Our future, Our bank

ECAB

EASTERN CARIBBEAN AMALGAMATED BANK

Advancing our Reach

Stepping into the Future.

Annual Report

2021

OUR VISION

To be your Bank of Choice and Financial Partner for Life.

OUR MISSION

To create value for our stakeholders.

OUR MANTRA

Get It Right the First Time, Every Time.

STRATEGIC INTENT

Our strategic intent is Operational Efficiency.

CULTURAL PILLARS

The operations of the Bank have been built on the pillars of Customer Intimacy, Service Excellence and Employee Engagement. These pillars will distinguish ECAB as the Bank of choice and financial partner for life.

OUR VALUE STATEMENTS

Honesty and integrity are the overriding guiding principles.

All employees are regarded as critical to the success of the institution. The proficiency, expertise, knowledge and vision of everyone are highly valued and mutual respect and trust are greatly emphasized.

All customers are regarded as critical to the success of the institution. Bank staff is therefore very customer-focused, responsive and driven to exceed customers' expectations.

The reputation of the Bank and the integrity, sincerity and transparency that staff demonstrate every day are held in the highest regard.

Continuous learning is valued, reinforced by a commitment of the staff to listen to customers and to each other in order to institutionalize the discipline, processes and methodologies that offer the greatest reliability and quality of banking services.

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Notice of Annual General Meeting

NOTICE is hereby given that the Eleventh Annual General Meeting of the Eastern Caribbean Amalgamated Bank Limited will be held on **<u>Wednesday, the 7th day of June, 2023</u>** commencing at **<u>9:00am.</u>**

<u>AGENDA</u>

1. Call to Order
2. Prayers
3. Adoption of Agenda
4. Chairman's Remarks
5. Consider and confirm the Minutes of Tenth Annual General Meeting held on July 2, 2021
6. Consider the matters arising from Minutes of Tenth Annual General Meeting held on July 2, 2021
7. Presentation of Chairman's Report
8. Presentation of Directors' Report
9. Consider Auditors' Report and Financial Statements for the year ended September 30, 2021
10. Declare a Dividend for the Financial Year ended September 30, 2021
11. Consider the retroactive Appointment of External Auditors for the year ending September 30, 2022 and authorize the Board to fix their remuneration
12. Election of Directors
13. Consider increase to Board of Directors' Fees
14. Any other business that may properly be brought before an Annual General Meeting of Shareholders

Dated the 22nd of May, 2023

BY ORDER OF THE BOARD OF DIRECTORS

TRACY BENN-ROBERTS

Chairman’s Report

“Advancing Our Reach. Stepping into the future”

Craig Walter
Chairman

THE YEAR IN REVIEW

The year 2021 continued in the same vein as 2020 with disruption occasioned by the COVID-19 pandemic. However, ECAB was not daunted by the challenges, rather we used the disruption and challenges to refocus our efforts on our systems and processes with a strategic purpose of making banking more convenient for our valued customers.

At the start of the financial year in October 2020, ECAB executed an agreement with the former Bank of Nova Scotia to acquire the assets and liabilities of its Antigua operation. This event realized our strategy of continuing to pursue growth through acquisition of good businesses while still achieving organic growth and expansion. This combined and complimentary strategy has yielded success and provided ECAB with the strong base to advance our reach as we step into the future.

THE ECONOMY

According to the International Monetary Fund (IMF) October 2022 World Economic Outlook Report, the global economy grew by 6.0 percent in 2021, but growth was projected to slow to 3.2 percent in 2022. These results were influenced largely by supply disruptions and higher commodity prices due mainly to lingering pandemic effects and other ongoing events such as the war in Ukraine.

The Eastern Caribbean Central Bank’s (ECCB’s) Economic and Financial Review of December 2021 indicates that economic activity in the Eastern Caribbean Currency Union grew by 3.9 per cent in 2021, following a historic contraction of 17.0 per cent in 2020. The growth reversal was influenced largely by the rebound of the tourism industry which registered an expansion of 18.2 per cent.

As the initial negative effects of the COVID-19 pandemic subsided, Antigua and Barbuda’s economy began a resurgence in 2021, with increased vaccination rates, relaxation of COVID-19 restrictions and continued return of global travel activity. The economy recorded growth of 5.3 per cent in 2021, following the sharp contraction of 20.2 per cent in 2020. The main drivers of this were improvements in the hotels and restaurants (15.9 per cent), construction (12.0 per cent) wholesale and retail trade (10.0 per cent) sectors. Bottled-up demand for travel and leisure services in the wake of the lockdowns of the pandemic would have partly driven the strong rebound.

The impact of global inflation and ongoing supply chain disruptions would have played a role in the upward trend for inflation witnessed in Antigua and Barbuda in 2021. Average consumer prices rose by 1.6 per cent in 2021, after increasing by 1.1 per cent in 2020.

OUR PERFORMANCE

For the year ending 30 September 2021, the Bank's total assets almost doubled compared to the prior year end, and for the first time eclipsed the EC$2 billion mark as total assets increased by 97.1 percent to close at EC$2.1 billion. This growth was due in large part to the transaction to purchase the assets and liabilities of the former Bank of Nova Scotia operations in Antigua. This acquisition did not compromise the Bank's capital adequacy ratio which measures total regulatory capital against risk-weighted assets. This ratio remains at a healthy and strong level of 16 percent as compared to 43 percent prior to the transaction, and well above the statutory minimum benchmark of 8 percent.

Total loans and advances increased by 97.5 percent, taking the Bank over the $1 billion dollar mark for loans and advances. This growth will significantly contribute to the Bank's interest income going forward and therefore augurs well for the Bank's future profitability.

With the acquisition transaction taking place effective September 1, 2021, the impact on our profits was limited to one month of the 2021 financial year, as total net income remained relatively flat with a slight decrease of 2.9 percent to end at $15.1 million. The Bank's deposits increased by 115.7 percent to $1.8 billion, primarily as a result of the acquisition. This increase in deposits impacted the Bank's Tier 1 Capital to Total Deposits ratio, moving it from 21 percent in 2020 to 8 percent in 2021, a level still above ECCB's prudential benchmark of 5 percent. In addition, the increase in deposits served to further strengthen the Bank's liquidity with the loans-to-deposits ratio transitioning from 67.0 to 61.4 percent, compared to the ECCB's prudential range of 75 – 85 percent.

In keeping with ECCB's agreement with banks, the moratoria on principal and interest payments was extended to March 2022 for those customers who continued to experience Covid 19 related financial challenges. Notwithstanding this concession, the Bank began to see signs of improvement with several of our customers opting to resume normal servicing of their loan obligations in respect of payment of interest and principal, rather than access the extended concession.

The Bank continued to work diligently with third-party service providers to ensure a smooth and seamless transition of Bank of Nova Scotia accounts and to fully integrate the systems, people, and processes of the acquired business. These efforts continue unabated to ensure that our customers' experiences are not unduly impacted.

ACKNOWLEDGEMENTS

On behalf of Our Board of Directors, I take the opportunity to especially acknowledge Our People - ECAB's Management and Staff. As a Board of Directors, we remain proud of the way Our People have steadfastly committed themselves to the task of ensuring the sustainability of the Bank's operation in the midst of an environment characterized by huge challenges and scarce opportunities. Thus, we salute you and say thanks to all for your dedication and hard work.

The Board would also like to recognize the continued loyalty and support of Our Customers. Thank you for making ECAB your Bank of Choice and Financial Partner for Life.

To all Our Stakeholders who have made invaluable contributions to the constant growth and profitability of Our Bank, we express gratitude.

As we move forward into the next financial year, the Board of Directors, Management and Staff remain resolute in Advancing Our Reach and Stepping into The Future.

Craig J. Walter
Chairman
Board of Directors

BOARD OF DIRECTORS

Craig Walter
Chairman
Antigua Commercial Bank Limited

Rasona Davis-Crump
Government of Antigua and Barbuda

C. Davidson Charles
Deputy Chairman
Antigua Commercial Bank Limited

Estherlita Cumberbatch
East Caribbean Financial Holding Company Limited

Howard McEachrane
St. Kitts-Nevis-Anguilla National Bank Limited

Hezron Seraphin
National Bank of Dominica Ltd.

Bennie Stapleton
Bank of St. Vincent and the Grenadines Ltd.

Directors' Report

The 2020/2021 financial year will remain indelibly etched in our collective memory for the significant social, economic and geopolitical challenges created by the COVID-19 pandemic. Notwithstanding these challenges and during a period ripe with many setbacks, the Board was able to function quite effectively in executing its oversight functions and maintaining the Bank's normal business operations. The Board also remained strong in its commitment to adhering to the tenets of good corporate governance.

Tracy Benn-Roberts
General Counsel/Corporate Secretary

RECOGNISING STRONG LEADERSHIP AND COMMITMENT

Despite the global health crisis and the prevailing uncertainties of the time, Fiscal 2021 ought to be remembered as a year of tenacity and action. Management's strong leadership style, expertise in banking and financial services, organizational and operational planning, employee relations and information technology were instrumental in steering the Bank clear of many pitfalls and also laid a foundation of resilience on which the Bank continues to grow from strength to strength.

Of significant note was that the 220 staff complement continually demonstrated their commitment and hard-work towards achieving the vision, mission and strategic objectives. While there is much work to be done towards ensuring the seamless migration of the Bank of Nova Scotia operation into our Bank and to further enhance our customer service delivery methods and service offerings, the Board is proud of the many and varied ways in which staff demonstrated their dedication and good work ethics during a year filled with many difficulties.

BOARD COMPOSITION

Clause 4.2 of the By-Laws provides for a minimum of seven (7) and a maximum of eleven (11) directors. The Board is currently comprised of (7) non-executive directors who represent our six (6) shareholders as outlined in the table below.

NAMES OF DIRECTORS	NAMES OF SHAREHOLDERS	NUMBER OF COMMON SHARES OWNED
Rasona Davis-Crump	Government of Antigua and Barbuda	60,000
Estherlita Cumberbatch	East Caribbean Financial Holding Company Ltd.	48,000
Howard McEachrane	St. Kitts-Nevis-Anguilla National Bank Ltd.	38,400
Craig Walter C. Davidson Charles	Antigua Commercial Bank Ltd.	37,200
Hezron Seraphin	National Bank of Dominica Ltd.	37,200
Bennie Stapleton	Bank of St. Vincent and the Grenadines Ltd.	19,200

Notes: (i) The Government of Antigua and Barbuda also owns 100,000 non-voting preference shares; (ii) No Director personally owns shares in ECAB.

BOARD SUB-COMMITTEES

There are four (4) sub-committees in existence that regularly support the Board's function. They are as follows:
i. Corporate Governance Committee;
ii. Credit Committee;
iii. Audit & Risk Committee; and
iv. Human Resource Committee

The proper handling of the Bank's affairs is heavily dependent on good corporate governance practices. As such, the four (4) sub-committees identified usually meet on a monthly basis, or as and when required to review reports.

The composition of the Committees is shown in the table below:

NAMES OF BOARD SUB-COMMITTEES	NAMES OF SUB-COMMITTEE MEMBERS
Corporate Governance	Directors Craig Walter (Chairman), C. Davidson Charles, Estherlita Cumberbatch and Howard McEachrane
Credit	Directors C. Davidson Charles (Chairman), Craig Walter, Estherlita Cumberbatch, Rasona Davis-Crump, Howard McEachrane, Bennie Stapleton and Hezron Seraphin
Audit & Risk	Directors Rasona Davis-Crump (Chairman), Estherlita Cumberbatch, Howard McEachrane and Hezron Seraphin
Human Resource	Directors C. Davidson Charles (Chairman), Rasona Davis-Crump, Howard McEachrane and Bennie Stapleton

RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The Board of Directors has been tasked over the years with carrying out various roles. However, within the 2020/2021 financial year, in particular, three areas required much more attention. These were the safeguarding of life, health and overall wellness of staff and protecting and balancing stakeholder interests while ensuring that the Bank continued to operate at an optimum level despite all the turbulences and changing seasons.

Generally, the Board fulfills its obligations by setting specific goals and strategically guiding Management to implement the relevant strategies to facilitate the achievement of these goals. The directions of the Board are usually communicated through the General Manager who is responsible for overseeing the implementation across the Bank. However, it is common practice for the Board, the General Manager and members of Management to interact and exchange ideas. This facilitation of an open-door policy promotes a culture of collaboration and mutual understanding both during the Board and Committee meetings held once a month or as deemed necessary and thereafter via the other means of communication.

The Board also promotes an atmosphere of accountability. Throughout each financial year, time is apportioned by the Board to facilitate the review and approval of financial reports, budgets, credit applications and significant expenditures. In furtherance of the obligations, the Board not only ensures that the Bank's internal practices are in keeping with local laws and regulatory requirements, but also oversees the proper implementation of and adherence to practices as required by the relevant international standards. Generally, the Board aims to maintain a holistic attitude in fulfilling its role. In so doing, it focuses on a balanced and informed approach to decision making and the adaptation of strategic goals to benefit the interest of staff, the Bank's growing customer base and all key stakeholders now and well into the future.

THE CHAIRMAN AND DEPUTY CHAIRMAN OF THE BOARD

Clause 11 of the By-Laws provides that: 'The directors shall as often as may be required" appoint a Chairman and a Deputy Chairman. The By-Laws also provide that the Chairman shall, when present, "preside at all meetings of the directors and any committee of the directors or the shareholders." Similarly, if the Chairman is absent or is unable or refuses to act, the Deputy Chairman shall, when present, "preside at all meetings of the directors and any committee of the directors or the shareholders."

The Chairman is responsible for ensuring that the Board continues to function effectively. Fulfilling this role will require the Chairman to possess proper leadership and management qualities in an effort to foster and maintain positive working relationships among members. The Chairman must also ensure that the Board remains independent and unbiased in executing its duties and effectively balancing the interests of all the Bank's stakeholders.

During the financial year ended September 30, 2021, Director Craig Walter held the office of Chairman and Director C. Davidson Charles held the office of Deputy Chairman.

BOARD OF DIRECTORS' TRAINING

We continue to promote the training and education of our Directors so they can confidently execute their duties while possessing the necessary skills and knowledge to operate in a way that preserves the best interests of the Bank and our shareholders. During the 2020/2021 financial year, training focused on strengthening the Board's awareness, understanding, and appreciation of the importance of Information Security. Participation in training sessions is required as a means of keeping the Directors adequately informed and abreast of best practices to achieve quality directorship.

BOARD OF DIRECTORS' CONFLICT OF INTEREST POLICY

In the interest of preserving an environment of impartiality, the Board of Directors continues to maintain a Conflict of Interest Policy which sets out the framework for the avoidance of 'potential, actual or perceived conflicts of interest' by Directors. The policy requires an upfront declaration of any conflicts of interest concerning a current Director and arising in any matter to be considered by the Board.

Such conflicts may include personal, group, financial or professional affiliations with counter parties which are central to matters brought before the Board for consideration. Any director whose outside interests are found to conflict with those of the Bank and/or shareholders is recused from the meeting and does not provide any input during the consideration of the matter.

DIRECTORS' TENURE

Clause 4.4 of the By-Laws of ECAB provide as follows:

"Unless his tenure is sooner determined, a director shall hold office from the date from which he is elected or appointed until the close of the annual meeting of the shareholders next following but shall be eligible for re-election if qualified."

Pursuant to the above-mentioned clause, all Directors are eligible for re-election for the financial year ending September 30, 2021 namely, Craig Walter, C. Davidson Charles, Rasona Davis-Crump, Howard McEachrane, Estherlita Cumberbatch, Bennie Stapleton and Hezron Seraphin.

DIRECTORS' REMUNERATION

Directors' remuneration is generally determined by the Bank's financial performance, key stakeholders' interests and industry standards. In addition to the salary, Directors are also entitled to have any travel, accommodation and other expenses reasonably incurred in the performance of ECAB's duties and responsibilities covered by the Bank.

The current renumeration has been in place for over ten (10) years given that the structure was implemented at the start of the Bank's operations in 2010. The Board has considered the matter in the past but no recommendation for increase was made. However, given all the changing circumstances, a recommendation for increase is before the shareholders for approval.

BOARD MEETINGS AND ATTENDANCE

During the financial year ended September 30, 2021, there were twelve (12) meetings of the Board of Directors. The following table records the attendance of the Directors:

DIRECTORS (IN ORDER OF TENURE)	ATTENDANCE		PERCENTAGE
	Required	Actual	
Craig Walter	12	12	100%
Rasona Davis-Crump	12	10	83.33%
Howard McEachrane	12	12	100%
C. Davidson Charles	12	12	100%
Estherlita Cumberbatch	12	10	83.33%
Bennie Stapleton	4	4	100%

VOTING BY SHAREHOLDERS

In accordance with Clause 12.6 of the By-Laws of ECAB, shareholders shall vote at the election "in the first instance by a show of hands unless a person entitled to vote at the meeting has demanded a ballot."

Accordingly, each shareholder or proxy holder or individual authorized to represent a shareholder is entitled to one vote at every meeting at which he is entitled to vote. (Clause 12.6.1 of the By-Laws of ECAB).

DIVIDEND

In accordance with Clause 15 of the By-Laws of ECAB, "the directors may from time to time by resolution declare and the Company may pay dividends on the issued and outstanding shares of the capital of the Company."

For the financial year ended September 30, 2021, the Board of Directors recommends the payment of dividends of 3.5% of par value to the preferred shareholder on record as at September 30, 2021 and dividends of $8.00 for each unit of common share to the shareholders on record as at September 30, 2021.

EXTERNAL AUDITORS

The External Auditors, Grant Thornton, retired at the financial year ended September 30, 2021. The Auditors being eligible for re-appointment, offered themselves for re-appointment for the year ended September 30, 2022. Notably, there were several delays affecting the timely completion of the 2021 financials and the hosting of the 11th Annual General Meeting. The Board being cognizant of the criticality of completing the 2022 audit exercise in a timely manner to fulfill its governance responsibility approved the commencement of the Auditors' work plan for the year ended September 30, 2022. As such, the Auditors have already began the auditing of the financials for the year ended September 30, 2022. The Board of Directors, therefore, recommends the ratification of its approval and for the auditors to be re-appointed.

BY ORDER OF THE BOARD OF DIRECTORS

Tracy Benn-Roberts
Corporate Secretary

EXECUTIVE MAMAGEMENT

Michael Spencer
General Manager

Donna Cort
Chief Financial Officer

Tracy Benn-Roberts
General Counsel/Corporate Secretary

Alicia Bazil-Ashton
Senior Manager Human Resources

Sonya Roberts-Carter
Senior Manager Operations

Sophie Thomas-Durand
Chief Information Systems Officer

Peter Quinn
Internal Auditor

Adrian McLean
Senior Manager
Retail and Commercial Lending

Management's Discussion and Analysis

Michael Spencer
General Manager

Business Overview

We are pleased to share our 2021 Annual Report under the theme "Advancing our Reach, Stepping into the Future". On September 1, 2021, ECAB acquired the Bank of Nova Scotia Antigua Branches operations and doubled its total assets from $1 billion to $2 billion. The Bank also increased its customer base from approximately 35,000 customers to 75,000 customers. The acquisition provides an opportunity for ECAB to not only sell its current products and services to new customers but to also invest and introduce new products and services to a broader customer base, generating additional business and opening new revenue streams. The acquisition provides the impetus to evaluate business segments and to move to those that are more cost-effective. It provides an opportunity to analyze delivery channels, (branches, online and mobile banking, ATMs and relationship officers), by assessing the various ways customers interact with the Bank and offering products and services that cater to our customers' expectations in a cost-effective and efficient manner.

Providing exceptional customer service is a priority of our Bank. We continued to support the financial needs of our customers throughout the COVID-19 pandemic with our ECAB Loan Relief Plan and our easy-to-use digital platforms which afford our customers the convenience of conducting their banking business without being physically present or standing in line at our branches. We continued our journey to invest in technology and digital innovation to provide our customers with the ability to conduct business and better manage their financial decisions, thereby providing the avenues for them to achieve their financial goals.

Attracting and retaining talented employees is critical to our success. In 2021, we continued to follow the Government guidelines relating to COVID-19 which required changes in our recruitment and staff training and development initiatives, especially in our customer-facing areas. Despite the many challenges brought about by the pandemic, our staff remained steadfast in providing superior service to our customers. Additionally, the Bank was unwavered in its commitment to providing a healthy and safe working environment while creating opportunities for our staff to develop and grow.

We remain focused on helping our local communities especially in these unprecedented times. The Bank partnered with the Rotary Club of Antigua to purchase equipment for the Dialysis Unit at the Mount St. John Medical Centre along with various contributions to youth development and empowerment. The Bank also used its lending activities to partner with the Government and developers to provide affordable housing at attractive interest rates to assist our customers in realizing their dreams of home ownership and to aid in developing strong and sustainable communities.

We are committed to increasing shareholder value through sustainable and consistent returns. The Bank was successful in navigating the many challenges presented by the ongoing COVID-19 pandemic resulting in a marginal drop in profit for the year to $15.1 million from $15.6 million the previous year. With the acquisition of the Bank of Nova Scotia Antigua branches operations, our market share in deposits increased to 43.2 percent at September 30, 2021 from 21.7 percent at September 30, 2020. Loans and advances increased to 39.1 percent at September 30, 2021 from 20.1 percent at September 30, 2020. However, our Return on Assets decreased to 0.95 percent from 1.5 percent the previous year and our Return on Equity decreased to 8.0 percent from 8.8 percent for the previous year. The declines were attributed to the increase in assets and the slight reduction in profit.

Economic and Business Environment

The Eastern Caribbean Central Bank (ECCB) indicated that Antigua and Barbuda's real GDP was estimated to expand by 5.3 percent in 2021 following a decline of 20.2 percent in 2020 with significant contributions from tourism and construction activities. According to the ECCB monetary statistics, the banking sector in Antigua and Barbuda maintained adequate liquidity during 2021. However there was a reduction in the liquid assets to total assets ratio from 40.3 percent at September 2020 to 36.3 percent at September 2021. Loans and advances increased from $2.8 billion at September 2020 to $2.9 billion at September 2021, while customer deposits increased from $3.9 billion at September 2020 to $4.3 billion at September 2021. The non-performing loans ratio increased from 6.97 percent at September 2020 to 7.23 percent at September 2021; above the ECCB benchmark of 5 percent. Regulatory capital to risk-weighted assets (CAR) dropped from 34.9 percent at September 2020 to 28.6 percent at September 2021. The average interest rate spread fell from 6.11 percent at September 2020 to 6.01 percent at September 2021.

Performance Highlights

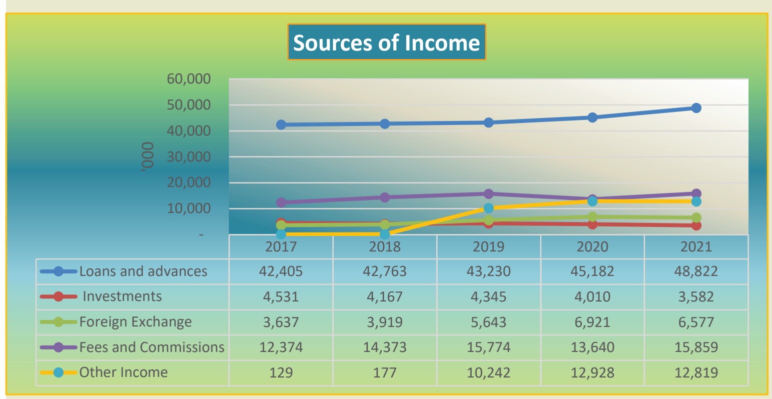
As at September 30, 2021, total assets increased by $1.04 billion or 97.2 percent to $2.11 billion from $1.07 billion recorded at September 30, 2020, driven by total assets of $954.4 million acquired from the Bank of Nova Scotia Antigua branches operations. The Bank recorded profit after tax of $15.1 million; a decrease of $0.5 million or 2.9 percent over the 2020 result of $15.6 million. The decrease was largely influenced by an increase of $5.5 million in operating expenses partially off-set by an increase in net interest income of $2.2 million, a reduction of $2.1 million in impairment charges and decrease of $1.0 million in tax expenses coupled with a reduction of $0.2 million in net fee income and other income.

Highlights of Financial Operations

(In Thousands of Dollars)

For the year	2021	2020	2019	2018	2017
Interest Income	52,404	49,192	47,575	46,930	46,937
Interest Expense	12,270	11,302	10,949	10,512	10,499
Loan Impairment Charges	9,870	11,946	5,047	2,000	1,534
Net Fee Income	13,106	13,207	13,706	11,408	9,478
Operating Expenses	35,090	29,632	29,003	26,842	26,188
Net Income	15,131	15,583	19,078	14,970	14,338
Yield on Interest Earning Assets	5.8%	6.0%	6.1%	6.7%	7.2%
Cost of Funds	1.3%	1.4%	1.4%	1.4%	1.6%
Spread	4.5%	4.6%	4.7%	5.3%	5.6%
Efficiency Ratio	62.4%	56.9%	52.3%	58.3%	58.8%

At year end	2021	2020	2019	2018	2017
Loans & Advances	1,127,362	570,894	546,412	529,823	512,330
Investments	261,284	261,481	260,258	201,452	178,314
Total Assets	2,110,442	1,070,451	969,023	980,725	836,066
Total Deposits	1,837,582	851,579	768,301	784,212	667,814
Total Shareholders' Equity	195,385	182,864	170,113	168,246	140,710
Return on Assets	0.95%	1.5%	1.9%	1.7%	1.7%
Return on Equity	8.00%	8.8%	11.7%	9.7%	11.6%
Capital Adequacy Ratio	16%	43%	46%	49%	52%



Interest Income

Interest income increased by $3.2 million, or 6.5 percent mainly driven by interest of $3.2 million earned for one month on the loans and advances portfolio acquired from the Bank of Nova Scotia. Yields from interest earning assets decreased to 5.8 percent for 2021 from 6.0 percent for 2020 and was impacted by lower interest rates on investment rollovers.

Interest Expense

Interest expense increased by $0.97 million or 8.56 percent attributed mainly to interest paid of $0.74 million for one month on interest bearing customer deposits acquired from the Bank of Nova Scotia. Funding costs continued to be closely monitored resulting in the cost of funds ratio dropping slightly to 1.3 percent as at September 30, 2021 from 1.4 percent for the previous fiscal.

Impairment Charges

Impairment charges for 2021 was $9.9 million compared to $11.9 million the previous fiscal. The decrease was mainly attributed to the reduction in expected credit loss provision made for the potential economic impact of COVID-19 pandemic on borrowers. The Non-performing Loans ratio increased to 5.88 percent at September 30, 2021 from 1.67 percent at September 30, 2020, and above the ECCB benchmark of 5 percent, mainly due to the level of non-performing loans and advances acquired from the Bank of Nova Scotia.

Net Fee Income

Net fee income decreased by $0.1 million or 0.77 percent to $13.1 million in 2021 compared to $13.2 million for 2020. An increase of $0.2 million in service charge fees was off-set by a reduction of $0.3 million in foreign exchange earnings.

Other Income

Other income decreased by $0.1 million driven mainly by a reduction in realized/unrealized gains from Visa shares held for trading.

Operating Expenses

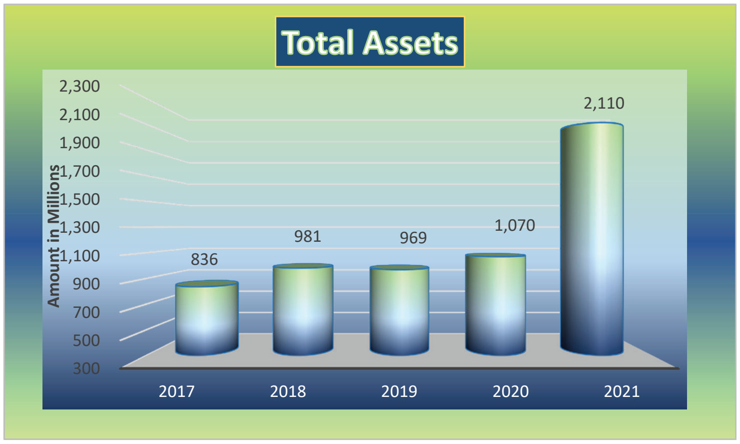
Operating expenses increased by $5.5 million or 18.4 percent to $35.1 million for 2021 compared to 2020 driven primarily by increases of $1.5 million or 10.0 percent in personnel expenses and $3.75 million or 33.8 percent in general and administrative expenses.

Assets

At September 30, 2021, total assets were $2.11 billion; up from $1.07 billion at September 30, 2020 mainly due to the acquisition of the Bank of Nova Scotia Antigua branches operations. All categories of assets increased except for investments; cash and balances with the Central Bank went up by $147.9 million, due from banks and other financial institutions by $264.2 million and loans and advances by $556.5 million, intangible assets by $40.0 million and other assets by $7.2 million.

The Bank's Investment Policy was updated during the 2020 fiscal providing a larger source of securities in which surplus funds could be invested. However, due to the pandemic and the uncertainty of the markets, expansion in new types of securities did not take place in 2021. The Bank will continue to look for opportunities to deploy surplus funds into viable interest yielding investments.

Gross loans and advances increased by $583.7 million to $1.2 billion from $581.7 million mainly attributed to $532.2 million in loan and advances acquired from the Bank of Nova Scotia. The loans to deposit ratio decreased to 61.4 percent at September 30, 2021 from 67.0 percent for the previous fiscal.



Customer Deposits

Customer deposits increased by $986 million or 116 percent to $1.8 billion at September 30, 2021 compared to $851.6 million at the previous year end mainly as a result of $905.9 million in customer deposits acquired from the Bank of Nova Scotia. Demand, savings and time deposits increased by $367.3 million, $515.1 million and $103.5 million respectively. The composition of the deposits portfolio changed during the year. Savings deposits increased from 40.5 percent to 46.8 percent, demand accounts from 31.0 percent to 34.4 percent and time deposits decreased from 28.5 percent to 18.8 percent.

Outlook

Antigua and Barbuda's economy is arguably on a path of recovery from the pandemic buoyed by stronger tourism and construction activity providing opportunities for the Bank to expand its reach and enhance its revenue streams.

In the upcoming months ECAB and the Bank of Nova Scotia Teams will work towards a successful migration of the assets and liabilities acquired/ assumed onto ECAB's platform.

Customer expectations are higher than ever. We will continue to expand our digital platform during fiscal 2022 and establish our Relationship Banking Unit. Emphasis will be placed on providing customers with products and services which exceed their expectation.

The Bank views customer service as critical to its success; therefore, continued emphasis will be placed on ensuring all staff members receive appropriate training and the Bank's systems are re-engineered to deliver superior service.

We wish to thank our employees, customers, shareholders and other stakeholders for their continued support, loyalty, and confidence in our Bank.

Michael Spencer
General Manager

MANAGEMENT

Hyasis Mullin
Manager
Finance & Accounting

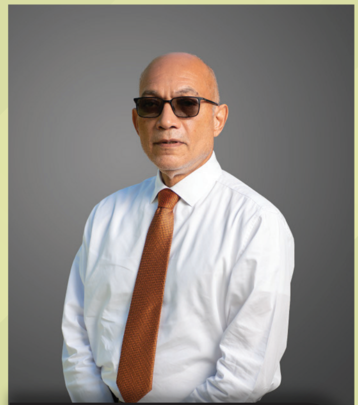
Carol Martin
Manager
Card Services

Debra Williams
Manager
Risk & Compliance

K. Michele Marshall
Manager
Marketing & Communications

Jamil Edwards- Spencer
Manager
Projects

Afton Gomes
Manager
Banking Services Ag.



Norris Antonio
Manager
Projects (Credit)

V. Alicia Gardner
Manager
Lending

Morlon Charles
Manager
Support Services

Advancing Our Reach, Stepping into the Future

Any progressive institution knows planning for tomorrow is a must for survival. But at the Eastern Caribbean Amalgamated Bank (ECAB), our focus is not simply survival. At ECAB, sustained stakeholder satisfaction is our focus. It is what drives our decisions, our processes, and our purpose. It is what we are passionate about. That passion is what moves us to seek innovative and customer-centric ways of banking so we can give our stakeholders what they want even before they know they want it. Our passion is what excites and motivates us to create value and be the Bank of Choice by Advancing our Reach and Stepping into the Future.

ECAB was founded to secure the indigenous banking sector and, by extension, safeguard the future of our stakeholders. Hence our tagline: "Our Future, Our Bank". To us, these are not just words, they are words incorporated into our culture and words by which we function as the ECAB family. As such, we constantly seek opportunities to propel the Bank into the future through investments in our employees, innovation, infrastructure, and our community. Notwithstanding the immense challenges presented in 2021, as many of our customers and the economy continued to reel from the COVID-19 pandemic, the ECAB team remained undaunted by the tasks and what appeared to be an uphill climb. We continued to strategize, re-strategize, and build upon the lessons learned from previous years and previous challenges, and we were unyielding in our pursuit of advancement and securing Our Future and Our Bank.

We saw beyond the difficulties and capitalized on the prospects for advancement. We continued to move in the direction that led us to opportunities that will prepare us for a future of growth and value creation. A key component to our success,

ECAB supports the fight against breast cancer and celebrates breast cancer survivors and their families. This timely donation to BREAST FRIENDS aids in spreading awareness and early detection.

past and future, is our skilled and knowledgeable employee base. Our employees are at the core of our processes and service delivery, so we encourage continuous learning and accreditation among them through our Employee Assistance Program (EAP). Under the EAP, ECAB employees are able to receive financial assistance for the pursuit of self-development. In 2021, several employees took advantage of the EAP and began pursuits at the University of the West Indies in courses to include Banking and Finance, Risk and Compliance and Human Resources Management, to name a few. With these qualifications, employees are able to add value to the ECAB strategy and mission as they are better equipped in areas such as quantitative and qualitative analysis, change management, strategic management, conflict resolution, service excellence and information mining.

While skilled and knowledgeable employees play a major role in advancing our reach, it is just one of several building blocks required to accomplish this goal. Other key components are innovation and infrastructure that will support our strategic plans. To this end, in 2021, we invested in technology upgrades to incorporate current trends and improved service. Such upgrades included enhancements to our MOREBanking mobile and online application to allow for a more seamless user experience. Additionally, significant investment was made to upgrade some of our background software and platforms to facilitate easier access to information, easier reconciliation as well as remote access in some instances. Such augmentations have allowed employees greater efficiency, which translates to better service delivery, more satisfied customers and added value. Additionally, 2021 saw another milestone as we readied ourselves for the future. In August of 2021, we expanded our utilization of our then recently purchased Redcliffe Street building. Prior to August, only a small part of our operations was housed in the building. However, by October 2021, we were able to relocate several of our units and functions to a more cost-effective environment which also contributes to operational efficiency and additional growth potential.

Presentation of ECAB branded Warri boards at the first annual Wadadli Warri Wars - a 10-week televised series geared towards reviving the dying sport of Warri.

Without a doubt, 2021 brought our most notable opportunity to advance our reach and prepare us for the future when we finalized the purchase of Bank of Nova Scotia Antigua's operation. This achievement allowed us to fulfill one of our main strategic goals of growth through acquisition, sooner rather than later. Notwithstanding the challenges and demands that we knew the acquisition would present, we were confident in the fortitude, knowledge, and abilities of the ECAB family. Throughout the process of finalizing the acquisition, the ECAB family at all levels consistently showed that we were more than ready and capable of ensuring a seamless transition for all stakeholders. Drawing upon our experience

Our sponsorship of the Annual Rotary Golf Tournament helped the organisation to raise funds for several community outreach programs throught the year.

and expertise, we quickly moved to employ all necessary mechanisms to assure success and expand our place in the market.

However, advancing our reach does not end with our employees, innovation, or infrastructure. We also place great emphasis on ensuring that our reach creates a positive impact on our community through the fulfillment of our corporate social responsibility. When considering which community initiatives to support, ECAB often chooses those that provide a meaningful and lasting impact on the local community and focus on the Bank's priorities of sports, health, education, arts and culture, and community, with the greater emphasis being placed on educational initiatives. It is against this backdrop that throughout 2021, we threw our support behind a total of thirteen (13) initiatives that qualified in one or more of our focus areas. Among these initiatives we made donations to the Irene B Williams School's Family Life Education Department's social outreach extravaganza which was geared towards assisting families that were affected by job loss due to COVID-19; the Community Charitable Ministries' Cancer Awareness Campaign to provide assistance to cancer survivors and those who care for them; the Kiwanis Club of St. John's Antigua's Everett Lake Scholarship Fund; and donation of office chairs to the Coolidge Police Station. Most noteworthy, however, were our partnerships with the Rotary Club of Antigua and the Antigua and Barbuda Festivals Commission. Through our partnership with the Rotary Club, we donated a mobile dialysis machine to the Sir Lester Bird Medical Centre as part of the Club's Kidney Disease Awareness drive. Our partnership with the Festivals Commission resulted in ECAB being the title sponsor of the first annual Wadadli Warri Wars - a 10-week televised series geared towards reviving the dying sport of Warri which was once a staple of Antiguan culture.

With our many milestones, the year 2021 is one the ECAB family can be proud of; especially since we were still recovering from the impact of COVID-19. We remained guided by our vision: ***To be your Bank of Choice and Financial Partner for Life.*** With its many opportunities, and the excitement they brought, 2021 can truly be called a sterling year as it has certainly allowed us to advance our reach and prepared us to step into the future.

In collaboration with the Irene B Williams School's Family Life Education Department, ECAB's donation assisted with the purchasing of food items which were packaged and distributed to families who were affected by job loss due to COVID-19.

Financial Statements

September 30, 2021

(Expressed in Eastern Caribbean Dollars)

Grant Thornton
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West Indies

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Eastern Caribbean Amalgamated Bank Limited

Opinion

We have audited the accompanying financial statements of **Eastern Caribbean Amalgamated Bank Limited** (the "Bank") which comprise the statement of financial position as of September 30, 2021, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of September 30, 2021, and its financial performance and its statement of cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

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

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

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

Grant Thornton

Chartered Accountants
November 14, 2022
St. John's, Antigua

Eastern Caribbean Amalgamated Bank Limited

Statement of Financial Position

As of September 30, 2021

(expressed in Eastern Caribbean dollars)

	Notes	2021 $	2020 $
Assets			
Cash and balances with the Central Bank	8	**262,129,282**	114,276,836
Due from banks and other financial institutions	9	**360,670,500**	96,460,623
Investment securities	10	**261,283,675**	261,480,969
Loans and advances to customers	11	**1,127,362,378**	570,893,589
Other assets	12	**14,315,924**	7,099,788
Property, plant and equipment	13	**41,475,167**	17,378,291
Right-of-Use asset	32	**2,617,538**	2,278,207
Intangible assets	14	**40,587,304**	583,094
Total assets		**2,110,441,768**	1,070,451,397
Liabilities			
Customers' deposits	15	**1,837,581,601**	851,578,723
Other liabilities and accrued expenses	16	**55,859,223**	14,306,180
Income taxes payable	30	**9,753,030**	6,525,505
Lease liability	32	**2,748,106**	2,295,501
Deferred tax liability	30	**9,115,105**	12,881,973
Total liabilities		**1,915,057,065**	887,587,882
Equity			
Preference shares	18	**47,869,339**	47,869,339
Common shares	17	**24,000,000**	24,000,000
Revaluation reserve	19	**1,918,447**	1,864,718
Other reserves	19	**24,881,003**	22,182,632
Retained earnings		**96,715,914**	86,946,826
Total equity		**195,384,703**	182,863,515
Total liabilities and equity		**2,110,441,768**	1,070,451,397

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

Approved by the Board of Directors on November 14, 2022.

Director

Director

Eastern Caribbean Amalgamated Bank Limited

Statement of Comprehensive Income

For the year ended September 30, 2021

(expressed in Eastern Caribbean dollars)

	Notes	2021 $	2020 $
Operating income			
Interest income	24	**52,404,188**	49,192,168
Interest expense	24	**(12,270,188)**	(11,301,809)
Net interest income		**40,134,000**	37,890,359
Impairment charges	29	**(9,869,676)**	(11,946,290)
Net interest income after impairment charges		**30,264,324**	25,944,069
Fee and commission income	25	**22,436,215**	20,561,400
Fee and commission expense	25	**(9,330,479)**	(7,354,455)
Net fee income		**13,105,736**	13,206,945
Other income, net	26	**12,818,644**	12,928,227
Net interest, fee, commission and other income		**56,188,704**	52,079,241
Operating expenses			
Personnel expenses	27	**17,036,767**	15,488,013
General and administrative expenses	28	**14,858,541**	11,104,259
Depreciation of property, plant and equipment	13	**1,243,263**	1,303,702
Depreciation of right-of-use asset	32	**1,315,293**	1,265,982
Amortisation of intangible assets	14	**635,947**	469,739
Total operating expenses		**35,089,811**	29,631,695
Profit for the year before tax		**21,098,893**	22,447,546
Income tax expense	30	**(5,968,252)**	(6,864,904)
Profit for the year after tax		**15,130,641**	15,582,642
Other comprehensive income			
Unrealised gains on investment securities, net of tax	19	**53,729**	376,272
Comprehensive income for the year		**15,184,370**	15,958,914

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

Eastern Caribbean Amalgamated Bank Limited

Statement of Cash Flows

For the year ended September 30, 2021

(expressed in Eastern Caribbean dollars)

	Notes	2021 $	2020 $
Cash flows from operating activities			
Operating profit for the year before tax		**21,098,893**	22,447,546
Adjustments for items not affecting cash:			
Interest income	24	**(52,404,188)**	(49,192,168)
Interest expense	24	**12,270,188**	11,301,809
Depreciation	13	**1,243,263**	1,303,702
Unrealised gain on FVTPL investments	26	**(6,836,251)**	(12,311,839)
Gain on business acquisition		**(51,536)**	–
Amortisation of intangible assets	14	**635,947**	469,739
Provision for impairment charges	29	**9,869,676**	11,946,290
Other non-cash items		**336,375**	16,128
Cash flows used in operating activities		**(13,837,633)**	(14,018,793)
Net increase/(decrease) in operating assets			
Loans and advances to customers		**(15,430,417)**	(22,751,604)
Other assets		**(6,458,564)**	(3,235,592)
Right-of-Use Asset		**1,859,825**	–
Mandatory deposits with the Central Bank		**(1,743,386)**	(418,281)
Net (decrease)/increase in operating liabilities			
Customers' deposits		**80,261,628**	83,512,647
Other liabilities and accrued expenses		**27,027,455**	753,144
Lease liability		**(1,782,126)**	2,295,501
Cash generated from operations		**69,896,782**	46,137,022
Income tax paid		**(6,525,505)**	(4,639,463)
Interest received		**33,204,860**	35,471,067
Interest paid		**(12,452,384)**	(11,536,322)
Net cash generated from operating activities		**84,123,753**	65,432,304
Cash flows from investing activities			
Purchase of plant and equipment	13	**(13,466,878)**	(808,372)
Purchase of investment securities		**(52,164,132)**	(45,754,338)
Disposal of investment securities		**73,677,207**	54,519,888
Purchase of intangible assets	14	**(1,040,157)**	(26,533)
Acquisition of business net of cash acquired		**281,895,394**	–
Net cash generated from investing activities		**288,901,434**	7,930,645
Cash flows from financing activities			
Dividends paid to shareholders	34	**(2,335,427)**	(2,995,427)
Net cash used in financing activities		**(2,335,427)**	(2,995,427)

Eastern Caribbean Amalgamated Bank Limited

Statement of Cash Flows…*continued*

For the year ended September 30, 2021

(expressed in Eastern Caribbean dollars)

	Note	2021 $	2020 $
Net increase in cash and cash equivalents		**370,689,760**	70,367,522
Exchange gains on cash and cash equivalents		**(336,375)**	(16,128)
Cash and cash equivalents at beginning of year		**180,395,495**	110,044,101
Cash and cash equivalents at end of year	23	**550,748,880**	180,395,495

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

Eastern Caribbean Amalgamated Bank Limited

Statement of Changes in Equity

For the year ended September 30, 2021

(expressed in Eastern Caribbean dollars)

	Note	Preference shares $	Common shares $	Revaluation reserve $	Other reserves $	Retained earnings $	Total $
Balance as of September 30, 2019		**47,869,339**	**24,000,000**	**1,488,446**	**19,278,868**	**77,476,139**	**170,112,792**
Profit for the year		–	–	–	–	15,582,642	15,582,642
Other comprehensive income for the year		–	–	376,272	–	–	376,272
Total comprehensive income for the year		–	–	376,272	–	15,582,642	15,958,914
Reserve for interest recognised on impaired loans		–	–	–	(212,764)	–	(212,764)
Statutory reserve transfer		–	–	–	3,116,528	(3,116,528)	–
Transactions with owners							
Dividends paid	34	–	–	–	–	(2,995,427)	(2,995,427)
Balance as of September 30, 2020		**47,869,339**	**24,000,000**	**1,864,718**	**22,182,632**	**86,946,826**	**182,863,515**
Profit for the year		–	–	–	–	15,130,641	15,130,641
Other comprehensive income for the year		–	–	53,729	–	–	53,729
Total comprehensive income for the year		–	–	53,729	–	15,130,641	15,184,370
Reserve for interest recognised on impaired loans		–	–	–	(327,755)	–	(327,755)
Statutory reserve transfer		–	–	–	3,026,126	(3,026,126)	–
Transactions with owners							
Dividends paid	34	–	–	–	–	(2,335,427)	(2,335,427)
Balance as of September 30, 2021		**47,869,339**	**24,000,000**	**1,918,447**	**24,881,003**	**96,715,914**	**195,384,703**

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

(expressed in Eastern Caribbean dollars)

1 Nature of operations

The principal activity of Eastern Caribbean Amalgamated Bank Limited (the "Bank") is the provision of commercial banking services. The Bank is licensed to carry on banking business in Antigua and Barbuda and is regulated by the Eastern Caribbean Central Bank in accordance with the Banking Act No. 10 of 2015 and the Eastern Caribbean Central Bank Act No. 10 of 1983.

2 General information and statement of compliance with IFRS

Eastern Caribbean Amalgamated Bank Limited is a limited liability company incorporated on July 16, 2009 in Antigua and Barbuda under the provisions of the Companies Act 1995. On October 18, 2010, the Bank purchased certain assets and liabilities from Bank of Antigua Limited and began trading on that date. On November 27, 2015, the Bank also acquired certain assets and liabilities from ABI Bank Limited. On September 1, 2021, the Bank acquired certain assets and liabilities of the Bank of Nova Scotia, Antigua branch operations. The Bank's registered office is located at 1000 Airport Boulevard, Coolidge, Antigua.

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations as issued by the International Accounting Standards Board (IASB). They have been prepared on the going concern basis.

3 Changes in accounting policies

3.1 New and revised standards that are effective for the Bank's annual periods beginning on or after October 1, 2020

There are no accounting pronouncements which have become effective from October 1, 2020 that have a significant impact on the Bank's financial statements.

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

(expressed in Eastern Caribbean dollars)

4 Summary of significant accounting policies

4.1 Overall considerations

The financial statements have been prepared using the significant accounting policies and measurement bases summarised below.

4.2 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, non-mandatory deposits with the ECCB and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

4.3 Financial instruments

4.3.1 Policies under IFRS 9

Classification and measurement

The Bank has applied IFRS 9 and classifies its financial assets in the following measurement categories:

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

(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.

Business model test:

The 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 speculative purposes and are measured at FVTPL.

(expressed in Eastern Caribbean dollars)

4 Summary of significant accounting policies … *continued*

4.3 Financial instruments … *continued*

4.3.1 Policies under IFRS 9 … *continued*

Classification and measurement … *continued*

(a) Debt instruments … *continued*

Solely payments of principal and interest test (SPPI):

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 on the amount outstanding that is consistent with a basic lending arrangement. In this context, 'principal' is the fair value of the financial asset on initial recognition and 'interest' is consideration for the time value of money and credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs as well as profit margin. 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 as amortised cost. These are 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. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured.

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 a residual interest 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 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.

(expressed in Eastern Caribbean dollars)

4 Summary of significant accounting policies … *continued*

4.3 Financial instruments … *continued*

4.3.1 Policies under IFRS 9 … *continued*

Expected credit loss measurement (ECL)

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

- **Stage 1: 12-month ECL (Performing, not credit-impaired)**
  A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1'. Financial instruments in Stage 1 have their expected credit losses (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.

- **Stage 2: Lifetime ECL (Under performing, not credit-impaired)**
  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 Stages 2 have their ECL measured based on expected credit losses on a lifetime basis. Lifetime ECLs are the ECL resulting from all possible default events over the expected life of the financial instrument. Credit risk is continuously monitored by the Bank.

- **Stage 3: Lifetime ECL (Non-performing, credit-impaired)**
  If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Instruments in Stage 3 have their ECL measured based on expected credit losses on a lifetime basis. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

- 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 a 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.

(expressed in Eastern Caribbean dollars)

4 Summary of significant accounting policies … *continued*

4.3 Financial instruments … *continued*

4.3.1 Policies under IFRS 9… *continued*

Expected credit loss measurement (ECL) … *continued*

Significant increase in credit risk (SICR)

The Bank assesses when a Significant Increase in Credit Risk ("SICR') has occurred based on quantitative and qualitative assessments.

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.

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, forward-looking or other available information on an annual basis. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by management.

Backstop

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

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

Default

For debt securities, default is defined as the failure to meet contractual payment 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.

(expressed in Eastern Caribbean dollars)

4 Summary of significant accounting policies … *continued*

4.3 Financial instruments … *continued*

4.3.1 Policies under IFRS 9 … *continued*

Expected credit loss measurement (ECL) … *continued*

Default…continued

Qualitative criteria

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

- The borrower is in long-term forbearance;
- The borrower is deceased;
- The borrower is insolvent; or
- 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.

Write-offs

The Bank directly reduces the gross carrying amount for financial assets when the Bank has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

ECL measurement

The Bank assesses on a forward-looking basis the ECL associated with its loans and advances to customers carried at amortised cost 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:

- 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).

Details of these statistical parameters/inputs are as follows:

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

(expressed in Eastern Caribbean dollars)

4 Summary of significant accounting policies … *continued*

4.3 Financial instruments … *continued*

4.3.1 Policies under IFRS 9 … *continued*

ECL measurement … *continued*

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

LGD – The loss given default 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. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral.

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. 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 homogenous.

Forward-looking macroeconomic information

A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. The measurement of expected credit losses for each stage and the assessment of Significant Increase in Credit Risk (SICR) considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgement.

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, growth of gross domestic product, balance of payments, tourism, construction and rate of inflation and unemployment. These variables and their associated impact on the ECL varies by financial instrument.

In addition to the base economic scenario, the Bank also incorporated 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.

Segmentation

IFRS 9 requires that exposures be approximately grouped into homogenous segments based on shared credit characteristics that are expected to react to the current environment, forward-looking information (FLI) and macro-economic factors in a similar way with respect to changes in the level of credit risk.

(expressed in Eastern Caribbean dollars)

4 Summary of significant accounting policies ... *continued*

4.3 Financial instruments … *continued*

4.3.1 Policies under IFRS 9… *continued*

Derecognition of financial liabilities

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires). The exchange between the 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 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.

4.4 Provisions, contingent assets and contingent liabilities

Provisions for legal disputes or other claims are recognised when the Bank has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Bank and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are not recognised for future operating losses. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. 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. Provisions are discounted to their present values, where the time value of money is material. In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised.

Any reimbursement that the Bank can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

(expressed in Eastern Caribbean dollars)

4 Summary of significant accounting policies … *continued*

4.5 Property, plant and equipment and depreciation

Property, plant and equipment are initially recognised at acquisition cost including any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Bank's management.

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

As no finite useful life for land can be determined, related carrying amounts are not depreciated. Depreciation of other assets is recognised on a straight-line basis to write down the cost less estimated residual values of the assets. The following useful lives are applied:

Buildings	50 years
Furniture and fixtures	3 – 10 years
Equipment	3 – 10 years
Computer equipment	3 – 5 years
Motor vehicles	3 – 5 years

Material residual value estimates and estimates of useful life are updated as required, but at least annually. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in the statement of comprehensive income within 'other income' or 'other expenses'.

Leases

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

- The contract involves the use of an identified asset. This may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Bank has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Bank has the right to direct the use of the asset. The Bank has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

(expressed in Eastern Caribbean dollars)

4 Summary of significant accounting policies ... *continued*

4.5 Property, plant and equipment and depreciation … *continued*

The Bank as a lessee

The Bank mainly leases office space used in its operations. Rental contracts for these leases are typically made for fixed periods but may have extension options, which are described below. Some contracts contain lease and non-lease components, which are accounted for as separate components based on the standalone prices stated in the contracts.

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

The Bank applies a single recognition and measurement approach to all leases, except for short-term leases and leases of low-value assets. At lease commencement date, the Bank recognises a right-of-use asset and a lease liability in the statement of financial position.

The right-of-use asset is initially measured at cost, which comprises the initial measurement of the lease liability, any initial direct costs incurred by the Bank. Estimates of any costs to dismantle and remove the asset at the end of the lease are not made as these costs are deemed to be immaterial. Subsequent to initial measurement, the right-of-use asset is depreciated 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. The Bank does not revalue any of its right-of-use assets.

The lease liability is initially measured at the present value of the lease payments that are not paid at the lease commencement date, discounted using the interest rate implicit in the lease. If the interest rate implicit in the lease cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

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

- Fixed lease payments (including in-substance fixed payments).

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made.

(expressed in Eastern Caribbean dollars)

4 Summary of significant accounting policies ... *continued*

4.6 Intangible assets

Computer software
Computer software licences acquired in a business combination are recognised at fair value at the acquisition date. Other acquired computer software licences are capitalised on the basis of the costs incurred to acquire and install the specific software.

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

Subsequent measurement
Any intangible assets that are not acquired through a business combination are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives, generally not exceeding 20 years, as these assets are considered finite. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing as described in note 4.7. The following useful lives are applied:

Software	1 – 5 years
Customer list	8 – 11 years

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

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

4.7 Impairment of non-financial assets

All individual assets or cash-generating units are tested 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 or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Bank's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

(expressed in Eastern Caribbean dollars)

4 Summary of significant accounting policies ... *continued*

4.7 Impairment of non-financial assets … continued

All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

4.8 Equity and reserves

Share capital represents the issue price of shares that have been issued. Any transaction costs associated with the issuing of shares are shown in equity as a deduction, net of any related income tax benefits. Preference shares that do not exhibit any debt characteristics, and ordinary shares are classified as equity.

Other components of equity include the following:

- Other reserves which comprise statutory and regulatory reserves loan loss as stipulated by the Banking Act No. 10 of 2015 and the Eastern Caribbean Central Bank (note 19);
- Revaluation reserve for FVOCI equity investment securities comprises unrealised gains/losses relating to these types of financial instruments; and
- Retained earnings, which includes all current and prior periods' retained profits or losses.

4.9 Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin.

4.10 Foreign currency translation

Functional and presentation currency
The financial statements are presented in Eastern Caribbean Dollars, which is also the functional currency of the Bank.

Foreign currency transactions and balances
Foreign currency transactions are translated into Eastern Caribbean Dollars using the closing rates of exchange prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in the statement of comprehensive income.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

4.11 Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' and 'interest expense' in the statement of comprehensive income using the effective interest method ("EIR"). The Bank calculates interest income on financial assets, other then those considered impaired, by applying the EIR to the gross carrying amount of the financial asset. When a financial asset becomes credit-impaired as set out in note 5.1.3 it is regarded as "Stage 3", the Bank calculates interest income by applying the EIR to the net amortised cost of the financial asset. If the financial asset cures as outlined in note 5.1.3 it is no longer credit-impaired, and the Bank reverts to calculating interest income on a gross basis.

(expressed in Eastern Caribbean dollars)

4 Summary of significant accounting policies … *continued*

4.11 Interest income and expense … *continued*

The Effective Interest Rate (EIR) method
The effective interest rate 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, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider 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.

The Bank calculates interest income on financial assets, other than those considered impaired, by applying the EIR to the gross carrying amount of the financial asset. Interest income is similarly recognised on moratorium loans arising from the Bank's Loan Relief Plan.

Once a financial asset or a group of similar financial assets has been written down as a result of an 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.

4.12 Fee and commission income

Fees and commissions are generally recognised on the 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 using the effective interest method over the term of 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 have retained a part at the same effective interest rate as the other participants.

For the financial year ended September 30, 2021, the Bank recognised fees and commission 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.

4.13 Employee benefits

Post-employment benefit plan
The Bank provides post-employment benefits through a defined contribution plan. The Bank pays fixed contributions into a privately administered staff retirement savings plan for individual employees. The Bank has no legal or constructive obligations to pay contributions in addition to its fixed contributions, which are recognised as an expense in the period that relevant employee services are received.

Prepaid employee short term benefit
The Bank facilitates loans to its staff at rates that are relatively low in comparison to the normal market rates in the Eastern Caribbean Currency Union (ECCU). These loans are recognised at fair value using a normal market rate, and the difference between the fair value and the consideration given to the employees is recorded as a pre-paid short term employee benefit. The pre-paid short-term employee benefit is amortised through the statement of comprehensive income over the expected service life of the relevant individual employees or the expected life of the relevant individual loans, whichever is shorter.

(expressed in Eastern Caribbean dollars)

4 Summary of significant accounting policies *... continued*

4.13 Employee benefits … continued

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

4.14 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the Bank's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with IFRS 15, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgement of management. The fee income earned is recognised on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the statement of comprehensive income within 'operating expenses'.

4.15 Current and deferred income taxes

Tax expense recognised in operating income comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period in Antigua and Barbuda.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided those rates are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that the underlying tax loss or deductible temporary difference will be able to be utilised against future taxable income. 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.

(expressed in Eastern Caribbean dollars)

4 Summary of significant accounting policies *... continued*

4.15 Current and deferred income taxes … continued

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income (such as the revaluation of assets) or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

4.16 Related party transactions and relationship

Related party transactions are transfers of resources, services or obligations between the Bank and its related parties, regardless of whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include:
(a) individuals or entities that control the Bank, either directly or indirectly through one or more intermediaries, or are controlled by, or under common control with the Bank;
(b) associates; and
(c) individuals or entities owning, directly or indirectly, an interest in the voting power of the Bank that gives them significant influence over the Bank, and close members of the family of any such individual.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely the legal form.

4.17 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Bank in exchange for control of the business.

Acquired assets and liabilities assumed are measured at their fair values at the acquisition date. Acquisition-related costs are recognised in profit or loss as incurred.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Bank reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date. The measurement period is the period from the date of acquisition to the date the Bank obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

Goodwill arising in a business combination is recognised as an asset at the date of acquisition. Goodwill is measured as the excess of the sum of the consideration transferred over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Goodwill is subsequently carried at cost less accumulated impairment losses.

Negative goodwill in a business combination occurs when the consideration transferred is less than the net of the acquisition-date amounts of the identifiable assets acquired, and liabilities assumed. Negative goodwill is recorded as a “gain on acquisition” or “gain on bargain purchase”. The resulting gain is recognized in profit or loss on the acquisition date.

(expressed in Eastern Caribbean dollars)

4 Summary of significant accounting policies *... continued*

4.18 Events after reporting date

Any post-year-end event that provides additional information about the Bank's financial position at the end of the reporting period (adjusting event) is reflected in the financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

5 Financial risk management

The Bank's business activities involve taking on risks in a targeted manner and managing them professionally. The core functions of the Bank's risk management policies and procedures are to identify all key risks for the Bank, measure these risks, manage the risk positions and determine capital allocations. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice.

The Bank's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank's financial performance.

The Bank defines risk as the possibility of losses, or profits foregone, which may be caused by internal or external factors.

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

The risks arising from financial instruments to which the Bank is exposed are financial risks, which include credit risk, liquidity risk, market risk (which are discussed below) and operational risk.

5.1 Credit risk

Credit risk is the risk of suffering financial loss, should any of the Bank's customers, clients or market counterparties fail to fulfil their contractual obligations to the Bank. Credit risk arises mainly from commercial and consumer loans and advances, credit cards, and loan commitments arising from such lending activities, but can also arise from credit enhancement provided, such as financial guarantees and letters of credit. The Bank is also exposed to other credit risks arising from investments in debt securities.

Credit risk is the single largest risk for the Bank's business; management therefore carefully manages its exposure to credit risk. The credit risk management and control including risk on debt securities, cash, loans and advances, credit cards and loan commitments are monitored by the ALCO and the Credit committees, which report to the Board of Directors regularly.

5.1.1 Credit risk measurement

(a) Loans and advances (including loan commitments and guarantees)

The estimation of credit exposure is complex and requires the use of models, as the value of a product varies with changes in market variables, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties.

The Bank assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of the counterparty. They have been developed based on the Eastern Caribbean Central Bank's guidelines. Customers of the Bank are segmented into five rating classes. The Bank's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class.

(expressed in Eastern Caribbean dollars)

5 Financial risk management … *continued*

5.1.1 Credit risk measurement … continued

(a) Loans and advances (including loan commitments and guarantees) … continued

This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes. The ratings tools are kept under review and upgraded as necessary.

Bank's rating	Description of the grade
1	Pass
2	Special mention
3	Sub-standard
4	Doubtful
5	Loss

(b) Debt securities

The Bank's portfolio of debt securities and other bills consists of bonds and treasury bills issued by Governments within the Organisation of Eastern Caribbean States (OECS) and corporate bonds. The bonds are quoted but not traded in an active market. The Bank assesses the risk of default on these instruments by regularly monitoring the performance of the respective Governments through published government data, information received directly from government departments and information published by international agencies such as the International Monetary Fund (IMF) and the World Bank. The risk of default on regional corporate debt is assessed by continuous monitoring of the performance of these companies through published financial information, and other data gleaned from various sources.

5.1.2 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.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and industry segments. Such risks are monitored on a revolving basis and subject to regular review by the Board of Directors.

The exposure to any one borrower, including banks and brokers is further restricted by sub-limits covering on and off-balance sheet exposures. Actual exposures against limits are monitored, on an ongoing basis. (see note 5.1.4)

Lending limits are reviewed in light of changing market and economic conditions and periodic credit reviews and assessments of probability of default.

(expressed in Eastern Caribbean dollars)

5 Financial risk management … *continued*

5.1.2 Risk limit control and mitigation policies … continued

Some other specific control and mitigation measures are outlined below:

(a) 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 a common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are as follows:

- Mortgages over properties
- Charges over business assets, primarily the premises
- Hypothecation of deposits

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

(b) Financial guarantees (for 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 shipment of goods to which they relate, and therefore carry less risk than a direct loan.

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

(expressed in Eastern Caribbean dollars)

5 Financial risk management … *continued*

5.1.3 Impairment and provisioning policies

The internal rating system described in Note 5.1.1 focuses on expected credit losses – that is, taking into account the risk of future events giving rise to loss. The largest component of the impairment allowance for expected credit losses comes from the pass grade. The table below shows the percentage of the Bank's loans and advances and the associated impairment allowance for each of the Bank's rating categories.

	Loans and advances $	%	Expected Credit Loss $	%	Net total $
At September 30, 2021					
Pass	937,947,134	80	(40,081,675)	52	897,865,459
Special mention	171,052,737	15	(11,256,737)	15	159,796,000
Substandard	48,713,903	4	(18,384,271)	24	30,329,632
Doubtful	2,151,777	0	(1,613,456)	2	538,321
Loss	5,485,993	1	(5,419,128)	7	66,865
Gross loans and advances	1,165,351,544	100	(76,755,267)	100	1,088,596,277
Interest receivable	39,451,329	–	–	–	39,451,329
Deferred loan origination fees	(685,228)	–	–	–	(685,228)
	1,204,117,645	**100**	**(76,755,267)**	**100**	**1,127,362,378**

	Loans and advances $	%	Expected Credit Loss $	%	Net total $
At September 30, 2020					
Pass	432,895,956	75	(18,071,434)	65	414,824,522
Special mention	134,245,504	23	(5,085,510)	18	129,159,994
Substandard	13,519,553	2	(3,849,890)	14	9,669,663
Doubtful	702,596	–	(410,446)	2	292,150
Loss	316,486	–	(237,274)	1	79,212
Gross loans and advances	581,680,095	100	(27,654,554)	100	554,025,541
Interest receivable	17,557,437	–	–	–	17,557,437
Deferred loan origination fees	(689,389)	–	–	–	(689,389)
	598,548,143	**100**	**(27,654,554)**	**100**	**570,893,589**

(expressed in Eastern Caribbean dollars)

5 Financial risk management … *continued*

5.1.3 Impairment and provisioning policies …continued

The internal rating system described in Note 5.1.1 is further analysed using the ECL staging model as follows:

	Loans and advances $	%	Expected Credit Loss $	%	Net total $
At September 30, 2021					
Stage 1	1,001,907,221	86	(20,150,916)	26	981,756,305
Stage 2	93,571,009	8	(24,740,584)	32	68,830,425
Stage 3	69,873,314	6	(31,863,767)	42	38,009,547
Gross loans and advances	1,165,351,544	100	(76,755,267)	100	1,088,596,277
Interest receivable	39,451,329	–	–	–	39,451,329
Deferred loan origination fees	(685,228)	–	–	–	(685,228)
	1,204,117,645	**100**	**(76,755,267)**	**100**	**1,127,362,378**

	Loans and advances $	%	Expected Credit Loss $	%	Net total $
At September 30, 2020					
Stage 1	520,010,909	89	(9,213,454)	33	510,797,455
Stage 2	45,151,588	8	(12,753,956)	46	32,397,632
Stage 3	16,517,598	3	(5,687,144)	21	10,830,454
Gross loans and advances	581,680,095	100	(27,654,554)	100	554,025,541
Interest receivable	17,557,437	–	–	–	17,557,437
Deferred loan origination fees	(689,389)	–	–	–	(689,389)
	598,548,143	**100**	**(27,654,554)**	**100**	**570,893,589**

(expressed in Eastern Caribbean dollars)

5 Financial risk management … *continued*

5.1.3 Impairment and provisioning policies … continued

Loans and advances to customers and investment securities

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 assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Bank measures credit risk through various approaches using PD, EAD and LGD or a loss rate approach. The approaches used for the purposes of measuring ECL under IFRS 9 are probability of default for the government loans and all investments. The loss rate approach was used for all remaining financial assets.

Credit risk grading

The Bank uses various strategies to grade and assess credit risk of its counterparties and/or borrowers. With respect to its counterparties with which it holds investment securities, the Bank uses external credit ratings and the corresponding historical default statistics to determine the probability of default of individual counterparties. The credit grades are calibrated such that the risk of default increases exponentially at each higher risk grade. For example, this means that the difference in the PD between an A and A- rating grade is lower than the difference in the PD between a B and B- rating grade.

The Bank relies on external ratings as provided by various credit rating agencies. The Bank employs a correlation or mapping based on these external rating agencies as follows:

S&P	**Moody's**	**Fitch**	**CariCRIS**
AAA to AA-	Aaa to Aa3	AAA to AA-	AAA
A+ to A-	A1 to A3	A+ to A-	AAA
BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-	AA+ to AA-
BB+ to BB-	Ba1 to Ba3	BB+ to BB-	A+ to A-
B+ to B-	B1 to B3	B+ to B-	BBB+ to BBB-
CCC+ and below	Caa1 and below	CCC+ and below	BB+ and below
Unrated	Unrated	Unrated	Unrated

Expected credit loss measurement

Expected credit losses are calculated by multiplying three main components, being the probability of default (“PD”), the exposure at default (“EAD”) and the loss given default (“LGD”). The loss rate (“LR”) and the discount rate (“DR”) are subcomponents of the LGD.

The Bank currently uses each loan contractual interest rate as an approximation of the effective interest rate (“EIR”) as the difference is considered immaterial.

(expressed in Eastern Caribbean dollars)

5 Financial risk management … *continued*

5.1.3 Impairment and provisioning policies … continued

Expected credit loss measurement … continued

The PD, LGD, and EAD models which support these determinations are reviewed regularly in light of differences between loss estimates and actual loss experience. The exercise of judgement in making estimations requires the use of assumptions which are highly subjective and sensitive to the risk factors, in particular to changes in economic and credit conditions across a large number of geographical areas such as the (Caribbean, North America and Europe). Many of the factors have a high degree of interdependency and there is no single factor to which loan impairment allowances as a whole are sensitive. Therefore, sensitivities are considered in relation to key portfolios which are particularly sensitive to a few factors and the results should not be further extrapolated.

The impairment model under IFRS 9 makes use of a three-stage approach in determining credit losses. The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk must consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information will require significant judgement.

Management relies on data from external rating agencies in determining the probability of defaults in the case of the government loans and investment securities. The Bank has chosen to assess the risk of credit loss using a PD approach that approximates the country's credit risk rating. The credit risk of Antigua and Barbuda is not rated by entities such as Moody's, S&P and CariCris. As a result, the Bank has identified a proxy for Antigua and Barbuda. Management assumes that all countries in the Caribbean are comparable as they are all developing countries.

Forward looking information incorporated in the ECL models

The estimation and application of forward-looking information will require significant judgment of PD, LGD, LR, DR and EAD inputs used to estimate Stage 1 and Stage 2 credit loss allowances and are modelled based on the macroeconomic variables (or changes in macroeconomic variables), that are most closely correlated with credit losses in the relevant portfolio. Each macroeconomic scenario used in the expected credit loss calculation will have forecasts of the relevant macroeconomic variables – including, but not limited to, gross domestic product, balance of payments, tourism, construction, inflation rate and unemployment rate.

For defaulted financial assets, management's assessment of the provision for expected lifetime losses which incorporates collateral recoveries, is calculated and recorded as the allowance for loan loss. The resulting allowance for loan loss is the higher of the computed ECL and the difference between the carrying amount and the present value of expected cash flows discounted at the original effective interest rate.

Purchased or originated credit-impaired financial assets are those financial assets that are credit impaired on initial recognition. The ECL related to these financial assets is always measured on a lifetime basis (Stage 3). The Bank does not have any purchased or originated credit-impaired financial assets.

A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward looking information. An explanation of how the Bank has incorporated this in its ECL models is included in note 4.3.1.

(expressed in Eastern Caribbean dollars)

5 Financial risk management … *continued*

5.1.3 Impairment and provisioning policies … continued

Macroeconomic variable assumptions

The significant period-end assumptions and scores used for ECL estimates as of September 30, 2021 and 2020 are set out below.

		Weighting 2021	Weighting 2020
Antigua and Barbuda GDP growth	Upside	**0.25**	0.25
	Base	**0.25**	0.31
	Downside	**0.31**	0.31
Antigua and Barbuda balance of payments	Upside	**0.25**	0.25
	Base	**0.25**	0.31
	Downside	**0.31**	0.31
Antigua and Barbuda tourism	Upside	**0.15**	0.20
	Base	**0.20**	0.25
	Downside	**0.25**	0.25
Antigua and Barbuda construction	Upside	**0.15**	0.15
	Base	**0.20**	0.20
	Downside	**0.20**	0.20
USA inflation rate	Upside	**0.04**	0.04
	Base	**0.05**	0.05
	Downside	**0.06**	0.06
USA employment rate	Upside	**0.04**	0.05
	Base	**0.05**	0.05
	Downside	**0.06**	0.06

The macroeconomic variable outlook multiplier assigned to each economic scenario were as follows:

	Upside	Base	Downside
September 30, 2021	**0.75**	**1**	**1.25**
September 30, 2020	0.75	1	1.25

The macroeconomic variable weightings assigned to ECL estimate were as follows:

	2021	2020
Antigua and Barbuda GDP growth	**25%**	25%
Antigua and Barbuda balance of payments	**25%**	25%
Antigua and Barbuda tourism	**20%**	20%
Antigua and Barbuda construction	**20%**	20%
USA inflation rate	**5%**	5%
USA employment rate	**5%**	5%
	100%	100%

(expressed in Eastern Caribbean dollars)

5 Financial risk management … *continued*

5.1.3 Impairment and provisioning policies … continued

Macroeconomic variable assumptions … continued

The following diagram summarises the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets):

	Change in credit quality since initial recognition		
	Stage 1	**Stage 2**	**Stage 3**
Risk Assessment	Initial recognition or credit risk is considered low	Significant increase in credit risk since initial recognition	Credit-impaired assets
Expected credit losses	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

The key judgements and assumptions adopted by the Bank in addressing the requirements of the standard are discussed below:

Significant increase in credit risk (SICR)

The Bank considers a financial instrument to have experienced a significant increase in credit risk if:

- Movement from stage 1 to stage 2: Significant increase in credit risk (SICR) - credit rating dropped by 2 notches.
- Movement from stage 1 or 2 to stage 3: Ratings of "SD" – selected default as per S&P or "C" as per Moody's.
- In the absence of Moody's credit rating, the Bank would use CariCris then S&P. The ratings are then converted to the equivalent ratings as per the mapping table.

a) Stage 1 includes those financial instruments that were not credit impaired on initial recognition or that have low credit risk at the reporting date. The expected credit loss for these instruments is measured by default events that are possible within twelve (12) months after the reporting date. It is not the expected cash shortfalls over the twelve (12)-month period but the entire credit loss on an asset weighted by the probability that the loss will occur in the next twelve (12) months. Such facilities identified as:

   a) Loan repayments current or not more than 30 days past due;
   b) Credit cards current or not more than 30 days past due;
   c) Loans rescheduled and up to date for more than 12 months;
   d) Financial instruments with a low risk of default;
   e) Overdraft facilities with deposits over the last 30 days equal to, or in excess of the interest accrued on the facility;
   f) Facilities where the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
   g) Moratorium loans current or not more that 30 days past due at the commencement of the ECAB Loan Relief Plan.

(expressed in Eastern Caribbean dollars)

5 Financial risk management … *continued*

5.1.3 Impairment and provisioning policies … continued

Significant increase in credit risk (SICR) … continued

b) The groupings used in performing the collective assessment are as follows:

a) Personal loans
b) Corporate loans
c) Government loans
d) Overdraft – Commercial
e) Overdraft – Personal
f) Credit Cards

c) Stage 2 includes those financial instruments where a significant increase in credit risk (SICR) has occurred since initial recognition, but not yet deemed to be credit-impaired. For Stage 2 assets assessed as having low credit risk, lifetime expected credit losses are recognised, but interest is still calculated on the gross carrying amount of the assets. Currently, facilities with any one or more of the following characteristics are identified as those displaying a significant increase in credit risk:

a) Loans up to date but evidence suggests that certain factors could in the future affect the borrower's ability to service the loan properly or impair the collateral;
b) Inadequate credit documentation to support borrowings or other deviation from prudent lending practices;
c) Loan repayments in arrears, for between 31-89 days and /or non-compliance with other terms of the loan;
d) Credit card repayments in arrears, for between 31-89 days and/or non-compliance with other term of the facility agreement;
e) Collateral not fully in place or loan up to date but inadequately secured;
f) Loans which could deteriorate because of market conditions affecting the sector;
g) Rescheduled or refinanced loans which are up to date and adequately secured, for a minimum of 1 year after rescheduling;
h) Overdraft facilities exceeding the approved limit for more than 60 consecutive days; and
i) Moratorium loans, any loans in the hospitality industry or other industry where management has deemed a significant increase in credit risk has occurred.

d) Stage 3 includes those financial instruments that are considered be in default or credit-impaired. A rebuttable presumption is applied, and a financial instrument is considered to be credit impaired if the borrower is more than 90 days past due on the contractual payments. The Bank also considers other qualitative criteria is determining default as they are indicators of the unlikeliness that the loan will be repaid such as:

a) Delinquent restructured loans;
b) Overdraft facilities with no deposits over the last 90 days and funds insufficient to cover the interest accrued thereon;
c) All unauthorised overdrawn accounts without an approved limit; and
d) All credit card accounts that have been transferred to recoveries for collection.

(expressed in Eastern Caribbean dollars)

5 Financial risk management … *continued*

5.1.3 Impairment and provisioning policies … continued

Significant increase in credit risk (SICR) … continued

The above criteria have been applied to all financial instruments held by the Bank and are consistent with the definition of default used for internal credit risk management purposes. The expected credit loss for these instruments is measured on a lifetime basis on an individual basis. The loss given default is calculated for each instrument and the expected credit loss is discounted back to the reporting date using the original effective interest rate. Forward looking information is also incorporated in determining the loss given default. These include the following:

a) Property and land values;
b) Interest rate forecasts; and
c) Inflation forecasts.

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, forward-looking or other available information on an annual basis. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by Management.

Definition of default and credit-impaired assets

The Bank defines default as the occurrence of one or more of the following events:

- The obligor is unlikely to pay its debt obligations (principal, interest or fees) in full;
- The occurrence of a credit loss event with any obligation of the obligor, such as a charge-off, specific provision, or distresses restructuring involving forgiveness or postponement of principal, interest or fees;
- The obligor is past due more than 90 days on any credit obligation; or
- The obligor has filed for bankruptcy or similar protection from creditors.

The criteria above have been applied to all financial instruments held by the Bank and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the (PD), (EAD) and (LGD) throughout the Bank's expected loss calculations. The Bank has not rebutted and maintains that default takes place when a financial asset is 90 days past due given its contractual obligations.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six (6) months. This period of six (6) months has been determined based on consideration given to historical performance of the financial instrument returning to default status after cure.

(expressed in Eastern Caribbean dollars)

5 Financial risk management … *continued*

5.1.3 Impairment and provisioning policies … *continued*

Expected credit loss measurement

Maximum exposure to credit risk – Financial instruments subject to impairment

The following tables contain an analyses of the credit risk exposure of financial instruments for which an ECL allowance is recognised.

Summary of loans and advances to customers
ECL Staging
2021

	Stage 1 12-month ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	September 30, 2021 Total $	September 30, 2020 Total $
Personal Loans	567,462,530	32,740,019	60,472,102	660,674,651	230,528,502
Government	257,417,178	–	–	257,417,178	249,157,465
Corporate Loans	108,618,749	56,096,208	4,469,295	169,184,252	77,812,497
Credit card advances	45,086,194	3,536,049	4,191,422	52,813,665	9,023,556
Overdrafts	23,322,570	1,198,733	740,495	25,261,798	15,158,075
Gross carrying amount	1,001,907,221	93,571,009	69,873,314	1,165,351,544	581,680,095
Provision for expected credit losses	(20,150,916)	(24,740,584)	(31,863,767)	(76,755,267)	(27,654,554)
Carrying amount	**981,756,305**	**68,830,425**	**38,009,547**	**1,088,596,277**	**554,025,541**

(expressed in Eastern Caribbean dollars)

5 Financial risk management … *continued*

5.1.3 Impairment and provisioning policies … *continued*

Expected credit loss measurement … *continued*

The table below contains the analysis of ECL allowance per credit risk exposure on loans and advances to customers both on-balance sheet and off-balance sheet.

	2021 $	2020 $
Personal loans	**40,393,723**	17,043,369
Corporate loans	**26,407,076**	8,258,112
Credit card advances	**8,034,508**	1,099,834
Overdrafts	**1,371,363**	1,240,243
Government	**548,597**	12,996
Total provision for expected credit losses (ECL)	**76,755,267**	27,654,554

Summary of Investment Securities
ECL Staging – amortised cost

	Stage 1 12-month ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	September 30, 2021 Total $	September 30, 2020 Total $
Treasury bills	33,422,452	–	–	33,422,452	33,458,610
Bonds/Fixed rate notes	33,079,446	5,102,411	–	38,181,857	38,969,675
Money market	27,997,060	–	–	27,997,060	2,704,562
Term deposits	82,485,347	–	–	82,485,347	93,196,691
Gross carrying amount	176,984,305	5,102,411	–	182,086,716	168,329,538
Provision for expected credit losses	(635,432)	(43,349)	–	(678,781)	(678,781)
Carrying amount	**176,348,873**	**5,059,062**	**–**	**181,407,935**	**167,650,757**

(expressed in Eastern Caribbean dollars)

5 Financial risk management … *continued*

5.1.3 Impairment and provisioning policies … continued

The table below contains the analysis of ECL allowance per credit risk exposure on investment securities (see note 10).

	2021 $	2020 $
Bonds/Fixed rate notes	**485,622**	485,622
Term deposits	**106,318**	106,318
Treasury bills	**86,841**	86,841
Total provision for expected credit losses (ECL)	**678,781**	678,781

Loss allowance

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

- Transfers between Stages 1, 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL;
- 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 changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

(expressed in Eastern Caribbean dollars)

5 Financial risk management … *continued*

5.1.3 Impairment and provisioning policies … continued

Expected credit loss measurement … *continued*

Loss allowance…*continued*

Summary of Loans and Advances to Customers
Loss Allowance - Loans at amortised cost

	Stage 1 12-month ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	Total $
Loss allowance as of September 30, 2020	**9,213,454**	**12,753,956**	**5,687,144**	**27,654,554**
Movements with P&L impact:				
Transfers:				
Transfers from Stage 1 to Stage 2	(12,417,609)	12,417,609	–	–
Transfers from Stage 1 to Stage 3	(3,221,516)	–	3,221,516	–
Transfers from Stage 2 to Stage 1	745,113	(745,113)	–	–
Transfers from Stage 2 to Stage 3	–	(1,335,801)	1,335,801	–
Transfers from Stage 3 to Stage 1	39,158	–	(39,158)	–
New financial assets originated or purchased	1,398,247	108,788	497,354	2,004,389
Changes in PDs LGDs/EADs	12,263,000	(2,722,200)	(210,604)	9,330,196
Financial assets derecognised during the year	(514,513)	(172,006)	(778,390)	(1,464,909)
Total net P&L charge during the year	**(1,708,120)**	**7,551,277**	**4,056,519**	**9,869,676**
Other movements with no P&L impact				
New financial assets acquired from BNS	12,645,582	4,435,351	22,213,618	39,294,551
Write-offs	–	–	(63,514)	(63,514)
Loss allowance as of September 30, 2021	**20,150,919**	**24,740,584**	**31,863,767**	**76,755,267**

The write-offs were as follows:

	2021 $	2020 $
Personal loans	63,514	1,459,907
Overdraft accounts	–	147,497
Corporate loans	–	–
Credit card advances	–	–
	63,514	1,607,404

(expressed in Eastern Caribbean dollars)

5 Financial risk management … *continued*

5.1.3 Impairment and provisioning policies … *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 $
Treasury Bills				
Gross carrying amount as of September 30, 2020	33,458,610	–	–	33,458,610
Transfers:				
Transfers from Stage 1 to Stage 2	–	–	–	–
Transfers from Stage 1 to Stage 3	–	–	–	–
Transfers from Stage 2 to Stage 3	–	–	–	–
New financial assets originated or purchased	60,842,546	–	–	60,842,546
Financial assets derecognised during the year	(60,915,551)	–	–	(60,915,551)
Changes in principal and interest	36,847	–	–	36,847
Gross carrying amount as of September 30, 2021	**33,422,452**	**–**	**–**	33,422,452
Bonds/fixed rate notes				
Gross carrying amount as at September 30, 2020	33,858,275	5,111,400	–	38,969,675
Transfers:				
Transfers from Stage 1 to Stage 2	–	–	–	–
Transfers from Stage 1 to Stage 3	–	–	–	–
Transfers from Stage 2 to Stage 3	–	–	–	–
New financial assets originated or purchased	11,000,000	–	–	11,000,000
Financial assets derecognised during the year	(11,518,696)	–	–	(11,518,696)
Changes in principal and interest	(260,133)	(8,989)	–	(269,122)
Gross carrying amount as at September 30, 2021	**33,079,446**	**5,102,411**	**–**	**38,181,857**

(expressed in Eastern Caribbean dollars)

5 Financial risk management … *continued*

5.1.3 Impairment and provisioning policies … *continued*

	Stage 1 12-month ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	Total $
Money market				
Gross carrying amount as of September 30, 2020	2,704,562	–	–	2,704,562
Transfers:				
Transfers from Stage 1 to Stage 2	–	–	–	–
Transfers from Stage 1 to Stage 3	–	–	–	–
Transfers from Stage 2 to Stage 3	–	–	–	–
New financial assets originated or purchased	25,292,299	–	–	25,292,299
Financial assets derecognised during the year	–	–	–	–
Changes in principal and interest	199	–	–	199
Gross carrying amount as of September 30, 2021	**27,997,060**	**–**	**–**	**27,997,060**
Term deposits				
Gross carrying amount as of September 30, 2020	93,196,691	–	–	93,196,691
Transfers:				
Transfers from Stage 1 to Stage 2	–	–	–	–
Transfers from Stage 1 to Stage 3	–	–	–	–
Transfers from Stage 2 to Stage 3	–	–	–	–
New financial assets originated or purchased	–	–	–	–
Financial assets derecognised during the year	(10,659,168)	–	–	(10,659,168)
Changes in principal and interest	(52,176)	–	–	(52,176)
Gross carrying amount as of September 30, 2021	**82,485,347**	–	–	**82,485,347**

(expressed in Eastern Caribbean dollars)

5 Financial risk management … *continued*

5.1.3 Impairment and provisioning policies … *continued*

Personal – amortised cost	Stage 1 12-month ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	Total $
Gross carrying amount as of September 30, 2020	189,530,093	30,069,318	10,929,091	230,528,502
Transfers:				
Transfers from Stage 1 to Stage 2	(13,957,622)	13,957,622	–	–
Transfers from Stage 1 to Stage 3	(6,649,357)	–	6,649,357	–
Transfers from Stage 2 to Stage 1	20,458,501	(20,458,501)	–	–
Transfers from Stage 2 to Stage 3	–	(1,876,559)	1,876,559	–
Transfers from Stage 3 to Stage 1	68,044	–	(68,044)	–
Transfers from Stage 3 to Stage 2	–	274,929	(274,929)	–
New financial assets originated or purchased	408,846,027	8,352,601	40,630,437	457,829,065
Financial assets derecognised during the year	(10,675,682)	(155,689)	(515,428)	(11,346,799)
Changes in principal and interest	(20,157,474)	2,576,298	1,245,059	(16,336,117)
Gross carrying amount as of September 30, 2021	**567,462,530**	**32,740,019**	**60,472,102**	**660,674,651**

Corporate – amortised cost	Stage 1 12-month ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	Total $
Gross carrying amount as of September 30, 2020	61,148,649	12,428,487	4,235,361	77,812,497
Transfers:				
Transfers from Stage 1 to Stage 2	(32,764,629)	32,764,629	–	–
Transfers from Stage 1 to Stage 3	(194,208)	–	194,208	–
Transfers from Stage 2 to Stage 1	787,652	(787,652)	–	–
Transfers from Stage 2 to Stage 3	–	(166,356)	166,356	–
New financial assets originated or purchased	94,453,016	46,267	2,154,730	96,654,013
Financial assets derecognised during the year	(3,430,780)	(190,738)	(1,842,784)	(5,464,302)
Changes in principal and interest	(11,380,951)	12,001,571	(438,576)	182,044
Gross carrying amount as of September 30, 2021	**108,618,749**	**56,096,208**	**4,469,295**	**169,184,252**

(expressed in Eastern Caribbean dollars)

5 Financial risk management … *continued*

5.1.3 Impairment and provisioning policies … continued

	Stage 1 12-month ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	Total $
Government – amortised cost				
Gross carrying amount as of September 30, 2020	249,157,465	–	–	249,157,465
Transfers:				
Transfers from Stage 1 to Stage 2	–	–	–	–
Transfers from Stage 1 to Stage 3	–	–	–	–
Transfers from Stage 2 to Stage 3	–	–	–	–
New financial assets originated or purchased	8,241,474	–	–	8,241,474
Financial assets derecognised during the year	–	–	–	–
Changes in principal and interest	18,239	–	–	18,239
Gross carrying amount as of September 30, 2021	**257,417,178**	**–**	**–**	**257,417,178**
Overdrafts – amortised cost				
Gross carrying amount as of September 30, 2020	11,641,950	2,653,783	862,342	15,158,075
Transfers:				
Transfers from Stage 1 to Stage 2				
Transfers from Stage 1 to Stage 3	(315,068)	–	315,068	–
Transfers from Stage 2 to Stage 1	2,058,067	(2,058,067)	–	–
Transfers from Stage 2 to Stage 3	–	(32,725)	32,725	–
Transfers from Stage 3 to Stage 1	–	–	–	–
Transfers from Stage 3 to Stage 2	–	–	–	–
New financial assets originated or purchased	10,598,970	366,912	241,363	11,207,245
Financial assets derecognised during the year	(498,064)	(545,792)	(60,761)	(1,104,617)
Changes in principal and interest	(163,285)	814,622	(650,242)	1,095
Gross carrying amount as of September 30, 2021	**23,322,570**	**1,198,733**	**740,495**	**25,261,798**

(expressed in Eastern Caribbean dollars)

5 Financial risk management … *continued*

5.1.3 Impairment and provisioning policies … continued

	Stage 1 12-month ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	Total $
Credit card advances – amortised cost				
Gross carrying amount as of September 30, 2020	8,532,752	–	490,804	9,023,556
Transfers:				
Transfers from Stage 1 to Stage 2	(146,417)	146,417	–	–
Transfers from Stage 1 to Stage 3	(584,839)	–	584,839	–
Transfers from Stage 2 to Stage 1	–	–	–	–
Transfers from Stage 2 to Stage 3	–	–	–	–
Transfers from Stage 3 to Stage 1	–	–	–	–
Transfers from Stage 3 to Stage 2	–	–	–	–
New financial assets originated or purchased	42,124,497	3,131,061	3,254,413	48,509,971
Financial assets derecognised during the year	(154,004)	–	–	(154,004)
Changes in principal and interest	(4,685,795)	258,571	(138,634)	(4,565,858)
Gross carrying amount as of September 30, 2021	**45,086,194**	**3,536,049**	**4,191,422**	**52,813,665**

(expressed in Eastern Caribbean dollars)

5 Financial instruments risk … *continued*

5.1.4 Maximum exposure to credit risk before collateral held or other credit enhancements

	2021 $	2020 $
Credit risk exposures relating to on-balance sheet assets:		
Loans and advances to customers	**1,127,362,378**	570,893,589
Due from banks and other financial institutions	**360,670,500**	96,460,623
Investment securities at amortised cost	**181,407,935**	167,650,757
Other financial assets	**1,717,044**	808,591
	1,671,157,857	835,813,560
Credit risk exposures relating to off-balance sheet items:		
Loan commitments and other credit related facilities	**150,079,292**	43,372,168
Financial guarantees	**4,050,000**	4,321,000
	154,129,292	47,693,168
Total credit exposure	**1,825,287,149**	883,506,728

The previous table represents a worst-case scenario of credit risk exposures to the Bank as of September 30, 2021, without taking account of any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

As shown above 70% (2020: 68%) of the total maximum exposure is derived from loans and advances to customers and 10% (2020: 20%) is derived from investment securities.

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Bank resulting from both its loans and advances portfolio and debt securities based on the following:

- In 2021, 98% (2020: 98%) of the loans and advances portfolio are categorised in the top two grades of the internal rating system, being Pass and Special mention;
- In 2021, 5% (2020: 3%) of loans and advances are considered impaired.

Concentration of risks of financial assets with credit risk exposure

(a) Geographical sectors

The following table analyses the Bank's main credit exposure at their carrying amounts, (without taking into account any collateral held or other credit support) as categorised by geographical region as of September 30, 2021. For all classes of assets, the Bank has allocated exposures to regions based on the country of domicile of the counterparties.

(expressed in Eastern Caribbean dollars)

5 Financial instruments risk … *continued*

5.1.4 Maximum exposure to credit risk before collateral held or other credit enhancements … *continued*

Concentration of risks of financial assets with credit risk exposure … *continued*

As of September 30, 2021

	Antigua & Barbuda $	Other Caribbean $	North America $	Europe $	Total $
Credit risk exposures relating to on-balance sheet assets:					
Due from banks and other financial institutions	1,651,434	4,749,993	337,776,698	16,492,375	360,670,500
Investment securities at amortised cost	17,568,727	97,286,047	66,553,161	–	181,407,935
Loans and advances to customers	1,127,362,378	–	–	–	1,127,362,378
Other financial assets	1,717,044	–	–	–	1,717,044
	1,148,299,583	**102,036,040**	**404,329,859**	**16,492,375**	**1,671,157,857**
Credit exposures relating to off-balance sheet items:					
– Financial guarantees	4,050,000	–	–	–	4,050,000
– Loan commitments and other credit related facilities	150,079,292	–	–	–	150,079,292
Total	**1,302,428,875**	**102,036,040**	**404,329,859**	**16,492,375**	**1,825,287,149**

(expressed in Eastern Caribbean dollars)

5 Financial instruments risk ... *continued*

5.1.4 Maximum exposure to credit risk before collateral held or other credit enhancements … *continued*

Concentration of risks of financial assets with credit risk exposure … continued

As of September 30, 2020

	Antigua & Barbuda $	Other Caribbean $	North America $	Europe $	Total $
Credit risk exposures relating to on-balance sheet assets:					
Due from banks and other financial institutions	1,503,716	2,707,677	74,433,507	17,815,723	96,460,623
Investment securities at amortised cost	12,258,803	114,118,632	41,273,322	–	167,650,757
Loans and advances to customers	570,893,589	–	–	–	570,893,589
Other financial assets	808,591	–	–	–	808,591
	585,464,699	**116,826,309**	**115,706,829**	**17,815,723**	**835,813,560**
Credit exposures relating to off-balance sheet items:					
– Financial guarantees	4,321,000	–	–	–	4,321,000
– Loan commitments and other credit related facilities	43,372,168	–	–	–	43,372,168
Total	**633,157,867**	**116,826,309**	**115,706,829**	**17,815,723**	**883,506,728**

(expressed in Eastern Caribbean dollars)

5 Financial instruments risk ... *continued*

5.1.4 Maximum exposure to credit risk before collateral held or other credit enhancements … continued

Concentration of risks of financial assets with credit risk exposure … continued

(a) Economic risk concentrations within the customer loan portfolio were as follows:

	2021 $	%	2020 $	%
Personal	**662,711,584**	56.9%	232,086,090	39.9%
Public sector	**263,251,803**	22.6%	249,909,398	42.9%
Tourism	**65,096,486**	5.6%	18,773,573	3.2%
Construction/Real Estate	**63,147,260**	5.4%	25,124,502	4.3%
Credit card advances	**52,813,665**	4.5%	9,023,556	1.6%
Other industries	**19,605,545**	1.7%	4,728,200	0.8%
Distributive Trade	**18,577,612**	1.6%	19,638,516	3.4%
Transportation/storage	**13,366,527**	1.1%	13,731,070	2.4%
Manufacturing	**4,513,519**	0.4%	673,614	0.1%
Professional/Services	**2,267,544**	0.2%	7,991,576	1.4%
Total	**1,165,351,545**	**100.0%**	581,680,095	100.0%

The public sector loans within the Bank's loan portfolio are 100% comprised of lending to the Government of Antigua and Barbuda, representing a significant concentration of risk exposure for the Bank to this one customer.

(expressed in Eastern Caribbean dollars)

5 Financial instruments risk ... *continued*

5.1.5 Debt securities

There is no formal rating of the credit quality of bonds, treasury bills and equity investments. A number of qualitative and quantitative factors are considered in assessing the risk associated with each investment. However, there is no hierarchy of ranking. There are no external ratings of securities at the year end. The table below presents an analysis of debt securities, treasury bills and other eligible bills by rating agency designation as of September 30, 2021.

As of September 30, 2021

	Amortised cost $	FVOCI debt securities $	FVTPL debt Securities $	Total $
Unrated	181,407,935	–	–	181,407,935
Total	**181,407,935**	**–**	–	**181,407,935**

As of September 30, 2020

	Amortised cost $	FVOCI debt securities $	FVTPL debt Securities $	Total $
Unrated	167,650,757	–	–	167,650,757
Total	**167,650,757**	**–**	**–**	**167,650,757**

(expressed in Eastern Caribbean dollars)

5 Financial instruments risk ... *continued*

5.2 Market risk

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

Non-trading portfolios market risk primarily arises from the interest rate management of the entity's retail and commercial banking assets and liabilities. Non-trading portfolios market risk also includes equity price risks arising from the Bank's investment securities.

5.2.1 Price risk

Though the Bank's investment portfolio includes securities that are quoted on the Eastern Caribbean Securities Exchange, its exposure to securities price risk is minimal because the total of these securities is insignificant in relation to its statement of financial position, and because of limited volatility in this market. The Bank does however hold securities that are quoted on the world's major securities markets. This exposes the Bank to price risk.

5.2.2 Foreign exchange risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily.

Most of the Bank's assets and liabilities in foreign currencies are held in United States dollars. The exchange rate of the Eastern Caribbean dollar (EC$) to the United States dollar (US$) has been formally pegged at EC$2.7 = US$1.00 since 1974. Therefore, there is no significant exposure to foreign exchange risk.

The following table summarises the Bank's exposure to foreign currency exchange risk as of September 30, 2021. Included in the table are the Bank's financial instruments at carrying amounts, categorised by currency.

(expressed in Eastern Caribbean dollars)

5 Financial instruments risk ... *continued*

5.2.2 Foreign exchange risk … continued

	XCD $	USD $	EUR $	GBP $	Other $	Total $
As of September 30, 2021						
Cash and balances with the Central Bank	260,602,475	1,220,409	166,838	95,486	44,074	262,129,282
Due from banks and financial institutions	3,349,481	350,912,459	1,444,118	1,233,846	3,730,596	360,670,500
Investment securities:						
– Amortised cost	104,596,290	76,811,645	–	–	–	181,407,935
– FVOCI	3,228,467	2,619,073	–	–	–	5,847,540
– FVTPL	–	74,028,200	–	–	–	74,028,200
Loans and advances to customers	1,045,759,873	81,602,505	–	–	–	1,127,362,378
Other financial assets	1,717,044	–	–	–	–	1,717,044
Total financial assets	**1,419,253,630**	**587,194,291**	**1,610,956**	**1,329,332**	**3,774,670**	**2,013,162,879**
Liabilities						
Customers' deposits	1,566,928,148	270,653,453	–	–	–	1,837,581,601
Other liabilities and accrued expenses	53,695,738	–	–	–	–	53,695,738
Total financial liabilities	**1,620,623,886**	**270,653,453**	–	–	–	**1,891,277,339**
Net on-balance sheet position	**(201,370,256)**	**316,540,838**	**1,610,956**	**1,329,332**	**3,774,670**	**121,885,540**
Credit commitments	**150,079,292**	**4,050,000**	–	–	–	**154,129,292**

(expressed in Eastern Caribbean dollars)

5 Financial instruments risk ... *continued*

5.2.2 Foreign exchange risk … continued

	XCD $	USD $	EUR $	GBP $	Other $	Total $
As of September 30, 2020						
Cash and balances with the Central Bank	113,288,951	608,053	203,159	101,616	75,057	114,276,836
Due from banks and financial institutions	4,191,106	89,539,881	2,034,973	483,534	211,129	96,460,623
Investment securities:						
– Amortised cost	113,569,693	54,081,064	–	–	-	167,650,757
– FVOCI	3,228,467	2,547,435	–	–	-	5,775,902
– FVTPL	–	88,054,310	–	–	-	88,054,310
Loans and advances to customers	506,102,836	64,790,753	–	–	-	570,893,589
Other financial assets	808,591	–	–	–	-	808,591
Total financial assets	**741,189,644**	**299,621,496**	**2,238,132**	**585,150**	**286,186**	**1,043,920,608**
Liabilities						
Customers' deposits	776,924,931	74,653,792	–	–	–	851,578,723
Other liabilities and accrued expenses	12,214,145	–	–	–	–	12,214,145
Total financial liabilities	**789,139,076**	**74,653,792**	–	–	–	**863,792,868**
Net on-balance sheet position	**(47,949,432)**	**224,967,704**	**2,238,132**	**585,150**	**286,186**	**180,127,740**
Credit commitments	**43,372,168**	**4,321,000**	–	–	–	**47,693,168**

(expressed in Eastern Caribbean dollars)

5 Financial instruments risk ... *continued*

5.2.3 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 level 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 unexpected movements arise. The Board of Directors sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored by the ALCO Committee.

The following table 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.

(expressed in Eastern Caribbean dollars)

5 Financial instruments risk ... *continued*

5.2.3 Interest rate risk … continued

	Under 1 Month $	1 to 3 Months $	3 to 12 Months $	1 to 5 Years $	Over 5 Years $	Non-interest Bearing $	Total $
As of September 30, 2021							
Assets							
Cash and balances with the Central bank	–	–	–	–	–	262,129,282	262,129,282
Due from banks and other financial institutions	–	–	–	–	–	360,670,500	360,670,500
Investment securities:							
– Amortised cost	34,469,217	41,548,439	90,933,545	3,038,205	11,418,529	–	181,407,935
– FVOCI investments	–	–	–	–	–	5,847,540	5,847,540
– FVTPL investments	–	–	–	–	–	74,028,200	74,028,200
Loans and advances to customers	106,059,199	9,996,594	15,331,875	135,232,798	860,741,912	–	1,127,362,378
Other financial assets	–	–	–	–	–	1,717,044	1,717,044
Total financial assets	140,528,416	51,545,033	106,265,420	138,271,003	872,160,441	704,392,566	2,013,162,879
Liabilities							
Customers' deposits	1,551,227,732	56,928,694	217,030,840	9,968,770	2,425,565	–	1,837,581,601
Other liabilities and accrued expenses	53,695,738	–	–	–	–	–	53,695,738
Total financial liabilities	1,604,923,470	56,928,694	217,030,840	9,968,770	2,425,565	–	1,891,277,339
Total interest repricing gap	**(1,464,395,054)**	**(5,383,661)**	**(110,765,420)**	**128,302,233**	**869,734,876**	**704,392,566**	**121,885,540**

(expressed in Eastern Caribbean dollars)

5 Financial instruments risk ... *continued*

5.2.3 Interest rate risk … continued

	Under 1 Month $	1 to 3 Months $	3 to 12 Months $	1 to 5 Years $	Over 5 Years $	Non-interest Bearing $	Total $
As of September 30, 2020							
Assets							
Cash and balances with the Central bank	–	–	–	–	–	114,276,836	114,276,836
Due from banks and other financial institutions	–	–	–	–	–	96,460,623	96,460,623
Investment securities:							
– Amortised cost	6,734,920	65,382,035	82,977,130	11,935,992	620,680	–	167,650,757
– FVOCI investments	–	–	–	–	–	5,775,902	5,775,902
– FVTPL investments	–	–	–	–	–	88,054,310	88,054,310
Loans and advances to customers	48,800,560	2,822,218	2,359,287	43,151,867	473,759,657	–	570,893,589
Other financial assets	–	–	–	–	–	808,591	808,591
Total financial assets	55,535,480	68,204,253	85,336,417	55,087,859	474,380,337	305,376,262	1,043,920,608
Liabilities							
Customers' deposits	641,347,792	53,358,301	151,746,355	2,986,495	2,139,780	–	851,578,723
Other liabilities and accrued expenses	12,214,145	–	–	–	–	–	12,214,145
Total financial liabilities	653,561,937	53,358,301	151,746,355	2,986,495	2,139,780	–	863,792,868
Total interest repricing gap	**(598,026,457)**	**14,845,952**	**(66,409,938)**	**52,101,364**	**472,240,557**	**305,376,262**	**180,127,740**

(expressed in Eastern Caribbean dollars)

5 Financial instruments risk ... *continued*

5.2.3 Interest rate risk … continued

Because of limited volatility in the securities markets in which the Bank's debt investments are held, the Bank is not unduly exposed to fair value interest rate risk.

Cash flow interest rate risk arises from loans and advances to customers, and other interest bearing assets at variable rates. The interest rates on loans are generally fixed hence there is no undue exposure to cash flow interest rate risk.

5.3 Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its obligations when they fall due as a result of customer deposits being withdrawn, cash requirements from contractual commitments, or other cash outflows, such as debt maturities or margin calls for derivatives. Such outflows would deplete available cash resources for client lending, trading activities and investments. In extreme circumstances, lack of liquidity could result in reductions in the statement of financial position and sales of assets, or potentially an inability to fulfil lending commitments. 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, merger and acquisition activity, systemic shocks and natural disasters.

5.3.1 Liquidity risk management process

The Bank's liquidity management process is carried out by the Bank's Board of Directors and Executive Management team. Oversight includes the following:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers;
- Maintaining the liquidity ratios of the statement of financial position against internal and regulatory requirements;
- Monitoring the liquidity ratios of the statement of financial position against internal and regulatory requirements; and
- Managing the concentration and profile of debt maturities.

Monitoring and reporting take the form of cash flow measurement, and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for these projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

The ALCO Committee also monitors unmatched medium term assets, the level and type of undrawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit and guarantees.

5.3.2. Funding approach

Sources of liquidity are regularly reviewed by Management and the Board of Directors in order to maintain a wide diversification by currency, geography, provider, product and term.

(expressed in Eastern Caribbean dollars)

5 Financial instruments risk ... *continued*

5.3.3 Non derivative financial liabilities and assets held for managing liquidity risk

The table below presents the cash flows payable by the Bank under non-derivative financial liabilities by remaining contractual maturities at the date of the statement of financial position. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Bank manages the inherent liquidity risk based on expected undiscounted cash flows.

The Bank does not anticipate any shortfalls during the next 12 months since its customers generally roll-over their term deposits at maturity and no major withdrawals are anticipated for customer demand and savings accounts. Also, refer to the liquidity risk management process in note 5.3.1.

	Under 1 month $	1-3 months $	3-12 months $	1-5 years $	Over 5 years $	Total $
As of September 30, 2021						
Customers' deposits	1,551,227,732	56,928,694	217,030,840	9,968,770	2,425,565	1,837,581,601
Other liabilities and accrued expenses	53,695,738	–	–	–	–	53,695,738
Total financial liabilities (contractual maturity dates)	**1,604,923,470**	**56,928,694**	**217,030,840**	**9,968,770**	**2,425,565**	**1,891,277,339**
Assets held for managing liquidity risk (contractual maturity dates)	**492,685,755**	**36,194,838**	**217,044,168**	**656,049,486**	**952,111,110**	**2,354,085,357**

(expressed in Eastern Caribbean dollars)

5 Financial instruments risk ... *continued*

5.3.3 Non derivative financial liabilities and assets held for managing liquidity risk … continued

	Under 1 month $	1-3 months $	3-12 months $	1-5 years $	Over 5 years $	Total $
As of September 30, 2020						
Customers' deposits	641,347,812	53,358,301	151,746,335	2,986,495	2,139,780	851,578,723
Other liabilities and accrued expenses	12,214,145	–	–	–	–	12,214,145
Total financial liabilities (contractual maturity dates)	**653,561,957**	**53,358,301**	**151,746,335**	**2,986,495**	**2,139,780**	**863,792,868**
Assets held for managing liquidity risk (contractual maturity dates)	**254,210,466**	**36,118,345**	**159,622,665**	**278,421,432**	**603,402,574**	**1,331,775,482**

(expressed in Eastern Caribbean dollars)

5 Financial instruments risk ... *continued*

5.3.4 Assets held for managing liquidity risk

The Bank holds a diversified portfolio of cash and high-quality financial assets to support payment obligations and contingent funding in a stressed market environment. The Bank's assets held for managing liquidity risk comprise of the following:

- Unrestricted cash and balances due from banks;
- Loans and receivables investment securities; and
- Unimpaired loans and advances.

5.3.5 Off balance sheet items

(a) Credit commitments
The dates of the contractual amounts of the Bank's off-balance sheet financial instruments that commit to extend credit to customers and other facilities are summarised in the table below.

(b) Financial guarantees
The Bank's financial guarantees are also included in the table below based on the earliest contractual maturity date.

	Up to 1 year $	1 to 5 years $	Total $
As of September 30, 2021			
Financial guarantees	4,050,000	–	4,050,000
Credit commitments	150,079,292	–	150,079,292
	154,129,292	–	**154,129,292**
As of September 30, 2020			
Financial guarantees	4,321,000	–	4,321,000
Credit commitments	43,372,168	–	43,372,168
	47,693,168	**–**	**47,693,168**

(c) Operating Lease Commitments

	Up to 1 year $	1 to 5 years $	Total $
As of September 30, 2021	**–**	–	**–**
As of September 30, 2020	**22,800**	–	**22,800**

(d) Capital commitments
The Bank had no contractual capital commitments as of September 30, 2021 or September 30, 2020.

(expressed in Eastern Caribbean dollars)

5 Financial instruments risk ... *continued*

5.4 Fair value of financial assets and liabilities

(a) Financial instruments not measured at fair value

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

	Carrying Value		Fair Value	
	2021	**2020**	**2021**	**2020**
	$	**$**	**$**	**$**
Financial assets				
Due from banks and other financial institutions	360,670,500	96,460,623	360,670,500	96,460,623
Investment securities at amortised cost	181,407,935	167,650,757	181,407,935	167,650,757
Loans and advances to customers	1,127,362,378	570,893,589	940,918,239	544,783,665
Other financial assets	1,717,044	808,591	1,717,045	808,591
	1,671,157,857	**835,813,560**	**1,484,713,719**	**809,703,636**
Financial liabilities				
Customers' deposits	1,837,581,601	851,578,723	1,839,895,448	855,549,495
Other liabilities and accrued expenses	53,695,738	12,214,145	53,695,738	12,214,145
	1,891,277,339	**863,792,868**	**1,893,591,186**	**867,763,640**

(expressed in Eastern Caribbean dollars)

5 Financial instruments risk *... continued*

5.4 Fair value of financial assets and liabilities … continued

(a) Financial instruments not measured at fair value ... continued

(i) Due from banks and other financial institutions
Amounts due from banks and other financial institutions include inter-bank placements and items in the course of collection. The carrying amount of floating rate placements and overnight deposits is a reasonable approximation of fair value. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity.

(ii) Loans and advances to customers
The estimated fair value of loans and advances to customers represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

(iii) Investment securities
The fair value for loans and receivables and held-to-maturity assets is based on market prices or broker/dealer price quotations. Where this information is not available, fair value is estimated for the debt investment securities based on discounted cash flows using prevailing market interest rates for debts with similar credit risk and remaining maturity.

(iv) Deposits from banks and due to customers and other borrowings
The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest-bearing deposits not quoted in an active market is based on discounted cash flows using interest rates for new deposits with similar remaining maturity.

5.4.1 Fair value measurement

Fair value measurement of financial instruments

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes debt instruments listed on exchanges.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability. This level includes equity investments and debt instruments with significant unobservable components.

(expressed in Eastern Caribbean dollars)

5 Financial instruments risk ... *continued*

5.4.2 Assets and liabilities measured at fair value

As of September 30, 2021

	Level 2 $	Level 3 $	Total $
Financial assets			
Investment securities:			
– FVOCI investments	4,469,071	1,378,469	5,847,540
– FVTPL investments	74,028,200	–	74,028,200
Total assets	**78,497,271**	**1,378,469**	**79,875,740**

As of September 30, 2020

	Level 2 $	Level 3 $	Total $
Financial assets			
Investment securities:			
– FVOCI investments	4,397,433	1,378,469	5,775,902
– FVTPL investments	88,054,310	–	88,054,310
Total assets	**92,451,743**	**1,378,469**	**93,830,212**

(expressed in Eastern Caribbean dollars)

5 Financial instruments risk ... *continued*

5.4.3 Measurement of fair value of financial instruments

The Bank's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information. The finance team reports directly to the chief financial officer (CFO) and to the ALCO committee. Valuation processes and fair value changes are discussed among the audit committee and the finance team annually, in line with the Bank's reporting dates.

The valuation techniques used for instruments categorised in Level 3 is described below:

- Government securities (quoted) (Level 3)

The fair value is estimated based on discounted cash flows using prevailing interest rates for debts with similar credit risk and remaining maturity.

6 Capital management policies and procedures

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

- To comply with the capital requirements set by the Eastern Caribbean Central Bank (the ECCB);

- 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 use of regulatory capital are monitored quarterly by the Bank's management employing techniques based on the guidelines developed by the Basel Committee and the European Community Directives, as implemented by the ECCB, for supervisory purposes. The required information is filed with the ECCB on a quarterly basis.

The ECCB requires all banks under its supervision to: (a) hold the minimum level of regulatory capital of $25,000,000 and (b) maintain a ratio of total regulatory capital to the risk-weighted assets ('the Basel I ratio') at or above the internationally agreed minimum of 8%.

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

- Tier 1 capital: share capital (net of any book values of treasury share), general bank reserves, statutory reserve, retained earnings and reserves created by appropriations of retained earnings.

- Tier 2 capital: qualifying subordinated loan capital, collective impairment allowances and unrealised gains arising on the fair valuation of securities held as FVOCI equity investments.

(expressed in Eastern Caribbean dollars)

6 Capital management policies and procedures … *continued*

The risk weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of the asset 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 following table summarises the composition of the regulatory capital and the ratios of the Bank as of September 30, 2021. At this date the Bank complied with all the externally imposed capital requirements to which it is subject.

	2021 $	2020 $
Tier 1 capital		
Common share capital	**24,000,000**	24,000,000
Preference share capital	**47,869,339**	47,869,339
Retained earnings	**96,715,914**	86,946,826
Regulatory reserve for interest on non-performing loans	**1,830,553**	2,158,308
Statutory reserve	**23,050,450**	20,024,324
Customer lists intangible asset	**(39,600,000)**	(184,640)
Total qualifying Tier 1 capital	**153,866,252**	180,814,157
Tier 2 capital		
Unrealised gain on FVOCI equity investments	**1,918,447**	1,864,718
Portfolio loan loss provisions	–	–
Total qualifying Tier 2 capital	**1,918,447**	1,864,718
Total regulatory capital	**155,784,699**	182,678,875

	2021 $	2020 $
Risk weighted assets		
On-balance sheet	**915,378,709**	418,909,608
Off-balance sheet	**30,015,858**	8,674,434
Total risk weighted assets	**945,394,567**	427,584,042
Basel ratio	**16%**	43%

(expressed in Eastern Caribbean dollars)

7 Significant management judgement in applying accounting policies and estimation uncertainty

When preparing the financial statements, management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Estimation uncertainty
Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Impairment losses on loans and advances carried at amortised cost
The Bank reviews its loan portfolios to assess impairment at least on a quarterly basis for the regulatory prudential reporting purposes and annually in preparing its IFRS financial statements.

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVPL 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 the ECL is detailed previously, 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; 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 are set out in note 5.1.3.

(expressed in Eastern Caribbean dollars)

7 Significant management judgement in applying accounting policies and estimation uncertainty … *continued*

Set out below are the changes to the ECL as of September 30, 2021 that would result from reasonably possible variations in the most significant assumptions affecting the ECL allowance for the financial assets in stages 1 to 2 with respect to the credit risk:

		ECL impact of:	
Loss Given Default	**Change in threshold %**	**Increase in Value $**	**Decrease in value $**
Loans	+/-10%	2,690,992	(2,690,992)
Overdrafts	+/-10%	66,070	(66,070)
Other financial assets	+/-10%	323,017	(323,017)

Below are the changes to the ECL as of September 30, 2021 that would result from reasonably possible variations in the most significant assumptions affecting the ECL allowance for the financial assets in stage 3 with respect to the credit risk:

		ECL impact of:	
Default loss rate	**Change in threshold %**	**Increase in value $**	**Decrease in value $**
Loans	+/-10%	1,081,831	(1,081,831)
Overdrafts	+/-10%	34,024	(34,024)
Other financial assets	+/-10%	3,626	(3,626)

In the ECL provisioning for stage 3 loans and advances to customers, the Bank considers the amount and timing of future cashflows in the assessment of the loss allowance. Were the net present value of estimated cash flows to differ by -/+10%, the impairment loss would be an estimated $2,974,488 higher or $2,840,899 lower (2020: $290,190) higher or $256,141 lower). Were the discount period used in calculation of the present value of the future cash flows to differ by +/-1 year, the impairment loss would be an estimated $2,347,092 higher or $2,282,776 lower (2020: $335,873 higher or $313,636 lower).

(expressed in Eastern Caribbean dollars)

8 Cash and balances with the Central Bank

	Note	2021 $	2020 $
Cash on hand		**21,854,077**	13,326,584
Balances with ECCB other than mandatory reserves		**127,234,218**	43,900,451
Included in cash and cash equivalents	23	**149,088,295**	57,227,035
Mandatory deposits with the ECCB		**113,040,987**	57,049,801
Total cash and balances with the Central Bank		**262,129,282**	114,276,836

Mandatory deposits with the Central Bank

1) Commercial banks in the Eastern Caribbean Currency Union are required to maintain a non-interest bearing reserve with the ECCB equivalent to a minimum of 6% of their total deposit liabilities (excluding inter-bank deposits and foreign currencies). This reserve deposit is not available for use in the Bank's day-to-day operations. The minimum reserve requirement at the end of the reporting period was $87,905,047 (2020: $36,549,801).

2) All commercial banks in the Eastern Caribbean Currency Union are required to have a 3-day average daily gross Automated Clearing House (ACH) collateral amount with the Eastern Caribbean Central Bank. The cash collateral amount held with the ECCB at the end of the reporting period amounted to $25,135,940 (2020: $20,500,000) and is included in the mandatory deposits with the Central Bank.

9 Due from banks and other financial institutions

	Note	2021 $	2020 $
Operating accounts with other banks		**359,493,157**	95,193,713
Items in the course of collection from other banks		**1,177,343**	1,266,910
Included in cash and cash equivalents	23	**360,670,500**	96,460,623
Total due from banks and other financial institutions		**360,670,500**	96,460,623

Operating accounts with other banks and financial institutions represent ordinary cash deposits made with other banks and with interest rate of 0.50% per annum.

Balances held with shareholder banks as of September 30, 2021 amounted to $1,657,979 (2020: $1,297,683).

(expressed in Eastern Caribbean dollars)

10 Investment securities

	2021 $	2020 $
FVTPL		
Quoted equity investments	**74,028,200**	88,054,310
	74,028,200	88,054,310
FVOCI – equity securities		
Quoted equity investments	**4,469,071**	4,397,433
Unquoted equity investments	**1,378,469**	1,378,469
	5,847,540	5,775,902
Amortised cost		
Term deposits	**82,266,908**	92,861,871
Bonds/fixed rate notes	**37,468,979**	38,461,975
Treasury bills	**33,075,326**	33,148,330
Money market	**27,997,060**	2,704,562
	180,808,273	167,176,738
Interest receivable	**1,278,443**	1,152,800
Total amortised cost, gross	**182,086,716**	168,329,538
Less: provision for expected credit losses	**(678,781)**	(678,781)
Total amortised cost, net	**181,407,935**	167,650,757
Total investment securities	**261,283,675**	261,480,969
Current	**166,951,201**	155,094,085
Non-current	**94,332,474**	106,386,884
Total investment securities	**261,283,675**	261,480,969

Treasury bills' interest rates range between 1.49% to 8% (2020: 1.49% to 8%) per annum with original maturities of less than 12 months. Included in the treasury bills from OECS Governments are cash equivalents with original maturities of three (3) months or less and interest rates ranging from 1.49% to 8% (2020: 1.49% to 8%) totalling $17,918,084 (2020: $17,959,088). Included in the treasury bills are amounts held with a shareholder, the Government of Antigua and Barbuda, totalling $8,273,599 (2020: $8,305,599). Interest income earned from treasury bills held with the Government of Antigua and Barbuda amounted to $309,919 (2020: $273,104).

Term deposits are with other OECS banks and financial institutions and international bank with interest rates ranges between 0.01% to 2.05% (2020: 0.12% to 2.05%) per annum with original maturities of 12 months or less. Included in the term deposits are cash equivalents with original maturities of three (3) months or less at interest rate of 0.01% to 1% (2020: 0.01% to 1%) per annum totalling $23,072,001 (2020: $8,748,749). Refer to note 23.

Bonds/fixed rate notes include various government bonds and fixed rate notes with OECS banks and financial institutions with interest rates ranging from 2.25% to 7.5% per annum with original maturities of greater than 12 months.

(expressed in Eastern Caribbean dollars)

10 Investment securities … *continued*

FTVPL investments are comprised of shares held in VISA International.

FVOCI investments include quoted and unquoted shares. The quoted equity investments are held in MasterCard International and St. Kitts Nevis Anguilla National Bank. The unquoted equity investments include shares held in Eastern Caribbean Securities Exchange Limited, Eastern Caribbean Automated Clearing House Services Incorporated and Eastern Caribbean Home Mortgage Bank.

(expressed in Eastern Caribbean dollars)

10 Investment securities … *continued*

The movement in investment securities during the year ended September 30, 2021 is as follows:

	Equity securities – FVTPL $	Equity securities – FVOCI $	Amortised Cost $	Total $
Balance, beginning of year	75,742,471	5,274,204	179,241,518	260,258,193
Purchases	–	–	97,515,770	97,515,770
Disposals (sales/redemptions)	–	–	(108,938,959)	(108,938,959)
Fair value gains	12,311,839	501,698	–	12,813,537
Change in principal and interest	–	–	(167,572)	(167,572)
Balance, September 30, 2020	**88,054,310**	**5,775,902**	**167,650,757**	**261,480,969**
Purchases	–	–	97,134,845	97,134,845
Disposals (sales/redemptions)	(22,866,840)	–	(83,093,415)	(105,960,255)
Fair value gains	8,840,730	71,638	–	8,912,368
Change in principal and interest	–	–	(284,252)	(284,252)
Balance, September 30, 2021	**74,028,200**	**5,847,540**	**181,407,935**	**261,283,675**

(expressed in Eastern Caribbean dollars)

11 Loans and advances to customers

	2021 $	2020 $
Stage 1 Loans		
Personal loans	**567,462,530**	189,530,093
Government of Antigua and Barbuda loans	**257,417,178**	249,157,465
Corporate loans	**108,618,749**	61,148,649
Credit card advances	**45,086,194**	8,532,752
Overdrafts	**23,322,570**	11,641,950
Total Stage 1 loans	**1,001,907,221**	520,010,909
Stage 2 Loans		
Corporate loans	**56,096,208**	12,428,487
Personal loans	**32,740,019**	30,069,318
Credit card advances	**3,536,049**	–
Overdrafts	**1,198,733**	2,653,783
Total Stage 2 loans	**93,571,009**	45,151,588
Stage 3 Loans		
Personal loans	**60,472,102**	10,929,091
Corporate loans	**4,469,295**	4,235,361
Credit card advances	**4,191,422**	490,804
Overdrafts	**740,495**	862,342
Total Stage 3 loans	**69,873,314**	16,517,598
Interest receivable	**39,451,329**	17,557,437
Less:		
Deferred loan origination fees	**(685,228)**	(689,389)
Provision for expected credit losses	**(76,755,267)**	(27,654,554)
Total loans and advances to customers	**1,127,362,378**	570,893,589
Current	**131,387,668**	53,982,065
Non-current	**995,974,710**	516,911,524
	1,127,362,378	570,893,589

(expressed in Eastern Caribbean dollars)

11 Loans and advances to customers … *continued*

Roll forward of provision for credit losses on loans and advances	**Note**	**2021** $	**2020** $
Balance, beginning of year		**27,654,554**	17,315,668
Provision related to loans acquired from BNS		**39,294,551**	–
Impairment charge	29	**9,869,676**	11,946,290
Loans written-off during the year as uncollectible		**(63,514)**	(1,607,404)
Balance, end of year		**76,755,267**	27,654,554

According to the ECCB credit prudential guidelines, the calculated allowance for loan impairment amounts to $11,964,210 (2020: $3,034,508). It has been determined that a reserve is not required in equity in the current financial year as the provision under IFRS 9 of $76,755,267 (2020: $27,654,554) exceeds the provision per the ECCB prudential guidelines.

Due to the Bank's Loan Relief Plan, several of its customers chose loan moratoria which led to a significant increase in the Bank's interest receivable at the reporting date. Additionally, of the $39,451,329 (2020: $17,557,437) interest receivable recorded, $29,670,034 (2020: $10,113,864) represents interest receivable due from the Government of Antigua and Barbuda attributed to its loan facilities with the Bank. (see note 5.1.4)

According to the ECCB prudential guidelines, interest income is not accrued for loans that are non-performing. The accrued interest of $1,830,553 (2020: $2,158,308) on non-performing loans has been set aside as a specific reserve in equity (see note 19).

12 Other assets

	2021 **$**	**2020** **$**
Financial assets		
Trade and other receivables	**1,734,862**	826,409
Provision for doubtful debts	**(17,818)**	(17,818)
	1,717,044	808,591
Non-financial assets		
Other receivables	**4,379,057**	–
Other prepaid expenses	**3,620,599**	1,723,888
Prepaid purchases	**2,435,739**	2,475,274
Prepaid employee benefit	**2,163,485**	2,092,035
	12,598,880	6,291,197
Total other assets	**14,315,924**	7,099,788
Current	**10,695,325**	5,375,900
Non-current	**3,620,599**	1,723,888
	14,315,924	7,099,788

(expressed in Eastern Caribbean dollars)

13 Property, plant and equipment

	Artwork $	Land $	Buildings $	Furniture, fixtures & equipment $	Computer equipment $	Motor vehicles $	Total $
At September 30, 2019							
Cost	51,740	6,128,600	10,800,488	2,752,559	8,099,850	453,676	28,286,913
Accumulated depreciation	–	–	(1,978,067)	(1,895,804)	(6,177,765)	(361,656)	(10,413,292)
Net book amounts	**51,740**	**6,128,600**	**8,822,421**	**856,755**	**1,922,085**	**92,020**	**17,873,621**
Year ended September 30, 2020							
Opening net book amount	51,740	6,128,600	8,822,421	856,755	1,922,085	92,020	17,873,621
Additions	–	–	–	550,457	141,285	116,630	808,372
Depreciation charge	–	–	(246,819)	(267,713)	(700,218)	(88,952)	(1,303,702)
Net book amounts	**51,740**	**6,128,600**	**8,575,602**	**1,139,499**	**1,363,152**	**119,698**	**17,378,291**
At September 30, 2020							
Cost	51,740	6,128,600	10,800,488	3,303,016	8,241,135	570,306	29,095,285
Accumulated depreciation	–	–	(2,224,886)	(2,163,517)	(6,877,983)	(450,608)	(11,716,994)
Net book amounts	**51,740**	**6,128,600**	**8,575,602**	**1,139,499**	**1,363,152**	**119,698**	**17,378,291**

(expressed in Eastern Caribbean dollars)

13 Property, plant and equipment … *continued*

	Artwork $	Land $	Buildings $	Furniture, fixtures & equipment $	Computer equipment $	Motor vehicles $	Total $
Year ended September 30, 2021							
Opening net book amount	51,740	6,128,600	8,575,602	1,139,499	1,363,152	119,698	17,378,291
Additions	–	4,272,672	6,039,828	2,395,533	758,845	–	13,466,878
Assets acquired in business combination (note 22)	–	3,547,950	7,499,092	698,357	127,862	–	11,873,261
Depreciation charge	–	–	(294,880)	(313,088)	(599,181)	(36,114)	(1,243,263)
Net book amounts	**51,740**	**13,949,222**	**21,819,642**	**3,920,301**	**1,650,678**	**83,584**	**41,475,167**
At September 30, 2021							
Cost	51,740	13,949,222	24,339,408	6,396,906	9,127,842	570,306	54,435,424
Accumulated depreciation	–	–	(2,519,766)	(2,476,605)	(7,477,164)	(486,722)	(12,960,257)
Net book amounts	**51,740**	**13,949,222**	**21,819,642**	**3,920,301**	**1,650,678**	**83,584**	**41,475,167**

(expressed in Eastern Caribbean dollars)

14 Intangible assets

	Computer software $	Customer lists $	Total $
September 30, 2019			
Cost	5,472,303	2,031,000	7,503,303
Accumulated amortisation	(4,815,279)	(1,661,724)	(6,477,003)
Net book amount	657,024	369,276	1,026,300
Year ended September 30, 2020			
Net book value	657,024	369,276	1,026,300
Additions	26,533	–	26,533
Amortisation charge	(285,103)	(184,636)	(469,739)
Net book amount	**398,454**	**184,640**	**583,094**
September 30, 2020			
Cost	5,498,836	2,031,000	7,529,836
Accumulated amortisation	(5,100,382)	(1,846,360)	(6,946,742)
Net book amount	**398,454**	**184,640**	**583,094**
Year ended September 30, 2021			
Net book value	398,454	184,640	583,094
Additions	1,040,157	–	1,040,157
Assets acquired in business combination	–	39,600,000	39,600,000
Amortisation charge	(451,311)	(184,636)	(635,947)
Net book amount	**987,300**	**39,600,004**	**40,587,304**
September 30, 2021			
Cost	6,538,993	41,631,000	48,169,993
Accumulated amortisation	(5,551,693)	(2,030,996)	(7,582,689)
Net book amount	**987,300**	**39,600,004**	**40,587,304**

(expressed in Eastern Caribbean dollars)

15 Customers' deposits

	2021 $	2020 $
Savings accounts	**858,907,344**	343,852,445
Current accounts	**630,631,135**	263,334,378
Time deposits	**345,683,679**	242,144,141
	1,835,222,158	849,330,964
Interest payable	**2,359,443**	2,247,759
Total customers' deposits	**1,837,581,601**	851,578,723
Current	**1,825,187,366**	846,452,446
Non-current	**12,394,235**	5,126,277
	1,837,581,601	851,578,723

Included in the customers' deposits at year end are deposits from related parties amounting to $50,492,668 (2020: $48,091,115) as disclosed in note 21.

Included in the customers' deposits at year end are deposits from other financial institutions, excluding shareholder banks, amounting to $9,771,897 (2020: $9,667,516).

Deposits held as collateral for loans and advances amounted to $13,279,470 (2020: $12,114,022).

Interest rates on customers' deposit range between 0.25% to 6.25% (2020: 0.25% to 6.25%) per annum. The total interest expense amounted to $12,270,188 (2020: $11,301,809) as disclosed in note 24. The time deposits have original maturities ranging from less than 12 months to 5 years.

(expressed in Eastern Caribbean dollars)

16 Other liabilities and accrued expenses

	2021 $	2020 $
Trade payables and accrued expenses	**19,376,016**	7,769,613
Other payables	**17,191,621**	760,489
Transfers payable	**13,793,265**	670,550
Manager's cheques	**3,334,836**	3,013,493
Deferred employee benefit	**2,163,485**	2,092,035
Total other liabilities and accrued expenses	**55,859,223**	14,306,180
Current	**53,695,738**	12,214,145
Non-current	**2,163,485**	2,092,035
	55,859,223	14,306,180

17 Share capital

	Note	2021 $	2020 $
Authorised share capital:			
710,000 common shares at no par value		**–**	–
100,000 preference shares at no par value		**–**	–
Issued and fully paid:			
240,000 common shares issued at $100 each		**24,000,000**	24,000,000
100,000 preference shares issued at $478.69 each	18	**47,869,339**	47,869,339

18 Preference shares

The subscriptions for preference shares were made by the Government of Antigua and Barbuda. According to the Shareholders Agreement, the preference shares are convertible, redeemable and non-cumulative. The rights, privileges, restrictions and conditions for the preference shares outlined in the Shareholders' Agreement are as follows:

- Preference shareholders are entitled to receive dividends as and when declared by the Board and in the priority of disbursements and distributions as set forth in the By-laws and are paid out of the net profits of the Bank at 3.5% of par value.
- Upon any liquidation, dissolution or winding up of the Bank, the preference shares will rank highest in priority of all share holdings.
- Preference shares are redeemable at the sole discretion of the Bank.
- Preference shares are classified as equity in the statement of financial position.

(expressed in Eastern Caribbean dollars)

19 Reserves

a) Other reserves

	2021 $	2020 $
Regulatory reserve for interest on non-performing loans	**1,830,553**	2,158,308
Statutory reserve	**23,050,450**	20,024,324
Total other reserves	**24,881,003**	22,182,632

(i) *Reserve for interest on non-performing loans*
This reserve was 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 Eastern Caribbean Central Bank, however, do not allow for the accrual of such interest. The interest is therefore set aside in a reserve and is not available for distribution to the shareholders.

(ii) *Statutory reserve*
Under the Banking Act No. 10 of 2015, at least 20% of the net income of each financial year should be transferred to a reserve fund, if the amount of such reserve is less than 100% of the paid-up capital.

b) Revaluation reserve

The revaluation reserve represents the unrealised net gains on FVOCI equity investment securities, net of tax. The movements in the reserve during the year are as follows:

	Notes	2021 $	2020 $
Balance, beginning of year		**1,864,718**	1,488,446
Unrealised gains on FVOCI equity investment securities	10	**71,639**	501,698
Deferred income tax on remeasurement of FVOCI equity investment securities	30	**(17,910)**	(125,426)
Balance, end of year		**1,918,447**	1,864,718

(expressed in Eastern Caribbean dollars)

20 Commitments

a) *Credit commitments and others*

	2021 $	2020 $
Undrawn Commitments – Credits cards	**104,521,297**	14,628,454
Undrawn Commitments – Loans and overdrafts	**45,557,995**	28,743,714
Financial guarantees	**4,050,000**	4,321,000
	154,129,292	47,693,168

The credit risk associated with the financial guarantees and undrawn commitments on overdrafts and credit cards is considered to be low and ECL is expected to be immaterial. No provision for impairment has been made as of the reporting date.

(expressed in Eastern Caribbean dollars)

21 Related parties' balances and transactions

	Interest rate	2021 $	2020 $
Loans to Government of Antigua and Barbuda	7.5 – 9.8%	**263,026,955**	249,157,465
Loans to key management personnel	4.0 – 8.5%	**2,247,774**	1,567,191
Loans to directors	5.75 – 6.0%	**883,425**	852,940
		266,158,154	251,577,596

Certain loans to shareholders are partially secured by assets including property. The loans to directors and key management personnel are secured by assets including cash and property. Interest income earned on shareholders', directors', and key members of management's loans and advances during the year amounted to $20,896,554 (2020: $20,169,367). The average interest rate on these loans is 8.25% (2020: 8.24%).

Deposits from related parties

	Interest rate	2021 $	2020 $
Deposits from shareholders	0 – 2.15%	**42,733,400**	42,259,865
Deposits from staff retirement savings fund	5%	**5,369,211**	4,460,643
Deposits from key management personnel	0 – 2.5%	**1,769,994**	1,217,944
Deposits from directors	0 – 2.0%	**620,063**	152,663
		50,492,668	48,091,115

Interest expense paid on shareholders', directors', key members of management and the staff retirement savings fund deposits during the year amounted to $641,550 (2020: $596,170). The average interest rate on these deposits is 0.86% (2020: 1.30%).

Remuneration of key management personnel

	2021 $	2020 $
Salaries and allowances	**2,420,008**	2,206,077
Directors' fees	**236,500**	294,478
Social Security and Medical Benefits costs	**100,429**	83,191
Other staff costs	**19,884**	16,906
	2,776,821	2,600,652

(expressed in Eastern Caribbean dollars)

22 Business combination

On September 1, 2021, Eastern Caribbean Amalgamated Bank Limited obtained control and acquired 100% of the operations of Bank of Nova Scotia in Antigua and Barbuda by way of a Purchase and Assumption Agreement. The Antigua and Barbuda operations of Bank of Nova Scotia are licensed under the Banking Act of 2015 to carry on commercial banking business. As a result of the acquisition, Bank of Nova Scotia operations in Antigua and Barbuda ceased and the Eastern Caribbean Amalgamated Bank's operations will include the previous Bank of Nova Scotia branches.

The bargain purchase of $51,536 arising from the acquisition consists largely of the synergies and economies of scale expected from combining the operations of Eastern Amalgamated Bank and the Bank of Nova Scotia Antigua and Barbuda operations.

The following table summarises the consideration paid for the Bank of Nova Scotia operations in Antigua and Barbuda and the fair values of the assets acquired and liabilities assumed at the acquisition date.

Fair value of consideration transferred at September 1, 2021

	September 1, 2021 $
Amount settled in cash	32,400,000
Closing net asset value adjustment	(751,605)
Total consideration transferred	**31,648,395**
Recognised amounts of identifiable assets acquired and liabilities assumed at September 1, 2021	
Loans and advances to customers	532,162,118
Due from other banks and financial institutions	215,343,533
Cash and balances due from Central Bank	153,199,661
Intangible assets	39,600,000
Property, plant and equipment	11,873,261
Lease asset	2,199,156
Other assets	5,967
Total assets	**954,383,696**
Customer deposits	905,923,446
Due to other banks and financial institutions	11,069,678
Other liabilities	3,455,910
Lease liability	2,234,731
Total liabilities	**922,683,765**
Total identifiable net assets	**31,699,931**
Bargain purchase on acquisition	**51,536**

(expressed in Eastern Caribbean dollars)

22 Business combination ...*continued*

Total Purchase consideration payable	32,400,000
Cash and cash equivalent acquired	314,295,394
Purchase consideration payable	–
Cash inflow on acquisition	281,895,394

23 Cash and cash equivalents

Cash and cash equivalents are comprised of the following:

	Notes	2021 $	2020 $
Due from banks and other financial institutions	9	**360,670,500**	96,460,623
Cash and non-mandatory balances with the Central Bank	8	**149,088,295**	57,227,035
Term deposits with original maturities of ninety days or less	10	**23,072,001**	8,748,749
Treasury bills	10	**17,918,084**	17,959,088
		550,748,880	180,395,495

24 Interest income and interest expense

	2021 $	2020 $
Interest income		
Loans and advances	**48,821,979**	45,182,085
Investment securities	**3,556,859**	3,998,242
Short term deposits	**25,350**	11,841
Total interest income	**52,404,188**	49,192,168
Interest expense		
Savings accounts	**(7,447,005)**	(6,266,963)
Fixed deposits	**(4,791,449)**	(4,981,683)
Leases	**(31,734)**	(53,163)
Total interest expense	**(12,270,188)**	(11,301,809)
Net interest income	**40,134,000**	37,890,359

(expressed in Eastern Caribbean dollars)

25 Net fee income

	2021 $	2020 $
Fee income		
Credit card fees	**8,944,718**	7,212,433
Foreign exchange gain/losses	**6,577,495**	6,920,811
Service charge – deposits	**3,191,521**	2,958,259
Other fees and commission	**2,909,243**	2,846,425
Credit related fees	**813,238**	623,472
Total fee income	**22,436,215**	20,561,400
Fee expense		
Credit card expenses	**(7,863,603)**	(6,121,518)
Bank charges	**(1,190,036)**	(1,148,892)
Other fees-expenses	**(276,840)**	(84,045)
Total fee expense	**(9,330,479)**	(7,354,455)
Net fee income	**13,105,736**	13,206,945

26 Other income, net

	2021 $	2020 $
Unrealised gain on FVTPL investments	**8,840,730**	12,311,839
Realised gain on sale of FVTPL investments	**2,552,040**	–
Miscellaneous income	**730,594**	–
Dividends received	**447,377**	512,730
Recovery of loan items written off	**236,138**	93,052
Recovery of credit card items written-off	**11,765**	10,606
Total other income, net	**12,818,644**	12,928,227

27 Personnel expenses

	2021 $	2020 $
Salaries and allowances	**13,087,161**	12,665,885
Other personnel expenses	**2,492,759**	1,471,557
Statutory contributions	**1,170,348**	1,102,369
Insurance contributions	**286,499**	248,202
Total personnel expenses	**17,036,767**	15,488,013

(expressed in Eastern Caribbean dollars)

28 General and administrative expenses

	2021 $	2020 $
Professional fees	**4,286,970**	2,213,556
Telecommunications and postage	**3,004,789**	1,908,398
Information technology	**2,682,959**	2,284,987
Printing, stationery and office supplies	**1,352,225**	1,548,050
Utilities	**1,074,164**	1,033,095
Repairs and maintenance	**782,801**	481,676
Insurance	**540,164**	453,837
Marketing and public relations	**528,796**	448,688
Directors' fees	**236,500**	294,478
Licenses and taxes	**176,436**	176,436
Rent	**122,230**	122,058
Other administration costs	**40,156**	42,267
Travel, conferences and meetings	**30,351**	96,733
Total general and administrative expenses	**14,858,541**	11,104,259

29 Impairment charges

	Notes	2021 $	2020 $
Loans and advances to customers	11	**9,869,676**	11,946,290
Investment securities	10	**–**	–
Total impairment charges		**9,869,676**	11,946,290

(expressed in Eastern Caribbean dollars)

30 Income tax

The legislatively enacted corporate tax rate for the year is 25% (2020: 25%).

	2021 $	2020 $
Tax charge		
Profit for the year before tax	**21,098,893**	22,447,546
Tax charge at the applicable tax rate of 25%	**5,274,723**	5,611,889
Windfall tax at the applicable tax rate of 10%	**1,260,651**	1,769,117
Effect of permanent differences	**(567,122)**	(516,102)
Tax charge for the year	**5,968,252**	6,864,904
Represented as follows:		
Current income tax expense	**8,492,379**	4,756,388
Deferred income tax (credit)/expense	**(3,784,778)**	339,399
Windfall tax	**1,260,651**	1,769,117
	5,968,252	6,864,904
Income tax payable		
Balance recorded beginning of year	**6,525,505**	4,639,463
Taxes paid during the year	**(6,525,505)**	(4,639,463)
Current income tax expense for the year	**8,492,379**	4,756,388
Windfall tax	**1,260,651**	1,769,117
Balance, end of year	**9,753,030**	6,525,505

Deferred tax (liability)/asset

At the year end, the Bank had a net deferred tax liability of $9,115,105 (2020: $12,881,973) at the future tax rate of 25%. The Bank previously held an exemption from the payment of income taxes for a period of 15 years from November 25, 2011, however, this exemption was withdrawn effective December 31, 2015. The net deferred tax liability was recorded in 2016. The deferred tax liability is comprised as follows:

	2021 $	2020 $
Deferred commissions on loans	**171,307**	172,347
Regulatory reserve for interest on non-performing loans	**(516,270)**	(598,209)
Depreciation on property, plant and equipment	**138,979**	252,286
IFRS 9 loan loss provisioning in excess of ECCB provision	**8,622,431**	6,155,012
Unrealised gain on investment securities	**(17,531,552)**	(18,863,409)
Total deferred tax liability	**(9,115,105)**	(12,881,973)

(expressed in Eastern Caribbean dollars)

30 Income tax … *continued*

The movements on the deferred tax liability recognised during the year are as follows:

	Note	2021 $	2020 $
Balance, beginning of year		**(12,881,973)**	(12,417,148)
Current year (credit)/charge		**3,784,778**	(339,399)
Unrealised gains on investment securities in other comprehensive income		**(17,910)**	(125,426)
Balance, end of year		**(9,115,105)**	(12,881,973)

31 Employee benefits

Effective from December 1, 2012, the Bank established a defined contribution staff retirement savings plan which is mandatory for all permanent employees joining the Bank subsequent to that date. Qualifying employees choose to allocate a percentage of their basic monthly salary to the fund and the Bank matches the employee's contribution up to a maximum of 5%. Each employee is entitled to receive 100% of their contribution to the Fund in addition to the accrued interest earned at the time of terminating the employment relationship with the Bank. Each employee is entitled to receive a percentage of the Bank's contribution to the Fund in addition to the accrued interest earned at the time of terminating the employment relationship as follows:

- Less than 3 years - 0%
- 3 years but less than 5 years - 25%
- 5 years but less than 7 years - 50%
- 7 years but less than 10 years - 75%
- 10 years and over - 100%

An employee is not entitled to the Bank's contribution if terminated for just cause. An employee whose employment ceases due to medical reasons of a terminable nature is entitled to 100% of contributions made on their behalf by the Bank. The fund is administered by a committee of Trustees comprising the General Manager, the Manager of Human Resources and three employees who are staff nominated, voted and determined by the employees. The retirement savings plan expense for the year was $362,103 (2020: $319,050).

(expressed in Eastern Caribbean dollars)

32 Leases

This note provides information on leases where the Bank is a lessee.

a) Amounts recognised in the statement of financial position

The statement of financial position shows the following amounts relating to leases:

	2021 $	2020 $
Right-of-use asset		
Building	**5,160,487**	3,544,189
Accumulated Depreciation	**(2,542,949)**	(1,265,982)
Net book amount	**2,617,538**	2,278,207

	2021 $	2020 $
Lease Liabilities		
Current	**1,034,803**	1,359,415
Non-Current	**1,713,303**	936,086
	2,748,106	2,295,501

b) Amounts recognised in the statement of comprehensive income

The statement of comprehensive income shows the following amounts relating to leases:

	2021 $	2020 $
Depreciation charge of right-of-use asset		
Building	**1,315,293**	1,265,982
Interest expense (included in finance cost)	**31,734**	53,163
Expenses relating to short-term leases (included in administrative expenses and distribution costs)	**82,430**	106,578

Prior to the Bank's adoption of 'IFRS 16-Leases', these amounts were expensed in the profit and loss as rent. (see note 28).

(expressed in Eastern Caribbean dollars)

33 Contingencies

Contingent liability

There is a matter seeking declaratory and injunctive relief, damages, interest and costs further to the Bank's issuances of Notices to Pay and advertisement of sale of two material properties. The trial commenced in the prior year, and the Bank provided a counter proposal to settle the matter, but to date, this has not been accepted by the claimant.

34 Dividends

The financial statements reflect a dividend payment of $2,335,427 (2020: $2,995,427). This comprises $2.75 per common share amounting to $660,000 (2020: $1,320,000) and 3.5% of the par value of the preferred shares amounting to $1,675,427 (2020: $1,675,427). Approval of these payments was given at the Tenth Annual General Meeting held on July 02, 2021.

35 Comparatives

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

36 Impact of COVID-19 pandemic

In 2020, the World Health Organization declared COVID - 19 a world health pandemic. This pandemic has affected all countries, economies and societies in significant ways. The COVID - 19 pandemic has caused significant adverse economic and financial outcomes in addition to a wide reaching loss of life globally. The International Monetary Fund ("IMF") predicted a global recession by the final quarter of 2020 arising from the pandemic.

Due to the impact of the Coronavirus (COVID - 19) pandemic, management has assessed its impact on the future results, cash flows and financial position of the Bank. Management emphasizes that as of the date of issuance of these financial statements, the extent of the COVID - 19 pandemic on its business operations will depend on future developments which cannot be accurately predicted at this time, as the situation is evolving daily.

Thus far, the Bank has observed an increased demand for loan moratoria which have been extended to March 31, 2022. However, the Bank's liquidity remains stable, with adequate reserves and retained earnings.

Based on its assessment of the impact of the COVID-19 pandemic for the year ended September 30, 2021 and beyond, and taking into account the uncertainties that exist as of the date of issuance of these financial statements, management has concluded that it does not consider the impact to cast significant doubt on the Bank's ability to continue as a going concern.

NOTES

Our future, Our bank

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