Our future, Our bank

ecab

EASTERN CARIBBEAN AMALGAMATED BANK

ANNUAL REPORT 2017

Embracing Emerging Opportunities | Maximizing Stakeholder Satisfaction

Maximizing
Staff Recognition and Rewards
Drive Through Banking
Stakeholder
Staff Incentive Program
Buddy Payments
Seniors Banking
Business Banking
Debit Cards
Prepaid Cards
Staff Recognition and Rewards
Customer Appreciation Day
Satisfaction
Credit Cards
Corporate Social Responsibility
Morebanking
Embracing
Payroll Services
Seniors Banking
Morebanking
Corporate Social Responsibility
Business Banking
Emerging
Prepaid Cards
Credit Cards
Staff Recognition and Rewards
Buddy Payments
Payroll Services
Customer Appreciation Day
Opportunities

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 and Service Excellence. 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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Introduction

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Notice of Annual General Meeting

NOTICE is hereby given that the Seventh Annual General Meeting of the Eastern Caribbean Amalgamated Bank Limited will be held on **Friday, the 9th day of March, 2018** at its head office located at 1000 Airport Boulevard, Coolidge, in the parish of St. George's, in Antigua and Barbuda commencing at **5:30 p.m.** in the Board Room.

AGENDA

1. Call to Order
2. Prayers
3. Adoption of Agenda
4. Chairman's Remarks
5. Consider and Confirm the Minutes of Sixth Annual General Meeting held on May 26, 2017
6. Consider the Matters Arising from Minutes of Sixth Annual General Meeting held on May 26, 2017
7. Presentation of Chairman's Report
8. Presentation of Directors' Report
9. Consider Financial Statements for the year ended September 30, 2017 and Auditors' Report
10. Declare a Dividend for the Financial Year ended September 30, 2017
11. Appointment of External Auditors for the year ending September 30, 2018 and Authorize the Board to Fix Their Remuneration
12. Election of Directors and Confirmation of Remuneration
13. Consider Proposal for Directors' Gratuity Policy
14. Transact Any Other Business that may properly be brought before an Annual General Meeting of Shareholders

Dated the 26th day of February, 2018

BY ORDER OF THE BOARD OF DIRECTORS

TRACY BENN-ROBERTS
Corporate Secretary

Chairman's Report

OUR PERFORMANCE

We are pleased to report the results of our Bank's operations and financial position for the financial year ended September 30, 2017. Having achieved record growth in assets and profits in 2016, partly as a result of the purchase and assumption of certain assets and liabilities from the former ABI Bank Ltd., the rate of growth in profits was expected to taper off. However, for financial year ended September 30, 2017, profits grew by 18.8 percent from $12.1m to $14.3m. Total assets grew by 3.8 percent from $805.8m to $836.1m. Growth in lending was in line with expectations at 3.1 percent. Our Bank's liquidity remains strong with a loans-to-deposits ratio of 76.6 percent, within the Eastern Caribbean Central Bank's Prudential Benchmark of 75 – 85 percent. The weak demand for loans continues to keep excess liquidity elevated. However, it is noteworthy that non-performing loans (NPL) continue to be managed within acceptable limits resulting in the NPL ratio of 4.46 percent being below the Eastern Caribbean Central Bank Prudential Benchmark of 5 percent for yet another year.

ECONOMIC REVIEW

The developments in advanced economies continue to influence the rate of growth and progress in the Caribbean region. In addition, the vulnerability of the region to natural disasters continues to impede growth at times. This was highlighted during 2017 with the passage of severe weather systems, the impact of which will be seen in the ensuing financial year. Notwithstanding these devastating storms, the Caribbean Development Bank reported positive growth of 0.6 percent across the region in 2017.

According to the International Monetary Fund World Economic Outlook Update of January 2018, "Global output is estimated to have grown by 3.7 percent in 2017", 50 basis points or a ½ percentage point higher than in 2016. The uptick in growth has been broad based and is reflective of a cyclical recovery, spurred by a rebound in investment, manufacturing activity, and trade. Global growth forecasts for 2018 have been revised upward to 3.9 percent reflecting increased global growth momentum and the expected impact of the recently approved U.S. tax cuts.

The region's economic outlook continues to depend on the fortunes of its major trading partners. In the USA, growth picked up in 2017 to an estimated 2.3 percent, supported by strengthening private investment. The major hurricane landfalls in September had minimal disruptive impact on economic activity and reconstruction efforts are likely to offset any negative effects over time. Projected growth for 2018 stands at 2.7 percent.

Growth in China is estimated to have reached 6.8 percent in 2017, reflecting continued fiscal support and the effects of reforms, as well as a stronger than expected recovery in exports and a slight positive contribution from net trade. Growth for 2018 is projected at 6.6 percent.

The positive economic growth across most world markets is expected to continue to favorably impact tourism and investment inflows locally and regionally. In the tourism industry, stay-over arrivals are likely to continue on an upward trend supported by the opening of new properties, increased marketing and new airlift. The construction sector is also expected to benefit from investments in tourism related construction projects. It is also anticipated that the overall cruise activity in the Eastern Caribbean Currency Union (ECCU) will reflect more buoyancy towards the end of 2017 as cruise ports in some Northern Caribbean countries remain impacted by the passage of the hurricanes in September 2017.

Antigua & Barbuda has faced many challenges this year, chief among them being the passage of Hurricane Irma which devastated Barbuda and necessitated the compulsory evacuation of the island. Notwithstanding these daunting circumstances, Antigua & Barbuda was still able to eclipse the ECCU average Gross Domestic Product (GDP) growth of 2.3 percent by recording growth of 4.4 percent in 2017. Although this represents a deceleration of the pace of growth from 2016, when GDP grew at 5.4 percent, it is still commendable given the formidable challenges the country faced in 2017. GDP growth for 2018 is projected at 5.6 percent. With regard to capital investment projects, the Government has announced that work will soon commence on the resurfacing of the Friars Hill main road and a number of hotel projects which previously broke ground, will move into the construction phase thereby creating much needed jobs and boosting economic growth.

2017 AT A GLANCE

At the Eastern Caribbean Amalgamated Bank Limited (ECAB), we strive every day to fulfill our vision of being "Your Bank of Choice and Financial Partner for Life". This vision applies not only to our customers, but also to our staff. So having fully integrated the operations purchased from the former ABI Bank Ltd, we recognized the need to focus on our Bank's most valuable asset, our human resources. We, therefore, embarked on a restructuring exercise aimed at ensuring optimum management of skills, tasks and resources to promote and achieve better efficiency and effectiveness. This process included ensuring better alignment of tasks, functions and the mandates of each department in the furtherance of the overall objectives of our Bank.

The financial landscape in Antigua & Barbuda and in the ECCU by extension continues to be described as one that is over-banked. Therefore, for any bank to grow or even maintain its position, each one must be innovative and responsive to customers' rapidly changing needs in this technological era. In this regard, we are pleased to report that MOREBanking, our online banking service which allows customers to transact their banking with enhanced security, not just from their desktops or laptops, but now from their mobile phones, was successfully launched in June 2017. To date our customers' response and feedback has been very positive.

In terms of our market share, ECAB has maintained its position in the market at fourth place, but more importantly it has increased its market share in terms of total loans and advances. ECAB's market share of loans and advances now stands at 21 percent up 0.70 percentage points from 2016. However, its market share of assets fell marginally by 0.30 percent to 13.40 percent. We believe that these numbers actually belie ECAB's "share of mind" which we think is much larger than its actual market share. Indeed, the Board and Management are continually seeking ways to convert this large share of mind and goodwill that ECAB commands into increased growth, both in the Bank and in the market.

2018 PRIORITIES

Our Bank will be developing a number of its strategic priorities in 2018 among which will be the enhancement of our corporate banking business. As such, we will shortly be rolling out some exciting components of this initiative aimed at growing our corporate banking and lending portfolio. Additionally, attention will be placed on some technology driven initiatives, additional process reviews to enhance operational efficiency and customer service training for all staff. We will also be rolling out a number of credit card initiatives in keeping with recent advancements and expectations in the card industry.

Our Bank has commenced preparations for the mandatory adoption of International Financial Reporting Standard No. 9 (Financial Instruments) effective January 1, 2018. This standard changes the way financial instruments are classified and measured and prescribes the recognition of expected impairment losses on financial instruments in line with key economic trends, changes in counterparty risk and forecasts over the life of the instrument. Eastern Caribbean Amalgamated Bank Limited will be in a position to quantify the financial impact of adopting this standard before the close of fiscal year ending September 30, 2018.

ACKNOWLEDGEMENTS

During the financial year, there were two director changes. Mr. Paul Moses was replaced by Ms. Genevieve Astaphan as the board representative for National Bank of Dominica Limited and Mr. Derry Williams, a “founding member”, was replaced by Mr. Bernard Hamilton as the board representative for the Bank of St. Vincent and the Grenadines Limited. We would like to place on record our profound appreciation to past Directors Williams and Moses for their outstanding and sterling contribution to the Board and to the Eastern Caribbean Amalgamated Bank Limited in general.

We also wish to thank all stakeholders of Eastern Caribbean Amalgamated Bank Limited for their continued loyalty and support. In particular, we are grateful for the dedicated service of all members of management and staff over the past year.

Craig J. Walter
Chairman
Board of Directors

Past Director Derry Williams

Past Director Paul Moses

Board of Directors

Rasona Davis-Crump
Government of Antigua and Barbuda

Craig Walter
Antigua Commercial Bank Limited
Chairman

Estherlita Cumberbatch
East Caribbean Financial Holding Company Limited

Genevieve Astaphan
National Bank of Dominica Limited

C. Davidson Charles
Antigua Commercial Bank Limited

Bernard Hamilton
Bank of St. Vincent and the Grenadines Limited

Howard McEachrane
St. Kitts Nevis Anguilla National Bank Limited

Directors' Report

INTRODUCTION

The Board of Directors of the Eastern Caribbean Amalgamated Bank Limited (ECAB) consist of individuals appointed by the Shareholders in accordance with the Shareholders' Agreement. With diverse educational backgrounds and experiences in banking and other industries, these individuals have diligently applied themselves towards ensuring ECAB's viability and successful evolution over the years. Each individual exemplifies a rich sense of appreciation for corporate governance principles and the attentiveness and commitment required to effectively maintain an environment in which a strong risk management culture, sound accountability and transparency, a solid structure of financial integrity and the preservation of stakeholder trust and confidence are paramount.

The Board of Directors, its composition, functioning, sub-committees and all other matters related thereto are governed by the Shareholders' Agreement, By-Laws, Banking Act 2015 and/or any other valid regulatory provisions in operation.

BOARD COMPOSITION

The requirement for the composition of the Board is found in Clause 4.2 of the By-Laws of ECAB which provide for a minimum of seven (7) directors and a maximum of eleven (11) directors. At present, the Board comprises of seven (7) non-executive directors who represent the six (6) shareholders of ECAB as shown in the table.

NAME OF DIRECTORS	SHAREHOLDERS	NUMBER OF ORDINARY SHARES OWNED
Craig Walter and C. Davidson Charles	Antigua Commercial Bank Ltd.	37, 200
Derry Williams/Bernard Hamilton (1)	Bank of St. Vincent and the Grenadines Ltd.	19, 200
Howard McEachrane	St. Kitts Nevis Anguilla National Bank Ltd.	38, 400
Estherlita Cumberbatch	East Caribbean Financial Holding Company Ltd.	48, 000
Paul Moses/Genevieve Astaphan (2)	National Bank of Dominica Ltd.	37, 200
Rasona Davis-Crump	Government of Antigua and Barbuda (3)	60, 000

Notes:

1. Director Derry Williams represented Bank of St. Vincent and the Grenadines Limited on the Board of Directors until the appointment of Director Bernard Hamilton effective June 1, 2017.
2. Director Paul Moses represented National Bank of Dominica Limited on the Board of Directors until the appointment of Director Genevieve Astaphan effective June 1, 2017.
3. The Government of Antigua and Barbuda also owns 100,000 preference shares.
4. No Director personally owns shares in ECAB.

FUNCTIONS OF THE BOARD OF DIRECTORS

The Board of Directors primarily provides oversight and direction to Management for the continued well-organized and profitable running of ECAB through policy setting and high-level decision making. The Board communicates through the General Manager its directions for the institution and the General Manager is tasked with overseeing implementation. The General Manager, along with his Management team, have the responsibility for the day to day operations and management of the Bank's human resources to best fit the functions and tasks necessary to ensure the smooth and effective administration of ECAB.

The Board also seeks to safeguard the assets and the interests of its shareholders through the sustained development and profitability of ECAB. The Board regularly makes sure that there is consistent transparency, timely and accurate reporting and proper disclosure of financial information. It reviews and approves policies, budgets, strategies and operating plans for ECAB as and when required. The Board oversees the strategic direction of ECAB through its regular participation with Management on planning sessions. The Board further aims to promote the highest standards of ethical behaviour and risk management from top to bottom. In exercising its overall functions, the Board consistently ensures adherence to the By-Laws and all relevant legislations and regulations in effect.

During the next financial year, the Board will remain focused on the further growth of ECAB in the best interest and welfare of all of its stakeholders.

BOARD OF DIRECTORS' TRAINING

The members of the Board have all participated in various training sessions, seminars and conferences geared towards assisting them in better understanding and performing their roles and responsibilities as Directors. During the financial year, they also attended and received training in Anti-Money Laundering (AML), Combating the Financing of Terrorism (CFT) and Foreign Account Tax Compliance Act (FATCA).

BOARD OF DIRECTORS' CONFLICT OF INTEREST POLICY

The Conflict of Interest Policy in providing a framework for the management of conflicts of interest involving Directors stipulates that all members are obligated to avoid 'potential, actual or perceived conflicts of interest'. As such, Directors are required at the beginning of every meeting to declare any conflict of interest, whether of a personal or outside nature or whether arising from a financial, professional or other relationship and which may exist in relation to or stem from the matter(s) to be discussed at the meeting. The relevant Director must also promptly recuse his/her self from the portion of the meeting in which the identified conflict of interest matter will be discussed. The recused Director, therefore, does not participate in the discussion or voting process.

BOARD SUB-COMMITTEES

The Board of Directors utilizes four (4) sub-committees in the discharge of its duties, namely, the Credit Committee, the Audit and Risk Committee, the Human Resources Committee and the Corporate Governance Committee. The Committees meet as and when required and function to support the Board and provide focused oversight over the affairs of ECAB in between the regular board meetings. The Committees are guided by their respective Charters and report to the Board on a monthly basis.

As part of their function, the Committees review reports and consider recommendations submitted by Management. The Committees also meet with Management to facilitate a full and proper understanding of its plans and policies and the potential impact of decisions on the operations of ECAB. The Committees further ensure that Management has complied with the applicable risk management framework and the internal control structures in place.

The Committees are comprised as follows:

1. **Credit Committee** – Directors C. Davidson Charles (Chairman), Craig Walter, Derry Williams (replaced by Bernard Hamilton in June 2017), Estherlita Cumberbatch, Paul Moses (replaced by Genevieve Astaphan in June 2017), Rasona Davis-Crump and Howard McEachrane.

2. **Human Resource Committee** – Directors Derry Williams (replaced by Bernard Hamilton in June 2017), C. Davidson Charles (replaced Derry Williams as Chairman in June 2017) and Rasona Davis-Crump.

3. **Audit & Risk Committee** – Directors Rasona Davis-Crump (Chairman), Paul Moses (replaced by Genevieve Astaphan in June 2017), Howard McEachrane and Estherlita Cumberbatch.

4. **Corporate Governance Committee** – Directors Craig Walter (Chairman), Derry Williams (until May 2017), C. Davidson Charles and Howard McEachrane.

THE CHAIRMAN OF THE BOARD

Clause 11 of the By-Laws provide 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" and that "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 of the Board is responsible for the proper leadership, management, development and effective functioning of the Board. The Chairman also has a duty to ensure that the Board independently performs its responsibilities and that it has all the information required to make informed decisions and fulfil its mandate. The Chairman further promotes the highest standard of integrity and conduct within the Board at all times.

During the financial year ended September 2017, Director Craig Walter held the office of Chairman of the Board of Directors. Director Derry Williams held the position of Deputy Chairman until May 2017. Director C. Davidson Charles was subsequently elected to this position.

BOARD MEETINGS AND ATTENDANCES

The Board of Directors normally meets once per month and additionally as required. During the financial year ended September 30, 2017, there were twelve (12) Board of Directors meetings. The following table records the attendance of the Directors:

DIRECTORS	ATTENDANCE		PERCENTAGE
	Required	Actual	
Craig Walter	12	12	100%
Derry Williams	8	7	88%
Paul Moses	8	3	38%
Rasona Davis-Crump	12	9	75%
Howard McEachrane	12	11	92%
C. Davidson Charles	12	10	83%
Estherlita Cumberbatch	12	11	92%
Bernard Hamilton	4	3	75%
Genevieve Astaphan	4	2	50%

DIRECTORS' TENURE

In accordance with Clause 4.4 of the By-Laws of ECAB:

"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.".

As a result of the above provision, the following Directors are eligible for re-election for the financial year ending September 30, 2018 – Craig Walter, C. Davidson Charles, Rasona Davis-Crump, Howard McEachrane, Estherlita Cumberbatch, Bernard Hamilton and Genevieve Astaphan.

DIRECTORS' REMUNERATION

The remuneration of directors is determined from time to time by the Board of Directors and approved by the Shareholders. Directors are also entitled to be paid for their travelling and other expenses reasonably incurred by them in connection with the affairs of ECAB.

VOTING BY SHAREHOLDERS

Clause 12.6 of the By-Laws of ECAB provides that 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, 2017, the Board of Directors recommends the payment of dividend of 3.5% of par value to the preferred shareholder on record as at March 2, 2018 and dividends of $5.50 for each unit of common share to shareholders on record as at March 2, 2018.

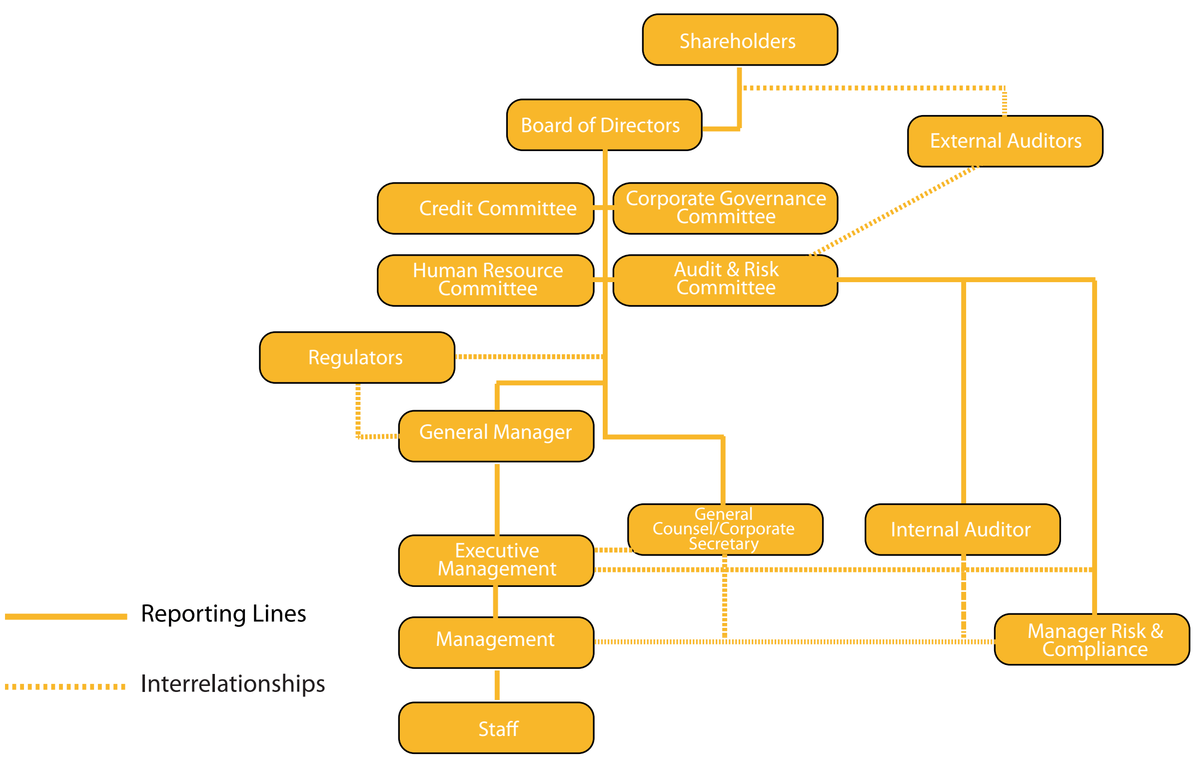
EXTERNAL AUDITORS

The External Auditors, Grant Thornton, retired at the financial year ended September 30, 2017. The Auditors are eligible for re-appointment and have offered themselves for re-appointment for the year ending September 30, 2018. The Board of Directors recommends their re-appointment.

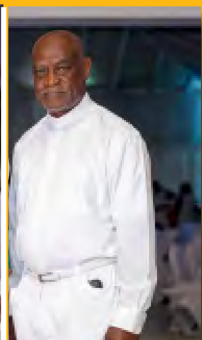
BY ORDER OF THE BOARD OF DIRECTORS

Tracy Benn-Roberts
Corporate Secretary

ECAB GOVERNANCE STRUCTURE



ECAB ANNUAL STAFF FUNCTION 2017

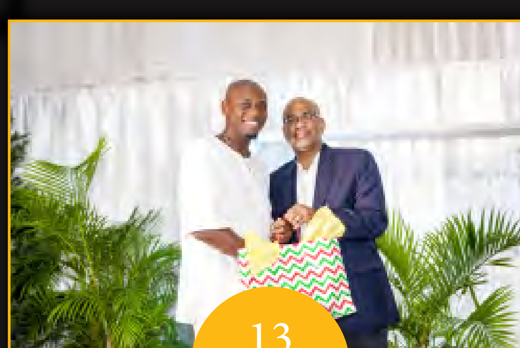
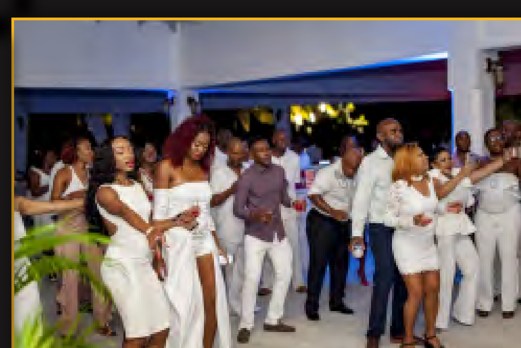










Executive Management

Donna Cort
Chief Financial Officer

Michael Spencer
General Manager

Tracy Benn-Roberts
General Counsel/Corporate Secretary

Sophie Thomas-Durand
Chief Information Systems Officer

Sonya Roberts-Carter
Senior Manager Operations

Peter Quinn
Internal Auditor

Norris Antonio
Senior Manager Credit Administration

Management's Discussion and Analysis

2017 ECONOMIC AND BUSINESS ENVIRONMENT

Global economies continued to strengthen and growth is estimated at 3.7 percent in 2017 following growth of 3.2 percent in 2016, with projected growth of 3.9 percent for 2018 according to the IMF World Economic Outlook, January 2018. With the upswing in global economic activities, it is expected that the Eastern Caribbean Currency Union (ECCU) will continue to benefit from increased tourism and investment inflows. Growth within the ECCU is estimated at 2.3 percent for 2017 down from 2.6 percent in 2016.

The Eastern Caribbean Central Bank (ECCB) has reported that there was a decline in economic activity in Antigua and Barbuda for the first nine months in 2017 compared with the corresponding period in 2016. Stay-over arrivals fell by 7.1 percent during the period comparable to the same period in 2016. However, this decline was off-set by positive growth in the construction sector evidenced by a 22.5 percent increase in the importation of construction materials and a 2.9 percent increase in cement imports. Work progressed on a number of hotel projects, Citizen by Investment Programme (CIP) funded developments along with several private and public sector projects. Growth in GDP is estimated at 4.4 percent for 2017 compared to 5.4 percent for 2016.

Data from ECCB indicated that, in the domestic economy during the first nine months in 2017, private sector savings deposits grew by 7.1 percent while private sector foreign currency deposits increased by 35.9 percent, but time deposits contracted by 8.0 percent. During the same period however, domestic credit increased by only 0.7 percent. Liquidity in the banking system remained elevated with the ratio of liquid assets to total deposits plus liquid liabilities up by 3.2 percent to 66.3 percent compared to ECCB prudential limit of 20.0 to 25.0 percent. The Non-Performing Loans (NPL) ratio was 8.3 percent in 2017 compared to 9.2 percent in 2016.

PERFORMANCE HIGHLIGHTS

The Bank's performance for year ended September 30, 2017 was commendable with reported net profit after tax of $14.3 million; an increase of 18.8 percent in comparison to the 2016 result of $12.1 million. Our performance in 2017 was largely influenced by continued growth within the loans and advances portfolio, efficient management of customer deposits in an excessively liquid environment and an increase in fee income.

INTEREST INCOME

Interest income increased by $2.9 million or 6.6 percent to $46.9 million for 2017 compared to 2016. Average loans and advances increased by $45.2 million to $500.2 million for 2017 compared to $455.0 million for 2016. Yield on interest earning assets decreased slightly to 7.2 percent for 2017 from 7.6 percent for 2016.

INTEREST EXPENSE

Customer deposits remained flat for 2017 compared with 2016. This factor, along with the efficient management of the Bank's interest rate structure, contributed to the continued downward trend in interest expense. As a result, cost of funds dropped to 1.6 percent for 2017 from 2.0 percent for 2016.

LOAN IMPAIRMENT CHARGES

Delinquency continued to be closely monitored resulting in consistent improvements in the NPL ratio. In 2016, the NPL ratio was 4.57 percent while at the close of 2017, it was 4.46 percent. As such, the NPL for both years was well below the ECCB Prudential Benchmark Guidelines of 5.0 percent. However, loan impairment charges increased by $0.5 million to $1.5 million for 2017 compared to 2016. This was mainly as a result of negative shifts in the market values of certain collateral held as security for non-performing loans.

NET FEE INCOME

Net fee income increased by $2.1 million or 28.4 percent to $9.5 million in 2017 compared to 2016. This increase was mainly driven by increases in account service charge, credit card fees and gains from foreign exchange transactions.

OPERATING EXPENSES

Operating expenses increased by $2.9 million or 12.7 percent to $26.2 million for 2017 compared to 2016 driven primarily by increases of $2.2 million in personnel expenses and $0.8 million in general and administrative expenses. Increase in staff complement, severance payments and provision for a 3.5 percent salary increase consequent to the conclusion of the Union Agreement were the primary contributors to the increase in personnel expenses.

ASSETS

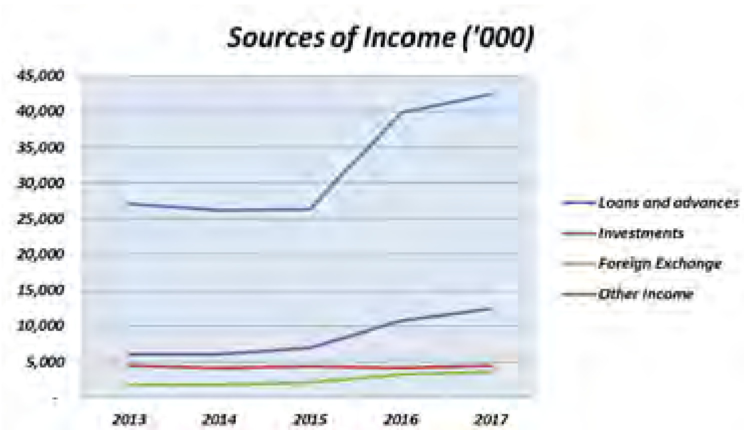
Total assets grew by $30.3 million or 3.8 percent to $836.1 million compared to 2016 largely due to increase in investment securities.

Highlights of Financial Operations

(In Thousands of Dollars)

For the year	2017	2016	2015	2014	2013
Interest Income	46,937	44,011	30,730	30,317	31,721
Interest Expense	10,499	12,839	10,578	11,738	13,740
Loan Impairment Charges	1,534	1,020	413	321	946
Net Fee Income	9,478	7,383	5,400	4,626	4,840
Operating Expenses	26,188	23,241	18,385	16,758	16,384
Net Income	14,338	12,071	6,839	6,158	5,507
Yield on Interest Earning Assets	7.2%	7.6%	7.2%	7.3%	7.4%
Cost of Funds	1.6%	2.0%	2.5%	2.9%	3.0%
Spread	5.6%	5.6%	4.7%	4.4%	4.4%
Efficiency Ratio	58.8%	61.4%	72.1%	71.9%	74.8%

At year end	2017	2016	2015	2014	2013
Loans & Advances	512,330	497,084	318,198	306,379	309,770
Investments	178,314	143,734	120,701	117,857	121,650
Total Assets	836,066	805,778	507,221	513,082	506,476
Total Deposits	667,814	667,735	405,809	414,160	416,381
Total Shareholders' Equity	140,710	106,097	93,489	86,650	80,493
Return on Assets	1.7%	1.7%	1.3%	1.3%	1.1%
Return on Equity	11.6%	12.1%	7.6%	7.4%	7.1%
Capital Adequacy Ratio	52%	47%	56%	56%	53%



CUSTOMER DEPOSITS

Growth in customer deposits remained flat during fiscal yrar 2017 as the Bank effectively managed its deposits amid an environment of excess liquidity.

CONCLUSION

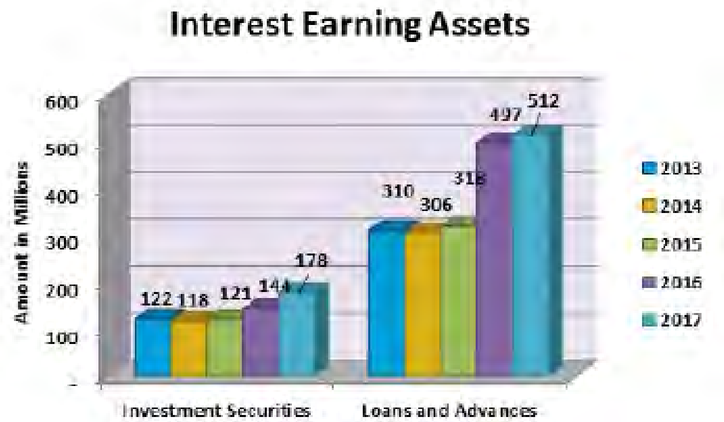
During the year under review, the Bank held its first loans blitz campaign as part of its sales and marketing strategy for consumer loans. Given the tremendous success of this iniatiave, there will be a similar event in fiscal year 2018.

In the last quarter of the fiscal year ended September 30, 2017, the Bank introduced an updated organization structure following an extensive review of the human resources required to support the Bank's strategic efforts. We will be working towards the implementation of a number of other strategic priorities in 2018, most of which are technology driven and geared towards enhancing operational efficiency.

We also plan to continue a review of our processes to enhance the banking experience for our customers. We will also introduce a client relationship program geared towards meeting and surpassing the banking needs of our commercial customers.

The outlook for Antigua and Barbuda and the ECCU offers a good mix of opportunities for, and challenges to, the Eastern Caribbean Amalgamated Bank Limited. We believe that ECAB's continued investment in technology geared towards improving customer service, reducing cost and enhancing operational efficiency, coupled with our highly committed workforce and strong capital base, will position the Bank to capitalize on these opportunities and overcome any challenge which might lie ahead.

Michael Spencer
General Manager



Management

Alicia Bazil-Ashton
Manager Human Resources

V. Alicia Gardner
Manager Lending

Tracy Edwards
Manager Card Services

Debra Williams
Manager Risk & Compliance

Carol Martin
Manager Support Services

Hyasis Mullin
Manager Finance & Accounting

Eleanor Mourillon
Manager Banking Services

Over the past seven (7) years, ECAB has seen significant positive growth notwithstanding the competitive market and economic climate. This noteworthy progress was made possible through the steadfast commitment and sound vision of our Shareholders, loyalty of our Customers and Service Providers and the dedication of our Staff. However, based on the continuous review of the overall operations of our institution, assessment of our products and services and valued feedback from the community at large, we are well aware that there is always room for improvement. We also recognize that there is more ground to be gained in the market and will focus on the capitalization of the opportunities as they arise while working towards ensuring that the products and services offered are beneficial and satisfactory to our customers and stakeholders. Our quest is to stand head and sholder above the competition.

OUR SUITE OF CONVENIENCE BANKING PRODUCTS AND SERVICES

We aim to make banking easier which is why we continue to find innovative ways to bring convenience banking to our customers. From our three (3) Drive Thru Banking lanes to our thirteen (13) ATMs across the island and our four (4) branch locations, all of which offer Night Deposit Facilities, our customers have much to choose from. But that is just the "tip of the iceberg."

On June 30, 2017, ECAB celebrated yet another milestone when we delivered our top-notch online banking solution, MOREBanking, to our customers. While our previous online banking platform met our customers' needs, in our quest to stand out from other institutions, we embarked on a mission to give our customers MORE. With MOREBanking, our customers can do most of their banking at their leisure and from anywhere they choose.

Whether bill payments, Buddy Payments, electronic payrolls, cheque book orders, draft orders, cash orders, wire transfer requests, checking balances or viewing statements, MOREBanking puts greater control at the fingertips of our customers. Not to mention the added security of MOREBanking alerts, which give our customers the option of being notified of each transaction applied to their accounts. With MOREBanking, the power lies with the customer as it allows one to bank anywhere at any time and even on the go with our MOREBanking App. After all, with MOREBanking, **It's Banking In Your Time.**

As we look to the future, we are already exploring other enhancements to ensure that MOREBanking truly gives our customers more and makes their banking experience a seamless and fulfilling one.

OUR CONVENIENT AND REWARDING CARDS

At ECAB, we enjoy giving our customers options and our suite of Cards does just that. With worldwide acceptance, our Prepaid and Credit Cards give the financial freedom that you desire and deserve.

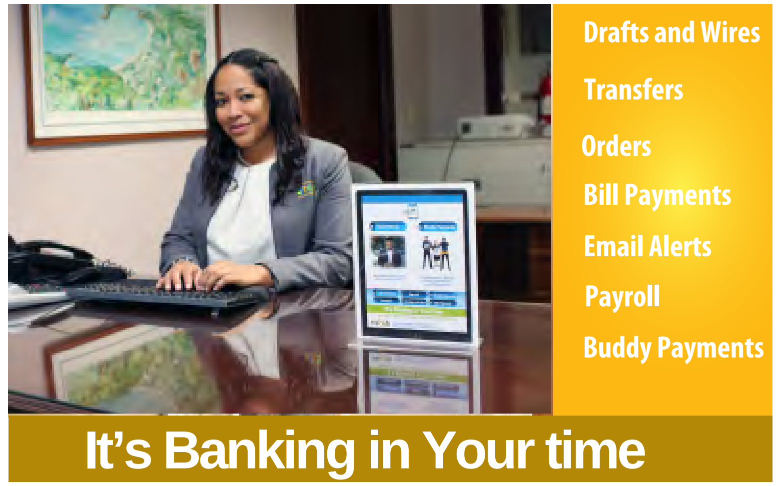
Our Prepaid Card allows you to spend your own money at your convenience with the international access and flexibility of a Credit Card.

Choose the Credit Card that fits your needs. Whether our Classic, Gold or Business, we have a card for your lifestyle. Our low interest rates, travel rewards, purchase protection and travel and auto insurance are just some of the ways that we give back to our customers.

In the months to come, we will expand our Card options to include affluent and chip cards as well as superior rewards and benefits.

OUR FLEXIBLE AND AFFORDABLE LOANS

With so many loan options in the market, ECAB recognizes that customers demand more than just low interest rates. That is why we offer loans that



facilitate a variety of financial needs with flexible repayment terms. Our friendly and efficient Loan Officers are always ready to discuss customers' needs and provide the best options to ensure that customers are afforded the most suitable terms to allow for maximum customer satisfaction. We understand the customers' need for speedier approvals and loan processing. In the months ahead, we will be focusing on improving the loan application and processing for faster turnaround times.

OUR SILVER REWARDS

At ECAB, we believe in rewarding those who have helped to shape not only the Bank, but also our society. In this regard, one group of our customers come to mind - our more mature customers.

In September 2017, we rolled out our **Silver Rewards** program which gives back to our customers 60 years and older. **Silver Rewards** offers personalized service and preferential rates as well as reduced fees on several of our products and services.

Our "silver" customers can rest assured that ECAB will continue to say thank you through our **Silver Rewards** program because "You've Earned It."

OUR CORPORATE SOCIAL RESPONSIBILITY

In 2017, we remained committed to our corporate social responsibility. We continued to channel our efforts toward initiatives that focused on the youth and our culture as we believe our youth and our culture are two components that enhance and propel our society. To this end, we contributed prizes and awards to honor and encourage top achievers and their peers in various primary schools to include Sunnyside Tutorial, T.O.R. Memorial and Grace Crescent Primary. We also contributed to initiatives such as the Wadadli Pen Literacy Competition and the Rotaract Spelling Bee, both of which promote literacy among the youth.

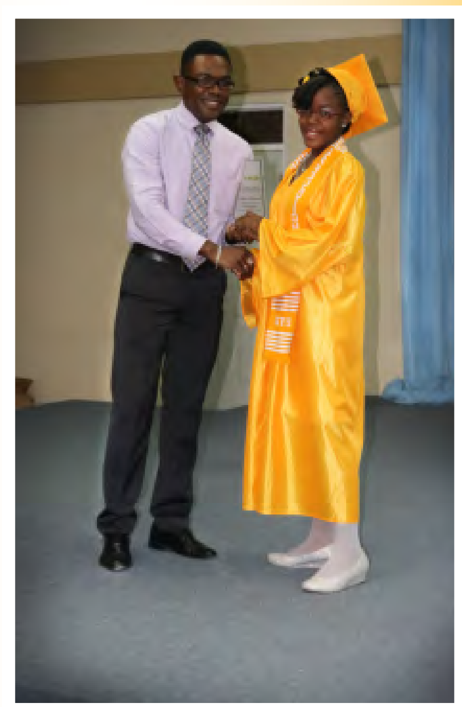
We are also proud to have been, for the third year, the title sponsor of the Junior Soca Monarch competition, a title we have held since its inception in 2015. The competition provides an avenue for the youth of various schools to put their talents on

Rotaract Spelling Bee 2017

First Silver Rewards Customer


ECAB Loan Customers

2017 ECAB Junior Soca Winners



Sunnyside Tutorial Valedictorian 2017

ECAB Loan Blitz Customer 2017

display and encourages creativity and self-confidence while preserving our culture.

ECAB looks forward to many more years as title sponsor of the Junior Soca Monarch competition as well as contributing to other initiatives and projects that will allow us to play a meaningful role in the development of our youth and preservation of our culture.

OUR COMMITMENT TO STAKEHOLDER SATISFACTION

We remain resolute in achieving our mission **To Create Value for All Stakeholders** by providing innovative and convenient products and services that satisfy our customers' demands and fulfil our corporate social responsibility. As such, we continue on the path of exploring and embracing new opportunities that will ensure the maximization of stakeholder satisfaction. We are committed to simplifying business processes and improving Customer Service by employing mechanisms that enhance each customer's experience through automation of processes and offering products and services that exceed customers' needs. We also look forward to increased involvement in programs and initiatives geared towards youth development and cultural preservation.

We value the role played by each of our Stakeholders in our continued growth and success and look forward to sustained growth and long lasting relationships.

Thank you for making ECAB Your **Bank of Choice and Financial Partner for Life.**

ECAB Loan Blitz 2017

Eastern Caribbean Amalgamated Bank

Financial Statements

September 30, 2017

(Expressed in Eastern Caribbean Dollars)

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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, 2017, 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, 2017, and its financial performance and its statement of cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

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 the IFRSs 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 judgment 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
March 2, 2018
St. John's, Antigua

Eastern Caribbean Amalgamated Bank Limited

Statement of Financial Position

As of September 30, 2017

(expressed in Eastern Caribbean dollars)

	Notes	2017 $	2016 $
Assets			
Cash and balances with the Central Bank	8	**64,961,127**	94,437,213
Due from banks and other financial institutions	9	**50,350,022**	47,962,751
Investment securities	10	**178,313,943**	143,733,867
Loans and advances to customers	11	**512,330,159**	497,084,474
Other assets	12	**10,518,973**	1,636,118
Property, plant and equipment	13	**18,144,642**	18,892,994
Intangible assets	15	**1,446,783**	2,030,722
Total assets		**836,065,649**	805,778,139
Liabilities			
Customers' deposits	16	**667,813,695**	667,734,849
Other liabilities and accrued expenses	17	**14,926,579**	28,185,614
Borrowings	18	–	1,025,709
Income taxes payable	31	**3,938,424**	1,861,447
Deferred tax liability	31	**8,677,074**	873,702
Total liabilities		**695,355,772**	699,681,321
Equity			
Preference shares	19	**47,869,339**	47,869,339
Common shares	19	**24,000,000**	24,000,000
Revaluation reserve	21	**23,807,142**	536,648
Other reserves	21	**13,907,590**	10,493,633
Retained earnings		**31,125,806**	23,197,198
Total equity		**140,709,877**	106,096,818
Total liabilities and equity		**836,065,649**	805,778,139

The notes on pages 31 to 98 are an integral part of these financial statements.

Approved by the Board of Directors on March 2, 2018

____________________ Director   ____________________ Director

Eastern Caribbean Amalgamated Bank Limited

Statement of Comprehensive Income

For the year ended September 30, 2017

(expressed in Eastern Caribbean dollars)

	Notes	2017 $	2016 $
Operating income			
Interest income	26	**46,936,538**	44,011,290
Interest expense	26	**(10,498,932)**	(12,838,522)
Net interest income		**36,437,606**	31,172,768
Loan impairment charges	11	**(1,534,239)**	(1,019,661)
Net interest income after loan impairment charges		**34,903,367**	30,153,107
Fee and commission income	27	**16,010,809**	13,977,144
Fee and commission expense	27	**(6,532,532)**	(6,593,976)
Net fee income		**9,478,277**	7,383,168
Other income	28	**129,489**	331,633
Net interest, fee, commission and other income		**44,511,133**	37,867,908
Operating expenses			
Personnel expenses	29	**14,493,087**	12,328,756
General and administrative expenses	30	**9,808,754**	8,982,292
Amortization of intangible assets	15	**589,052**	555,242
Depreciation of property, plant and equipment	13	**1,297,283**	1,374,641
Total operating expenses		**26,188,176**	23,240,931
Profit for the year before tax		**18,322,957**	14,626,977
Income tax expense	31	**(3,984,965)**	(2,556,266)
Profit for the year after tax		**14,337,992**	12,070,711
Other comprehensive income			
Unrealised gains on investment securities, net of tax	21	**23,270,494**	536,648
Comprehensive income for the year		**37,608,486**	12,607,359

The notes on pages 31 to 98 are an integral part of these financial statements.

Eastern Caribbean Amalgamated Bank Limited

Statement of Cash Flows

For the year ended September 30, 2017

(expressed in Eastern Caribbean dollars)

	Notes	2017 $	2016 $
Cash flows from operating activities			
Operating profit for the year before tax		**18,322,957**	14,626,977
Adjustments for items not affecting cash:			
Interest income	26	**(46,936,538)**	(44,011,290)
Interest expense	26	**10,498,932**	12,838,522
Depreciation	13	**1,297,283**	1,374,641
Loss on disposal of property and equipment		**9,944**	–
Amortization of intangible assets	15	**589,052**	555,242
Provision for loan impairment charges	11	**1,534,239**	1,019,661
Other non-cash items		**42,968**	(120,225)
Cash flows used in operating activities		**(14,641,163)**	(13,716,472)
Net decrease/(increase) in operating assets			
Loans and advances to customers		**(13,844,439)**	33,678,843
Mandatory deposits with the Central Bank		**447,573**	(16,426,315)
Other assets		**(8,882,855)**	(401,418)
Restricted deposits		**1,744,171**	(6,748,624)
Net increase/(decrease) in operating liabilities			
Deposits from customers		**1,211,277**	27,508,414
Other liabilities and accrued expenses		**(13,259,035)**	20,959,262
Cash (used in)/generated from operations		**(47,224,471)**	44,853,690
Income tax paid		**(1,861,447)**	–
Interest received		**43,751,873**	44,065,507
Interest paid		**(11,631,363)**	(13,127,973)
Net cash (used in)/generated from operating activities		**(16,965,408)**	75,791,224
Cash flows from investing activities			
Purchase of plant and equipment	13	**(579,129)**	(861,273)
Proceeds from disposal of plant and equipment		**20,250**	–
Purchase of investment securities		**(52,345,293)**	(21,318,362)
Disposal of investment securities		**47,957,268**	14,306,340
Purchase of intangible assets	15	**(5,113)**	(709,089)
Acquisition of net assets in business combination net of cash acquired	23	**–**	18,984,781
Net cash (used in)/generated from investing activities		**(4,952,017)**	10,402,397
Cash flows from financing activities			
Dividends paid to shareholders		**(2,995,427)**	–
Repayment of borrowings		**(1,025,709)**	(21,521,938)
Net cash used in financing activities		**(4,021,136)**	(21,521,938)

Eastern Caribbean Amalgamated Bank Limited

Statement of Cash Flows

For the year ended September 30, 2017

(expressed in Eastern Caribbean dollars)

	Notes	2017 $	2016 $
Net (decrease)/increase in cash and cash equivalents		**(25,938,561)**	64,671,683
Exchange gains on cash and cash equivalents		**(42,968)**	120,225
Cash and cash equivalents at beginning of year		**126,066,549**	61,274,641
Cash and cash equivalents at end of year	25	**100,085,020**	126,066,549

The notes on pages 31 to 98 are an integral part of these financial statements.

Eastern Caribbean Amalgamated Bank Limited

Statement of Changes in Equity

For the year ended September 30, 2017

(expressed in Eastern Caribbean dollars)

	Note	Preference shares $	Common shares $	Revaluation reserve $	Other reserves $	Retained earnings $	Total $
Balance as of September 30, 2015		47,869,339	24,000,000	–	8,471,841	13,148,279	93,489,459
Comprehensive income for the year		–	–	536,648	–	12,070,711	12,607,359
Reserve for loan loss provision		–	–	–	246,067	(246,067)	–
Reserve for interest recognised on impaired loans		–	–	–	(638,417)	638,417	–
Statutory reserve		–	–	–	2,414,142	(2,414,142)	–
Balance as of September 30, 2016		47,869,339	24,000,000	536,648	10,493,633	23,197,198	106,096,818
Profit for the year		–	–	–	–	14,337,992	14,337,992
Other comprehensive income for the year		–	–	23,270,494	–	–	23,270,494
Total comprehensive income for the year		–	–	23,270,494	–	14,337,992	37,608,486
Reserve for loan loss provision		–	–	–	(76,807)	76,807	–
Reserve for interest recognised on impaired loans		–	–	–	623,167	(623,167)	–
Statutory reserve		–	–	–	2,867,597	(2,867,597)	–
Transactions with owners							
Dividends paid	35	–	–	–	–	(2,995,427)	(2,995,427)
Balance as of September 30, 2017		**47,869,339**	**24,000,000**	**23,807,142**	**13,907,590**	**31,125,806**	**140,709,877**

The notes on pages 31 to 98 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. 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 (IFRSs) and IFRIC interpretations as issued by the International Accounting Standards Board (IASB).

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, 2016

The Bank has not adopted any new standards or amendments that have a significant impact on the Bank's results or financial position.

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 financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but 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. Information on new standards, amendments and interpretations that are expected to be relevant to the Bank's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Bank's financial statements.

IFRS 15 'Revenue from Contracts with Customers'
IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities.

(expressed in Eastern Caribbean dollars)

3 Changes in accounting policies … *continued*

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

IFRS 15 'Revenue from Contracts with Customers' … continued
The Bank's management have yet to fully assess the impact of IFRS 15 on these financial statements, and is not yet in a position to provide quantified information. IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2018.

IFRS 9 'Financial Instruments'
The new standard for financial instruments (IFRS 9) introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting. The Bank's management have yet to fully assess the impact of IFRS 9 on these financial statements, and is not yet in a position to provide quantified information.

IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018.

At this stage the main areas of expected impact are as follows:

- the classification and measurement of the Bank's financial assets will need to be reviewed based on the new criteria that consider the assets' contractual cash flows and the business model in which they are managed;
- an expected credit loss-based impairment will need to be recognised on the Bank's loans and receivables and investments in debt-type assets currently classified as available-for-sale and held-to-maturity, unless classified as at fair value through profit or loss in accordance with the new criteria; and
- it will no longer be possible to measure equity investments at cost less impairment and all such investments will instead be measured at fair value. Changes in fair value will be presented in profit or loss unless the Bank makes an irrevocable designation to present them in other comprehensive income.

IFRS 16 'Leases'

IFRS 16 will replace IAS 17 and three related Interpretations. It completes the IASB's long-running project to overhaul lease accounting. Leases will be recorded on the statement of financial position in the form of a right-of-use asset and a lease liability. IFRS 16 is effective from periods beginning on or after 1 January 2019. The Bank's management have yet to fully assess the impact of IFRS 16 on these financial statements, and therefore is not yet in a position to provide quantified information. However, in order to determine the impact the Bank will:

- perform a full review of all agreements to assess whether any additional contracts will now become a lease under IFRS 16's new definition;
- decide which transitional provisions to adopt; either full retrospective application or partial retrospective application (which means comparatives do not need to be restated). The partial application method also provides optional relief from reassessing whether contracts in place are, or contain, a lease, as well as other reliefs. Deciding which of these practical expedients to adopt is important as they are one-off choices;
- assess their current disclosures for operating leases (note 22) as these are likely to form the basis of the amounts to be capitalised and become right-of-use assets;
- determine which optional accounting simplifications apply to their lease portfolio and if they are going to use these exemptions; and
- assessing the additional disclosures that will be required.

(expressed in Eastern Caribbean dollars)

4 Summary of 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

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Bank becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transaction costs. Subsequent measurement of financial assets and financial liabilities is described below. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expired.

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

• loans and receivables;
• held-to-maturity (HTM) investments; and
• available-for-sale (AFS) financial assets.

All financial assets are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below. All income and expenses relating to financial assets that are recognised in profit or loss are presented within interest income and interest expense, except for impairment of loans and advances which is presented separately in the statement of comprehensive income.

(a) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Bank's cash and cash equivalents, loans and advances to customers, and some investment securities fall into this category of financial instruments.

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies … *continued*

4.3 Financial instruments … *continued*

(b) Held-to-maturity financial assets
HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturities other than loans and receivables. Investments are classified as HTM if the Bank has the intention and ability to hold them until maturity. HTM investments are measured subsequently at amortised cost using the effective interest method.

(c) Available-for-sale financial assets
AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The investments in unquoted equity instruments are measured at cost less any impairment charges, where the fair value cannot be estimated reliably. Impairment charges are recognised in profit or loss. All other AFS financial assets are measured at fair value. Gains and losses are recognised in other comprehensive income and reported within the revaluation reserve within equity, except for interest and dividend income, impairment losses and foreign exchange differences on monetary assets, which are recognised in profit or loss. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss. Interest is calculated using the effective interest method.

AFS financial assets are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Impairment of financial assets

(a) Assets carried at amortised cost
The Bank assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:

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

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies … *continued*

4.3 Financial instruments … *continued*

Impairment of financial assets … *continued*

(a) Assets carried at amortised cost … continued
The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate. The carrying amount is then reduced to the recoverable amount as at the reporting date. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Bank may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Bank's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Impairment charges relating to loans and advances to banks and customers are classified in loan impairment charges whilst impairment charges relating to investment securities (held to maturity and loans and receivables categories) are classified in 'Impairment of investment securities'.

(expressed in Eastern Caribbean dollars)

4 **Summary of accounting policies** … *continued*

4.3 Financial instruments … *continued*

Impairment of financial assets … *continued*

(a) Assets carried at amortised cost … continued

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statement of comprehensive income.

(b) Assets classified as available-for-sale
The Bank assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is objective evidence of impairment resulting in the recognition of an impairment loss.

If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the statement of comprehensive income. Impairment losses previously recognised in operating profit on equity instruments are not reversed through operating profit. Any subsequent changes in fair value are recognised in other comprehensive income.

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through operating profit within the statement of comprehensive income.

(c) Renegotiated Loans
Loans that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are no longer considered to be past due, but are treated as new loans. In subsequent years, the asset is considered to be past due and disclosed only if renegotiated again.

Classification and subsequent measurement of financial liabilities

The Bank's financial liabilities include customer deposits, borrowings, and other liabilities and accrued expenses. Financial liabilities are measured subsequently at amortised cost using the effective interest method. All interest-related charges are included within interest expense in the statement of comprehensive income.

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies … *continued*

4.3 Financial instruments….*continued*

Classes of financial instruments

The Bank classifies its financial instruments into classes that reflect the nature of the information and take into account the characteristics of those financial instruments. The classification made can be seen in the table below:

<table>
<tr><td rowspan="23">Financial assets</td><td rowspan="18">Loans and receivables</td><td colspan="2" rowspan="2">Due from banks and other financial institutions</td><td>Correspondent bank accounts</td></tr>
<tr><td>Fixed deposits</td></tr>
<tr><td rowspan="12">Loans and advances to customers</td><td rowspan="6">Loans and advances to individuals</td><td>Demand loans</td></tr>
<tr><td>Mortgage loans</td></tr>
<tr><td>Non- performing loans and advances</td></tr>
<tr><td>Rebate Loans</td></tr>
<tr><td>Overdrafts</td></tr>
<tr><td>Credit Card advances</td></tr>
<tr><td rowspan="4">Loans and advances to corporate entities</td><td>Demand Loans</td></tr>
<tr><td>Mortgage loans</td></tr>
<tr><td>Non -performing loans and advances</td></tr>
<tr><td>Overdrafts</td></tr>
<tr><td rowspan="2">Loans and advances to government and statutory bodies</td><td>Demand Loans</td></tr>
<tr><td>Overdrafts</td></tr>
<tr><td rowspan="3">Investment securities</td><td>Treasury bills</td><td>Local and regional treasury bills</td></tr>
<tr><td rowspan="2">Debt instruments</td><td>Quoted</td></tr>
<tr><td>Unquoted</td></tr>
<tr><td colspan="3">Other assets</td></tr>
<tr><td rowspan="4">Available-for-sale financial assets</td><td rowspan="4">Investment securities</td><td rowspan="2">Debt instruments</td><td>Quoted</td></tr>
<tr><td>Unquoted</td></tr>
<tr><td rowspan="2">Equity securities</td><td>Quoted</td></tr>
<tr><td>Unquoted</td></tr>
<tr><td>Held-to-Maturity</td><td>Investment securities</td><td>Debt instruments</td><td>Quoted</td></tr>
<tr><td rowspan="3">Financial liabilities</td><td rowspan="3">Amortised cost</td><td colspan="3">Customers’ deposits</td></tr>
<tr><td colspan="3">Borrowings</td></tr>
<tr><td colspan="3">Other liabilities and accrued expenses</td></tr>
</table>

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies … *continued*

4.3 Financial instruments … *continued*

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 either 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.

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

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies … *continued*

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

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'.

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 4.10. The following useful lives are applied:

Software	3 – 5 years
Customer list	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'.

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies … *continued*

4.7 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.

4.8 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 comprises statutory and regulatory reserves as stipulated by the Banking Act No. 10 of 2015 and the Eastern Caribbean Central Bank (note 21);
- Revaluation reserve for available-for-sale financial assets 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.

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies … *continued*

4.10 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.

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.

4.11 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. All of the Bank's leases are treated as operating leases and in all cases the Bank is a lessee. All payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

4.12 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.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, 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.

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.

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies … *continued*

4.13 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.

4.14 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.

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.

4.15 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 IAS 18, 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.

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies … *continued*

4.16 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.

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.

4.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

4.18 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in interest expense (note 26).

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies … *continued*

4.19 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.

5 Financial instruments risk

The Bank's business involves 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.

(expressed in Eastern Caribbean dollars)

5 Financial instruments risk…*continued*

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. 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.

(expressed in Eastern Caribbean dollars)

5 Financial instruments risk…*continued*

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.

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

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 instruments risk … *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. In contrast, impairment provisions are recognised for financial reporting purposes only for losses that have been incurred at the reporting date, based on the objective evidence of impairment. Due to the different methodologies applied, the amount of incurred credit losses provided for in the financial statements is usually lower than the amount determined from the expected loss model that is used for internal operational management and banking regulation purposes.

The impairment allowance shown in the statement of financial position at year end is derived from each of the five rating grades. However, the largest component of the impairment allowance comes from the substandard grade. The table below shows the percentage of the Bank's on- and off-balance sheet items, such as financial guarantees, loan commitments and other credit related obligations, relating to loans and advances and the associated impairment allowance for each of the Bank's rating categories.

	Loans and advances $	%	Impairment provision $	%	Net total $
At September 30, 2017					
Pass	335,447,241	66	(382,248)	9	335,064,993
Special Mention	150,761,265	30	(405,960)	10	150,355,305
Substandard	20,616,467	4	(1,818,474)	43	18,797,993
Doubtful	2,209,716	–	(1,062,900)	25	1,146,816
Loss	680,868	–	(566,083)	13	114,785
Gross loans and advances	509,715,557	100	(4,235,665)	100	505,479,892
Interest receivable	8,283,674	–	–	–	8,283,674
Deferred loan origination fees	(515,994)	–	–	–	(515,994)
Portfolio allowance	–	–	(917,413)	–	(917,413)
	517,483,237	**100**	**(5,153,078)**	**100**	**512,330,159**
At September 30, 2016					
Pass	317,251,048	64	–	–	317,251,048
Special Mention	154,012,656	31	(197,446)	6	153,815,210
Substandard	22,429,439	5	(1,810,879)	57	20,618,560
Doubtful	2,331,268	–	(1,063,999)	33	1,267,269
Loss	131,167	–	(128,626)	4	2,541
Gross loans and advances	496,155,578	100	(3,200,950)	100	492,954,628
Interest receivable	5,348,193	–	–	–	5,348,193
Deferred loan origination fees	(423,976)	–	–	–	(423,976)
Portfolio allowance	–	–	(794,371)	–	(794,371)
	501,079,795	**100**	**(3,995,321)**	**100**	**497,084,474**

(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

	2017 $	2016 $
Credit risk exposures relating to on-balance sheet assets:		
Due from banks and other financial institutions	**50,350,022**	47,962,751
Investment securities:		
- Loans and receivables	**112,708,764**	108,298,997
- Available-for-sale investments – debt securities	**15,585,166**	16,442,180
Loans and advances to customers	**512,330,159**	497,084,474
Other financial assets	**8,532,937**	329,309
	699,507,048	670,117,711

	2017 $	2016 $
Credit risk exposures relating to off-balance sheet items:		
Financial guarantees	**4,321,000**	6,103,000
Loan commitments and other credit related facilities	**59,098,481**	33,705,326
	63,419,481	39,808,326
Total credit exposure	**762,926,529**	709,926,037

(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*

The previous table represents a worst case scenario of credit risk exposures to the Bank as of September 30, 2017, 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 67% (2016: 69%) of the total maximum exposure is derived from loans and advances to customers and 17% (2016: 17%) 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:

- 96% (2016: 95%) of the loans and advances portfolio are categorised in the top two grades of the internal rating system, being Pass and Special mention;
- 68% (2016: 69%) of the loans and advances portfolio are considered to be neither past due nor impaired, as defined in 5.1.5; and
- 7% (2016: 6%) 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, 2017. 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, 2017

	Antigua & Barbuda $	Other Caribbean $	North America $	Europe $	Total $
Credit risk exposures relating to on-balance sheet assets:					
Due from banks and other financial institutions	4,685,141	917,806	40,785,407	3,961,668	**50,350,022**
Investment securities:					
– Loans and receivables investments	13,674,024	94,867,840	4,166,900	–	**112,708,764**
– Available-for-sale investments - debt securities (quoted)	–	15,585,166	–	–	**15,585,166**
Loans and advances to customers	512,330,159	–	–	–	**512,330,159**
Other financial assets	8,532,937	–	–	–	**8,532,937**
	539,222,261	**111,370,812**	**44,952,307**	**3,961,668**	**699,507,048**
Credit exposures relating to off-balance sheet items:					
– Financial guarantees	4,321,000	–	–	–	**4,321,000**
– Loan commitments and other credit related facilities	59,098,481	–	–	–	**59,098,481**
Total	**602,641,742**	**111,370,812**	**44,952,307**	**3,961,668**	**762,926,529**

(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, 2016

	Antigua & Barbuda $	Other Caribbean $	North America $	Europe $	Total $
Credit risk exposures relating to on-balance sheet assets:					
Due from banks and other financial institutions	2,663,966	1,181,296	42,426,598	1,690,891	**47,962,751**
Investment securities:					
– Loans and receivables investments	13,737,219	88,633,528	5,928,250	–	**108,298,997**
– Available-for-sale investments - debt securities (quoted)	1,004,200	15,437,980	–	–	**16,442,180**
Loans and advances to customers	497,084,474	–	–	–	**497,084,474**
Other financial assets	329,309	–	–	–	**329,309**
	514,819,168	**105,252,804**	**48,354,848**	**1,690,891**	**670,117,711**
Credit exposures relating to off-balance sheet items:					
– Financial guarantees	6,103,000	–	–	–	**6,103,000**
– Loan commitments and other credit related facilities	33,705,326	–	–	–	**33,705,326**
Total	**554,627,494**	**105,252,804**	**48,354,848**	**1,690,891**	**709,926,037**

(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*

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

	2017 $	%	2016 $	%
Public sector	**263,577,467**	51.7%	**270,061,662**	54.4%
Personal	**180,566,711**	35.4%	**165,896,823**	33.4%
Construction/Real Estate	**22,021,252**	4.3%	**20,237,153**	4.1%
Distributive Trade	**22,183,333**	4.4%	**17,123,611**	3.5%
Credit card advances	**7,900,981**	1.6%	**8,505,421**	1.7%
Professional	**4,910,347**	1.0%	**5,412,372**	1.1%
Manufacturing	**988,601**	0.2%	**975,446**	0.2%
Other industries	**3,315,016**	0.7%	**3,508,478**	0.7%
Tourism	**4,251,849**	0.8%	**4,434,612**	0.9%
Total	**509,715,557**	**100.0%**	**496,155,578**	**100.0%**

5.1.5 Loans and advances to customers

Loans and advances are summarised as follows:

	Loans and advances to customers 2017 $	Loans and advances to customers 2016 $
Neither past due nor impaired	**346,016,580**	341,268,791
Past due but not impaired	**130,093,220**	125,319,147
Impaired	**33,605,757**	29,567,640
Gross	**509,715,557**	496,155,578
Interest receivable	**8,283,674**	5,348,193
	517,999,231	501,503,771
Less:		
Deferred loan origination fees	**(515,994)**	(423,976)
Provision for losses on loans and advances	**(5,153,078)**	(3,995,321)
Net loans and advances	**512,330,159**	497,084,474

(expressed in Eastern Caribbean dollars)

5 Financial instruments risk... *continued*

5.1.5 Loans and advances to customers … *continued*

	Loans and advances to customers 2017 $	Loans and advances to customers 2016 $
Allocation of allowance for impairment:		
Individually impaired	**(4,235,665)**	(3,200,950)
Portfolio allowance	**(917,413)**	(794,371)
	(5,153,078)	(3,995,321)

The total impairment allowance for loans and advances is $5,153,078 of which $4,235,665 relates to individually impaired loans and the remaining amount of $917,413 represents the portfolio allowance. Further information on the impairment allowance for loans and advances to customers is provided in note 11.

(expressed in Eastern Caribbean dollars)

5 Financial instruments risk... *continued*

5.1.5 Loans and advances … *continued*

(a) Loans and advances neither past due nor impaired

The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Bank.

September 30, 2017

	Credit cards $	Overdrafts $	Personal $	Commercial $	Public sector $	Total $
Pass	6,423,495	3,063,910	112,137,946	18,498,454	166,913,120	**307,036,925**
Special mention	–	9,118,489	18,902,955	10,958,211	–	**38,979,655**
	6,423,495	**12,182,399**	**131,040,901**	**29,456,665**	**166,913,120**	**346,016,580**

September 30, 2016

	Credit cards $	Overdrafts $	Personal $	Commercial $	Public sector $	Total $
Pass	7,328,757	1,598,572	98,297,803	13,996,188	172,865,091	**294,086,411**
Special mention	–	9,661,460	20,747,774	16,773,146	–	**47,182,380**
	7,328,757	**11,260,032**	**119,045,577**	**30,769,334**	**172,865,091**	**341,268,791**

(expressed in Eastern Caribbean dollars)

5 Financial instruments risk... *continued*

5.1.5 Loans and advances ... *continued*

(b) Loans and advances past due but not impaired

Late processing and other administrative delays on the side of the borrower can lead to a financial asset being past due but not impaired. Therefore, loans and advances to customers less than 90 days past due are not considered impaired unless other information is available to indicate the contrary. Gross amounts of loans and advances by class to customers that were past due but not impaired were as follows:

As of September 30, 2017

	Credit cards $	Personal $	Commercial $	Public Sector $	Total $
Past due up to 30 days	731,991	15,248,513	9,973,003	–	**25,953,507**
Past due 31 – 60 days	295,981	4,304,299	1,409,228	–	**6,009,508**
Past due 61 – 90 days	17,626	1,891,205	–	96,221,374	**98,130,205**
	1,045,598	**21,444,017**	**11,382,231**	**96,221,374**	**130,093,220**

As of September 30, 2016

	Credit cards $	Personal $	Commercial $	Public Sector $	Total $
Past due up to 30 days	488,752	14,621,289	6,271,124	–	**21,381,165**
Past due 31 – 60 days	410,510	5,011,400	1,321,474	–	**6,743,384**
Past due 61 – 90 days	68,615	1,227,333	184,781	95,713,869	**97,194,598**
	967,877	**20,860,022**	**7,777,379**	**95,713,869**	**125,319,147**

(expressed in Eastern Caribbean dollars)

5 Financial instruments risk... *continued*

5.1.5 Loans and advances ... *continued*

(c) Loans and advances individually impaired

The individually impaired loans and advances to customers before taking into consideration the cash flows from collateral held is $33,605,757 (2016: $29,567,640). The breakdown of the gross amount of individually impaired loans and advances by class is as follows:

As of September 30, 2017

	Credit cards $	Overdrafts $	Personal $	Commercial $	Total $
Individually impaired loans and advances	431,885	1,829,320	23,512,866	7,831,686	**33,605,757**

As of September 30, 2016

	Credit cards $	Overdrafts $	Personal $	Commercial $	Total $
Individually impaired loans and advances	208,786	1,815,816	20,649,466	6,893,572	**29,567,640**

(d) Loans and advances renegotiated

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Restructuring policies and practices are based on indicators or criteria that, in the judgement of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans.

	2017 $	2016 $
Renegotiated loans and advances to customers:		
- Continuing to be impaired after restructuring – individuals	**891,848**	829,033
- Non-impaired after restructuring – individuals	**14,489,562**	8,740,402
	15,381,410	9,569,435

(expressed in Eastern Caribbean dollars)

5 Financial instruments risk... *continued*

5.1.6 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, 2017.

As of September 30, 2017

	Loans and receivables $	Available for sale $	Total $
Unrated	112,708,764	15,585,166	128,293,930
Total	**112,708,764**	**15,585,166**	**128,293,930**

As of September 30, 2016

	Loans and receivables $	Available for sale $	Total $
Unrated	108,298,997	16,442,180	124,741,177
Total	**108,298,997**	**16,442,180**	**124,741,177**

(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 available-for-sale 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 not hold securities that are quoted on the world's major securities markets. The Bank is not exposed to commodity 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, 2017. 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, 2017						
Cash and balances with the Central Bank	64,042,812	724,788	67,740	61,256	64,531	**64,961,127**
Due from banks and financial institutions	5,575,010	43,763,676	188,766	630,110	192,460	**50,350,022**
Investment securities:						
– Loans and receivables	97,274,287	15,434,477	–	–	–	**112,708,764**
– Available-for-sale equity investments – unquoted	1,075,217	–	–	–	–	**1,075,217**
– Available-for-sale investments – quoted	17,126,831	47,403,131	–	–	–	**64,529,962**
Loans and advances to customers	443,646,855	68,683,304	–	–	–	**512,330,159**
Other financial assets	8,532,937	–	–	–	–	**8,532,937**
Total financial assets	**637,273,949**	**176,009,376**	**256,506**	**691,366**	**256,991**	**814,488,188**
Liabilities						
Customers' deposits	600,091,350	67,720,926	–	–	1,419	**667,813,695**
Other liabilities and accrued expenses	14,926,579	–	–	–	–	**14,926,579**
Total financial liabilities	**615,017,929**	**67,720,926**	**–**	**–**	**1,419**	**682,740,274**
Net on-balance sheet position	**22,256,020**	**108,288,450**	**256,506**	**691,366**	**255,572**	**131,747,914**
Credit commitments	**59,098,481**	**4,321,000**	**–**	**–**	**–**	**63,419,481**

(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, 2016						
Cash and balances with the Central Bank	93,722,717	396,421	144,518	88,687	84,870	**94,437,213**
Due from banks and financial institutions	3,817,462	42,764,213	621,396	611,950	147,730	**47,962,751**
Investment securities:						
– Loans and receivables	91,164,991	17,134,006	–	–	–	**108,298,997**
– Available-for-sale equity investments – unquoted	1,073,479	–	–	–	–	**1,073,479**
– Available-for-sale investments – quoted	17,971,513	16,389,878	–	–	–	**34,361,391**
Loans and advances to customers	426,344,597	70,739,877	–	–	–	**497,084,474**
Other financial assets	329,309	–	–	–	–	**329,309**
Total financial assets	**634,424,068**	**147,424,395**	**765,914**	**700,637**	**232,600**	**783,547,614**
Liabilities						
Customers' deposits	602,170,328	65,560,118	–	–	4,403	**667,734,849**
Borrowings	1,025,709	–	–	–	–	**1,025,709**
Other liabilities and accrued expenses	28,185,614	–	–	–	–	**28,185,614**
Total financial liabilities	**631,381,651**	**65,560,118**	**–**	**–**	**4,403**	**696,946,172**
Net on-balance sheet position	**3,042,417**	**81,864,277**	**765,914**	**700,637**	**228,197**	**86,601,442**
Credit commitments	**33,705,326**	**6,103,000**	**–**	**–**	**–**	**39,808,326**

(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, 2017							
Assets							
Cash and balances with the Central bank	–	–	–	–	–	64,961,127	**64,961,127**
Due from banks and other financial institutions	–	–	–	–	–	50,350,022	**50,350,022**
Investment securities:							
– Loans and receivables	4,475,701	32,883,449	74,921,537	74,516	353,561	–	**112,708,764**
– Available-for-sale equity – unquoted	–	–	–	–	–	1,075,217	**1,075,217**
– Available-for-sale investments – quoted securities	271,934	11,325	6,492,261	8,432,184	377,463	48,944,795	**64,529,962**
Loans and advances to customers	30,687,485	2,086,679	9,183,817	26,224,344	444,147,834	–	**512,330,159**
Other financial assets	–	–	–	–	–	8,532,937	**8,532,937**
Total financial assets	**35,435,120**	**34,981,453**	**90,597,615**	**34,731,044**	**444,878,858**	**173,864,098**	**814,488,188**
Liabilities							
Customers' deposits	425,494,180	52,140,839	178,701,400	10,255,734	1,221,542	–	**667,813,695**
Other liabilities and accrued expenses	–	–	–	–	–	14,926,579	**14,926,579**
Total financial liabilities	**425,494,180**	**52,140,839**	**178,701,400**	**10,255,734**	**1,221,542**	**14,926,579**	**682,740,274**
Total interest repricing gap	**(390,059,060)**	**(17,159,386)**	**(88,103,785)**	**24,475,310**	**443,657,316**	**158,937,519**	**131,747,914**

(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, 2016							
Assets							
Cash and balances with the Central bank	–	–	–	–	–	94,437,213	**94,437,213**
Due from banks and other financial institutions	–	–	–	–	–	47,962,751	**47,962,751**
Investment securities:							
– Loans and receivables	10,726,186	28,692,184	67,790,627	681,751	408,249	–	**108,298,997**
– Available-for-sale equity – unquoted	–	–	–	–	–	1,073,479	**1,073,479**
– Available-for-sale investments – quoted securities	279,055	102,770	3,832,092	11,525,263	703,001	17,919,210	**34,361,391**
Loans and advances to customers	27,339,198	6,338,470	2,698,997	24,277,230	436,430,579	–	**497,084,474**
Other financial assets	–	–	–	–	–	329,309	**329,309**
Total financial assets	**38,344,439**	**35,133,424**	**74,321,716**	**36,484,244**	**437,541,829**	**161,721,962**	**783,547,614**
Liabilities							
Customers' deposits	392,977,967	67,759,810	202,410,749	3,619,931	966,392	–	**667,734,849**
Borrowings	148,626	297,253	579,830	–	–	–	**1,025,709**
Other liabilities and accrued expenses	–	–	–	–	–	28,185,614	**28,185,614**
Total financial liabilities	**393,126,593**	**68,057,063**	**202,990,579**	**3,619,931**	**966,392**	**28,185,614**	**696,946,172**
Total interest repricing gap	**(354,782,154)**	**(32,923,639)**	**(128,668,863)**	**32,864,313**	**436,575,437**	**133,536,348**	**86,601,442**

(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 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, 2017						
Customers' deposits	426,034,469	52,870,629	181,885,956	10,619,538	1,221,542	672,632,134
Other liabilities and accrued expenses	14,926,579	–	–	–	–	14,926,579
Total financial liabilities (contractual maturity dates)	**440,961,048**	**52,870,629**	**181,885,956**	**10,619,538**	**1,221,542**	**687,558,713**
Assets held for managing liquidity risk (contractual maturity dates)	**158,035,713**	**46,702,055**	**126,824,935**	**300,976,105**	**613,411,886**	**1,245,950,694**

(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, 2016						
Customers' deposits	393,019,681	68,001,713	204,650,172	3,718,209	1,225,661	670,615,436
Borrowings	148,626	297,253	607,746	–	–	1,053,625
Other liabilities and accrued expenses	28,185,614	–	–	–	–	28,185,614
Total financial liabilities (contractual maturity dates)	**421,353,921**	**68,298,966**	**205,257,918**	**3,718,209**	**1,225,661**	**699,854,675**
Assets held for managing liquidity risk (contractual maturity dates)	**181,641,546**	**41,991,836**	**127,275,136**	**273,640,648**	**757,049,551**	**1,381,598,717**

(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, 2017			
Financial guarantees	4,321,000	–	4,321,000
Credit commitments	59,098,481	–	59,098,481
	63,419,481	**–**	**63,419,481**
As of September 30, 2016			
Financial guarantees	6,103,000	–	6,103,000
Credit commitments	33,705,326	–	33,705,326
	39,808,326	**–**	**39,808,326**

(c) Operating Lease Commitments

	Up to 1 year $	1 to 5 years $	Total $
As of September 30, 2017	**329,848**	**–**	**329,848**
As of September 30, 2016	**391,224**	**91,344**	**482,568**

(d) Capital commitments
The Bank had no contractual capital commitments as of September 30, 2017.

(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	
	2017	**2016**	**2017**	**2016**
	$	**$**	**$**	**$**
Financial assets				
Due from banks and other financial institutions	50,350,022	47,962,751	50,350,022	47,962,751
Investment securities:				
– Loans and receivables	112,708,764	108,298,977	112,708,764	108,298,977
Loans and advances to customers	512,330,159	497,084,474	541,765,730	573,245,563
Other financial assets	8,532,937	329,309	8,532,937	329,309
	683,921,882	**653,675,511**	**713,357,453**	**729,836,600**
Financial liabilities				
Customers' deposits	667,813,695	667,734,849	666,880,443	669,477,529
Borrowings	–	1,025,709	–	1,025,709
Other liabilities and accrued expenses	14,926,579	28,185,614	14,926,579	28,185,614
	682,740,274	**696,946,172**	**681,807,022**	**698,688,852**

(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, 2017

	Level 2 $	Level 3 $	Total $
Financial assets			
Investment securities:			
– Available-for-sale investments – quoted	48,944,796	15,231,666	64,176,462
Total assets	**48,944,796**	**15,231,666**	**64,176,462**

As of September 30, 2016

	Level 2 $	Level 3 $	Total $
Financial assets			
Investment securities:			
– Available-for-sale investments – quoted	17,919,211	16,152,131	34,071,342
Total assets	**17,919,211**	**16,152,131**	**34,071,342**

Reconciliation of level 3 items

The following table presents changes in level 3 instruments for the year ended September 30, 2017.

	Available-for-sale financial assets Debt securities $
Balance as of September 30, 2016	**16,152,131**
Additions	3,000,000
Settlements	(3,920,465)
Balance as of September 30, 2017	**15,231,666**

If the market interest rate on the available-for-sale bond investment were to change by +/- 10%, the impact on other comprehensive income would be an increase of $91,403 or a decrease of $106,411.

(expressed in Eastern Caribbean dollars)

5 Financial instruments risk ... *continued*

5.4.2 Assets and liabilities measured at fair value … *continued*

The following table presents the changes in level 3 instruments for the year ended September 30, 2016.

	Available-for-sale financial assets
	Debt securities
	$
Balance as of September 30, 2015	**14,284,443**
Additions	4,044,900
Settlements	(2,177,212)
Balance as of September 30, 2016	**16,152,131**

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 valuation team annually, in line with the Bank's reporting dates.

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

Available-for-sale investments – 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.

(expressed in Eastern Caribbean dollars)

6 Capital management policies and procedures … *continued*

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 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 available-for-sale.

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, 2017. At this date the Bank complied with all the externally imposed capital requirements to which it is subject.

	2017 **$**	**2016** **$**
Tier 1 capital		
Common share capital	**24,000,000**	24,000,000
Preference share capital	**47,869,339**	47,869,339
Retained earnings	**31,125,806**	23,197,198
Reserve for loan loss impairment	**310,837**	387,644
Reserve for interest on non-performing loans	**3,551,675**	2,928,508
Statutory reserve	**10,045,078**	7,177,481
Customer lists intangible asset	**(738,548)**	(923,184)
Total qualifying Tier 1 capital	**116,164,187**	104,636,986
Tier 2 capital		
Unrealised gain on available for sale investments	**23,807,142**	536,648
General loan loss provisions	**917,413**	794,371
Total qualifying Tier 2 capital	**24,724,555**	1,331,019
Total regulatory capital	**140,888,742**	105,968,005

(expressed in Eastern Caribbean dollars)

6 Capital management policies and procedures … *continued*

	2017 $	2016 $
Risk weighted assets		
On-balance sheet	**256,261,492**	221,860,083
Off-balance sheet	**11,819,696**	6,741,065
Total risk weighted assets	**268,081,188**	228,601,148
Basel ratio	**52%**	47%

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

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. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Bank makes judgements as to whether there is any observable data indicating an impairment trigger followed by a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or local economic conditions that correlate with defaults on assets in the Bank.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Were the net present value of estimated cash flows to differ by -/+10% the impairment loss would be an estimated $1,483,615 higher or $220,825 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 $833,968 higher or $669,130 lower.

(expressed in Eastern Caribbean dollars)

8 Cash and balances with the Central Bank

	Note	2017 $	2016 $
Cash on hand		**10,564,148**	10,940,743
Balances with ECCB other than mandatory reserves		**21,585,909**	50,237,827
Included in cash and cash equivalents	25	**32,150,057**	61,178,570
Mandatory deposits with the ECCB		**32,811,070**	33,258,643
Total cash and balances with the Central Bank		**64,961,127**	94,437,213

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 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 $27,311,070 (2016: $27,758,643).

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 $5,500,000 (2016: $5,500,000) and is included in the mandatory deposits with the Central Bank.

9 Due from banks and other financial institutions

	Note	2017 $	2016 $
Operating accounts with other banks		**38,974,308**	38,477,716
Items in the course of collection from other banks		**4,467,747**	2,614,897
Included in cash and cash equivalents	25	**43,442,055**	41,092,613
Restricted deposits		**6,907,967**	6,870,138
Total due from banks and other financial institutions		**50,350,022**	47,962,751

Operating accounts with other banks and financial institutions represent ordinary cash deposits made with other banks.

Balances held with shareholder banks as of September 30, 2017 amounted to $690,841 (2016: $6,018,169).

The restricted deposits are used as collateral for the credit card operations.

(expressed in Eastern Caribbean dollars)

10 Investment securities

Loans and receivables investment securities

	Note	Nominal value 2017 $	Cost 2017 $	Nominal value 2016 $	Cost 2016 $
Treasury bills					
Treasury bills at amortized cost – OECS Governments with original maturities of three (3) months or less and interest rates ranging from 1.99% to 8.0% (2016: 1.99% to 8.0%)		16,059,500	15,947,052	11,059,500	10,974,324
Included in cash and cash equivalents	25	16,059,500	15,947,052	11,059,500	10,974,324
Treasury bills at amortized cost - OECS Governments with original maturities greater than three (3) months and interest rates ranging from 3.85% to 4.76% (2016: 4.76% to 5.0%)		17,442,000	17,041,114	17,487,000	17,222,561
Interest receivable		–	470,970	–	305,750
Total treasury bills		**33,501,500**	**33,459,136**	**28,546,500**	**28,502,635**

Included in the treasury bills are amounts held with a shareholder, the Government of Antigua and Barbuda, totalling $10,157,471 (2016: $10,338,918).

Interest income earned from treasury bills held with the Government of Antigua and Barbuda amounted to $510,405 (2016: $290,864).

(expressed in Eastern Caribbean dollars)

10 Investment securities … *continued*

Loans and receivables investment securities … *continued*

	Note	2017 $	2016 $
Term Deposits			
St. Kitts Nevis Anguilla National Bank, with original maturities of three (3) months or less at interest rates ranging from 1% to 2% per annum.		**8,545,856**	8,460,929
Bank of St. Vincent & the Grenadines, maturing on October 25, 2017 with an interest rate of 2.25% per annum.		**–**	4,360,113
Included in cash and cash equivalents	25	**8,545,856**	12,821,042
Term deposits with other OECS banks and financial institutions with original maturities greater than three (3) months up to one year at interest rates ranging from 1.75% to 2.5% per annum.		**43,758,635**	38,540,144
Restricted term deposits with Bank of America with original maturities of one year at interest rates of 0.28% to 0.31% per annum.		**4,131,000**	5,913,000
Term deposits with ACB Mortgage and Trust Company Limited (of which $852,000 is restricted) with original maturities of eighteen (18) months maturing between March 2017 and December 2017 at interest rates ranging between 2% to 2.5%.		**1,747,924**	1,748,000
Restricted term deposits with Caribbean Credit Card Corporation with an original maturity of one year at an interest rate of 2.5% per annum.		**500,000**	500,000
Interest receivable		**333,110**	357,966
		59,016,525	59,880,152
Fixed rate notes			
Antigua Pier Group			
- Maturing on September 30, 2025 with an interest rate of 9% per annum.		**487,421**	510,707
Government of Saint Lucia:			
- Maturing on March 16, 2019 with an interest rate of 5.0% per annum.		**2,008,078**	2,008,078
- Maturing on July 18, 2018 with an interest rate of 4.5% per annum.		**5,400,000**	5,400,000
Interest receivable		**120,400**	96,282
		8,015,899	8,015,067

(expressed in Eastern Caribbean dollars)

10 Investment securities … *continued*

Loans and receivables investment securities … *continued*

Included in the term deposits are amounts held with related parties totalling $53,108,816 (2016: $52,165,613).

Interest income earned during the year on term deposits held with related parties amounted to $923,705 (2016: $1,169,069).

Restricted term deposits

- The restricted deposits held with Bank of America and Caribbean Credit Card Corporation are used as collateral for letters of credit existing at year and the credit card operations respectively.
- The restricted deposits held with ACB Mortgage and Trust are securing the deposits placed by the staff pension fund of the Antigua Commercial Bank.

	2017 $	2016 $
Fixed income paper		
First Citizens Investment Services Limited with original maturities greater than three (3) months maturing between April 26, 2018 to July 14, 2018 at an interest rate of 2.50%.	**12,097,304**	11,802,493
Interest receivable	**119,900**	98,650
	12,217,204	11,901,143
Total loans and receivables investment securities	**112,708,764**	108,298,997
Total principal	**111,664,384**	107,440,348
Interest receivable	**1,044,380**	858,649
	112,708,764	108,298,997
Current portion	**112,280,687**	107,208,998
Non-current portion	**428,077**	1,089,999
	112,708,764	108,298,997
Available-for-sale investment securities		
Available-for-sale – unquoted		
Eastern Caribbean Securities Exchange Limited 2,500 Class 'C' shares (2,500 shares at cost of $10 each)	**227,100**	227,100
Caribbean Credit Card Corporation (50 Shares at cost of $1,000 per share)	**420,204**	426,008
Eastern Caribbean Home Mortgage Bank 622 shares at cost of $160 per share	**427,913**	420,371
Available-for-sale equity investments (unquoted)	**1,075,217**	1,073,479

(expressed in Eastern Caribbean dollars)

10 Investment securities … *continued*

	2017 $	2016 $
Available-for-sale - quoted		
Debt investments		
OECS Government bonds with original maturities ranging from two (2) to ten (10) years at interest rates ranging from 4.95% to 7.5%	**12,231,666**	13,652,131
Eastern Caribbean Home Mortgage Bank bonds with maturing on June 1, 2018 at an interest rate of 2.00%	**2,000,000**	2,000,000
Eastern Caribbean Home Mortgage Bank bonds maturing on January 30, 2018 at an interest rate of 1.74%	**1,000,000**	500,000
Interest receivable	**353,500**	290,049
	15,585,166	16,442,180
Equity investments		
Visa International	**46,341,129**	15,583,697
St Kitts Nevis Anguilla National Bank	**1,541,665**	1,529,332
MasterCard International	**1,062,002**	806,182
	48,944,796	17,919,211
Total available–for–sale investments (quoted)	**64,529,962**	34,361,391
Total available-for-sale investment securities	**65,605,179**	35,434,870
Summary of investment securities		
Total principal	**176,916,063**	142,585,169
Total interest receivable	**1,397,880**	1,148,698
Total investment securities	**178,313,943**	143,733,867
Current	**119,056,206**	111,422,915
Non-current	**59,257,737**	32,310,952
Total investment securities	**178,313,943**	143,733,867

St. Kitts Nevis Anguilla National Bank is a related party and shareholder of the Bank.

(expressed in Eastern Caribbean dollars)

10 Investment securities … *continued*

The available for sale OECS Government Bonds held with the Government of Antigua and Barbuda amounting to $1,000,000 matured in 2017 (2016: $1,000,000). Interest income earned from bonds held with the Government of Antigua and Barbuda amounted to $32,925 (2016: $134,625).

Restricted investments
Included in the OECS Government bonds are bonds issued by the Government of Dominica totaling $5,000,000 (2016: $5,000,000) that have been pledged as collateral for the Eastern Caribbean Automated Clearing House facility.

The movement in investment securities is summarised as follows:

	Notes	Available-for-sale-(unquoted) $	Available-for-sale-(quoted) $	Held-to-maturity $	Loans and receivables $	Total $
Balance as of September 30, 2015		105,860	14,522,695	1,012,450	105,059,808	120,700,813
Purchase of investments		–	4,000,000	–	32,163,464	36,163,464
Acquisition of investments from business combination	23	876,468	17,339,730	–	3,461,608	21,677,806
Disposal of investments		–	(2,177,212)	(1,000,000)	(32,246,475)	(35,423,687)
Gains from changes in fair value	21	91,151	624,380	–	–	715,531
(Decrease)/increase in interest receivable, net		–	51,798	(12,450)	(139,408)	(100,060)
Balance as of September 30, 2016		1,073,479	34,361,391	–	108,298,997	143,733,867
Balance as of September 30, 2016		1,073,479	34,361,391	–	108,298,997	143,733,867
Purchase of investments		–	3,000,000	–	56,005,680	59,005,680
Disposal of investments		–	(3,920,465)	–	(51,781,645)	(55,702,110)
Gains from changes in fair value	21	1,737	31,025,586	–	–	31,027,323
Increase/(decrease) in interest receivable, net		–	63,450	–	185,733	249,183
Balance as of September 30, 2017		**1,075,216**	**64,529,962**	**–**	**112,708,765**	**178,313,943**

(expressed in Eastern Caribbean dollars)

11 Loans and advances to customers

	2017 $	2016 $
Demand loans	**324,466,168**	328,543,090
Mortgage loans	**131,992,138**	118,488,182
Non-performing loans and advances	**33,605,757**	29,567,640
Overdrafts	**12,182,400**	11,260,031
Credit card advances	**7,469,094**	8,296,635
	509,715,557	496,155,578
Interest receivable	**8,283,674**	5,348,193
	517,999,231	501,503,771
Less:		
Deferred loan origination fees	**(515,994)**	(423,976)
Provision for losses on loans and advances	**(5,153,078)**	(3,995,321)
Total loans and advances to customers	**512,330,159**	497,084,474
Current	**41,957,980**	36,376,666
Non-current	**470,372,179**	460,707,808
	512,330,159	497,084,474

Roll forward of allowance for losses on loans and advances

	2017 $	2016 $
Balance at beginning of year	**3,995,321**	3,768,002
Provision for loan impairment	**1,534,239**	1,019,661
Less: Loans written-off during the year as uncollectible	**(376,482)**	(792,342)
Balance at end of year	**5,153,078**	3,995,321

According to the ECCB loan provisioning guidelines, the calculated allowance for loan impairment amounts to $5,463,915 (2016: $4,382,965) and the difference of $310,837 (2016: $387,644) between this figure and the provision for loan impairment calculated under IAS 39 has been set aside as a specific reserve in equity, see note 21.

According to the ECCB prudential guidelines, interest income is not accrued for loans that are non-performing. The accrued interest of $3,551,675 (2016: $2,928,508) on non-performing loans has been set aside as a specific reserve in equity, (see note 21).

(expressed in Eastern Caribbean dollars)

12 Other assets

	2017 $	2016 $
Financial assets		
Trade and other receivables	**8,550,757**	347,129
Provision for doubtful debts	**(17,820)**	(17,820)
	8,532,937	329,309
Non-financial assets		
Prepayments	**1,107,790**	973,324
Prepaid purchases	**878,246**	333,485
	1,986,036	1,306,809
Total other assets	**10,518,973**	1,636,118
Current	**10,518,973**	1,636,118

(expressed in Eastern Caribbean dollars)

13 Property, plant and equipment

	Notes	Artwork $	Land $	Buildings $	Furniture, fixtures & equipment $	Computer equipment $	Motor vehicles $	Total $
At September 30, 2015								
Cost		51,740	4,769,200	10,800,488	1,590,629	5,080,403	255,000	22,547,460
Accumulated depreciation		–	–	(990,791)	(804,367)	(3,310,586)	(255,000)	(5,360,744)
Net book amount		51,740	4,769,200	9,809,697	786,262	1,769,817	–	17,186,716
Year ended September 30, 2016								
Opening net book amount		51,740	4,769,200	9,809,697	786,262	1,769,817	–	17,186,716
Additions		–	–	–	184,597	293,029	383,647	861,273
Disposals		–	–	–	–	–	(255,000)	(255,000)
Assets acquired in business combination	23	–	1,145,000	–	356,414	648,203	70,029	2,219,646
Depreciation write back		–	–	–	–	–	255,000	255,000
Depreciation charge		–	–	(246,819)	(257,113)	(784,291)	(86,418)	(1,374,641)
Net book amount		**51,740**	**5,914,200**	**9,562,878**	**1,070,160**	**1,926,758**	**367,258**	**18,892,994**
At September 30, 2016								
Cost		51,740	5,914,200	10,800,488	2,131,640	6,021,635	453,676	25,373,379
Accumulated depreciation		–	–	(1,237,610)	(1,061,480)	(4,094,877)	(86,418)	(6,480,385)
Net book amount		**51,740**	**5,914,200**	**9,562,878**	**1,070,160**	**1,926,758**	**367,258**	**18,892,994**

(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, 2017							
Opening net book amount at October 1, 2016	51,740	5,914,200	9,562,878	1,070,160	1,926,758	367,258	18,892,994
Additions	–	–	–	163,907	415,222	–	579,129
Disposals	–	–	–	–	(41,173)	–	(41,173)
Depreciation write back on disposals	–	–	–	–	10,975	–	10,975
Depreciation charge	–	–	(246,819)	(281,244)	(687,437)	(81,783)	(1,297,283)
Net book amount	**51,740**	**5,914,200**	**9,316,059**	**952,823**	**1,624,345**	**285,475**	**18,144,642**
At September 30, 2017							
Cost	51,740	5,914,200	10,800,488	2,295,547	6,395,684	453,676	25,911,335
Accumulated depreciation	–	–	(1,484,429)	(1,342,724)	(4,771,339)	(168,201)	(7,766,693)
Net book amount	**51,740**	**5,914,200**	**9,316,059**	**952,823**	**1,624,345**	**285,475**	**18,144,642**

(expressed in Eastern Caribbean dollars)

14 Financial assets and liabilities

Categories of financial assets and financial liabilities

Note 4.3 provides a description of each category of financial assets and financial liabilities and the related accounting policies. The carrying amounts of financial assets and financial liabilities in each category are as follows:

As of September 30, 2017	Notes	Available for sale $	Loans and receivables $	Total $
Financial assets				
Loans and advances to customers	11	–	512,330,159	512,330,159
Investment securities	10	65,605,179	112,708,764	178,313,943
Other financial assets	12	–	8,532,937	8,532,937
Due from banks and other financial institutions	9	–	50,350,022	50,350,022
		65,605,179	**683,921,882**	**749,527,061**

	Notes	Other Liabilities (carried at Amortised cost) $	Total $
Financial liabilities			
Customers' deposits	16	667,813,695	667,813,695
Other liabilities and accrued expenses	17	14,926,579	14,926,579
		682,740,274	**682,740,274**

As of September 30, 2016	Notes	Available for sale $	Loans and receivables $	Total $
Financial assets				
Loans and advances to customers	11	–	497,084,474	497,084,474
Investment securities	10	35,434,870	108,298,997	143,733,867
Other financial assets	12	–	329,309	329,309
Due from banks and other financial institutions	9	–	47,962,751	47,962,751
		35,434,870	**653,675,531**	**689,110,401**

(expressed in Eastern Caribbean dollars)

14 Financial assets and liabilities … *continued*

		Other Liabilities (carried at Amortised cost) $	Total $
Financial liabilities			
Customers' deposits	16	667,734,849	667,734,849
Borrowings	18	1,025,709	1,025,709
Other liabilities and accrued expenses	17	28,185,614	28,185,614
		696,946,172	**696,946,172**

A description of the Banks's financial instrument risks, including risk management objectives and policies is given in note 5.

The methods used to measure financial assets and liabilities reported at fair value are described in note 5.

15 Intangible assets

	Notes	Computer software $	Customer lists $	Total $
At September 30, 2015				
Cost		4,070,943	2,031,000	6,101,943
Accumulated amortisation		(3,438,163)	(923,180)	(4,361,343)
Net book amount		**632,780**	**1,107,820**	**1,740,600**
Year ended September 30, 2016				
Net book value at October 1, 2016		632,780	1,107,820	1,740,600
Additions		709,089	–	709,089
Assets acquired in business combination	23	136,275	–	136,275
Amortisation charge		(370,606)	(184,636)	(555,242)
Net book amount		**1,107,538**	**923,184**	**2,030,722**
September 30, 2016				
Cost		4,916,307	2,031,000	6,947,307
Accumulated amortisation		(3,808,769)	(1,107,816)	(4,916,585)
		1,107,538	**923,184**	**2,030,722**

(expressed in Eastern Caribbean dollars)

15 Intangible assets … *continued*

	Computer software $	Customer lists $	Total $
Year ended September 30, 2017			
Net book value at October 1, 2017	1,107,538	923,184	2,030,722
Additions	5,113	–	5,113
Amortisation charge	(404,416)	(184,636)	(589,052)
Net book amount	**708,235**	**738,548**	**1,446,783**
September 30, 2017			
Cost	4,921,420	2,031,000	6,952,420
Accumulated amortisation	(4,213,185)	(1,292,452)	(5,505,637)
	708,235	**738,548**	**1,446,783**

16 Customers' deposits

	2017 $	2016 $
Time deposits	**278,839,544**	312,215,174
Savings accounts	**232,020,643**	209,489,410
Current accounts	**154,482,385**	142,426,711
	665,342,572	664,131,295
Interest payable	**2,471,123**	3,603,554
Total customers' deposits	**667,813,695**	667,734,849
Current	**656,336,419**	663,148,526
Non-current	**11,477,276**	4,586,323
	667,813,695	667,734,849

Included in the customers' deposits at year end are deposits from related parties amounting to $41,733,445 (2016: $33,873,412) as disclosed in note 24.

Included in the customers' deposits at year end are deposits from other financial institutions, excluding shareholder banks, amounting to $28,264,856 (2016: $46,736,852).

Deposits held as collateral for loans and advances amounted to $12,158,449 (2016: $11,156,589).

(expressed in Eastern Caribbean dollars)

17 Other liabilities and accrued expenses

	2017 $	2016 $
Trade payables and accrued expenses	**4,746,774**	3,842,631
Manager's cheques	**3,196,187**	8,417,671
Due to Receiver of ABI Bank Ltd	**–**	14,085,312
Transfers payable	**6,332,843**	1,215,556
Other payables	**650,775**	624,444
Total other liabilities and accrued expenses	**14,926,579**	28,185,614
Current	**14,926,579**	28,185,614

18 Borrowings

	2017 $	2016 $
Consortium loan payable over ten (10) years in blended monthly instalments of $148,627 commencing on March 8, 2012 with final payment of principal due at the end of the 120th month together with all outstanding interest. Interest is charged at 8% per annum.	**–**	1,025,709
Current portion of loan	**–**	1,025,709
Non-current portion of loan	**–**	–
Total borrowings	**–**	1,025,709

On January 19, 2012, the Bank purchased the commercial property at 1000 Airport Boulevard, Coolidge, St. John's, Antigua, for $12,250,000. This purchase was financed by a consortium loan from the shareholders excluding the Government of Antigua and Barbuda.

The loan is secured as follows:

- Registered charge over commercial property at Coolidge stamped to cover $12,250,000.
- Fire and other perils policy with risks assigned to the lending shareholder banks on a pari-passu basis over the commercial property at Coolidge for $11,106,700.

The Bank's Board of Directors approved a lump sum payment of EC$5,000,000 which was paid in January 2013. The loan was repaid in full during the year.

(expressed in Eastern Caribbean dollars)

19 Share capital

	Note	2017 $	2016 $
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	**20**	**47,869,339**	47,869,339

20 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 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)

21 Reserves

a) Other reserves

	2017 $	2016 $
Regulatory reserve for loan impairment	**310,837**	387,644
Regulatory reserve for interest on non-performing loans	**3,551,675**	2,928,508
Statutory reserve	**10,045,078**	7,177,481
Total other reserves	**13,907,590**	10,493,633

(i) *Reserve for loan impairment*
This reserve is created to set aside the amount by which the loan loss provision calculated under the Prudential Guidelines of the Eastern Caribbean Central Bank exceeds the loan loss provision calculated in accordance with IAS 39. The excess is therefore set aside in a reserve and is not available for distribution to the shareholders.

(ii) *Reserve for interest on non-performing loans*
This reserve is created to set aside interest accrued on non-performing loans where certain conditions are met in accordance with International Accounting Standard (IAS) 39. 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.

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

a) Revaluation reserve

The revaluation reserve represents the unrealised net gains on available-for-sale investment securities, net of tax. The movements in the reserve during the year are as follows:

	Notes	2017 $	2016 $
Balance, beginning of year		**536,648**	–
Unrealised gains on investment securities	10	**31,027,323**	715,531
Income tax on remeasurement of investment securities		**(7,756,829)**	(178,883)
Balance, end of year		**23,807,142**	536,648

(expressed in Eastern Caribbean dollars)

22 Commitments

a) Credit commitments and others

	2017 $	2016 $
Financial guarantees	**4,321,000**	6,103,000
Undrawn Commitments – Loans and overdrafts	**46,206,965**	20,874,285
Undrawn Commitments – Credits cards	**12,891,516**	12,831,041
	63,419,481	39,808,326

b) Operating lease commitments

	Within 1 Year $	1 to 5 years $	After 5 years $	Total $
September 30, 2017	**329,848**	**–**	**–**	**329,848**
September 30, 2016	391,224	91,344	–	482,568

Lease expense during the year amounted to EC$1,318,754 (2016: EC$1,251,313), representing the minimum lease payments.

(expressed in Eastern Caribbean dollars)

23 Business combination

On November 27, 2015, Eastern Caribbean Amalgamated Bank Limited acquired certain assets of ABI Bank Limited totalling $265,499,415 and assumed certain liabilities totalling $256,558,020 by way of a Purchase and Assumption Agreement.

The following table summarises the consideration paid and the fair values of the assets acquired and liabilities assumed at the acquisition date.

Total Purchase Consideration at November 27, 2015

	November 27 2015 $
Cash consideration payable	8,941,395
Recognised amounts of identifiable assets acquired and liabilities assumed at November 27, 2015	
Loans and advances to customers	213,539,512
Cash and balances due from Central Bank	13,719,424
Property, plant and equipment	2,219,646
Due from other banks and financial institutions	14,206,752
Intangible assets	136,275
Investment securities	21,677,806
Total assets	265,499,415
Customer deposits	234,707,295
Borrowings	19,891,941
Other liabilities	1,958,784
Total liabilities	256,558,020
Total identifiable net assets	8,941,395
Goodwill on acquisition	–
Total purchase consideration payable	8,941,395
Cash and cash equivalents in net assets acquired	27,926,176
Purchase consideration payable	(8,941,395)
Cash inflow on acquisition	18,984,781

Acquisition-related costs amounting to $121,066 are not included as part of consideration transferred and were recognized as an expense in the statement of comprehensive income in 2016 as part of general and administrative expenses.

(expressed in Eastern Caribbean dollars)

24 Related parties' balances and transactions

	Interest rate	2017 $	2016 $
Loans to Government of Antigua and Barbuda	8.0 – 9.8%	**263,134,494**	268,578,960
Loan to directors	6.0 – 7.0%	**714,332**	411,917
Loans to key management personnel	6.0 – 8.5%	**628,543**	628,540
		264,477,369	269,619,417

The loans to shareholder 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 $22,745,513 (2016: $22,502,944). The average interest rate on these loans is 8.47% (2016: 8.47%).

Deposits from related parties

	Interest rate	2017 $	2016 $
Deposits from shareholders	0 – 2.5%	**38,800,422**	31,694,681
Deposits from key management personnel	0 – 2.5%	**644,505**	496,897
Deposits from staff retirement savings fund	5%	**2,204,213**	1,627,720
Deposits from directors	0 – 2%	**84,305**	54,114
		41,733,445	33,873,412

Interest expense paid on shareholders', directors', key members of management's and the staff retirement savings fund deposits during the year amounted to $595,628 (2016: $566,290). The average interest rate on these deposits is 1.63% (2016: 1.72%).

Remuneration of key management personnel

	2017 $	2016 $
Salaries and allowances	**1,716,771**	1,664,800
Directors' fees	**298,808**	288,361
Social Security and Medical Benefits costs	**52,142**	55,291
Other staff costs	**15,679**	15,678
	2,083,400	2,024,130

Refer to notes 9 and 10 for details of additional related party balances and transactions.

(expressed in Eastern Caribbean dollars)

25 Cash and cash equivalents

Cash and cash equivalents are comprised of the following:

	Notes	2017 $	2016 $
Term deposits with original maturities of ninety days or less	10	**8,545,856**	12,821,042
Due from banks and other financial institutions	9	**43,442,055**	41,092,613
Cash and non-mandatory balances with the Central Bank	8	**32,150,057**	61,178,570
Treasury bills	10	**15,947,052**	10,974,324
		100,085,020	126,066,549

26 Interest income and interest expense

	2017 $	2016 $
Interest income		
Loans and advances	**42,405,316**	39,835,432
Investment securities	**4,476,518**	4,165,013
Short term deposits	**54,704**	10,845
Total interest income	**46,936,538**	44,011,290
Interest expense		
Demand accounts	**2**	51,208
Savings accounts	**4,293,899**	3,653,924
Fixed deposits	**6,177,999**	8,420,341
Borrowings	**27,032**	713,049
Total interest expense	**10,498,932**	12,838,522
Net interest income	**36,437,606**	31,172,768

(expressed in Eastern Caribbean dollars)

27 Net fee income

	2017 $	2016 $
Fee income		
Credit card fees	**7,094,965**	6,525,845
Other fees and commission	**2,158,595**	2,047,756
Foreign exchange gain/losses	**3,636,639**	3,230,481
Service charge – deposits	**2,621,294**	1,778,998
Credit related fees	**499,316**	394,064
Total fee income	**16,010,809**	13,977,144
Fee expense		
Credit card expenses	**5,427,135**	5,409,096
Bank charges	**1,096,091**	1,160,118
Other fees – expenses	**9,306**	24,762
Total fee expense	**6,532,532**	6,593,976
Net fee income	**9,478,277**	7,383,168

28 Other income/(expenses)

	2017 $	2016 $
Recovery of loan items written off	**135,445**	202,633
Recovery of credit card items written-off	**3,988**	–
(Loss)/gain on disposal of fixed assets	**(9,944)**	129,000
Total other income	**129,489**	331,633

29 Personnel expenses

	2017 $	2016 $
Salaries and allowances	**11,297,570**	9,964,401
Other personnel expenses	**2,114,219**	1,373,997
Statutory contributions	**894,987**	785,510
Insurance contributions	**186,311**	204,848
Total personnel expenses	**14,493,087**	12,328,756

(expressed in Eastern Caribbean dollars)

30 General and administrative expenses

	2017 $	2016 $
Information technology	**1,553,960**	1,339,544
Professional fees	**1,353,736**	1,133,072
Rent	**1,318,754**	1,251,313
Printing, stationery and office supplies	**1,220,345**	1,007,578
Telecommunications and postage	**1,188,143**	902,881
Utilities	**1,099,642**	1,151,479
Repairs and maintenance	**542,699**	539,930
Marketing and public relations	**415,820**	290,521
Insurance	**411,367**	372,670
Directors' fees	**298,808**	288,361
Licenses and taxes	**176,436**	105,250
Travel, conferences and meetings	**153,053**	108,287
Other administration costs	**75,991**	491,406
Total general and administrative expenses	**9,808,754**	8,982,292

31 Income tax

Effective from November 25, 2011, the Bank was granted an exemption from the payment of corporate income tax for a period of fifteen (15) years. This exemption was withdrawn effective December 31, 2015.

The legislative enacted corporate tax rate for the year is 25% (2016: 25%). The effective tax rate for 2016 was 18.75% as a result of the income tax exemption which ended on December 31, 2015.

	2017 $	2016 $
Tax charge		
Net income for the year before taxation	**18,322,957**	14,626,977
Tax charge at the applicable tax rate of 25% (2016: 18.75%)	**4,580,739**	2,742,558
Movement in deferred taxes	**46,159**	–
Effect of permanent differences	**(641,933)**	(445,672)
Movement in deferred taxes not recognised in prior years	**–**	(3,953)
Effect of change in effective tax rate	**–**	174,693
Late filing penalty	**–**	88,640
Tax charge for the year	**3,984,965**	2,556,266
Represented as follows:		
Current income tax expense	**3,938,424**	1,861,447
Deferred income tax expense	**46,541**	694,819
	3,984,965	2,556,266

(expressed in Eastern Caribbean dollars)

31 Income tax … *continued*

Income tax payable

	2017 $	2016 $
Balance recorded at beginning of year	**1,861,447**	–
Taxes paid during the year	**(1,861,447)**	1,861,447
Current charge for the year	**3,938,424**	–
Balance, end of year	**3,938,424**	1,861,447

Deferred tax (liability)/asset

At the year end, the Bank had a net deferred tax (liability) of $8,677,074 (2016: $873,702) 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 during the prior year. The deferred tax liabilities are comprised as follows:

	2017 $	2016 $
Deferred commissions on loans	**128,999**	105,994
Regulatory loan loss reserve	**(965,628)**	(829,037)
Depreciation on property, plant and equipment	**95,269**	28,224
Revaluation of available-for-sale investment securities	**(7,935,714)**	(178,883)
Total deferred tax liability	**(8,677,074)**	(873,702)

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

	2017 $	2016 $
Balance recorded at beginning of year	**(873,702)**	–
Current year charge	**(46,541)**	(698,772)
Unrealised gains on investment securities in other comprehensive income	**(7,756,831)**	(178,883)
Deferred tax asset not recorded in prior year	–	3,953
Balance, end of year	**(8,677,074)**	(873,702)

Tax losses

The Bank has no brought forward losses for tax purposes as they were utilized during the prior year.

(expressed in Eastern Caribbean dollars)

32 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 omprising 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 $239,044 (2016: $221,469).

33 Contingent liabilities

Litigation

A legal claim was filed in Industrial Court against the Bank in February 2011 by a former employee of Bank of Antigua Limited for $449,813 with respect to the former employee's termination from Bank of Antigua for redundancy. The Industrial Court decision held that the Bank is not liable for the severance pay. An appeal was filed in the Court of Appeal by the employee in 2012.

On May 31, 2017, the Court of Appeal rendered a decision in favour of the former employee and held the Bank jointly and severally liable with Bank of Antigua for the payment of $449,813 to the employee. The severance pay was recorded by the Bank as a provision in the current year and has been included in the trade payables and accrued expenses in Note 17 of the financial statements. The Bank filed an application in the Court of Appeal seeking to appeal to the Privy Council.

(expressed in Eastern Caribbean dollars)

34 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.

35 Dividends

The financial statements reflect a dividend payment of $2,995,427 (2016: $nil). This is comprised of $5.50 per common share amounting to $1,320,000 and 3.5% of the par value of the preferred shares amounting to $1,675,427. Approval of these payments was given at the Sixth Annual General Meeting held on May 26, 2017.

Notes


Staff Recognition and Rewards
Drive Through Banking
Appreciation Day
Staff Incentive Program
Buddy Payments
Seniors Banking
Business Banking
Debit Cards
Prepaid Cards
Staff Recognition and Rewards
Credit Cards
Customer Appreciation Day
Corporate Social Responsibility
Seniors Banking
Services
Morebanking
Morebanking
Corporate Social Responsibility
Business Banking
Cards
Prepaid Cards
Staff Incentive
Credit Cards
Staff Recognition
Buddy Payments
Payroll Services
Customer Appreciation Day
Services

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Nelsons Dockyard, English Harbour, Antigua

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