- 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 Eastern Caribbean Central Bank the "Authority" for supervisory purposes. The required information is filed with the Authority on a quarterly basis.

The Regulators requires each bank or banking group to hold the minimum level of the regulatory capital to the risk-weighted asset (the 'Basel capital adequacy ratio') at or above the internationally agreed minimum of 8% of Tier 1 capital.

The Group's regulatory capital as managed by its Treasury department is divided into two tiers:

- Tier 1 capital: share capital (net of any book value of the treasury shares), minority interests arising on consolidation from interests in permanent shareholders' equity, retained earnings and reserves created by appropriations of retained earnings. The book value of goodwill is deducted in arriving at Tier 1 capital; and
- Tier 2 capital: qualifying subordinated loan capital, collective impairment allowances and unrealized gains arising on the fair valuation of equity instruments held at FVOCI and fixed asset revaluation reserves (limited to 50% of Tier 1 capital).

Investments in "associated companies" are deducted from Tier 1 and Tier 2 capital to arrive at the regulatory capital.

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

The table below summarises the composition of regulatory capital and the ratios of the Group for the year ended 31 December 2023 and 2022. During those two years, the Group complied with all of the externally imposed capital requirements to which it is subject.

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3. Financial Risk ManagementCont'd

(i) Capital ManagementCont'd

	2023	2022
	\$	\$
Tier 1 Capital		
Share capital	20,753,306	20,753,306
Statutory reserves	20,753,306	20,753,306
General provision reserves	7,797,010	5,475,297
Retained earnings	98,278,372	78,882,935
Intangible assets and Goodwill	(6,224,223)	-
Total Qualifying Tier 1 Capital	141,357,771	125,864,844
Tier 2 Capital		
Unrealized gain on investments	19,028,723	15,211,136
Collective impairment allowance	13,711,883	11,366,351
Total Qualifying Tier 2 Capital	32,740,606	26,577,487
Total Regulatory Capital	174,098,377	152,442,331
Risk-Weighted Assets:		
On-balance sheet	1,046,005,000	586,521,000
Off-balance sheet	73,050,621	33,433,914
Total Risk-Weighted Assets	1,119,055,621	619,954,914
Basel Capital Adequacy Ratio	15.56%	24.59%

4. Critical Accounting Estimates, and Judgements in Applying Accounting Policies

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

Going Concern

The Group's management is satisfied that it has the resources to continue in business for the foreseeable future.

Bank of St. Vincent and the Grenadines Ltd.

Notes to the Consolidated Financial Statement For the Year Ended December 31, 2023

(in Eastern Caribbean dollars)

4. Critical Accounting Estimates, and Judgements in Applying Accounting PoliciesCont'd

Measurement of the Expected Credit Loss Allowance

The Group's expected credit loss (ECL) calculations are outputs of complex models with a number of underlying assumptions. The significant judgements and estimates in determining expected credit loss include:

- The Group's criteria for assessing if there has been a significant increase in credit risk; and
- Development of expected credit loss models, including the choice of inputs relating to macroeconomic variables.

The calculation of credit impairment provisions also involves expert credit judgement to be applied by the credit risk management team based upon counterparty information they receive including relationship managers and on external market information.

Impairment Losses on Loans and Advances to Customers

The Group reviews its loan portfolio to assess impairment at least annually. In determining whether an impairment loss should be recorded in the consolidated statement of income, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. To the extent that the net present value of estimated cash flows differs by +/-5%, the provision would be estimated \$743,718/\$2,281,271 (2022: \$2,615,890/\$2,521,666) lower/higher respectively.

Impairment of Non-Financial Assets

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

Fair Value of Financial Instruments

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

Deferred Taxes

In calculating the provision for deferred taxation, management uses judgment to determine the possibility that future taxable profits will be available to facilitate utilization of temporary tax differences which may arise. The deferred tax assets recognised at December 31, 2023 have been based on future profitability assumptions over a five-year horizon. In the event of changes to these profitability assumptions, the tax assets recognised may be adjusted.

Revaluation of Investment Property

The Group initially measures its investment properties at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in statement of income in the period in which they arise, including the corresponding tax effect.

Bank of St. Vincent and the Grenadines Ltd.

Notes to the Consolidated Financial Statement For the Year Ended December 31, 2023

(in Eastern Caribbean dollars)

4. Critical Accounting Estimates, and Judgements in Applying Accounting PoliciesCont'd

Revaluation of Investment PropertyCont'd

The Group engages independent valuation specialists to determine fair value of its investment properties. The valuer uses judgment in the application of valuation techniques such as replacement cost, capitalization of potential rentals and the market price of comparable properties, as applicable in each case.

Corporate Income Taxes

Significant estimates are required in determining the provision for income taxes. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions.

5. Cash and Balances with Eastern Caribbean Central Bank

	2023	2022
	\$	\$
Cash in hand	39,817,041	31,307,595
Balances with ECCB other than mandatory reserve deposits	98,021,228	52,962,326
Included in cash and cash equivalents (Note 30)	137,848,269	84,269,921
Mandatory reserve deposits with ECCB	97,385,828	66,744,190
	235,234,097	151,014,111

Pursuant to the Banking Act of 2015, Banking institutions are required to hold a reserve balance with ECCB in relation to the deposit liabilities of the institution.

Mandatory reserve deposits are not available for use in the Banking institutions' day-to-day operations. The balances with the ECCB are non-interest bearing. Pursuant to the Saint Vincent and the Grenadines Banking Act 2015, the Group is required to maintain specified assets as a reserve requirement for its deposit liabilities. The minimum requirement is 6% of the average deposit liabilities over a four-week period.

6. Deposits with Other Banks

	2023	2022
	\$	\$
Items in the course of collection with other banks (Note 30)	10,502,297	6,022,011
Placements with other banks (Note 30)	135,101,327	174,276,313
Interest bearing deposits (more than 3 months)	110,046,528	91,158,372
	255,650,152	271,456,696

The weighted average effective interest rate in respect of interest-bearing deposits at December 31, 2023 was 4.96% (2022: 3.56%)

Bank of St. Vincent and the Grenadines Ltd.

Notes to the Consolidated Financial Statement For the Year Ended December 31, 2023

(in Eastern Caribbean dollars)

7. Treasury Bills

	2023	2022
	\$	\$
Treasury bills – cash and cash equivalents	10,403,151	10,403,151
Treasury bills- more than 90 days to maturity	-	968,405
Less allowance for impairment losses	(12,062)	(12,358)
	10,391,089	11,359,198

Treasury bills are debt securities issued by the Government of Saint Lucia and Government of Grenada. The weighted average effective interest rate on treasury bills at December 31, 2023 was 4.5% (2022: 3.1%).

8. Investment Securities

	2023	2022
	\$	\$
Securities Measured at Amortised Cost		
Debt securities at amortised cost		
- Listed	142,505,548	14,387,847
- Unlisted	122,616,791	97,029,049
	265,122,339	111,416,896
Less allowance for impairment losses	(180,909)	(83,621)
	264,941,430	111,333,275
Securities Measured at FVOCI		
Debt securities at fair value		
- Listed	29,235,728	3,509,411
Less: Allowance for impairment	(20,344)	(93)
Equity securities at fair value		
- Unlisted	21,576,833	18,329,856
	50,792,217	21,839,174
Securities Measured at FVTPL		
Equity securities at fair value		
- Listed	641,250	3,394,563
- Unlisted	48,118,297	37,512,526
	48,759,547	40,907,089
Total securities	364,493,194	174,079,538

The weighted average effective interest rate on securities stated at amortized cost as at December 31, 2023 was 5.0% (2022: 4.8%).

Bank of St. Vincent and the Grenadines Ltd.

Notes to the Consolidated Financial Statement
For the Year Ended December 31, 2023

(in Eastern Caribbean dollars)

8. Investment Securities*Cont'd*

	2023				Total
	Stage 1 12-Month ECL \$	Stage 2 Lifetime ECL \$	Stage 3 Lifetime ECL \$	Stage 3 ECL \$	
Loss Allowance - Investment Securities at Amortised Cost					
Loss Allowance as at January 1, 2023	95,979	-	-	-	95,979
- Transfer to stage 1	-	-	-	-	-
- Transfer to stage 2	-	-	-	-	-
- Transfer to stage 3	-	-	-	-	-
- Increases due to change in credit risk	96,992	-	-	-	96,992
- Decreases due to change in credit risk	-	-	-	-	-
- Write offs	-	-	-	-	-
Loss Allowance as at December 31, 2023	192,971	-	-	-	192,971
Loss Allowance - Investment Securities at FVOCI					
Loss Allowance as at January 1, 2023	93	-	-	-	93
- Transfer to stage 1	-	-	-	-	-
- Transfer to stage 2	-	-	-	-	-
- Transfer to stage 3	-	-	-	-	-
- Increases due to change in credit risk	20,251	-	-	-	20,251
- Decreases due to change in credit risk	-	-	-	-	-
- Write offs	-	-	-	-	-
Loss Allowance as at December 31, 2023	20,344	-	-	-	20,344
Total Loss Allowance - Investment securities					
Loss Allowance as at January 1, 2023	96,072	-	-	-	96,072
- Transfer to stage 1	-	-	-	-	-
- Transfer to stage 2	-	-	-	-	-
- Transfer to stage 3	-	-	-	-	-
- Increases due to change in credit risk	117,243	-	-	-	117,243
- Decreases due to change in credit risk	-	-	-	-	-
- Write offs	-	-	-	-	-
Total Loss Allowance as at December 31, 2023	213,315	-	-	-	213,315

Bank of St. Vincent and the Grenadines Ltd.

Notes to the Consolidated Financial Statement
For the Year Ended December 31, 2023

(in Eastern Caribbean dollars)

8. Investment Securities Cont'd

	2022				
	12-Month ECL	Stage 1	Stage 2	Stage 3	Total
	\$	\$	\$	\$	\$
Loss Allowance - Investment Securities at Amortised Cost					
Loss Allowance as at January 1, 2022					
- Transfer to stage 1		674,363	389,024	-	1,063,387
- Transfer to stage 2		11,272	(389,024)	-	(377,752)
- Transfer to stage 3		-	-	-	-
- Increases due to change in credit risk		-	-	-	-
- Decreases due to change in credit risk		(589,656)	-	-	(589,656)
- Write offs		-	-	-	-
Loss Allowance as at December 31, 2022		95,979	-	-	95,979
Loss Allowance - Investment Securities at FVOCI					
Loss Allowance as at January 1, 2022					
- Transfer to stage 1		167	-	-	167
- Transfer to stage 2		-	-	-	-
- Transfer to stage 3		-	-	-	-
- Increases due to change in credit risk		-	-	-	-
- Decreases due to change in credit risk		(74)	-	-	(74)
- Write offs		-	-	-	-
Loss Allowance as at December 31, 2022		93	-	-	93
Total Loss Allowance - Investment securities					
Loss Allowance as at January 1, 2022					
- Transfer to stage 1		674,530	389,024	-	1,063,554
- Transfer to stage 2		11,272	(389,024)	-	(377,752)
- Transfer to stage 3		-	-	-	-
- Increases due to change in credit risk		-	-	-	-
- Decreases due to change in credit risk		(589,730)	-	-	(589,730)
- Write offs		-	-	-	-
Total Loss Allowance as at December 31, 2022		96,072	-	-	96,072

Bank of St. Vincent and the Grenadines Ltd.

Notes to the Consolidated Financial Statement For the Year Ended December 31, 2023

(in Eastern Caribbean dollars)

8. Investment Securities *Cont'd*

Movements of the Group's investments are summarised as follows:

	Debt Securities at Amortised Cost	Debt Securities at FVOCI	Equity Securities at FVOCI	Equity Securities at FVTPL	Treasury Bills at Amortised Cost	Total
	\$	\$	\$	\$	\$	\$
At January 1, 2023	111,333,275	3,509,318	18,329,856	40,907,089	11,359,198	185,438,736
Opening ECLs	83,621	93	-	-	12,358	96,072
Gross carrying amount January 1, 2023	111,416,896	3,509,411	18,329,856	40,907,089	11,371,556	185,534,808
Additions	197,017,918	218,824,356	-	224,977,364	403,151	641,222,789
Sales and redemptions	(43,312,475)	(193,668,626)	-	(219,766,030)	(1,371,556)	(458,118,687)
Unrealised gain on foreign exchange	-	-	(23)	-	-	(23)
Changes in fair value	-	570,587	3,247,000	4,180,359	-	7,997,946
Trade loss incurred	-	-	-	(1,539,235)	-	(1,539,235)
Write offs	-	-	-	-	-	-
Closing ECLs	(180,909)	(20,344)	-	-	(12,062)	(213,315)
At December 31, 2023	264,941,430	29,215,384	21,576,833	48,759,547	10,391,089	374,884,283
At January 1, 2022	86,522,434	631,456	14,795,379	52,345,241	10,975,207	165,269,717
Opening ECLs	671,772	167	-	-	391,615	1,063,554
Gross carrying amount January 1, 2022	87,194,206	631,623	14,795,379	52,345,241	11,366,822	166,333,271
Additions	64,610,685	2,926,728	-	15,541,978	6,935,175	90,014,566
Sales and redemptions	(40,387,995)	-	-	(19,557,470)	(6,930,441)	(66,875,906)
Unrealised loss on foreign exchange	-	-	(23)	-	-	(23)
(Loss) gain from changes in fair value	-	(48,940)	3,534,500	(5,638,432)	-	(2,152,872)
Write offs	-	-	-	(1,784,228)	-	(1,784,228)
Closing ECLs	(83,621)	(93)	-	-	(12,358)	(96,072)
At December 31, 2022	111,333,275	3,509,318	18,329,856	40,907,089	11,359,198	185,438,736

Bank of St. Vincent and the Grenadines Ltd.

Notes to the Consolidated Financial Statement For the Year Ended December 31, 2023

(in Eastern Caribbean dollars)

9. Loans and Advances to Customers

	2023			
	Stage 1	Stage 2	Stage 3	Total
	\$	\$	\$	\$
Credit cards	8,061,288	235,786	1,407,103	9,704,177
Overdrafts	23,808,341	80,678,927	684,323	105,171,591
Term loans	76,833,796	5,389,409	7,079,075	89,302,280
Mortgages	336,556,506	54,347,572	25,989,721	416,893,799
Business and sovereign	226,672,734	35,811,299	11,973,192	274,457,225
	671,932,665	176,462,993	47,133,414	895,529,072
ECL allowance	(5,388,432)	(8,323,451)	(18,468,895)	(32,180,778)
	666,544,233	168,139,542	28,664,519	863,348,294
	2022			
	Stage 1	Stage 2	Stage 3	Total
	\$	\$	\$	\$
Credit cards	2,832,359	30,609	246,522	3,109,490
Overdrafts	15,772,141	50,400,555	1,358,664	67,531,360
Term loans	65,677,899	6,451,233	7,414,236	79,543,368
Mortgages	258,197,660	52,312,062	24,196,490	334,706,212
Business and sovereign	145,022,284	28,211,292	10,313,129	183,546,705
	487,502,343	137,405,751	43,529,041	668,437,135
ECL allowance	(3,873,631)	(7,492,718)	(19,770,514)	(31,136,863)
	483,628,712	129,913,033	23,758,527	637,300,272

The effective interest rate on loans and advances stated at amortised cost as at December 31, 2023 was 8.2% (2022: 8.1%).

Bank of St. Vincent and the Grenadines Ltd.

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For the Year Ended December 31, 2023

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9. Loans and Advances to CustomersCont'd

Analysis of Allowance on Business and Sovereign and Mortgages

	2023						2022					
	Stage 1		Stage 2		Stage 3		Stage 1		Stage 2		Stage 3	
	12-month ECL	Lifetime ECL	12-month ECL	Lifetime ECL	12-month ECL	Lifetime ECL	12-month ECL	Lifetime ECL	12-month ECL	Lifetime ECL	12-month ECL	Lifetime ECL
Business and Sovereign												
Loss Allowance as at January 1	2,391,170	2,493,628	4,823,703	9,708,501	2,309,845	3,179,874	6,289,071	11,778,790				
Changes in the loss allowance												
- Transfer to stage 1	47,188	(47,188)	-	-	(32,336)	24,400	7,936	-				
- Transfer to stage 2	(42,153)	42,153	-	-	20,898	(20,898)	-	-				
- Transfer to stage 3	(1,518)	(111,664)	113,182	-	-	(255,620)	255,620	-				
- Increases due to change in credit risk	2,096,042	982,769	1,021,806	4,100,617	552,068	232,250	643,373	1,427,691				
- Decreases due to change in credit risk	(1,302,593)	(802,833)	(35,819)	(2,141,245)	(459,305)	(666,378)	(150,425)	(1,276,108)				
- Write-offs	-	-	(2,858,292)	(2,858,292)	-	-	(2,221,872)	(2,221,872)				
Loss Allowance as at December 31	3,188,136	2,556,865	3,064,580	8,809,581	2,391,170	2,493,628	4,823,703	9,708,501				
Mortgages												
Loss Allowance as at January 1	447,578	2,109,638	8,845,100	11,402,316	449,161	2,695,722	4,712,988	7,857,871				
Changes in the loss allowance												
- Transfer to stage 1	80,054	(80,054)	-	-	(24,364)	13,577	10,787	-				
- Transfer to stage 2	(11,395)	164,054	(152,659)	-	140,145	(474,880)	334,735	-				
- Transfer to stage 3	(2,563)	(95,336)	97,899	-	61,403	39,866	(101,269)	-				
- Increases due to change in credit risk	192,516	233,090	6,217,854	6,643,460	92,835	238,455	5,430,969	5,762,259				
- Decreases due to change in credit risk	(168,626)	(589,860)	(1,065,366)	(1,823,852)	(271,602)	(403,102)	(358,739)	(1,033,443)				
- Write-offs	(18)	(9)	(4,759,306)	(4,759,333)	-	-	(1,184,371)	(1,184,371)				
Loss Allowance as at December 31	537,546	1,741,523	9,183,522	11,462,591	447,578	2,109,638	8,845,100	11,402,316				

Bank of St. Vincent and the Grenadines Ltd.

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(in Eastern Caribbean dollars)

9. Loans and Advances to CustomersCont'd

Analysis of Allowance on Term Loans and Overdrafts

	2023			2022			Total	ECL	Total
	Stage 1 –	Stage 2	Stage 3	Stage 1 –	Stage 2	Stage 3			
	12-month ECL	Lifetime ECL	Lifetime ECL	12-month ECL	Lifetime ECL	Lifetime ECL			
Term Loans									
Loss Allowance as at January 1	540,161	1,610,893	4,816,111	514,831	4,302,317	3,321,253	6,967,165	8,138,401	
Changes in the loss									
- Transfer to stage 1	11,619	(11,619)	-	(24,951)	10,648	14,303	-	-	-
- Transfer to stage 2	(10,279)	10,279	-	38,350	(1,261,905)	1,223,555	-	-	-
- Transfer to stage 3	(8,140)	(66,961)	75,101	-	-	-	-	-	-
- Increases due to change in credit risk	478,641	107,837	1,301,216	387,686	366,386	1,532,174	1,887,694	2,286,246	
- Decreases due to change in credit risk	(364,315)	(806,902)	(529,177)	(352,810)	(1,806,359)	(718,406)	(1,700,394)	(2,877,575)	
- Write-offs	(76,604)	(526)	(1,436,993)	(22,945)	(194)	(556,768)	(1,514,123)	(579,907)	
Loss Allowance as at December 31	571,083	843,001	4,226,258	540,161	1,610,893	4,816,111	5,640,342	6,967,165	
Overdrafts									
Loss Allowance as at January 1	460,572	1,256,887	1,005,510	334,289	1,345,627	1,287,032	2,722,969	2,966,948	
Changes in the loss allowance									
- Transfer to stage 1	35,582	(35,582)	-	(46,881)	46,881	-	-	-	-
- Transfer to stage 2	(200,105)	200,105	-	58,205	(58,543)	338	-	-	-
- Transfer to stage 3	(4,847)	-	4,847	-	-	-	-	-	-
- Increases due to change in credit risk	708,057	1,633,720	404,869	177,673	68,518	10,119	2,746,646	256,310	
- Decreases due to change in credit risk	(68,519)	(44,478)	(10,567)	(57,911)	(123,501)	(116,773)	(123,564)	(298,185)	
- Write-offs	-	-	(817,223)	(4,803)	(22,095)	(175,206)	(817,223)	(202,104)	
Loss Allowance as at December 31	930,740	3,010,652	587,436	460,572	1,256,887	1,005,510	4,528,828	2,722,969	

Bank of St. Vincent and the Grenadines Ltd.

Notes to the Consolidated Financial Statement
For the Year Ended December 31, 2023

(in Eastern Caribbean dollars)

9. Loans and Advances to CustomersCont'd

Analysis of Allowance on Credit Cards and Credit Provisioning

	2023				2022			
	Stage 1 –	Stage 2	Stage 3	Total	Stage 1 –	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL		12-month ECL	Lifetime ECL	Lifetime ECL	
	\$	\$	\$	\$	\$	\$	\$	\$
Credit Cards								
Loss Allowance as at January 1	34,150	21,672	280,091	335,913	31,387	65,555	139,078	236,020
Changes in the loss allowance								
- Transfer to stage 1	99,866	(18,003)	(81,863)	-	(737)	140	597	-
- Transfer to stage 2	(146)	146	-	-	25,355	(65,439)	40,084	-
- Transfer to stage 3	(1,446)	(3,674)	5,120	-	13,974	16,453	(30,427)	-
- Increases due to change in credit risk	130,312	171,269	1,252,716	1,554,297	3,818	14,055	130,759	148,632
- Decreases due to change in credit risk	(101,809)	-	-	(101,809)	(39,647)	(9,092)	-	(48,739)
- Write-offs	-	-	(48,964)	(48,964)	-	-	-	-
Loss Allowance as at December 31	160,927	171,410	1,407,100	1,739,437	34,150	21,672	280,091	335,913
Total Credit Provisioning								
Loss Allowance as at January 1	3,873,631	7,492,718	19,770,514	31,136,863	3,639,513	11,589,095	15,749,422	30,978,030
Changes in the loss allowance								
- Transfer to stage 1	274,309	(192,446)	(81,863)	-	(129,269)	95,646	33,623	-
- Transfer to stage 2	(264,078)	416,737	(152,659)	-	282,953	(1,881,665)	1,598,712	-
- Transfer to stage 3	(18,514)	(277,635)	296,149	-	75,377	(199,301)	123,924	-
- Increases due to change in credit risk	3,605,568	3,128,685	10,198,461	16,932,714	1,214,080	919,664	7,747,393	9,881,137
- Decreases due to change in credit risk	(2,005,862)	(2,244,073)	(1,640,929)	(5,890,864)	(1,181,275)	(3,008,432)	(1,344,343)	(5,534,050)
- Write-offs	(76,622)	(535)	(9,920,778)	(9,997,935)	(27,748)	(22,289)	(4,138,217)	(4,188,254)
Loss Allowance as at December 31	5,388,432	8,323,451	18,468,895	32,180,778	3,873,631	7,492,718	19,770,514	31,136,863

Bank of St. Vincent and the Grenadines Ltd.

Notes to the Consolidated Financial Statement

For the Year Ended December 31, 2023

(in Eastern Caribbean dollars)

10. Other Assets

	2023	2022
	\$	\$
Other receivables	60,929,294	13,031,033
Prepaid expenses	743,896	1,764,854
	61,673,190	14,795,887

11. Investment Properties

	2023	2022
	\$	\$
Fair value at January 1	2,262,000	2,412,000
Fair value loss	-	(150,000)
Fair value at December 31	2,262,000	2,262,000

On January 10, 2024, investment properties were valued, on an open market basis, by an independent valuator who holds a recognized and professional qualification.

The investment properties are held for appreciation. The changes in the fair value of the investment properties are charged to the statement of income under fee, commission and other income.

Bank of St. Vincent and the Grenadines Ltd.

Notes to the Consolidated Financial Statement For the Year Ended December 31, 2023

(in Eastern Caribbean dollars)

12. Property and Equipment

	Land and Building	Leasehold Improvements	Office Furniture and Equipment	Motor Vehicles	Computer Equipment and Software	Work in Progress	Total
	\$	\$	\$	\$	\$	\$	\$
As at December 31, 2022							
Opening net book amount	43,919,651	167,573	4,771,101	342,680	2,956,671	3,237,761	55,395,437
Additions	479,850	97,899	1,561,065	-	1,612,038	1,687,316	5,438,168
Disposals	-	-	(27)	(1)	(63)	-	(91)
Depreciation charge (Note 12)	(627,914)	(50,136)	(1,311,267)	(134,530)	(916,304)	-	(3,040,151)
Closing net book amount	43,771,587	215,336	5,020,872	208,149	3,652,342	4,925,077	57,793,363
At December 31, 2022							
Cost	51,145,588	329,393	21,745,542	769,870	15,878,666	4,925,077	94,794,136
Accumulated depreciation	(7,374,001)	(114,057)	(16,724,670)	(561,721)	(12,226,324)	-	(37,000,773)
Net book amount	43,771,587	215,336	5,020,872	208,149	3,652,342	4,925,077	57,793,363
As at December 31, 2023							
Opening net book amount	43,771,587	215,336	5,020,872	208,149	3,652,342	4,925,077	57,793,363
Additions	12,641,476	149,992	2,486,267	181,290	1,676,170	-	17,135,195
Transfers	-	594,452	1,552,777	-	1,332,818	(3,480,047)	-
Disposals	(8,196,347)	-	-	-	-	-	(8,196,347)
Depreciation charge (Note 12)	(593,977)	(132,197)	(1,330,784)	(126,230)	(1,226,025)	-	(3,409,213)
Closing net book amount	47,622,739	827,583	7,729,132	263,209	5,435,305	1,445,030	63,322,998
At December 31, 2023							
Cost	55,590,717	1,073,837	25,784,586	951,160	18,887,654	1,445,030	103,732,984
Accumulated depreciation	(7,967,978)	(246,254)	(18,055,454)	(687,951)	(13,452,349)	-	(40,409,986)
Net book amount	47,622,739	827,583	7,729,132	263,209	5,435,305	1,445,030	63,322,998

As at December 31, 2023, property with a carrying amount of \$23,902,857 (2022: \$24,232,923) was pledged as security for related party borrowings (Note 17).

Bank of St. Vincent and the Grenadines Ltd.

Notes to the Consolidated Financial Statement For the Year Ended December 31, 2023

(in Eastern Caribbean dollars)

13. Intangible Assets

Intangible assets comprises as follows:

	Customer		Total	
	Goodwill	Relationship	2023	2022
	\$	\$	\$	\$
Cost				
Beginning of year	-	-	-	-
Additions	1,224,223	5,000,000	6,224,223	-
End of year	1,224,223	5,000,000	6,224,223	-

(i) Goodwill

On March 24, 2023, the Bank acquired the FirstCaribbean International Bank Limited – St. Vincent Branch operations and recognized the excess amount of \$1,224,223 of the purchase price over the fair value of the net identifiable assets as goodwill.

	\$
Escrow Date Cash Payment	11,992,036
Closing net asset value adjustment	(187,814)
Adjusted Net Asset Deficit at Close	(3,195,980)
Transfer Agreement Section 2.05 Price Adjustment	(1,080,000)
Net Purchase Consideration	7,528,242

Recognized amounts of Identifiable Assets Acquired and Liabilities Assumed at March 24, 2023

	\$
Loans and advances to customers	152,972,806
Cash and bank balances	370,810,732
Intangible assets	5,000,000
Property, plant and equipment	12,612,898
Total Assets	541,396,436
Customer deposits	535,092,417
Total Liabilities	535,092,417
Total Identifiable Net Assets	6,304,019
Total purchase consideration paid	7,528,242
Goodwill on Acquisition	1,224,223
Total purchase consideration paid	7,528,242
Cash and cash equivalent acquired	370,810,732
Cash Inflow on Acquisition	363,282,490

(ii) Intangible Assets

On March 24, 2023, the Bank recognized the assessed fair value of \$5,000,000, being the identifiable customer relationship acquired in the acquisition of the FirstCaribbean International Bank Limited – St. Vincent Branch.

Bank of St. Vincent and the Grenadines Ltd.

Notes to the Consolidated Financial Statement For the Year Ended December 31, 2023

(in Eastern Caribbean dollars)

14. Deferred Tax Asset

The movement on the deferred tax asset is as follows:

	2023	2022
	\$	\$
At beginning of year	3,170,136	4,379,923
Current year charge (Note 28)	58,565	(1,209,787)
At end of year	3,228,701	3,170,136

As of reporting date, the Group's deferred tax comprise, as follows:

	2023	2022
	\$	\$
Capital assets	(610,626)	(239,769)
Taxed provisions	3,839,327	3,409,905
	3,228,701	3,170,136

Deferred income taxes and liabilities are offset when there are legally enforceable rights to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

15. Deposits Due to Banks

	2023	2022
	\$	\$
Deposits due to banks	17,606,016	19,798,819

Interest rates range from 0% to 1.50% (2022: 0% to 1.50%).

16. Due to Customers

	2023	2022
	\$	\$
Term deposits	80,976,984	104,678,741
Savings deposits	802,773,783	485,787,136
Demand deposits	739,346,359	521,937,290
	1,623,097,126	1,112,403,167

The weighted average effective interest rate of customers' deposits at December 31, 2023 1.30% (2022: 1.28%).

17. Provisions and Other Liabilities

	2023	2022
	\$	\$
Managers' cheques outstanding	2,214,324	3,983,004
Other payables	20,461,392	13,229,491
Undrawn commitments	81,666	24,083
Customers' security deposits	19,555,019	15,521,651
	42,312,401	32,758,229

Bank of St. Vincent and the Grenadines Ltd.

Notes to the Consolidated Financial Statement For the Year Ended December 31, 2023

(in Eastern Caribbean dollars)

18. Borrowings

	2023	2022
	\$	\$
Caribbean Development Bank loan repayable in quarterly instalments of US\$27,094 plus interest at 2.5% per annum, maturity October 1, 2029	1,755,691	2,048,318
Caribbean Development Bank loan repayable in quarterly instalments of US\$135,860 plus interest at 4.5% per annum, maturity October 1, 2029	8,803,708	10,271,040
Caribbean Development Bank loan repayable in quarterly instalment of US\$17,733, plus interest at 2.5% per annum, maturity April 1, 2025	287,284	478,807
Accrued interest	132,359	137,764
	<u>10,979,042</u>	<u>12,935,929</u>
National Insurance Services loan repayable in quarterly instalments of EC\$582,457 at 6% per annum, maturity June 30, 2024	1,139,219	3,318,369
National Insurance Services loan repayable in quarterly instalments of EC\$99,229 at 4.5% per annum, maturity March 31, 2025	478,080	839,713
	<u>1,617,299</u>	<u>4,158,082</u>
	<u>12,596,341</u>	<u>17,094,011</u>

Security

The Caribbean Development Bank borrowings are secured by a Government of St. Vincent and the Grenadines guarantee.

The Group has pledged property having a carrying value of \$23,902,857 (2022: \$24,232,923) as security for its borrowings from the National Insurance Services.

As at December 31, 2023, the Group had no undrawn facilities with either of the above-mentioned institutions.

19. Share Capital

Authorised share capital – an unlimited number of shares without no-par or nominal value.

	2023	2022
	\$	\$
Issued and fully paid – 14,999,844 (2022: 14,999,844)	<u>20,753,306</u>	<u>20,753,306</u>

20. Statutory Reserves

	2023	2022
	\$	\$
Balance at beginning and end of the year	<u>20,753,306</u>	<u>20,753,306</u>

Pursuant to Section 45 (1) of the Banking Act of 2015, the Group shall, maintain a general reserve fund and shall, out of its net profits of each year transfer to that fund a sum equal to not less than twenty per cent of profits whenever the amount of the reserve fund is less than a hundred per cent of the issued share capital. The reserve is not available for distribution as dividends or any form of appropriation.

Bank of St. Vincent and the Grenadines Ltd.

Notes to the Consolidated Financial Statement For the Year Ended December 31, 2023

(in Eastern Caribbean dollars)

21. General Reserves

	2023	2022
	\$	\$
Balance at beginning of the year	5,475,297	5,184,573
Transfer from retained earnings	2,321,713	290,724
Balance at end of the year	7,797,010	5,475,297

On March 22, 2024, the Board approved an appropriation of 10% of net profit to the general reserve.

22. Contingent Liabilities and Commitments

(i) Commitments

The following table summarises the contractual amounts of the Group's financial instruments that commit it to extend credit to customers.

	2023	2022
	\$	\$
Loan commitments	7,639,541	13,348,621
Guarantees and letters of credit	390,000	390,000
	8,029,541	13,738,621

(ii) Pending Litigation

In the ordinary course of business, the Group is routinely a defendant in or party to a number of pending and threatened legal actions and proceedings.

In view of the inherent difficulty of predicting the outcome of such matters, the Group cannot state what the eventual outcome of such matters will be. However, based on current knowledge, management does not believe that liabilities, if any, arising from pending litigation will have a material adverse effect on the financial position or results of operations of the Group.

23. Net Interest Income

	2023	2022
	\$	\$
Interest Income using the effective Interest Method		
Loans and advances	56,333,892	45,907,605
Loan origination fees	868,798	768,312
Treasury bills and investment securities	14,702,046	6,776,014
Deposits with banks	1,714,505	975,659
	73,619,241	54,427,590
Interest Expense		
Savings deposits	17,779,358	12,758,178
Time deposits	2,033,477	2,038,616
Other borrowed funds	726,471	875,566
	20,539,306	15,672,360
Net Interest Income	53,079,935	38,755,230

Bank of St. Vincent and the Grenadines Ltd.

Notes to the Consolidated Financial Statement

For the Year Ended December 31, 2023

(in Eastern Caribbean dollars)

24. Fees Commission and Other Income

	2023	2022
	\$	\$
Fee and Commission Income	25,902,646	15,661,872
Fee and Commission Expense	(9,303,824)	(5,029,073)
Net fee and commission income	16,598,822	10,632,799
Foreign Exchange		
- Trading	10,569,698	7,091,387
- Unrealized	(236,001)	(327,040)
	10,333,697	6,764,347
Other		
Loss (gain) on disposal of property, plant and equipment	(796,347)	14,489
Diminution in value of investment properties	-	(150,000)
Miscellaneous	-	58,732
	9,537,350	6,687,568
	26,136,172	17,320,367

25. Credit Losses on Financial Assets

	2023	2022
	\$	\$
Credit impairment against profit for the year on loans and advances to customers	3,539,490	4,347,089
Credit impairment (improvement) against profit for the year relating to debt securities	117,243	(967,482)
Credit improvement relating to financial guarantees and loan commitments	57,583	-
Amounts written off during the period as uncollectable	2,177	-
Recoveries on amounts previously written off	(2,970,855)	(627,990)
	745,638	2,751,617

Bank of St. Vincent and the Grenadines Ltd.

Notes to the Consolidated Financial Statement

For the Year Ended December 31, 2023

(in Eastern Caribbean dollars)

26. Operating Expenses

	2023	2022
	\$	\$
Depreciation (Note 12)	3,409,213	3,040,151
Employee benefit expense (Note 27)	17,144,292	12,687,203
Interest levy expense	9,388,839	6,905,982
Rent	382,881	306,257
Audit	276,771	277,515
Directors' fees	434,665	415,451
Computer expense	478,303	508,110
Insurance	895,513	801,579
Repairs and maintenance	1,747,660	649,022
Subscription and donations	163,660	160,229
Commission and fees	2,535,708	2,363,264
Utilities	2,822,143	2,527,994
Advertisement and sponsorship	804,098	405,840
Legal and professional fees	5,137,180	1,828,962
Postage and stationery	1,808,423	939,579
Bank and other licences	4,425,591	4,170,057
Security	455,736	324,256
Other expenses	1,391,494	2,077,582
	53,702,170	40,389,033

27. Employee Benefit Expense

	2023	2022
	\$	\$
Salaries and wages	13,212,763	9,838,890
Other staff costs	3,509,323	2,484,018
Pension cost	422,206	364,295
	17,144,292	12,687,203

The Group operates a defined contribution pension plan for its employees. The plan provides for: contributions at the rates of 5% basic remunerations, by the Group and 3% employees, respectively; and normal retirement on attainment of employees' 60th birthday. The Group's contributions become fully vested in employees after 5 years membership.

Bank of St. Vincent and the Grenadines Ltd.

Notes to the Consolidated Financial Statement For the Year Ended December 31, 2023

(in Eastern Caribbean dollars)

28. Income Tax Expense

	2023	2022
	\$	\$
Current tax	4,758,657	1,754,582
Deferred tax (credit) charge (Note 14)	(58,565)	1,209,787
	4,700,092	2,964,369

Tax on the Group's profit before taxation differs from the theoretical amount that would arise using the statutory tax rate of 28% (2022: 30%) as follows:

	2023		2022	
	\$	%	\$	%
Profit before income tax	27,917,220	100.00	5,871,612	100.00
Tax calculated at the applicable tax rate of 28%	7,816,822	28.00	1,761,484	28.00
Exempt income	(9,625,345)	(34.48)	(4,613,865)	(78.58)
Effect of change in tax rate	211,342	0.76	-	-
Non-allowable expenses	6,297,273	22.56	5,816,750	99.07
	4,700,092	16.84	2,964,369	50.49

29. Earnings per Share

Earnings per share (EPS) is calculated by dividing the profit for the year attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

	2023	2022
	\$	\$
Net profit attributable to shareholders	23,217,128	2,907,243
Weighted average number of ordinary shares in issue	14,999,844	14,999,844
Basic and Diluted Earnings per Share	1.55	0.19

30. Cash and Cash Equivalents

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

	2023	2022
	\$	\$
Cash in hand and balances with ECCB (Note 5)	137,848,269	84,269,921
Treasury bills (Note 7)	10,391,089	10,390,793
Items in the course of collection with banks (Note 6)	10,502,297	6,022,011
Placements with other banks (Note 6)	135,101,327	174,276,313
	293,842,982	274,959,038

For the purposes of presentation in the statement of cash flows, cash and cash equivalents comprise highly liquid investments with less than three months maturity from the date of acquisition, cash and non-restricted balances with the Eastern Caribbean Central Bank (ECCB), treasury bills, deposits with other banks, deposits with non-bank financial institutions and other short-term securities.

Bank of St. Vincent and the Grenadines Ltd.

Notes to the Consolidated Financial Statement For the Year Ended December 31, 2023

(in Eastern Caribbean dollars)

31. Leases

The Group leases mainly storage and ATM spaces used in its operations. Rental contracts for these leases are typically made for fixed periods but may have extension options. Extension options are exercisable only by the Bank and not by the lessors. The Bank assesses its lease commencement date whether it is reasonably certain to exercise the extension options. The Bank reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

Lease terms are negotiated on an individual basis and contain different terms and conditions. The lease agreements do not impose any covenants and the leased assets may not be used as security for borrowing purposes.

These leases are short-term in nature. The Bank has elected not to recognise right-of-use assets and lease liabilities for these leases.

Commitments for minimum lease payment in relation to operating leases are payable as follows:

	2023	2022
	\$	\$
Within one year	<u>382,881</u>	<u>306,257</u>

32. Related Party Balances and Transactions

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

The following accounts maintained by related parties are included under investment securities, deposits with other banks and deposits from banks:

	2023	2022
	\$	\$
Bank of Saint Lucia Limited		
Deposits with other bank	2,196,563	2,169,296
Deposits from banks	-	(7,444,319)
Government of St. Vincent and the Grenadines		
Debt securities at amortised cost	87,768,749	64,616,904
Less: allowance for impairment loss	(100,281)	(56,908)
	<u>87,668,468</u>	<u>64,559,996</u>
Statutory Bodies		
Debt securities at amortised cost	14,250,000	16,750,000
Less: allowance for impairment loss	(16,330)	(15,108)
	<u>14,233,670</u>	<u>16,734,892</u>

Bank of St. Vincent and the Grenadines Ltd.

Notes to the Consolidated Financial Statement For the Year Ended December 31, 2023

(in Eastern Caribbean dollars)

32. Related Party Balances and TransactionsCont'd

Transactions carried out with Related Parties:

	2023	2022
	\$	\$
Income		
Interest income	4,780,337	3,926,489
Expenses		
Interest expense	92,719	91,905
Professional fees	-	147,600

Other Related Parties

A number of banking transactions are entered into with other related parties in the normal course of business. These include loans, deposits and borrowings. These transactions were carried out on commercial terms and at market rates.

Other related party balances with the Group:

	2023		2022	
	Loans	Deposits	Loans	Deposits
	\$	\$	\$	\$
Government of St. Vincent and the Grenadines	157,982,794	8,096,513	107,457,275	15,251,610
Statutory bodies	7,369,898	61,654,459	6,700,973	40,700,753
National Insurance Services	-	49,346,394	2,989	46,280,103
Staff pension plan	-	8,563,039	-	7,407,661
	165,352,692	127,660,405	114,161,237	109,640,127
Directors and key management	6,085,729	3,584,379	3,195,173	3,579,607
Less: allowance for impairment losses	(4,083,702)	-	(2,188,526)	-
	167,354,719	131,244,784	115,164,884	113,219,734

The loans issued to directors and other key management personnel are repayable monthly over an average of 10.1 years and have a weighted average effective interest rate of 5.4% (2022: 5.4%).

Interest income and interest expense with other related parties:

	2023		2022	
	Income	Expenses	Income	Expenses
	\$	\$	\$	\$
Government of St. Vincent and the Grenadines	9,242,097	117,026	9,256,677	76,867
Statutory bodies	463,782	589,966	417,067	322,465
National Insurance Services	-	1,249,902	-	1,415,682
Staff pension plan	-	273,341	-	289,786
Directors and key management	243,796	78,981	118,106	56,024
	9,949,675	2,309,216	9,791,850	2,160,824

Key Management Compensation

Key management includes the Executive Management team. The compensation paid or payable to key management for employee services is shown below:

	2023	2022
	\$	\$
Salaries and other short-term benefits	2,475,438	2,193,171
Pension cost	87,368	70,958
	2,562,806	2,264,129

Bank of St. Vincent and the Grenadines Ltd.

Notes to the Consolidated Financial Statement

For the Year Ended December 31, 2023

(in Eastern Caribbean dollars)

33. Dividend

During the year, the Bank paid a dividend of \$0.10 per share was paid to shareholders of record as of May 4, 2023.

On March 26, 2024, the Board proposed a cash dividend of \$0.77 per share to shareholders of record as of May 9, 2024.

34. Comparative Figures

Certain of the comparative figures were restated to accord with the current year's presentation.

BANK OF ST. VINCENT AND THE GRENADINES LTD.

ANNUAL REPORT

2023



BOSVG

Doing *more* Together

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