

**St. Kitts-Nevis-Anguilla
National Bank Limited**

Quarterly Financial Statements

September 30, 2024

(expressed in Eastern Caribbean dollars)

St. Kitts-Nevis-Anguilla National Bank Limited

Statement of Financial Position

As at September 30, 2024

(expressed in Eastern Caribbean dollars)

	Notes	Sept 2024 \$	Unaudited June 2024 \$
Assets			
Cash and balances with Central Bank	5	227,825,068	211,793,644
Treasury bills	6	55,624,017	128,160,713
Deposits with other financial institutions	7	164,394,739	203,152,031
Loans and advances to customers	8	1,059,767,063	1,055,505,789
Originated debts	9	130,128,081	155,641,237
Financial asset	30	359,024,359	357,629,437
Investment securities	10	1,289,903,738	1,206,487,097
Investment in subsidiaries	11	23,112,027	23,112,027
Acceptances, guarantees and letters of credit		7,456,067	7,456,067
Income tax recoverable	18	49,857,241	49,857,241
Property and equipment	12	40,079,225	37,787,042
Intangible assets	13	622,872	707,879
Right-of-use assets	14	821,621	821,621
Other assets	15	18,140,358	28,268,354
Deferred tax asset	18	26,521,295	30,353,277
Total assets		3,453,277,771	3,496,733,456
Liabilities			
Customers' deposits	16	2,800,528,152	2,952,286,966
Due to other financial institutions		4,176,824	-
Borrowings	10	94,676,395	-
Accumulated provisions, creditors and accruals	17	35,042,736	65,384,973
Acceptances, guarantees and letters of credit		7,456,067	7,456,067
Income tax payable	18	936,575	936,575
Lease liabilities	14	833,748	833,748
Total liabilities		2,943,650,497	3,026,898,329
Shareholders' equity			
Issued share capital	19	141,750,000	141,750,000
Share premium		3,877,424	3,877,424
Reserves	20	426,917,827	415,421,881
Accumulated deficit		(62,917,977)	(91,214,178)
Total shareholders' equity		509,627,274	469,835,127
Total liabilities and shareholders' equity		3,453,277,771	3,496,733,456

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

St. Kitts-Nevis-Anguilla National Bank Limited

Statement of Income

For the quarter ended September 30, 2024

(expressed in Eastern Caribbean dollars)

	Notes	Sept 2024 \$	Sept 2023 \$
Interest income	21	21,406,030	19,504,438
Interest expense	21	(14,347,717)	(14,666,058)
Net interest income		7,058,313	4,838,380
Fees and commission income	22	6,581,829	5,011,447
Fee expenses	22	(5,764,335)	(4,226,226)
Net fees and commission income		817,494	785,221
Net gains/(losses) on investments in debt and equity instruments	23	30,902,206	(4,114,003)
Dividend income		1,237,261	1,493,674
Gain on foreign exchange, net		1,094,969	1,235,059
Other operating income		52,426	22,820
Other income/(loss)		33,286,862	(1,362,450)
Total operating income/(loss)		41,162,669	4,261,151
Operating expenses			
Administrative and general expenses	25	(11,783,186)	(12,422,773)
Depreciation and amortisation	12, 13, 14	(838,260)	(838,260)
Credit and other impairment charges	24	-	-
Directors' fees and expenses	28	(245,022)	(220,225)
Professional fees and related expenses		-	-
Total operating expenses		(12,866,468)	(13,481,258)
Operating profit/(loss) before tax		28,296,201	(9,220,107)
Income tax credit	18	-	-
Net income/(loss) for the year		28,296,201	(9,220,107)

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

St. Kitts-Nevis-Anguilla National Bank Limited

Statement of Comprehensive Income

For the quarter ended September 30, 2024

(expressed in Eastern Caribbean dollars)

	Notes	Sept 2024 \$	Sept 2023 \$
Net income/(loss) for the year		28,296,201	(9,220,107)
Other comprehensive income/(loss), net of tax:			
<i>Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:</i>			
Financial assets measured at FVOCI – debt instruments:			
Net unrealised (losses)/gains on investment securities, net of tax	20	11,435,229	1,980,316
Reclassification adjustments for net losses included in income, net of tax	20	60,717	(59,362)
Expected credit losses recognised on FVOCI – debt securities	20	-	-
		11,495,946	1,920,954
<i>Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:</i>			
Financial assets measured at FVOCI – equity instruments:			
Unrealised gains on investment securities, net of tax	20	-	4,743,148
Realised losses transferred to retained earnings, net of tax	20	-	(7,306,834)
Re-measurement loss on defined benefit asset, net of tax	20	-	-
		-	(2,563,686)
Total other comprehensive income/(loss) for the year, net of tax		11,495,946	(642,732)
Total comprehensive income/(loss) for the year		39,792,147	(9,862,839)

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

St. Kitts-Nevis-Anguilla National Bank Limited

Separate Statement of Changes in Shareholders' Equity

As at September 30, 2024

(expressed in Eastern Caribbean dollars)

	Notes	Issued share capital \$	Share premium \$	Reserves \$	Retained earnings/ (Accumulated deficit) \$	Total \$
Balance as of Sept 30, 2023		141,750,000	3,877,424	413,026,703	(141,286,220)	417,367,907
Net loss for the year		—	—	—	57,378,876	57,378,876
Other comprehensive income/(loss), net		—	—	2,395,178	(7,306,834)	(4,911,656)
Total comprehensive income for the year		—	—	2,395,178	50,072,042	52,467,220
Transfer to reserve	20	—	—	-	-	—
Transaction with owners						
Dividends	27	-	—	—	(7,087,500)	(7,087,500)
Balance as of June 30, 2024		141,750,000	3,877,424	415,421,881	(91,214,178)	469,835,127
Net income for the year		—	—	—	28,296,201	28,296,201
Other comprehensive income/(loss), net		—	—	11,495,946	-	11,495,946
Total comprehensive loss for the year		—	—	11,495,946	28,296,201	39,792,147
Transfer to reserve	20	—	—	—	—	—
Transaction with owners						
Dividends	27	—	—	—	—	—
Balance as of Sept 30, 2024		141,750,000	3,877,424	426,917,827	(62,917,977)	509,627,274

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

St. Kitts-Nevis-Anguilla National Bank Limited

Separate Statement of Cash Flows

For the quarter ended September 30, 2024

(expressed in Eastern Caribbean dollars)

	Notes	Sept 2024 \$	June 2024 \$
Cash flows from operating activities			
Operating profit/(loss) before tax		28,296,201	28,595,046
Adjustments for:			
Interest expense	21	14,347,717	58,316,946
Credit and other impairment charges	24	-	1,100,278
Depreciation and amortisation	12, 13, 14	838,260	3,160,076
Retirement benefit expense	32	-	1,074,159
Loss on disposal of equipment		-	42,432
Gain on sale of assets		-	-
Dividend income		(1,237,260)	(9,681,762)
Fair value gains/(losses), net on FVTPL investment securities	10	(31,911,483)	(32,166,434)
Interest income	21	(21,406,030)	(94,034,959)
Operating (loss)/income before changes in operating assets and liabilities		(11,072,595)	(43,594,218)
<i>(Increase)/decrease in operating assets:</i>			
Loans and advances to customers		(4,244,712)	(54,255,492)
Mandatory deposits with Central Bank		11,497,204	16,667,915
Other assets		10,127,996	(8,990,244)
<i>Increase in operating liabilities:</i>			
Customers' deposits		(154,978,846)	(267,995,238)
Due to other financial institutions		4,176,824	-
Accumulated provisions, creditors and accruals		(30,342,237)	2,168,232
Cash generated from operations		(174,836,366)	(355,999,045)
Interest received		10,894,535	53,813,484
Pension contributions paid	32	-	(1,938,613)
Income taxes paid	18	-	(13,046,750)
Interest paid		(11,127,685)	(58,507,585)
Net cash from operating activities		(175,069,516)	(375,678,509)
Cash flows from investing activities			
Proceeds from sale of investment securities and originated debts		100,665,110	827,943,061
Interest received from investment securities and originated debts		12,363,626	35,326,587
Dividends received		1,237,260	9,681,762
Proceeds from sale of property and equipment		-	-
Payments received from the financial asset		-	-
Purchase of equipment and intangible assets		(3,045,436)	(10,226,262)
Increase in term deposits and treasury bills		70,462,302	463,430,502
Increase in investment securities and originated debts		(112,298,133)	(1,089,241,598)
Net cash used in investing activities		69,384,729	236,914,052

St. Kitts-Nevis-Anguilla National Bank Limited

Separate Statement of Cash Flows ...continued

For the quarter ended September 30, 2024

(expressed in Eastern Caribbean dollars)

	Notes	Sept 2023 \$	June 2023 \$
Cash flows from financing activities			
Dividends paid	27	—	(7,087,500)
Interest paid on lease liabilities	14	-	(21,752)
Repayments of lease liabilities	14	-	(718,638)
Net cash used in financing activities		-	(7,827,890)
Net (decrease)/increase in cash and cash equivalents		(105,684,787)	(146,592,347)
Cash and cash equivalents, beginning of year		204,795,869	351,388,216
Cash and cash equivalents, end of year	31	99,111,082	204,795,869

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

St. Kitts-Nevis-Anguilla National Bank Limited

Notes to Separate Financial Statements

September 30, 2024

(expressed in Eastern Caribbean dollars)

1 Incorporation and principal activity

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

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

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

2 Significant accounting policies

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

2.1 Basis of preparation

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

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

The Bank has prepared these quarterly financial statements to file with the Eastern Caribbean Securities Regulatory Commission (ECSRC).

St. Kitts-Nevis-Anguilla National Bank Limited

Notes to Separate Financial Statements

September 30, 2024

(expressed in Eastern Caribbean dollars)

2 Material accounting policy information...continued

2.2 Changes in accounting policies

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

Standards and amendments that are effective for the first time on July 1, 2023 are as follows:

- Insurance Contracts (IFRS 17);
- Amendments to IFRS 17 *Insurance Contracts*;
- Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4);
- Definition of Accounting Estimates (Amendments to IAS 8);
- Disclosure of Accounting Policies (Amendments to IAS 1 and Practice Statement 2); and
- International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12)

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

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

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

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

2.3 Financial assets and liabilities

Classification and measurement

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

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

(a) Debt instruments

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

Classification and subsequent measurement of debt instruments depend on:

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

St. Kitts-Nevis-Anguilla National Bank Limited

Notes to Separate Financial Statements

September 30, 2024

(expressed in Eastern Caribbean dollars)

2 Material accounting policy information ...continued

2.3 Financial assets and liabilities ...continued

Classification and measurement ...continued

(a) Debt instruments ...continued

Business model test:

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

Solely payments of principal and interest (SPPI) test:

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

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

- **Amortised cost:** Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured.
- **FVOCI:** Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss.
- **FVTPL:** Financial assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss.

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

(b) Equity instruments

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

St. Kitts-Nevis-Anguilla National Bank Limited

Notes to Separate Financial Statements

September 30, 2024

(expressed in Eastern Caribbean dollars)

2 Material accounting policy information ...continued

2.3 Financial assets and liabilities ...continued

Classification and measurement ...continued

(b) Equity instruments ...continued

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

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

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

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

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

St. Kitts-Nevis-Anguilla National Bank Limited

Notes to Separate Financial Statements

September 30, 2024

(expressed in Eastern Caribbean dollars)

2 Material accounting policy information ...continued

2.3 Financial assets and liabilities ...continued

Credit risk measurement

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

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1'. Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next twelve (12) months.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Instruments in Stage 2 have their ECL measured based on expected credit losses on a lifetime basis.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Instruments in Stages 3 have their ECL measured based on expected credit losses on a lifetime basis.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis.

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

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

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

Significant increase in credit risk (SICR)

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

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

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

St. Kitts-Nevis-Anguilla National Bank Limited

Notes to Separate Financial Statements

September 30, 2024

(expressed in Eastern Caribbean dollars)

2 Material accounting policy information ...continued

2.3 Financial assets and liabilities ...continued

Credit risk measurement ...continued

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

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

Backstop

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

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

Default

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

Quantitative criteria

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

Qualitative criteria

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

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

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

Impairment measurement

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

St. Kitts-Nevis-Anguilla National Bank Limited

Notes to Separate Financial Statements

September 30, 2024

(expressed in Eastern Caribbean dollars)

2 Material accounting policy information ...continued

2.3 Financial assets and liabilities ...continued

Impairment measurement ...continued

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

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

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

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

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

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

Forward-looking information

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

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

St. Kitts-Nevis-Anguilla National Bank Limited

Notes to Separate Financial Statements

September 30, 2024

(expressed in Eastern Caribbean dollars)

2 **Materia accounting policy information** ...continued

2.3 **Financial assets and liabilities** ...continued

Derecognition of financial assets

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

Financial liabilities

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

Derecognition of financial liabilities

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

Offsetting financial instruments

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

St. Kitts-Nevis-Anguilla National Bank Limited

Notes to Separate Financial Statements

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(expressed in Eastern Caribbean dollars)

2 Material accounting policy information ...continued

2.4 Employee benefits

(i) Short-term employee benefits

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

(ii) Gratuity

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

(iii) Pension plan

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

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

2.5 Property and equipment

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

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

St. Kitts-Nevis-Anguilla National Bank Limited

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2 Material accounting policy information ...continued

2.5 Property and equipment ...continued

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

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

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

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

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

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

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

2.6 Intangible assets

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

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

St. Kitts-Nevis-Anguilla National Bank Limited

Notes to Separate Financial Statements

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2 Material accounting policy information ...continued

2.7 Impairment of non-financial assets

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

2.8 Investment in subsidiaries

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

2.9 Guarantees and letters of credit

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

2.10 Provisions

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

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

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Notes to Separate Financial Statements

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(expressed in Eastern Caribbean dollars)

2 Material accounting policy information ...continued

2.11 Leased assets

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

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

Measurement and recognition of leases as a lessee

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

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

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

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

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

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

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

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

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2 Material accounting policy information...continued

2.12 Interest income and expense recognition

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

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

2.13 Fees and commission income

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

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

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

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

2.14 Dividend income

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

2.15 Operating expenses and fees expenses

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

St. Kitts-Nevis-Anguilla National Bank Limited

Notes to Separate Financial Statements

September 30, 2024

(expressed in Eastern Caribbean dollars)

2 Material accounting policy information ...continued

2.16 Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

2.17 Equity, reserves and dividend payments

(i) Issued share capital and share premium

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

(ii) Dividends on ordinary shares

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

(iii) Other components of equity

Other components of equity include the following:

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

St. Kitts-Nevis-Anguilla National Bank Limited

Notes to Separate Financial Statements

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2 Material accounting policy information...continued

2.18 Current and deferred income tax

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

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

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

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

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

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

2.19 Events after the financial reporting date

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

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Notes to Separate Financial Statements

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3 Financial risk management

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

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

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

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

3.1 Credit risk

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

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

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

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Notes to Separate Financial Statements

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3 Financial risk management ...continued

3.1 Credit risk ...continued

(i) Loans and advances to customers

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

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

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

(ii) Debt securities and other bills

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

3.1.1 Risk limit control and mitigation policies

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

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

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

St. Kitts-Nevis-Anguilla National Bank Limited

Notes to Separate Financial Statements

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3 Financial risk management ...continued

3.1 Credit risk ...continued

3.1.1 Risk limit control and mitigation policies ...continued

Other specific controls and mitigation measures are outlined below.

(i) Collateral

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or risk mitigation. The principal collateral types for loans and advances are:

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

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

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured.

(ii) Credit-related commitments

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

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans and advances, guarantees or letters of credit. With respect to credit risk, the Bank is potentially exposed to loss in an amount equal to the total unused commitments.

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

St. Kitts-Nevis-Anguilla National Bank Limited

Notes to Separate Financial Statements

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3 Financial risk management ...continued

3.1 Credit risk ...continued

3.1.2 Impairment and provisioning

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

	Deposits with other financial institutions (term deposits) \$	Treasury bills \$	Originated debts \$	Financial asset \$	Debt securities – FVOCI \$	Other assets \$	Acceptances, guarantees and letters of credit \$	Total \$
Credit grade:								
Investment grade	27,697,293	-	55,696,663	–	510,094,113	7,622,085	7,456,067	608,566,221
Non-investment grade	32,691,082	55,681,002	75,109,867	361,388,772	48,601,534	–	–	573,472,257
Default	–	–	–	–	–	1,111,449	–	1,111,449
Gross carrying amount	60,388,375	55,681,002	130,806,530	361,388,772	558,695,647	8,733,534	7,456,067	1,183,149,927
Loss allowance	(85,125)	(56,985)	(678,449)	(2,364,413)	–	(296,682)	–	(3,481,654)
Carrying amount as at Sept 30, 2024	60,303,250	55,624,017	130,128,081	359,024,359	558,695,647	8,436,852	7,456,067	1,179,668,273
Credit grade:								
Investment grade	28,160,772	73,099,888	82,029,551	-	494,851,320	17,831,441	7,456,067	703,429,039
Non-investment grade	32,445,935	55,117,810	74,290,135	359,993,850	49,603,121	-	-	571,450,851
Default	-	-	-	-	-	1,111,449	-	1,111,449
Gross carrying amount	60,606,707	128,217,698	156,319,686	359,993,850	544,454,441	18,942,890	7,456,067	1,275,991,339
Loss allowance	(85,125)	(56,985)	(678,449)	(2,364,413)	–	(296,682)	–	(3,481,654)
Carrying amount as at June 30, 2024	60,521,582	128,160,713	155,641,237	357,629,437	544,454,441	18,646,208	7,456,067	1,272,509,685

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Notes to Separate Financial Statements

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(expressed in Eastern Caribbean dollars)

3 Financial risk management ...continued

3.1 Credit risk ...continued

3.1.2 Impairment and provisioning ...continued

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

	Loans to customers \$	Overdrafts \$	Credit cards \$	Total \$
Credit grade:				
Performing	627,759,926	28,162,562	13,953,165	669,875,653
Under-performing	7,075,410	–	465,642	7,541,052
Non-performing	360,997,988	55,863,765	739,476	417,601,229
Gross carrying amount	995,833,324	84,026,327	15,158,283	1,095,017,934
Loss allowance	(28,720,036)	(4,691,920)	(1,838,915)	(35,250,871)
Carrying amount as at Sept 30, 2024	967,113,288	79,334,407	13,319,368	1,059,767,063
Credit grade:				
Performing	627,928,425	29,497,651	13,359,907	670,785,983
Under-performing	4,651,830	-	465,642	5,117,472
Non-performing	358,249,514	55,864,214	739,477	414,853,205
Gross carrying amount	990,829,769	85,361,865	14,565,026	1,090,756,660
Loss allowance	(28,720,036)	(4,691,920)	(1,838,915)	(35,250,871)
Carrying amount as at June 30, 2024	962,109,733	80,669,945	12,726,111	1,055,505,789

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3 Financial risk management ...continued

3.1 Credit risk ...continued

3.1.2 Impairment and provisioning ...continued

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

Debt securities and other financial assets at amortised cost	Stage 1 12-month ECL \$	Stage 2 lifetime ECL \$	Stage 3 lifetime ECL \$	Total \$
Credit grade:				
Investment grade	608,566,222	–	–	608,566,222
Non-investment grade	542,883,554	30,588,702	–	573,472,256
Default	–	–	1,111,449	1,111,449
Gross carrying amount	1,151,449,776	30,588,702	1,111,449	1,183,149,927
Loss allowance	(1,034,626)	(2,150,346)	(296,682)	(3,481,654)
Carrying amount as at Sept 30, 2024	1,150,415,150	28,438,356	814,767	1,179,668,273
Credit grade:				
Investment grade	703,429,039	-	-	703,429,039
Non-investment grade	540,862,149	30,588,702	-	571,450,851
Default	-	-	1,111,449	1,111,449
Gross carrying amount	1,244,291,188	30,588,702	1,111,449	1,275,991,339
Loss allowance	(1,034,626)	(2,150,346)	(296,682)	(3,481,654)
Carrying amount as at June 30, 2024	1,243,256,562	28,438,356	814,767	1,272,509,685

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Notes to Separate Financial Statements

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3 Financial risk management ...continued

3.1 Credit risk ...continued

3.1.2 Impairment and provisioning ...continued

	Stage 1 12-month ECL \$	Stage 2 lifetime ECL \$	Stage 3 lifetime ECL \$	Total \$
Loans and advances to customers				
Credit grade:				
Performing	669,875,653	–	–	669,875,653
Under-performing	–	7,541,052	–	7,541,052
Non-performing	–	–	417,601,229	417,601,229
Gross carrying amount	669,875,653	7,541,052	417,601,229	1,095,017,934
Loss allowance	(6,541,303)	(1,194,655)	(27,514,913)	(35,250,871)
Carrying amount as at Sept 30, 2024	663,334,350	6,346,397	390,086,316	1,059,767,063
Credit grade:				
Performing	670,785,983	-	-	670,785,983
Under-performing	-	5,117,472	-	5,117,472
Non-performing	-	-	414,853,205	414,853,205
Gross carrying amount	670,785,983	5,117,472	414,853,205	1,090,756,660
Loss allowance	(6,541,303)	(1,194,655)	(27,514,913)	(35,250,871)
Carrying amount as at June 30, 2024	664,244,680	3,922,817	387,338,292	1,055,505,789

Loss allowances

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

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

St. Kitts-Nevis-Anguilla National Bank Limited

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3 Financial risk management ...continued

3.1 Credit risk ...continued

3.1.2 Impairment and provisioning ...continued

Loss allowances ...continued

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

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

St. Kitts-Nevis-Anguilla National Bank Limited

Notes to Separate Financial Statements

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(expressed in Eastern Caribbean dollars)

3 Financial risk management ...continued

3.1 Credit risk ...continued

3.1.2 Impairment and provisioning ...continued

Loss allowances ...continued

	Stage 1 12-month ECL \$	Stage 2 lifetime ECL \$	Stage 3 Lifetime ECL \$	Total \$
Loans and advances to customers	6,541,303	1,194,655	27,514,913	35,250,871
Loss allowance as at June 30, 2024				
Transfers:				
Transfer from stage 1 to stage 2	-	-	-	-
Transfer from stage 1 to stage 3	-	-	-	-
Transfer from stage 2 to stage 1	-	-	-	-
Transfer from stage 2 to stage 3	-	-	-	-
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	-	-	-
New financial assets originated or purchased	-	-	-	-
Financial assets fully derecognised during the year	-	-	-	-
Changes to inputs used in ECL calculation	-	-	-	-
Loss allowance as at Sept 30, 2024	6,541,303	1,194,655	27,514,913	35,250,871
Loss allowance as at June 30, 2023	6,280,546	1,118,088	26,184,976	33,583,610
Transfers:				
Transfer from stage 1 to stage 2				
Transfer from stage 1 to stage 3				
Transfer from stage 2 to stage 1				
Transfer from stage 2 to stage 3				
Transfer from stage 3 to stage 1				
Transfer from stage 3 to stage 2				
New financial assets originated or purchased				
Financial assets fully derecognised during the year				
Changes to inputs used in ECL calculation	260,757	76,567	1,329,937	1,667,261
Loss allowance as at June 30, 2024	6,541,303	1,194,655	27,514,913	35,250,871

St. Kitts-Nevis-Anguilla National Bank Limited

Notes to Separate Financial Statements

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3 Financial risk management ...continued

3.1 Credit risk ...continued

3.1.2 Impairment and provisioning ...continued

IFRS 9 carrying values

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

	Stage 1 12-month ECL \$	Stage 2 lifetime ECL \$	Stage 3 Lifetime ECL \$	Total \$
Debt securities and other financial assets at amortised cost				
Gross carrying amount as at June 30, 2024	1,244,291,188	30,588,702	1,111,449	1,275,991,339
New financial assets originated or purchased	11,230,353	–	–	11,230,353
Financial assets fully derecognised during the year	(107,554,812)	–	–	(107,554,812)
Changes in principal and interest	3,483,047	–	–	3,483,047
Gross carrying amount at Sept 30, 2024	1,151,449,776	30,588,702	1,111,449	1,183,149,927
Gross carrying amount as at June 30, 2023	1,143,376,360	30,709,154	1,111,449	1,175,196,963
New financial assets originated or purchased	832,958,357	-	-	832,958,357
Financial assets fully derecognised during the year	(744,625,072)	-	-	(744,625,072)
Changes in principal and interest	12,581,543	(120,452)	-	12,461,091
Gross carrying amount at June 30, 2024	1,244,291,188	30,588,702	1,111,449	1,275,991,339

St. Kitts-Nevis-Anguilla National Bank Limited

Notes to Separate Financial Statements

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(expressed in Eastern Caribbean dollars)

3 Financial risk management ...continued

3.1 Credit risk ...continued

3.1.2 Impairment and provisioning ...continued

IFRS 9 carrying values ...continued

	Stage 1 12-month ECL \$	Stage 2 lifetime ECL \$	Stage 3 lifetime ECL \$	Total \$
Loans and advances to customers				
Gross carrying amount as at June 30, 2024	670,785,983	5,117,472	414,853,205	1,090,756,660
Transfers:				
Transfer from stage 1 to stage 2	-	-	-	-
Transfer from stage 1 to stage 3	-	-	-	-
Transfer from stage 2 to stage 1	-	-	-	-
Transfer from stage 2 to stage 3	-	-	-	-
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	-	-	-
New financial assets originated or purchased	8,432,648	-	-	8,432,648
Financial assets fully derecognised	-	-	-	-
Changes in principal and interest	(6,824,703)	817,436	1,513,178	(4,494,089)
Gross carrying amount as at Sept 30, 2024	628,176,443	5,530,808	405,305,758	1,039,013,009
Gross carrying amount as at June 30, 2023	626,568,498	4,713,372	403,792,580	1,035,074,450
Transfers:				
Transfer from stage 1 to stage 2				
Transfer from stage 1 to stage 3				
Transfer from stage 2 to stage 1				
Transfer from stage 2 to stage 3				
Transfer from stage 3 to stage 1				
Transfer from stage 3 to stage 2				
New financial assets originated or purchased	42,609,540	404,100	-	43,013,640
Financial assets fully derecognised	-	-	-	-
Changes in principal and interest	-	-	11,060,625	11,060,625
Gross carrying amount as at June 30, 2024	670,785,983	5,117,472	414,853,205	1,090,756,660

St. Kitts-Nevis-Anguilla National Bank Limited

Notes to Separate Financial Statements

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3 Financial risk management ...continued

3.1 Credit risk ...continued

3.1.2 Impairment and provisioning ...continued

Economic variable assumptions

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

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

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

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

St. Kitts-Nevis-Anguilla National Bank Limited

Notes to Separate Financial Statements

September 30, 2024

(expressed in Eastern Caribbean dollars)

3 Financial risk management ...continued

3.1 Credit risk ...continued

3.1.2 Impairment and provisioning ...continued

Economic variable assumptions ...continued

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

Year	Base	Upside	Downside
Sept 30, 2024	80%	4%	16%
June 30, 2024	80%	4%	16%

Set out below are the changes to the ECL as at June 30, 2023 that would result from reasonably possible variations in the most significant assumptions affecting the ECL allowance for the financial assets in stages 1 to 2 with respect to the credit risk:

Loss Given Default	ECL impact of:		
	Change in threshold	Increase in value \$	Decrease in value \$
Debt securities – amortised cost	+/- 5%	146,298	(146,298)
Debt securities – FVOCI	+/- 5%	34,634	(34,634)
Collateral haircut	ECL impact of:		
	Change in threshold	Increase in value \$	Decrease in value \$
Loans	+/- 5%	230,128	(169,343)
Advances	+/- 5%	104,414	(99,399)

Purchased or originated credit-impaired (POCI) financial assets

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

Loans and advances to customers renegotiated

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans, in particular customer finance loans. Renegotiated loans during the reporting date amounted to \$Nil (June 2023: \$253,825).

St. Kitts-Nevis-Anguilla National Bank Limited

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(expressed in Eastern Caribbean dollars)

3 Financial risk management ...continued

3.1 Credit risk ...continued

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

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

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

	St. Kitts & Nevis \$	United States & Canada \$	Europe \$	Other Caribbean Territories \$	Total \$
As of Sept 30, 2024					
Cash and balances with Central Bank	52,317,575	–	–	–	52,317,575
Treasury bills	55,624,017	–	–	–	55,624,017
Deposits with other financial institutions	36,753,890	119,280,472	3,196,511	5,163,866	164,394,739
Financial asset	359,024,359	–	–	–	359,024,359
Loans and advances to customers	964,874,370	67,550,106	1,530,728	25,811,859	1,059,767,063
Originated debts	26,156,465	55,643,037	–	48,328,579	130,128,081
Debt investment securities	–	558,695,647	–	–	558,695,647
Acceptances, guarantees and letters of credit	7,456,067	–	–	–	7,456,067
Other assets	6,380,197	2,056,655	–	–	8,436,852
	1,508,586,940	803,225,917	4,727,239	79,304,304	2,395,844,400

St. Kitts-Nevis-Anguilla National Bank Limited

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(expressed in Eastern Caribbean dollars)

3 Financial risk management ...continued

3.1 Credit risk ...continued

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

	St. Kitts & Nevis \$	United States & Canada \$	Europe \$	Other Caribbean Territories \$	Total \$
As of June 30, 2024					
Cash and balances with					
Central Bank	26,002,053	-	-	-	26,002,053
Treasury bills	55,084,976	73,075,737	-	-	128,160,713
Deposits with other					
financial institutions	34,603,600	158,024,544	2,959,279	7,564,608	203,152,031
Financial asset	357,629,437	-	-	-	357,629,437
Loans and advances to					
customers	960,854,045	66,719,147	1,558,110	26,374,487	1,055,505,789
Originated debts	25,894,054	81,975,925	-	47,771,258	155,641,237
Debt investment securities	-	544,454,441	-	-	544,454,441
Acceptances, guarantees					
and letters of credit	7,456,067	-	-	-	7,456,067
Other assets	17,898,059	748,150	-	-	18,646,209
	<u>1,485,422,291</u>	<u>924,997,944</u>	<u>4,517,389</u>	<u>81,710,353</u>	<u>2,496,647,977</u>

St. Kitts-Nevis-Anguilla National Bank Limited

Notes to Separate Financial Statements

September 30, 2024

(expressed in Eastern Caribbean dollars)

3 Financial risk management ...continued

3.1 Credit risk ...continued

3.1.4 Economic concentration of risks of financial assets with credit exposure

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

	Public sector	Construction	Tourism	Financial institutions	Individuals	Other industries	Total
	\$	\$	\$	\$	\$	\$	\$
As of Sept 30, 2024							
Cash and balances with Central Bank	–	–	–	52,317,575	–	–	52,317,575
Treasury bills	55,624,017	–	–	–	–	–	55,624,017
Deposits with other financial institutions	30,178,700	–	–	134,216,039	–	–	164,394,739
Financial asset	359,024,359	–	–	–	–	–	359,024,359
Loans and advances to customers	237,241,792	116,976,833	207,781,432	47,918,516	341,433,242	108,415,248	1,059,767,063
Originated debts	130,128,081	–	–	–	–	–	130,128,081
Debt investment securities	263,561,165	477,444	277,260	148,469,900	–	145,909,878	558,695,647
Acceptances, guarantees and letters of credit	3,380,717	–	–	–	–	4,075,350	7,456,067
Other assets	1,350,232	–	–	1,697,148	2,032,330	3,357,142	8,436,852
	1,080,489,063	117,454,277	208,058,692	384,619,178	343,465,572	261,757,618	2,395,844,400

St. Kitts-Nevis-Anguilla National Bank Limited

Notes to Separate Financial Statements

September 30, 2024

(expressed in Eastern Caribbean dollars)

3 Financial risk management ...continued

3.1 Credit risk ...continued

3.1.4 Economic concentration of risks of financial assets with credit exposure ...continued

	Public sector	Construction	Tourism	Financial institutions	Individuals	Other industries	Total
	\$	\$	\$	\$	\$	\$	\$
As of June 30, 2024							
Cash and balances with Central Bank	-	-	-	26,002,053	-	-	26,002,053
Treasury bills	128,160,713	-	-	-	-	-	128,160,713
Deposits with other financial institutions	29,942,296	-	-	173,209,735	-	-	203,152,031
Financial asset	357,629,437	-	-	-	-	-	357,629,437
Loans and advances to customers	239,825,425	119,512,068	209,581,758	47,828,143	329,982,669	108,775,726	1,055,505,789
Originated debts	155,641,237	-	-	-	-	-	155,641,237
Debt investment securities	260,030,389	465,855	272,403	145,952,523	-	137,733,271	544,454,441
Acceptances, guarantees and letters of credit	3,380,717	-	-	-	-	4,075,350	7,456,067
Other assets	1,187,509	-	-	2,054,806	1,457,962	13,945,932	18,646,209
	1,175,797,723	119,977,923	209,854,161	395,047,260	331,440,631	264,530,279	2,496,647,977

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

St. Kitts-Nevis-Anguilla National Bank Limited

Notes to Separate Financial Statements

September 30, 2024

(expressed in Eastern Caribbean dollars)

3 Financial risk management ...continued

3.2 Market risk

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

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

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

3.2.1 Price risk

The Bank is exposed to price risk in respect to its investment securities classified on the separate statement of financial position as FVTPL (note 10). If the quoted stock price for these securities increased or decreased by 10%, profit or loss and accumulated deficit would have changed by \$72,354,328 (June 2024: \$65,453,408).

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

3.2.2 Foreign exchange risk

The Bank is exposed to foreign exchange risk through fluctuation in certain prevailing foreign exchange rates on its financial position and cash flows. The Board of Directors limits the level of exposure by currency and in total which are monitored daily. The Bank's exposure to currency risk is minimal since most of its assets and liabilities in foreign currencies are held in United States dollars. The Bank uses the mid-rate of exchange ruling on that day to convert all assets and liabilities in foreign currencies to Eastern Caribbean dollars (EC\$).

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

St. Kitts-Nevis-Anguilla National Bank Limited

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3 Financial risk management ...continued

3.2 Market risk ...continued

3.2.2 Foreign exchange risk ...continued

Concentration of currency risk

As at Sept 30, 2024	XCD \$	USD \$	EURO \$	GBP \$	CAN \$	BDS \$	GUY \$	Total \$
Assets								
Cash and balances with Central Bank	223,488,260	4,097,050	58,222	91,035	46,266	44,235	–	227,825,068
Treasury bills	55,624,017	–	–	–	–	–	–	55,624,017
Deposits with other financial institutions	39,600,422	122,914,402	317,136	12,659	151	1,535,238	14,731	164,394,739
Financial asset	359,024,359	–	–	–	–	–	–	359,024,359
Loans and advances to customers	652,295,563	407,471,500	–	–	–	–	–	1,059,767,063
Originated debts	35,041,013	95,087,068	–	–	–	–	–	130,128,081
Investment securities FVOCI	7,493,433	558,867,021	–	–	–	–	–	566,360,454
Investment securities FVTPL	1,035,000	722,508,284	–	–	–	–	–	723,543,284
Acceptances, guarantees and letters of credit	7,456,067	–	–	–	–	–	–	7,456,067
Other assets	7,429,991	1,006,861	–	–	–	–	–	8,436,852
Total financial assets	1,388,488,125	1,911,952,186	375,358	103,694	46,417	1,579,473	14,731	3,302,559,984
Liabilities								
Customers' deposits	2,473,302,230	326,804,796	29,538	202,070	189,518	–	–	2,800,528,152
Borrowings/Due to Fin Inst.	–	96,710,270	–	1,941,716	201,233	–	–	98,853,219
Lease liabilities	833,748	–	–	–	–	–	–	833,748
Acceptances, guarantees and letters of credit	7,456,067	–	–	–	–	–	–	7,456,067
Accumulated provisions, creditors and accruals	26,418,426	8,136,311	993	271,815	95,267	117,699	2,225	35,042,736
Total financial liabilities	2,508,010,471	431,651,377	30,531	2,415,601	486,018	117,699	2,225	2,942,713,922
Net on-balance sheet position	(1,119,522,346)	1,480,300,809	344,827	(2,311,907)	(439,601)	1,461,774	12,506	359,846,062
Credit commitments	36,326,993	25,092,210	–	–	–	–	–	61,419,203

St. Kitts-Nevis-Anguilla National Bank Limited

Notes to Separate Financial Statements

September 30, 2024

(expressed in Eastern Caribbean dollars)

3 Financial risk management ...continued

3.2 Market risk ...continued

3.2.2 Foreign exchange risk ...continued

Concentration of currency risk ...continued

As at June 30, 2024	XCD \$	USD \$	EURO \$	GBP \$	CAN \$	BDS \$	GUY \$	Total \$
Assets								
Cash and balances with Central Bank	207,122,873	4,474,982	56,960	85,924	26,633	26,272	-	211,793,644
Treasury bills	55,084,976	73,075,737	-	-	-	-	-	128,160,713
Deposits with other financial institutions	37,852,142	159,556,580	824,875	664,903	716,080	3,516,528	20,923	203,152,031
Financial asset	357,629,437	-	-	-	-	-	-	357,629,437
Loans and advances to customers	642,880,118	412,625,671	-	-	-	-	-	1,055,505,789
Originated debts	34,653,105	120,988,132	-	-	-	-	-	155,641,237
Investment securities FVOCI	7,493,433	544,459,589	-	-	-	-	-	551,953,022
Investment securities FVTPL	1,035,000	653,499,075	-	-	-	-	-	654,534,075
Acceptances, guarantees and letters of credit	7,456,067	-	-	-	-	-	-	7,456,067
Other assets	7,901,025	10,735,327	41	4,565	5,251	-	-	18,646,209
Total financial assets	1,359,108,176	1,979,415,093	881,876	755,392	747,964	3,542,800	20,923	3,344,472,224
Liabilities								
Borrowings	2,608,752,501	343,105,084	28,196	212,951	188,234	-	-	2,952,286,966
Lease liabilities	833,748	-	-	-	-	-	-	833,748
Acceptances, guarantees and letters of credit	7,456,067	-	-	-	-	-	-	7,456,067
Accumulated provisions, creditors and accruals	28,696,643	35,379,488	3,122	369,031	816,765	117,699	2,225	65,384,973
Total financial liabilities	2,645,738,959	378,484,572	31,318	581,982	1,004,999	117,699	2,225	3,025,961,754
Net on-balance sheet position	(1,286,630,783)	1,600,930,521	850,558	173,410	(257,035)	3,425,101	18,698	318,510,470
Credit commitments	37,321,147	24,714,157	-	-	-	-	-	62,035,304

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September 30, 2024

(expressed in Eastern Caribbean dollars)

3 Financial risk management...continued

3.2 Market risk ...continued

3.2.3 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise. The Board of Directors limits the level of mismatch of interest rates repricing that may be undertaken.

St. Kitts-Nevis-Anguilla National Bank Limited

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3 Financial risk management ...continued

3.2 Market risk ...continued

3.2.3 Interest rate risk ...continued

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

As at Sept 30, 2024	Up to 1 month \$	1 to 3 months \$	3 to 12 months \$	1 to 5 years \$	Over 5 years \$	Non-interest bearing \$	Total \$
Assets							
Cash and balances with Central Bank	–	–	–	–	–	227,825,068	227,825,068
Treasury bills	–	–	54,760,455	–	–	863,562	55,624,017
Deposits with other financial institutions	76,408,522	12,397,626	32,931,991	14,054,794	–	28,601,806	164,394,739
Financial asset	–	–	–	351,491,783	–	7,532,576	359,024,359
Loans and advances to customers	364,967,773	464,458	2,167,816	78,030,018	599,538,205	14,598,793	1,059,767,063
Originated debts	–	–	–	101,149,007	26,156,465	2,822,609	130,128,081
Investment securities – FVOCI	303,177	–	42,271,876	305,114,914	149,810,981	69,894,507	567,395,455
Investment securities – FVTPL	–	–	–	–	–	722,508,283	722,508,283
Acceptances, guarantees and letters of credit	–	–	–	–	–	7,456,067	7,456,067
Other assets	745,115	–	–	–	–	7,691,737	8,436,852
Total financial assets	442,424,587	12,862,084	132,132,138	849,840,516	775,505,651	1,089,795,008	3,422,947,188
Liabilities							
Customers' deposits	1,058,691,969	137,743,275	926,275,701	20,000	–	677,797,207	2,800,528,152
Borrowings/Due to Fin Inst.	4,176,824	–	–	94,676,395	–	–	98,853,219
Lease liabilities	67,827	126,138	327,784	311,999	–	–	833,748
Acceptances, guarantees and letters of credit	–	–	–	–	–	7,456,067	7,456,067
Accumulated provisions, creditors and accruals	2,169	–	–	–	–	35,040,567	35,042,736
Total financial liabilities	1,062,938,789	137,869,413	926,603,485	95,008,394	–	720,293,841	2,942,713,922
Total interest repricing gap	(620,514,202)	(125,007,329)	(794,471,347)	754,832,122	775,505,651	369,501,167	359,846,062

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Notes to Separate Financial Statements

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(expressed in Eastern Caribbean dollars)

3 Financial risk management ...continued

3.2 Market risk ...continued

3.2.3 Interest rate risk ...continued

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

	Up to 1 month \$	1 to 3 months \$	3 to 12 months \$	1 to 5 years \$	Over 5 years \$	Non-interest bearing \$	Total \$
As at June 30, 2024							
Assets							
Cash and balances with Central Bank	-	-	-	-	-	211,793,644	211,793,644
Treasury bills	31,832,264	-	93,574,723	-	-	2,753,726	128,160,713
Deposits with other financial institutions	112,883,166	13,511,225	26,818,391	13,868,623	-	36,070,626	203,152,031
Financial asset	-	-	-	351,491,783	-	6,137,654	357,629,437
Loans and advances to customers	365,042,938	594,626	2,630,077	81,091,557	591,548,376	14,598,215	1,055,505,789
Originated debts	-	25,234,603	27,012,943	75,927,460	25,862,284	1,603,947	155,641,237
Investment securities – FVOCI	269,940	1,079,943	24,632,150	297,217,150	158,528,723	70,225,116	551,953,022
Investment securities – FVTPL	-	-	-	-	-	654,534,075	654,534,075
Acceptances, guarantees and letters of credit	-	-	-	-	-	7,456,067	7,456,067
Other assets	751,663	-	-	-	-	17,894,546	18,646,209
Total financial assets	510,779,971	40,420,397	174,668,284	819,596,573	775,939,383	1,023,067,616	3,344,472,224
Liabilities							
Customers' deposits	1,112,047,950	216,363,188	859,523,349	20,000	-	764,332,479	2,952,286,966
Borrowings	-	-	-	-	-	-	-
Lease liabilities	67,827	126,138	327,784	311,999	-	-	833,748
Acceptances, guarantees and letters of credit	-	-	-	-	-	7,456,067	7,456,067
Accumulated provisions, creditors and accruals	2,922	-	-	-	-	65,382,051	65,384,973
Total financial liabilities	1,112,118,699	216,489,326	859,851,133	331,999	-	837,170,597	3,025,961,754
Total interest repricing gap	(601,338,728)	(176,068,929)	(685,182,849)	819,264,574	775,939,383	185,897,019	318,510,470

St. Kitts-Nevis-Anguilla National Bank Limited

Notes to Separate Financial Statements

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(expressed in Eastern Caribbean dollars)

3 Financial risk management ...continued

3.2 Market risk ...continued

3.2.3 Interest rate risk ...continued

The Bank's fair value market rate risk arises from debt securities classified as FVOCI and FVTPL. Had market interest rates at the reporting date been 100 basis points higher/lower with all variables held constant, equity for the year would have been \$5,588,619 (June 2024: \$5,444,544) lower/higher as a result of the decrease/increase in revaluation reserve for FVOCI debt securities and profit or loss for the year would have been \$26,248 (June 2024: \$26,248) lower/higher due to the decrease/increase in fair value of debt securities measured at FVTPL.

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

3.3 Liquidity risk

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

3.3.1 Liquidity risk management

The Bank's liquidity is managed and monitored by the Finance Division with guidance, where necessary, from the Board of Directors. The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation. This includes:

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

St. Kitts-Nevis-Anguilla National Bank Limited

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(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

3.3.2 Funding approach

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

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

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Notes to Separate Financial Statements

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3 Financial risk management ...continued

3.3.3 Cash flows

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

	Up to 1 month \$	1 to 3 months \$	3 to 12 months \$	1 to 5 years \$	Over 5 years \$	Total \$
As at Sept 30, 2024						
Liabilities						
Customers' deposits, including interest until maturity	1,721,037,114	139,925,009	959,455,028	20,000	–	2,820,437,351
Borrowings/Due to Fin. Inst.	4,176,824	–	–	94,676,395	–	98,853,219
Lease liabilities	67,827	126,138	327,784	311,999	–	833,748
Acceptances, guarantees and letters of credit	–	–	–	–	7,456,067	7,456,067
Accumulated provisions, creditors and accruals	16,521,983	18,520,753	–	–	–	35,042,736
Total financial liabilities	1,741,803,748	158,571,900	959,782,812	95,008,594	7,456,067	2,962,623,121
Assets held to manage liquidity risk	1,501,451,644	11,383,864	162,205,076	849,191,139	778,328,261	3,302,559,984
Net liquidity gap	(240,352,104)	(147,188,036)	(797,577,736)	754,182,545	770,872,194	339,936,863
As at June 30, 2024						
Liabilities						
Customers' deposits, including interest until maturity	1,864,101,742	221,099,434	890,828,722	20,000	–	2,976,049,898
Borrowings	–	–	–	–	–	–
Lease liabilities	67,827	126,138	327,784	311,999	–	833,748
Acceptances, guarantees and letters of credit	–	–	–	–	7,456,067	7,456,067
Accumulated provisions, creditors and accruals	46,989,822	18,395,151	–	–	–	65,384,973
Total financial liabilities	1,911,159,391	239,620,723	891,156,506	331,999	7,456,067	3,049,724,686
Assets held to manage liquidity risk	1,503,630,765	42,397,492	197,016,356	823,225,509	778,202,102	3,344,472,224
Net liquidity gap	(407,528,626)	(197,223,231)	(694,140,150)	822,893,510	770,746,035	294,747,538

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(expressed in Eastern Caribbean dollars)

3 Financial risk management ...continued

3.3.4 Off-balance sheet items

Loan commitments

The dates of the contractual amounts of the Bank's off-balance sheet financial instruments that commit it to extend credit to customers and other facilities (note 29), are summarised in the table below:

	Up to 1 year \$	1 to 3 years \$	Over 3 years \$	Total \$
As of Sept 30, 2024				
Loan commitments	7,317,247	385,319	36,824,946	44,527,512
Credit card commitments	16,891,691	–	–	16,891,691
	24,208,938	385,319	36,824,946	61,419,203
As of June 30, 2024				
Loan commitments	9,005,955	389,822	36,324,838	45,720,615
Credit card commitments	16,314,689	-	-	16,314,689
	25,320,644	389,822	36,324,838	62,035,304

3.4 Fair values of financial assets and liabilities

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

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

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

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3 Financial risk management ...continued

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

(i) Treasury bills

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

(ii) Deposits with other financial institutions

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

(iii) Loans and advances to customers and originated debts

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

(iv) Customers' deposits

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

(v) Due to financial institutions

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

(vi) Other borrowed funds

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

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Notes to Separate Financial Statements

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3 Financial risk management ...continued

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

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

	Carrying value		Fair value	
	Sept 2024	June 2024	Sept 2024	June 2024
	\$	\$	\$	\$
Financial assets				
Cash and balances with Central Bank	227,825,068	211,793,644	227,825,068	211,793,644
Treasury bills	55,624,017	128,160,713	55,624,017	128,160,713
Deposits with other financial institutions	164,394,739	203,152,031	164,394,739	203,152,031
Financial asset	359,024,359	357,629,437	359,024,359	357,629,437
Loans and advances to customers	1,059,767,063	1,055,505,789	1,059,767,063	1,055,505,789
Originated debts	130,128,081	155,641,237	130,128,081	155,641,237
Acceptances, guarantees and letters of credit	7,456,067	7,456,067	7,456,067	7,456,067
Other assets	8,436,852	18,646,209	8,436,852	18,646,209
	2,012,656,246	2,137,985,127	2,012,656,246	2,137,985,127
Financial liabilities				
Customers' deposits	2,800,528,152	2,952,286,966	2,800,528,152	2,952,286,966
Borrowings	—	—	—	—
Lease liabilities	833,748	833,748	833,748	833,748
Acceptances, guarantees and letters of credit	7,456,067	7,456,067	7,456,067	7,456,067
Accumulated provisions, creditors and accruals	34,874,697	65,384,973	34,874,697	65,384,973
	2,843,692,664	3,025,961,754	2,843,692,664	3,025,961,754

St. Kitts-Nevis-Anguilla National Bank Limited

Notes to Separate Financial Statements

September 30, 2024

(expressed in Eastern Caribbean dollars)

3 Financial risk management ...continued

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

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

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

3.4.2 Fair value measurements of FVTPL and FVOCI investment securities

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
As at Sept 30, 2024				
Debt securities	502,290,254	–	56,571,620	558,861,874
Equities	633,821,068	1,037,083	96,183,713	731,041,864
	1,136,111,322	1,037,083	152,755,333	1,289,903,738
As at June 30, 2024				
Debt securities	488,445,715	–	56,008,726	544,454,441
Equities	579,717,872	912,056	81,402,728	662,032,656
	1,068,163,587	912,056	137,411,454	1,206,487,097

3.4.3 Fair value measurements of non-financial assets

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

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
As at Sept 30, 2024				
Land and property	–	–	25,259,622	25,259,622
As at June 30, 2024				
Land and property	–	–	25,259,622	25,259,622

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3 Financial risk management ...continued

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

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

3.5 Capital management

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

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

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

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

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

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

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

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

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3 Financial risk management ...continued

3.5 Capital management continued

	Sept 2024 \$	June 2024 \$
Tier 1 capital		
Share capital	141,750,000	141,750,000
Share premium	3,877,424	3,877,424
Issued bonus shares from capitalisation of unrealised assets	(4,500,000)	(4,500,000)
Reserves	426,917,827	415,421,881
Add/(deduct) fair value reserves – FVOCI	(18,572,917)	(7,076,971)
Less property revaluation reserve	(21,296,160)	(21,296,160)
(Accumulated deficit)/retained earnings	(91,214,178)	(91,214,178)
Total qualifying Tier 1 capital	436,961,996	436,961,996
	Sept 2024 \$	June 2024 \$
Tier 2 capital		
Fair value reserves – FVOCI	18,572,917	7,076,971
Property revaluation reserve	21,296,160	21,296,160
Unaudited Profit/(loss) before tax	28,296,201	-
Issued bonus shares from capitalisation of unrealised assets	4,500,000	4,500,000
Total qualifying Tier 2 capital	72,665,277	32,873,131
Investment in subsidiaries	(23,112,027)	(23,112,026)
Total regulatory capital	486,515,246	446,723,101
	Sept 2024 \$	June 2024 \$
Risk-weighted assets:		
On and off statement of financial position	2,716,941,000	2,416,546,000
Total risk-weighted assets	2,716,941,000	2,470,077,900
Tier 1 capital ratio	16%	18%
Basel ratio	18%	18%

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4 Critical accounting estimates and judgements

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

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

i) Fair value of financial instruments

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

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

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

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

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4 Critical accounting estimates and judgements ...continued

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

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

iii) *Measurement of the expected credit loss allowance*

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

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

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

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

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

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4 Critical accounting estimates and judgements ...continued

(iv) Pension benefits

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

(v) Estimation of current and deferred income taxes

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

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

5 Cash and balances with Central Bank

	Sept 2024 \$	June 2024 \$
Cash on hand	23,863,473	22,650,366
Balances with Central Bank other than mandatory deposits	52,317,575	26,002,053
Included in cash and cash equivalents (note 30)	76,181,048	48,652,419
Mandatory deposits with Central Bank	151,644,021	163,141,225
	<u>227,825,069</u>	<u>211,793,644</u>

The Bank is required to maintain an Automated Clearing Housing (ACH) collateral amount with the Central Bank. This amount can be in the form of cash and/or ECCU member government securities issued on the Regional Government Securities Market. The Bank's collateral amount held with the Central Bank at September 30, 2024 amounted to \$14,130,408 (June 2024: \$14,130,408).

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5 Cash and balances with Central Bank ...continued

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

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

6 Treasury bills

	Sept 2024 \$	June 2024 \$
SKN Government Treasury bills	54,817,440	54,817,440
US Government Treasury bills	-	70,646,532
Interest receivable	863,562	2,753,726
	55,681,002	128,217,698
Less: provision for expected losses	(56,985)	(56,985)
	55,624,017	128,160,713

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

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

	Sept 2024 \$	June 2024 \$
Balance at beginning of year	128,160,713	343,913,435
Additions	-	220,281,745
Disposals (sales/redemptions)	(70,646,532)	(435,606,226)
Movement in interest receivable	(1,890,164)	(434,139)
Impairment (charge)/recovery during the year	-	5,898
Balance at end of year	55,624,017	128,160,713

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

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

St. Kitts-Nevis-Anguilla National Bank Limited

Notes to Separate Financial Statements

September 30, 2024

(expressed in Eastern Caribbean dollars)

7 Deposits with other financial institutions

	Sept 2024 \$	June 2024 \$
Operating cash balances	98,468,625	140,012,919
Interest bearing term deposits	13,513,000	13,513,000
Items in the course of collection	5,624,804	2,617,531
Included in cash and cash equivalents (note 30)	117,606,429	156,143,450
Interest bearing term deposits	31,899,400	31,899,400
Restricted term deposits	14,054,794	13,868,623
	163,560,623	201,911,473
Interest receivable	921,181	1,325,683
Total deposits with other financial institutions, gross	164,481,804	203,237,156
Less: provision for expected credit losses	(85,125)	(85,125)
Total deposits with other financial institutions, net	164,396,679	203,152,031
Current	150,341,885	189,283,408
Non-current	14,054,794	13,868,623
	164,396,679	203,152,031

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

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

Interest earned on 'Restricted term deposits' is credited to the separate statement of income. The effective interest rate on 'Deposits with other financial institutions' at September 30, 2024 is 4.29% (June 2024: 4.29%).

Interest bearing term deposits are interest bearing which earn interest at a rate of 1.5% to 5.04% per annum (June 2024: 1.50% to 5.75%) and have original terms of maturity of six months to one year ending within the period October 18, 2024 to February 24, 2025 (2024: July 9, 2024 to February 24, 2025).

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

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

St. Kitts-Nevis-Anguilla National Bank Limited

Notes to Separate Financial Statements

September 30, 2024

(expressed in Eastern Caribbean dollars)

8 Loans and advances to customers

	Sept 2024 \$	June 2024 \$
<i>Performing</i>		
Demand	387,057,375	402,568,569
Mortgages	196,461,785	185,396,053
Other secured	28,272,018	27,424,791
Overdrafts	28,162,563	29,497,651
Credit cards	13,953,165	13,359,907
Consumer	14,312,136	10,898,963
<i>Under-performing</i>		
Demand	3,639,896	2,914,616
Mortgages	3,011,641	1,472,235
Other secured	-	-
Overdrafts	-	-
Credit cards	465,642	465,642
Consumer	423,873	264,979
<i>Non-performing</i>	417,601,229	414,853,205
Interest receivable	1,656,611	1,640,049
Total loans and advances to customers, gross	1,095,017,934	1,090,756,660
Less: Provision for expected credit losses	(35,250,871)	(35,250,871)
Total loans and advances to customers, net	1,059,767,063	1,055,505,789
Current	382,198,839	382,865,856
Non-current	677,568,224	672,639,933
	1,059,767,063	1,055,505,789

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

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

	Sept 2024 \$	June 2024 \$
Opening provision for expected credit losses	35,250,871	33,583,610
Expected credit losses during the year, net (note 24)	-	1,979,668
Write offs during the year	-	(312,407)
Ending provision for expected credit losses	35,250,871	35,250,871

St. Kitts-Nevis-Anguilla National Bank Limited

Notes to Separate Financial Statements

September 30, 2024

(expressed in Eastern Caribbean dollars)

9 Originated debts

	Sept 2024 \$	June 2024 \$
Local sovereign bonds	26,173,188	25,879,007
International Sovereign bond	35,221,634	35,221,634
International Agency bonds	18,861,446	45,887,446
Regional sovereign bonds	47,727,653	47,727,653
	<u>127,983,921</u>	<u>154,715,740</u>
Interest receivable	2,822,609	1,603,946
	<u>130,806,530</u>	<u>156,319,686</u>
Total originated debts, gross		
Less: Provision for expected credit losses	(678,449)	(678,449)
Total originated debts, net	130,128,081	155,641,237
Current	-	53,851,493
Non-current	130,128,081	101,789,744
	<u>130,128,081</u>	<u>155,641,237</u>

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

a) Local and regional sovereign bonds

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

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

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

St. Kitts-Nevis-Anguilla National Bank Limited

Notes to Separate Financial Statements

September 30, 2024

(expressed in Eastern Caribbean dollars)

9 Originated debts...continued

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

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

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

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

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

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

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

d) International bonds

The Bank holds an Agency bond purchased through Wells Fargo which is denominated in United States dollars and which yields an interest rate of 4.75% (June 2024: 3.0% to 4.75%). The maturity date of the bond is February 8, 2029 (June 2024: December 23, 2024 – February 8, 2029). The Bank also reinvested non-interest-bearing funds in a Sovereign bond purchased through Wells Fargo, which will mature March 5, 2029 and yields interest at a rate of 5.50%.

St. Kitts-Nevis-Anguilla National Bank Limited

Notes to Separate Financial Statements

September 30, 2024

(expressed in Eastern Caribbean dollars)

9 Originated debts...continued

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

	Sept 2024 \$	June 2024 \$
Balance at beginning of year	155,641,237	119,535,676
Additions	25,698,621	68,714,161
Disposals (sales/redemptions)	(52,430,440)	(33,145,486)
Direct write off during the year	-	-
Impairment (charge)/recovery during the year	-	(312,842)
Movement in interest receivable	1,218,663	849,728
Balance at end of year	130,128,081	155,641,237

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

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

St. Kitts-Nevis-Anguilla National Bank Limited

Notes to Separate Financial Statements

September 30, 2024

(expressed in Eastern Caribbean dollars)

10 Investment securities

	Sept 2024 \$	June 2024 \$
FVTPL		
Equity investments	723,543,283	654,534,075
Debt investments	-	-
	<u>723,543,283</u>	<u>654,534,075</u>
FVOCI – equity securities		
Quoted equity investments	-	-
Unquoted equity investments	7,498,581	7,498,581
	<u>7,498,581</u>	<u>7,498,581</u>
FVOCI – debt securities		
Quoted corporate bonds	283,858,433	271,961,441
Quoted sovereign bonds	252,965,871	243,293,324
Government Sponsored Enterprise Debentures	9,267,612	12,989,369
Interest receivable	4,530,196	9,492,498
Certificates of Deposits	8,239,762	6,717,809
Total debt securities – FVOCI	<u>558,861,874</u>	<u>544,454,441</u>
Total investment securities	<u>1,289,903,738</u>	<u>1,206,487,097</u>
Current	827,616,833	745,569,717
Non-current	<u>462,286,905</u>	<u>462,286,905</u>
Total investment securities	<u>1,289,903,738</u>	<u>1,206,487,097</u>

Borrowings – line of credit

The Bank has an operating line of credit with its investment custodian, Raymond James, to facilitate investment transactions. At the reporting date, the amount used amounted to \$94,676,395. The line of credit bears interest at a rate of 6.0% and has a limit of US\$60 million or EC\$162,156,000.

St. Kitts-Nevis-Anguilla National Bank Limited

Notes to Separate Financial Statements

September 30, 2024

(expressed in Eastern Caribbean dollars)

10 Investment securities ...continued

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

	FVTPL \$	Equity securities – FVOCI \$	Debt securities – FVOCI \$	Total \$
Balance as at June 30, 2024	654,534,075	7,498,581	544,454,441	1,206,487,097
Additions	75,369,159	-	11,230,353	86,599,512
Disposals (sales/redemptions)	(44,023,270)	-	(9,963,235)	(53,986,505)
Fair value gains/(losses) on disposal of investment securities	5,751,836	-	80,956	5,832,792
Fair value (losses)/gains on existing securities	31,911,483	-	15,246,972	47,158,455
Movement of interest receivable	-	-	(2,187,613)	(2,187,613)
Balance as at Sept 30, 2024	723,543,283	7,498,581	558,861,874	1,289,903,738

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

a) FVTPL – quoted debt and equity instruments

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

b) FVOCI – equity instruments

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

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

St. Kitts-Nevis-Anguilla National Bank Limited

Notes to Separate Financial Statements

September 30, 2024

(expressed in Eastern Caribbean dollars)

10 Investment securities ...continued

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

The Bank has certain investment securities which comprise of quoted corporate and sovereign fixed rate bonds trading. Bonds have coupon rates of 0.949% to 9.70% (June 2024: 0.949% to 9.70%). Bonds have an average term of ten (10) years and will mature between October 2024 and February 2062 and pay semi-annual coupon interest payments until maturity. As at September 30, 2024, the fair values of these amounted to \$558,861,874 (June 2024: \$544,454,441).

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

	Sept 2024 \$	June 2024 \$
Opening provision for expected credit losses	–	–
Expected recoveries, net	–	–
Ending provision for expected credit losses	–	–

11 Investment in subsidiaries

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

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

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

The movement in the provision for impairment is as follows:

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

St. Kitts-Nevis-Anguilla National Bank Limited

Notes to Separate Financial Statements

September 30, 2024

(expressed in Eastern Caribbean dollars)

12 Property and equipment

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

St. Kitts-Nevis-Anguilla National Bank Limited

Notes to Separate Financial Statements

September 30, 2024

(expressed in Eastern Caribbean dollars)

12 Property and equipment ...continued

	Land and property \$	Equipment \$	Furniture & fittings \$	Motor vehicles \$	Reference books \$	Projects ongoing \$	Total \$
Year ended Sept 30, 2024							
Opening net book value	24,793,713	3,581,477	701,764	417,432	85	8,292,571	37,787,042
Additions	–	240,495	45,968	321,008	–	2,437,965	3,045,436
Disposals	–	–	–	–	–	–	–
Transfer	–	–	–	–	–	–	–
Write back of depreciation on disposals	–	–	–	–	–	–	–
Depreciation charge	(251,413)	(293,630)	(123,178)	(85,032)	–	–	(753,253)
Closing net book value	24,542,300	3,528,342	624,554	653,408	85	10,730,536	40,079,225
At Sept 30, 2024							
Cost or valuation	28,237,219	17,213,316	3,630,978	1,298,135	140,368	10,730,536	61,250,552
Accumulated depreciation	(3,694,919)	(13,684,974)	(3,006,424)	(644,727)	(140,283)	–	(21,171,327)
Net book value	24,542,300	3,528,342	624,554	653,408	85	10,730,536	40,079,225

St. Kitts-Nevis-Anguilla National Bank Limited

Notes to Separate Financial Statements

September 30, 2024

(expressed in Eastern Caribbean dollars)

12 Property and equipment ...continued

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

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

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

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

	Land \$	Buildings \$	Total \$
At Sept 30, 2024			
Cost	3,793,203	13,722,199	17,515,402
Accumulated depreciation	-	(5,894,352)	(5,894,352)
Net book value	3,793,203	7,827,847	11,621,050
	Land \$	Buildings \$	Total \$
At June 30, 2024			
Cost	3,793,203	13,722,199	17,515,402
Accumulated depreciation	-	(5,894,352)	(5,894,352)
Net book value	3,793,203	7,827,847	11,621,050

St. Kitts-Nevis-Anguilla National Bank Limited

Notes to Separate Financial Statements

September 30, 2024

(expressed in Eastern Caribbean dollars)

13 Intangible assets

	Computer software \$
At June 30, 2023	
Cost	8,485,455
Accumulated amortisation	<u>(7,481,593)</u>
Net book value	<u>1,003,862</u>
Year ended June 30, 2024	
Opening balance	1,003,862
Additions	134,399
Amortisation charge	<u>(430,382)</u>
Closing net book value	<u>707,879</u>
At June 30, 2024	
Cost	8,619,854
Accumulated amortisation	<u>(7,911,975)</u>
Net book value	<u>707,879</u>
Year ended Sept 30, 2024	
Opening balance	707,879
Additions	-
Amortisation charge	<u>(85,007)</u>
Closing net book value	<u>622,872</u>
At Sept 30, 2024	
Cost	8,619,854
Accumulated amortisation	<u>(7,996,982)</u>
Net book value	<u>622,872</u>

St. Kitts-Nevis-Anguilla National Bank Limited

Notes to Separate Financial Statements

September 30, 2024

(expressed in Eastern Caribbean dollars)

14 Leases

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

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

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

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

St. Kitts-Nevis-Anguilla National Bank Limited

Notes to Separate Financial Statements

September 30, 2024

(expressed in Eastern Caribbean dollars)

14 Leases ...continued

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

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

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

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

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

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

Sept 30, 2024

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

St. Kitts-Nevis-Anguilla National Bank Limited

Notes to Separate Financial Statements

September 30, 2024

(expressed in Eastern Caribbean dollars)

14 Leases ...continued

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

June 30, 2024

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

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

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

June 30, 2024

Lease payments	536,268	167,356	86,565	39,319	30,131	-	859,639
Finance charges	(14,519)	(6,693)	(2,955)	(1,367)	(357)	-	(25,891)
Net present values	521,749	160,663	83,610	37,952	29,774	-	833,748

Lease payments not recognised as a liability

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

St. Kitts-Nevis-Anguilla National Bank Limited

Notes to Separate Financial Statements

September 30, 2024

(expressed in Eastern Caribbean dollars)

15 Other assets

	Sept 2024 \$	June 2024 \$
Other receivables, gross	6,350,598	6,880,729
Less: Provision for expected credit losses	(296,682)	(296,682)
Other receivables, net	6,053,916	6,584,047
Net defined benefit asset (note 32)	8,563,242	8,563,242
Suspense assets and prepayments	2,524,596	12,174,401
Stationery	998,604	946,663
	18,140,358	28,268,353
Current	9,577,116	19,705,111
Non-current	8,563,242	8,563,242
	18,140,358	28,268,353

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

	Sept 2024 \$	June 2024 \$
Opening provision for expected credit losses	296,682	296,682
Impairment (recoveries)/charges, net (note 24)	—	—
Ending provision for expected credit losses	296,682	296,682

16 Customers' deposits

	Sept 2024 \$	June 2024 \$
Fixed deposit accounts	1,364,329,202	1,364,266,115
Savings accounts	691,924,549	697,169,432
Direct demand accounts	659,472,816	749,228,120
Call accounts	66,477,194	126,518,940
	2,782,203,761	2,937,182,607
Interest payable	18,324,391	15,104,359
	2,800,528,152	2,952,286,966

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

The Bank pays interest on all categories of customers' deposits except demand deposits. At the reporting date, total interest expense on interest bearing deposit accounts for the year amounted to \$14,347,717 (Sept 2023: \$14,666,058). The average effective rate of interest paid on customers' deposits was 2.66%.

St. Kitts-Nevis-Anguilla National Bank Limited

Notes to Separate Financial Statements

September 30, 2024

(expressed in Eastern Caribbean dollars)

17 Accumulated provisions, creditors and accruals

	Sept 2024 \$	June 2024 \$
Other payables	15,914,255	15,413,073
Employee related payables	11,840,483	11,979,063
Unpaid drafts on other banks	3,008,381	3,072,683
Suspense liabilities	2,906,712	31,937,444
Managers' cheques and bankers' payments	1,372,905	2,982,710
	35,042,736	65,384,973

18 Taxation

18.1 Deferred tax asset/(liability)

The movements on the deferred tax asset are as follows:

	Sept 2024 \$	June 2024 \$
Balance, beginning of year	30,353,250	17,804,788
Movement in decelerated depreciation	-	(29,005)
Unutilised capital cost allowances	-	-
Movement in net unrealised losses on investment securities	(3,831,955)	(5,061,777)
Unutilised tax losses	-	16,480,000
Movement in re-measurement of defined benefit asset	-	1,159,244
Balance, end of year	26,521,295	30,353,250

18.2 Income tax recoverable

Included in the separate statement of financial position is an amount of \$49,857,241 (June 2024: \$49,857,241) that relates to income tax credits/advance tax payments due from the Inland Revenue Department in respect of tax assessments that were finalised up to the year ended June 30, 2020, and the change in the Bank's estimate of the current income tax expense based on a settlement agreement with the IRD. The amount may be applied against any future taxes payable by the Bank, with certain agreed restrictions.

St. Kitts-Nevis-Anguilla National Bank Limited

Notes to Separate Financial Statements

September 30, 2024

(expressed in Eastern Caribbean dollars)

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

	Sept 2024 \$	June 2024 \$
Balance, beginning of year	49,857,241	34,391,873
Current year's income tax credit	-	7,211,671
Advance taxes paid during the year	-	12,000,000
Prior year over-provision in tax liability offset amount	-	-
Current year's tax liability offset (limited to 80%)	-	(3,746,303)
Balance, end of year	49,857,241	49,857,241

18.3 Income tax payable

	Sept 2024 \$	June 2024 \$
Balance, beginning of year	936,576	1,046,722
Income tax payments made during year	-	(1,046,722)
Payment previously applied to tax recoverable reclassified	-	-
Prior year over-provision in tax payable	-	-
Current year's tax liability (limited to 20%)	-	936,576
Transfer of advance tax overpayment to tax recoverable	-	-
Balance, end of year	936,576	936,576

19 Share capital

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

St. Kitts-Nevis-Anguilla National Bank Limited

Notes to Separate Financial Statements

September 30, 2024

(expressed in Eastern Caribbean dollars)

20 Reserves

	Sept 2024	June 2024
	\$	\$
Statutory reserve	144,456,807	144,456,807
Property revaluation reserve (note 12)	21,296,160	21,296,160
Fair value reserves – FVOCI	7,076,972	7,076,972
Other reserves	242,591,942	242,591,942
	415,421,881	415,421,881

a) Statutory reserve

	Sept 2024	June 2024
	\$	\$
Balance at beginning of year	144,456,807	144,456,807

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

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

b) Fair value reserves - FVOCI reserves

	Sept 2024	June 2024
	\$	\$
Balance at beginning of year	7,076,972	(3,708,327)
Movement in market value of securities, net	11,495,945	3,367,036
Expected credit losses recognised on investment securities	-	111,429
Realised losses transferred to retained earnings, net of tax	-	7,306,834
Balance at end of year	18,572,917	7,076,972

St. Kitts-Nevis-Anguilla National Bank Limited

Notes to Separate Financial Statements

September 30, 2024

(expressed in Eastern Caribbean dollars)

20 Reserves ...continued

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

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

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

c) Other reserves

	Sept 2024 \$	June 2024 \$
Balance at beginning of year	242,591,942	244,317,961
Transfer from retained earnings to general reserves	-	-
Transfer to regulatory reserve for loan impairment	-	-
Remeasurement loss on defined benefit asset, net of tax	-	(1,726,019)
Transfer from general reserve to the regulatory reserves	-	-
Transfer to regulatory reserve for interest accrued on non-performing loans	-	-
	<u>-</u>	<u>-</u>
Balance at end of year	<u>242,591,942</u>	<u>242,591,942</u>

St. Kitts-Nevis-Anguilla National Bank Limited

Notes to Separate Financial Statements

September 30, 2024

(expressed in Eastern Caribbean dollars)

20 Reserves ...continued

a) Other reserves ...continued

	Sept 2024 \$	June 2024 \$
Other reserves is represented by:		
Regulatory reserve for interest accrued on non-performing loans (note 3.1.2)	73,786,983	73,786,983
Regulatory reserve for loan impairment (note 3.1.2)	162,973,360	162,973,360
Defined benefit pension plan reserve	1,938,356	1,938,356
General reserve	3,893,243	3,893,243
	242,591,942	242,591,942

Included in these reserves are the following individual reserves:

Regulatory reserve for interest accrued on non-performing loans

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

Regulatory reserve for loan impairment

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

Defined benefit pension plan reserve

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

General reserve

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

St. Kitts-Nevis-Anguilla National Bank Limited

Notes to Separate Financial Statements

September 30, 2024

(expressed in Eastern Caribbean dollars)

21 Net interest income

	Sept 2024 \$	Sept 2023 \$
Interest income		
Loans and advances to customers	9,937,137	9,107,213
Investment securities at FVTPL & FVOCI debt	6,608,567	2,631,378
Treasury bills	804,476	4,419,548
Originated debts	2,091,471	1,525,293
Financial asset (note 30)	1,394,921	1,394,921
Deposits with other financial institutions	569,458	426,085
Interest income for the year	21,406,030	19,504,438
	Sept 2024 \$	Sept 2023 \$
Interest expense		
Fixed deposits	10,644,476	11,216,617
Savings accounts	3,340,202	3,197,435
Debt and other related accounts	208,121	189,535
Line of credit	85,395	-
Call accounts	69,523	62,471
Lease liabilities (note 14)	-	-
Interest expense for the year	14,347,717	14,666,058
Net interest income	7,058,313	4,838,380

22 Net fees and commission expense

	Sept 2024 \$	Sept 2023 \$
Fees and commission income		
International business and foreign exchange	4,511,112	3,472,089
Credit related fees and commission	1,034,685	809,316
Brokerage and other fees and commission	1,036,032	730,042
Fees and commission income for year	6,581,829	5,011,447
Fee expenses		
International business and foreign exchange	5,094,290	3,800,855
Other fee expenses	646,145	413,952
Brokerage and other related fee expenses	23,900	11,419
Fee expenses for year	5,764,335	4,226,226
Net fees and commission income	817,494	785,221

St. Kitts-Nevis-Anguilla National Bank Limited

Notes to Separate Financial Statements

September 30, 2024

(expressed in Eastern Caribbean dollars)

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

	Sept 2024 \$	Sept 2023 \$
Net gains/(losses) on FVTPL investment securities	30,841,489	(4,054,641)
Net gains/(losses) on financial assets measured at FVOCI reclassified to profit or loss	60,717	(59,362)
Net gains/(losses) from investment securities	30,902,206	(4,114,003)

24 Credit and other impairment charges

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

25 Administrative and general expenses

	Sept 2024 \$	Sept 2023 \$
Employee costs (note 25.1)	6,059,420	5,104,240
Management fees on investments	2,127,881	2,656,767
Repairs and maintenance	1,636,460	2,401,025
Advertisement and marketing	457,440	665,541
Other general	171,060	122,444
Communication	242,021	224,284
Insurance	247,270	249,564
Utilities	143,423	137,324
Stationery and supplies	64,843	113,107
Security services	167,265	138,227
Legal fees and expenses	35,576	45,610
Taxes and licences	-	49,928
Shareholders' expenses	40,546	41,328
Premises upkeep	7,711	56,693
Rent and occupancy	357,031	185,357
Sundry losses	25,239	231,334
	11,783,186	12,422,773

St. Kitts-Nevis-Anguilla National Bank Limited

Notes to Separate Financial Statements

September 30, 2024

(expressed in Eastern Caribbean dollars)

25 Administrative and general expenses ... *continued*

25.1 Employee costs

The details of the employee costs are shown below.

	Sept 2024 \$	Sept 2023 \$
Salaries and wages	5,017,422	4,632,308
Other staff cost	1,041,998	471,932
Insurance and other benefits	-	-
Pension expense (note 32)	-	-
	<u>6,059,420</u>	<u>5,104,240</u>

26 Dividends

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

27 Related parties, balances and transactions

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

St. Kitts-Nevis-Anguilla National Bank Limited

Notes to Separate Financial Statements

September 30, 2024

(expressed in Eastern Caribbean dollars)

27 Related parties, balances and transactions ...continued

Government of St. Kitts and Nevis

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

	Sept 2024 \$	June 2024 \$
Central Government and statutory bodies (public sector)		
Deposits	1,156,249,953	1,332,972,005
Financial asset	359,024,359	357,431,065
Loans and advances	356,341,661	358,297,729
Interest on deposits	7,665,903	33,222,901
Interest on financial asset	1,394,921	5,672,680
Interest on loans and advances	2,915,328	11,438,586
Subsidiaries		
Deposits	267,919,718	271,740,762
Loans and advances	12,207,954	12,051,792
Interest on deposits	2,410,348	10,008,953
Interest from loans and advances	152,640	588,666
Associated companies		
Loans and advances	51,251,703	51,251,703
Deposits	11,185,887	15,669,659
Interest on deposits	22,084	86,656
Interest from loans and advances	—	—
Directors and associates		
Loans and advances	1,220,484	1,354,962
Directors' fees and expenses	245,022	1,144,526
Deposits	1,874,693	1,949,014
Interest from loans and advances	12,949	51,797
Interest on deposits	9,923	43,890
Key management		
Loans and advances	1,350,370	1,388,335
Total remuneration	904,610	5,343,433
Deposits	2,038,650	1,308,247
Interest from loans and advances	13,883	55,530
Interest on deposits	6,595	20,191

St. Kitts-Nevis-Anguilla National Bank Limited

Notes to Separate Financial Statements

September 30, 2024

(expressed in Eastern Caribbean dollars)

27 Related parties, balances and transactions ...continued

As at September 30, 2024, directors held total shares in the Bank of 79,813 (June 2024: 79,813) and other key management held total shares in the Bank of 11,256 (June 2024: 11,256).

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

No provision (2024: \$0) has been recognised as at September 30, 2024 in respect of advances made to a related party (associated company).

28 Commitments and contingencies

Commitments

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

	Sept 2024 \$	June 2024 \$
Loan commitments	44,527,512	45,720,615
Credit card commitments	16,891,691	16,314,689
	61,419,203	62,035,304

29 Financial asset

	Sept 2024 \$	June 2024 \$
Financial asset	352,284,125	352,284,124
Interest receivable	9,104,647	7,709,726
Financial asset, gross	361,388,772	359,993,850
Less provision for expected credit losses	(2,364,413)	(2,364,413)
Financial asset, net	359,024,359	357,629,437

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

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

St. Kitts-Nevis-Anguilla National Bank Limited

Notes to Separate Financial Statements

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(expressed in Eastern Caribbean dollars)

29 Financial asset ...continued

The financial asset of \$359,024,359 (June 2024: \$357,629,437) along with the provision for expected credit losses of \$2,364,413 (June 2024: \$2,364,413) represents the Bank's right to that amount of cash flows from the sale of certain lands pursuant to a Shareholder's Agreement (Agreement) dated April 18, 2012 and September 4, 2014 between the Bank and its majority shareholder, the Government of St. Kitts & Nevis ("GOSKN"), and the Nevis Island Administration ("NIA"), respectively. Under the terms of the Agreement, the secured debt obligations owed to the Bank by the GOSKN, NIA and certain public corporations would be irrevocably released and discharged by the Bank in exchange for the transfer of certain land assets to the Bank. Further, the unsecured debt obligations owed to the Bank by GOSKN, NIA and certain public corporations would be irrevocably released and discharged by the Bank in exchange for the transfer of certain unencumbered land assets to a specially created entity, Special Land Sales Company (St. Kitts) Limited ("SLSC") and the allocation of certain shares in SLSC to the Bank. SLSC was incorporated for the purpose of selling land assets in order to fulfill the terms of the Agreement of the contracting parties. Other lands would be transferred to the SLSC for sale, if necessary, in order to satisfy the agreement of the contracting parties.

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

Based on the terms of the Agreement:

1. On the effective date, SLSC shall use all appropriate commercial efforts to sell the secured land assets that were vested to the Bank at the best price reasonably possible and as soon as reasonably practicable.
2. Commencing from the effective date of the Agreement, July 1, 2013, the Bank is entitled to receive interest payments at a rate of 3.5% per annum on the face value of the eligible secured debt that was exchanged for the secured land assets. The amount is to be paid by the GOSKN annually from the effective date. Subsequently, the interest rate was reduced to 2.75% for the period July 1, 2017 to June 30, 2019 and 1.75% for the period July 1, 2019 to July 30, 2020. At year end the interest remained at 1.75%.
3. Distribution of sale proceeds of the Bank land assets shall be applied as follows:
 - a. First towards the payment of selling and operational costs of SLSC;
 - b. Secondly to the Bank until the Bank has received the face amount of the eligible secured debt immediately prior to the effective date and the interest payments, less amounts paid to the Bank;
 - c. Thirdly to the Bank in exchange for the redemption of its relative interest in SLSC which was allotted for the release of eligible unsecured debt that was owed to the Bank prior to the effective date; and
 - d. Fourthly to the Government of St. Kitts and Nevis.

For the quarter ended September 30, 2024, the Bank's separate statement of income includes interest income amounting to \$1,394,921 (Sept 2023: \$1,394,921) (see note 21). Further, as of September 30, 2024, net interest receivable of \$9,104,647 (June 2024: \$7,694,226) was pending from the GOSKN.

St. Kitts-Nevis-Anguilla National Bank Limited

Notes to Separate Financial Statements

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29 Financial asset ...continued

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

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

30 Cash and cash equivalents

	Sept 2024 \$	June 2024 \$
Deposits with other financial institutions (note 7)	117,606,429	156,143,450
Cash and balances with Central Bank (note 5)	76,181,048	48,652,419
	193,787,477	204,795,869
Operating line of credit (note 10)	(94,676,395)	-
	99,111,082	204,795,869