



**20
22**

ANNUAL REPORT

TRANSFORMATIVE STRATEGIES
FOR SUSTAINABLE GROWTH

Vision and Value Statement



OUR VISION

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



OUR MISSION

To create Value for our Stakeholders.



OUR MANTRA

Get It Right the First Time, Every Time.



STRATEGIC INTENT

Our strategic intent is Operational Efficiency.



CULTURAL PILLARS

The operations of the Bank have been built on the pillars of Customer Intimacy, Service Excellence and Employee Engagement. These pillars will distinguish ECAB as the Bank of Choice and Financial Partner for Life.



OUR VALUE STATEMENTS

Honesty and integrity are the overriding guiding principles.

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

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

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

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

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Notice of Annual General Meeting

NOTICE is hereby given that the Twelfth Annual General Meeting of the Eastern Caribbean Amalgamated Bank Limited will be held on **Wednesday, the 3rd day of July, 2024** commencing at **10:00am.**

AGENDA

1. Call to Order
2. Prayers
3. Adoption of Agenda
4. Chairman's Remarks
5. Consider and confirm the Minutes of Eleventh Annual General Meeting held on June 7, 2023
6. Consider the matters arising from Minutes of Eleventh Annual General Meeting held on June 7, 2023
7. Presentation of Chairman's Report
8. Presentation of Directors' Report
9. Consider Auditors' Report and Financial Statements for the year ended September 30, 2022
10. Declare a Dividend for the Financial Year ended September 30, 2022
11. Ratification of Appointment of External Auditors for the year ending September 30, 2023 and authorize the Board to fix their remuneration
12. Election of Directors
13. Transact any other business that may properly be brought before an Annual General Meeting of Shareholders

Dated the 7th day of June, 2024

BY ORDER OF THE BOARD OF DIRECTORS

TRACY BENN-ROBERTS
Corporate Secretary

A Report From the Chairman



Following the successful acquisition of the Bank of Nova Scotia (Scotiabank) Antigua operations at the end of the 2021 financial year, our focus was aimed at transitioning and integrating operations for both existing and new customers. The substantial growth resulting from this acquisition necessitated a re-evaluation of our business model and refocusing through “transformative strategies for sustainable growth.”

Since the COVID-19 pandemic, we have seen the accelerated shift to online services, including education, shopping, meetings, and more. Bestselling author Heather Ash Amara aptly noted, “Change is inevitable, but transformation is a choice.” As we embrace the inevitability of change, we have chosen to pursue strategic transformation to achieve sustainable growth.

To better meet the evolving needs of our customers, we have introduced

a suite of new online banking features and innovations which cater to those working from home and others who prefer conducting their banking activities online. Further, as we work to restructure and improve our branch services, we encourage the use of the online banking platform features along with the enhanced and expanded ATM network available across the island. We appreciate that some customers still value face-to-face interactions, and thus, we have taken on a hybrid approach, offering both online and in-branch services to ensure all customers feel supported and valued.

Economic Overview

According to the IMF’s October 2022 World Economic Outlook Report, global economic growth is projected to slow from 6.0 percent in 2021 to 3.2 percent in 2022 and 2.7 percent in 2023. For advanced economies, the USA was expected to grow by 1.6 percent, Canada by 3.3 percent,

As the impact of COVID-19 recedes and normalcy returns, ECAB is well-positioned to capitalize on the opportunities presented by a recovering local economy.

and the United Kingdom by 3.6 percent. Among emerging markets and developing economies, China was forecasted to grow by 3.2 percent. The ongoing war in Ukraine and potential pandemic-related supply-side disruptions were identified as key factors contributing to this slowdown. The Eastern Caribbean Central Bank (ECCB)’s Economic and Financial Review Report of December 2022 estimated that Antigua and Barbuda’s economy would expand by 8.5 percent in 2022, following a growth of 6.6 percent in 2021. The positive trend was forecasted to continue into 2023 with a projected growth of 9.4 percent. The primary drivers of this growth were the hotel, restaurant, and construction sectors. Value added in the hotel and restaurant sectors, which accounted for 13.7 percent of GDP, rose by an estimated 56.4 percent in 2022, bolstered by significant increases in cruise passenger numbers and yachting arrivals. Total visitor numbers increased to 649,757 in 2022, up from 252,218 in 2021.

The construction sector, contributing 15.5 percent to GDP, expanded by 20.0 percent, surpassing the 12.9 percent growth seen the previous year. This sector’s performance was driven by both private and public sector activities. However, the cost of living increased, with the consumer price index rising by 9.3 percent in 2022 compared to a 1.2 percent increase in 2021.

As the impact of COVID-19 recedes and normalcy returns, ECAB is

well-positioned to capitalize on the opportunities presented by a recovering local economy. In a climate of ongoing inflation concerns, our price-sensitive customers will demand better value and service. Our transformative strategies will enable us to meet and exceed these expectations, ensuring sustainable growth for Eastern Caribbean Amalgamated Bank ("the Bank").

Our Performance

Despite the lingering effects of COVID-19, the Bank achieved mixed results in key financial metrics for the year ended September 30, 2022. Total assets saw a modest increase of 11 percent, reaching \$2.3 billion. However, total loans decreased by 3.7 percent, closing at \$1.1 billion. Notably, deposits grew by 13.3 percent to \$2.1 billion, reflecting public confidence in ECAB's safety, soundness, and stewardship.

 **\$2.3B**
Total Assets, An increase of 11%

Our operating results were influenced by several factors. On the income side, the adverse movement in US stock prices led to a \$15.0 million unrealized loss in the valuation of our Visa shares. Conversely, interest income rose by 69.4 percent due to the recently acquired loan portfolio, and fee income surged by 122.3 percent to \$49.9 million due to contributions from the acquired operations.

 **\$1.1B**
Total Loans, A Decrease of 3.7%

On the expense side, personnel costs increased by 61.2 percent due to the integration of former Scotiabank staff, and general and administrative expenses doubled to \$29.7 million, driven by higher professional fees related to the integration process.

 **\$2.1B**
Total Deposits, An increase of 13.3%

The Bank remains well-capitalized with a capital adequacy ratio of 17 percent, significantly above the statutory minimum of 8 percent. Our liquidity position strengthened, with the loans-to-deposits ratio decreasing from 63.5 percent to 55.5 percent. This indicates that we have ample liquid assets to meet withdrawal requests and suggests room to increase loan extensions while remaining within the ECCB's liquidity benchmark of 75-85 percent. We are actively pursuing new opportunities to deploy these deposits into sound income-generating loans to grow our portfolio and enhance interest income.

Acknowledgements

The success of our Bank, particularly the integration of operating systems and merging of cultures and practices during the year, is largely due to the dedication and commitment of our staff. Without a doubt, there have been complex changes. These required transformational thinking, buy-in, teamwork, commitment, leadership, and strategies. On behalf of the Board of Directors, I extend a heartfelt thank you to all our staff and management for their exceptional efforts in making this year a transformative one in the midst of challenges.

I also extend sincere thanks to all our loyal customers for their continued trust in ECAB. As we continue to transform and grow together, we are grateful for your loyalty and for making ECAB your Bank of Choice and Financial Partner for Life.

The ECCB's Economic and Financial Review report of December 2022 estimated that Antigua and Barbuda's economy would expand by **8.5** percent in 2022, following a growth of **6.6** percent in 2021.



Meet our Directors

Craig Walter

.....
Chairman

Antigua Commercial Bank Limited



Rasona Davis-Crump

.....
Government of Antigua and
Barbuda



C. Davidson Charles

.....
Deputy Chairman

Antigua Commercial Bank Limited



Estherlita Cumberbatch

.....
East Caribbean Financial Holding
Company Limited



Howard McEachrane

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



Hezron Seraphin

.....
National Bank of Dominica Ltd.



Bennie Stapleton

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



Our **Board of Directors** plays a critical role in charting the path of the Eastern Caribbean Amalgamated Bank. A group of seven astute professionals representing their respective shareholder entities. The foresight of the Board has led ECAB on a trajectory of continuous growth, development, responsiveness and the delivery of top-quality service to the people of Antigua & Barbuda.

The Director's Report



As banking continues to evolve in the domestic, regional, and international arenas, our Board of Directors recognizes and embraces the importance of change and flexibility to remain relevant in the market. This mindset and the Board's clear understanding of the competitive landscape drive our strategic goals and continued work at building stronger customer relationships and to delivering a better customer experience across our branches. Additionally, more focus has been placed on enhancing our product offerings, improving our technological platforms, refining business processes, increasing the ease with which business can be conducted and creating a solid brand identity. Ultimately, the Board is keen to implement new pathways for financial inclusion, exercise greater social responsibility to aid in the empowerment of people and communities and play a valuable role in sustaining economic growth for all stakeholders.

During the period under review, the Bank achieved a significant milestone when the legal ownership of the local operations of Bank of Nova Scotia (Scotiabank) was transferred to the Eastern Caribbean Amalgamated Bank Limited ('ECAB' or 'the Bank'). The subsequent transition period was spent planning for the integration and migration of accounts and customers. This period was not without its fair share of challenges and setbacks. However, the Board of Directors, Management and Staff remained committed to the process. The invaluable lessons learnt, and the experiences gained, have strengthened the Bank while demonstrating our flexibility, determination and commitment to achieving set goals. The Board of Directors salutes Management and Staff for their tenacity, hard work and dedication shown during the year.

TRANSFORMATIVE STRATEGIES FOR SUSTAINABLE GROWTH

The Bank achieved a significant milestone when the legal ownership of the local operations of Bank of Nova Scotia (Scotiabank) was transferred to the Eastern Caribbean Amalgamated Bank Limited ('ECAB').

The Board of Directors, being cognizant of the role it plays in promoting change, continues to collaborate with Management to create transformative strategies for sustainable growth within the organization. This change transcends the mere adaptation of our products and services to technological trends and the efficiencies they promote. Additionally, it requires greater concentration on change management and ensuring that our operations speak to our commitment to sustainable growth and good governance.

As time progresses, the Board of Directors, alongside Management, must strive to think outside the box and find different ways to create value and ensure resilience. This is no easy task in the face of continued inflation and the threat of worldwide recession due to the ongoing impact of the coronavirus pandemic. Nevertheless, we continue to honour our corporate social responsibility to the various sectors and industries that we serve in Antigua and Barbuda and across the Eastern Caribbean Currency Union.

BOARD COMPOSITION

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

NAMES OF DIRECTORS	NAMES OF SHAREHOLDERS	NO. OF COMMON SHARES OWNED
Rasona Davis-Crump	Government of Antigua and Barbuda	60,000
Estherlita Cumberbatch	East Caribbean Financial Holding Company Ltd.	48,000
Howard McEachrane	St. Kitts-Nevis-Anguilla National Bank Ltd.	38,400
Craig Walter C. Davidson Charles	Antigua Commercial Bank Ltd.	37,200
Hezron Seraphin	National Bank of Dominica Ltd.	37,200
Bennie Stapleton	Bank of St. Vincent and the Grenadines Ltd.	19,200

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

BOARD COMMITTEES

There are four (4) Committees that regularly support the Board's function. They are as follows:

- i. Corporate Governance Committee
- ii. Credit Committee
- iii. Audit & Risk Committee
- iv. Human Resource Committee

To enable a robust Corporate Governance structure and practice, the Committees meet as and when required to provide the necessary oversight and direction, consider various reports and make recommendations to the Board.

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

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

RESPONSIBILITIES OF THE BOARD OF DIRECTORS

Generally, the Board fulfils its obligations by setting specific goals and guides Management to formulate the relevant strategies to facilitate the achievement of these objectives. The directives of the Board are communicated through the General Manager who is responsible for overseeing the operations and actioning the Bank's strategic plan. The Board also interacts with key members of Management and other staff during Board and Committee meetings to foster good relationships and maintain open lines of communication. This approach greatly assists in reinforcing the tone at the top and enabling a culture of working together to realize the set targets.

The Board regards accountability as a crucial factor in the maintenance of the stability of the Bank. As such, much time is spent at Board and Committee meetings considering financial and non- financial reports, budgets, credit applications and significant expenditures to name a few. Additionally, the Board prides itself in making informed and sound decisions which will benefit all stakeholders well into the future. In so doing, the Board insists on the observance of proper policies and practices, compliance with laws and regulations, and adherence to the relevant international financial reporting standards.

THE CHAIRMAN AND DEPUTY CHAIRMAN OF THE BOARD

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

During the financial year ended September 30, 2022, Director Craig Walter held the office of Chairman and Director C. Davidson Charles held the office of Deputy Chairman. The Chairman, supported by the Deputy Chairman, has been consistently passionate and committed to the effective functioning of the Board. With an inclusivity approach, each member is valued and encouraged to express his/her own independent opinion in a respectful and unbiased manner. Collectively, the members bring to the table a wealth of knowledge and experience in banking, finance, accounting and management which benefit the Bank tremendously.

BOARD OF DIRECTORS' TRAINING

Participation in continued training and education is an important requirement for our Board of Directors. The benefits of ongoing

training include updating knowledge and skills, facilitating more efficient execution of board duties and responsibilities, gaining fresh perspectives and reinforcing awareness and understanding of the overall directorship role. Training and education during the period under review focused on governance, effective board dynamics and proper oversight.

BOARD OF DIRECTORS' CONFLICT OF INTEREST POLICY

The maintenance of impartiality among Board members is critical to the effective functioning of the Board. Thus, a Conflict of Interest Policy ('the Policy') which sets out the framework for the avoidance of 'potential, actual or perceived conflicts of interest' by Directors has been in place. Such conflicts may be of a personal, group, financial or professional affiliation nature and relate to matters brought before the Board for consideration. In such instances, the Policy requires a Director to make a full and frank declaration of any conflicts of interest as soon as the Director becomes aware of it.

Any director whose outside interests conflict with those of the Bank does not receive the material and is recused from the meeting during deliberation on the matter. The director would subsequently be informed of the Board's decision.

DIRECTORS' TENURE

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

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

Pursuant to the aforementioned clause, Craig Walter, C. Davidson Charles, Rasona Davis-Crump, Estherlita Cumberbatch, Bennie Stapleton and Hezron Seraphin are eligible for re-election for the financial year starting October 1, 2023. The Board of Directors expresses sincere thanks and appreciation to Past Director Howard McEachrane for seven (7) years of invaluable service to ECAB.

DIRECTORS' REMUNERATION

Directors' remuneration is generally determined by industry standards and the financial position of the Bank. The Board of Directors generally considers and recommends annually to the Shareholders, whether or not the level of remuneration for the Board of Directors should be adjusted. Directors are also entitled to travel, accommodation and other expenses reasonably incurred in the performance of their duties and responsibilities.

BOARD MEETINGS AND ATTENDANCE

During the financial year ended September 30, 2022, there were thirteen (13) meetings of the Board of Directors. The following table records the attendance of the Directors:

DIRECTORS (IN ORDER OF TENURE)	ATTENDANCE		PERCENTAGE
	Required	Actual	
Craig Walter	13	11	85%
Rasona Davis-Crump	13	12	92%
Howard McEachrane	12	12	100%
C. Davidson Charles	13	13	100%
Estherlita Cumberbatch	13	11	85%
Bennie Stapleton	13	13	100%
Hezron Seraphin	13	11	85%

NB. Howard McEachrane who joined the Board of Directors in April, 2015 retired from the Board of Directors in September, 2022.

VOTING BY SHAREHOLDERS

Clause 12.6 of the By-Laws of ECAB specify 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

Clause 15 of our By-Laws state that 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, 2022, the Board of Directors recommends the payment of dividends of 3.5% of par value to the preferred shareholders on record as at September 30, 2022 and dividends of \$2.75 for each unit of common share to the shareholders on record as at September 30, 2022.

EXTERNAL AUDITORS

The External Auditors, Grant Thornton, retired at the financial year ended September 30, 2022. The Auditors, being eligible for re-appointment, offered themselves for re-appointment for the year ended September 30, 2023. It should be noted that there were multiple setbacks affecting the timely completion of the financials and the hosting of the 12th Annual General Meeting. The Board, being mindful of its responsibilities and the importance of completing the 2023 audit exercise in a timely manner sought the approval of the shareholders ahead of the Annual General Meeting to engage the External Auditors' for the year ended September 30, 2023. As such, the External Auditors' work has commenced. The Board of Directors, therefore, seeks the ratification of the decision to appoint Grant Thornton as the Bank's External Auditors for the year ended September 30, 2023.





Meet our Executive Management

Michael Spencer

General Manager



Tracy Benn-Roberts

General Counsel/Corporate Secretary



Sonya Roberts-Carter

Senior Manager Operations



Donna Cort

Chief Financial Officer



Alicia Bazil-Ashton

Senior Manager Human Resources



Sophie Thomas-Durand

Chief Information Systems Officer



Peter Quinn

Internal Auditor



Adrian McLean

Senior Manager
Retail and Commercial Lending



Our **Executive Management**, led by the General Manager, meet as and when necessary to consider matters and make operational decisions in accordance with goals set by the Board of Directors and in keeping with strategic targets. They ensure that the interests of all stakeholders are met in an efficient and cost effective manner.

Management Discussion and Analysis



Business Overview

We are pleased to share our 2022 Annual Report under the theme “Transformative Strategies for Sustainable Growth”. At the end of fiscal 2021, ECAB acquired the Bank of Nova Scotia (Scotiabank) Antigua Branches operations increasing its total assets from \$1 billion to \$2 billion and its customer base from approximately 35,000 to 75,000 customers. Despite the complex nature of an acquisition of this size, our Teams continued to support regular day to day activities while working on the multiple tasks to ensure a successful integration of Scotiabank, a bank based in Antigua but with its back-office operations being housed in several other countries. As part of the acquisition, Scotiabank agreed to continue to provide select operational services for a period as ECAB prepared to transition services onto our banking platform; this allowed

our Bank the opportunity to review its current operations and to develop “transformative strategies” to ensure sustainable growth. The transition period also gave ECAB a window to plan and adjust its operations to accommodate the acquired assets and liabilities. Amongst other things, the Bank was required to effectively integrate customers’ loans and advances, credit cards, deposit portfolio, human resources, accounting, and regulatory reporting systems by January 2023.

Our Bank realizes that sustainable growth comes from ensuring our customers are offered the right products and services to meet their evolving needs. During Fiscal 2022, the Bank engaged consultants to conduct a Customer Experience Survey with focus on customer demographics, customers’ ability to easily access the Bank’s products and services, quality of service offered, and the Bank’s current digital platform. Areas identified as requiring immediate attention were noted and are being addressed.

As a result of the Scotiabank acquisition, assets increased from \$1 billion to \$2 billion. Customer base increased from 35,000 to 75,000 customers.

Our employees are critical to the Bank’s success and our goals are to ensure that they are motivated and empowered and have the skills to offer superior service. We are mindful that a critical success factor for sustainable growth is the Bank’s ability to attract and retain talented employees. This forms a central part of our strategy. Thus, during Fiscal 2022, the Bank embarked upon a project to review and update its organizational structure including revisions to several employees’ job descriptions. Additionally, the Bank engaged the service of a consultant to conduct a Job Evaluation & Compensation Review exercise to ensure all employees are remunerated according to the services provided and market standards.

Sustainable growth involves giving back to our local communities. Tangible efforts in pursuit of this strategy included the Bank’s continued support of various initiatives for the development and empowerment of our youth including contributions to the Antigua and Barbuda National Cadet Corps Summer Camp, the Sailability Programme which offers differently-abled children and adults the opportunity to sail to the best of their abilities. Community outreach efforts also included renovations of a community group sports shed, and a fund-raising dinner for the Antigua and Barbuda Youth Symphony Orchestra. Our “Right Fit Mortgage” campaign during Fiscal 2022 assisted first time homeowners to construct or buy their own

homes at affordable terms and conditions. The Bank's "Kick Start" Small Business Loan Promotion helped micro, small and medium sized businesses to access funds through the Eastern Caribbean Partial Credit Guarantee Corporation Programme for startup, working capital or expansion at attractive terms.

We are committed to increasing shareholders' value through sustainable and consistent returns. Over the past five years, the Bank's dividend payout ratio ranged between 15 percent and 24 percent. However, during Fiscal 2022, there was significant market volatility, and the stock markets were down by approximately 20 percent contributing to a reduction in the Bank's profit from \$15.1 million the previous year to \$6.6 million for the current year. Fair value through profit and loss (FVTPL) investments recorded an unrealized loss of \$15 million for Fiscal 2022 compared to unrealized gain of \$8.8 million for the previous year. This contributed to the return on assets decreasing to 0.29 percent from 0.95 percent for the previous year and to return on equity declining to 3.3 percent from 8.0 percent for the previous year; both below our benchmark of 2 percent and 10 percent respectively. Our market share in deposits increased to 44.7 percent at September 30, 2022 from 43.2 percent at September 30, 2021. Loans and advances decreased to 36.9 percent at September 30, 2022 from 39.1 percent at September 30, 2021.

Economic and Business Environment

As the world moved beyond the devastating effects of the COVID 19 pandemic, other challenges emerged, chief of which were the significant increase in inflation and increases in the Federal Reserve interest rate, which was the United States Government's policy response to combat rising prices. Other disruptions included the war in Ukraine, an approximate 20 percent drop in the stock market prices and overall increases in energy and food prices. These challenges adversely affected our Bank and our various stakeholders.

Antigua and Barbuda's real GDP was estimated to expand by 8.5 percent in 2022 as reported by the Eastern Caribbean Central Bank (ECCB) compared to growth of 6.6 percent for 2021 driven by significant contributions from the hotels and restaurants and construction sectors. According to the ECCB monetary statistics, liquid assets to total assets in Antigua and Barbuda increased from 37.24 percent at September 2021 to 44.0 percent at September 2022. Loans and advances increased from \$2.92 billion at September 2021 to \$2.93 billion at September 2022, while customer deposits increased from \$4.25 billion at September 2021 to \$4.66 billion at September 2022. The non-performing loans ratio decreased to 6.89 percent at September 2022 from 7.23 percent at September 2021; still above the ECCB benchmark of 5 percent.

Regulatory capital to risk-weighted assets (CAR) dropped from 28.58 percent at September 2021 to 25.04 percent at September 2022. The average interest rate spread increased slightly from 6.02 percent at September 2021 to 6.04 percent at September 2022.

Performance Highlights

As at September 30, 2022, total assets increased by \$0.23 billion or 11.02 percent to \$2.34 billion from \$2.11 billion recorded at September 30, 2021. This was driven by increases in cash and balances with other financial institutions of \$0.17 billion and \$0.10 billion in investment securities, but was moderated by a decrease of \$0.04 billion in loans and advances. The Bank recorded profit after tax of \$6.55 million; a decrease of \$8.58 million or 56.70 percent over the 2021 result of \$15.13 million. The decrease was largely influenced by the 20 percent drop in stock market prices which adversely affected the Bank's valuation of its FVTPL investments.

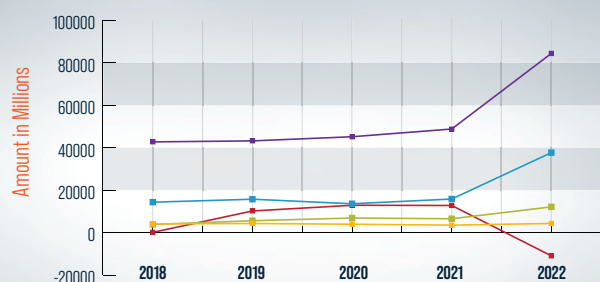
Highlights of Financial Operations

(In Thousands of Dollars)

For the year	2022	2021	2020	2019	2018
Interest Income	88,756	52,404	49,192	47,575	46,930
Interest Expense	22,231	12,270	11,302	10,949	10,512
Loan Impairment Charges	6,498	9,870	11,946	5,047	2,000
Net Fee Income	24,969	13,106	13,207	13,706	11,408
Operating Expenses	64,852	35,090	29,632	29,003	26,842
Net Income	6,552	15,131	15,583	19,078	14,970
Yield on Interest Earning Assets	6.4%	5.8%	6.0%	6.1%	6.7%
Cost of Funds	1.2%	1.3%	1.4%	1.4%	1.5%
Spread	5.2%	4.5%	4.6%	4.7%	5.2%
Efficiency Ratio	72.8%	62.4%	56.9%	52.3%	58.3%

At year end	2022	2021	2020	2019	2018
Loans & Advances	1,085,890	1,127,362	570,894	546,412	529,823
Investments	364,963	261,284	261,481	260,258	201,452
Total Assets	2,343,085	2,110,442	1,070,451	969,023	980,725
Total Deposits	2,081,560	1,837,582	851,579	768,301	784,212
Total Shareholders' Equity	201,579	195,385	182,864	170,113	168,246
Return on Assets	0.29%	0.95%	1.54%	1.9%	1.6%
Return on Equity	3.30%	8.00%	8.81%	11.7%	9.7%
Capital Adequacy Ratio	17%	16%	43%	46%	49%

SOURCES OF INCOME



Interest Income

Interest income increased by \$36.35 million, or 69.37 percent to \$88.76 million from the prior year's value of \$52.40 million. This was attributable to \$36.69 million earned on the loans and advances portfolio acquired from Scotiabank. Yields from interest earning assets increased to 6.4 percent from 5.8 percent for the previous fiscal.

Interest Expense

Interest expenses increased by \$9.96 million, or 81.18 percent attributed mainly to interest paid of \$9.86 million on interest bearing customer deposits acquired from Scotiabank. Funding costs continued to be closely monitored resulting in a slight decrease in the cost of funds ratio to 1.2 percent as at September 30, 2022 from 1.3 percent for the previous fiscal.

Impairment Charges

Impairment charges for 2022 were \$6.50 million compared to \$9.87 million in the previous Fiscal. The decrease was mainly attributed to the write-back of the expected credit loss provision made for the potential economic impact of the pandemic on borrowers. The non-performing loans ratio increased to 5.88 percent at September 30, 2022 from the revised ratio of 4.65 percent at September 30, 2021, and above the ECCB benchmark of 5 percent, mainly due to the level of non-performing loans and advances acquired from Scotiabank.

Net Fee Income

Net fee income increased by \$11.86 million or 90.52 percent to \$24.97 million in 2022 compared to \$13.11 million for 2021. The banking activities from the newly acquired operations contributed net fee income of \$13.11 million.

Other (Loss)/Income

An unrealized loss of \$15.0 million from FVTPL investments in 2022 was moderated by recovery of \$3.0 million from loans written-off and \$1.05 million from dividends and other income received. The previous year, FVTPL investments recorded a realized gain of \$2.55 million from the sale of Visa shares and unrealized gain of \$8.84 million.

Operating Expenses

Operating expenses increased by \$29.76 million or 84.82 percent to \$64.85 million for 2022 from \$35.09 million for 2021. This was driven primarily by increases of \$10.43 million or 61.24 percent in personnel expenses and \$14.86 million or 100 percent in general and administrative expenses mainly associated with increased staff complement and one-off costs relating to the acquisition.

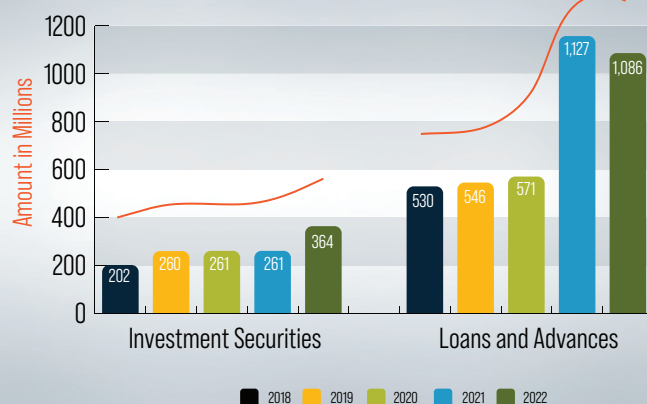
Assets

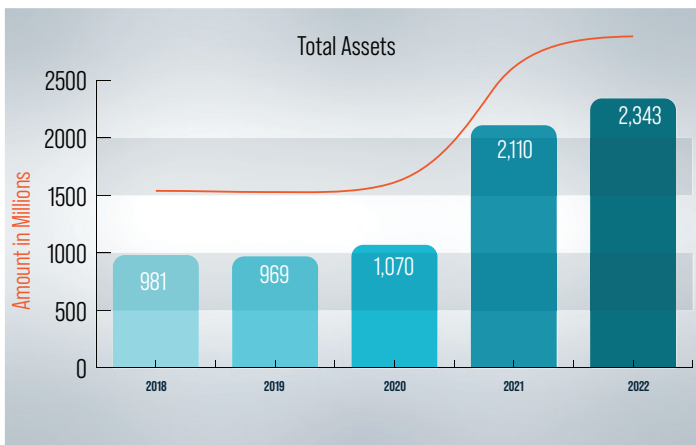
The increase in total assets of \$232.64 million to \$2.34 billion at September 30, 2022 was driven by increases of \$105.98 million due from banks and other financial institutions, \$103.68 million in investment securities, \$61.89 million in cash and balances with the ECCB and moderated by a decrease of \$41.47 million in loans and advances.

The Bank invested surplus funds in term deposits and fixed rate notes at slightly better yields than the previous Fiscal. With the current hikes in the Federal Reserve interest rate, the Bank will continue to place surplus funds in term deposits at minimal risk along with placement in other viable interest yielding investments.

The net decrease of \$41.47 million in loans and advances was driven by decreases of \$50.44 million in Stage 2 loans and \$30.03 million in interest receivable moderated by increases of \$20.26 million in Stage 3 loans and \$19.63 million in Stage 1 loans. The loans to deposit ratio decreased to 55.54 percent at September 30, 2022 from 63.5 percent for the previous fiscal.

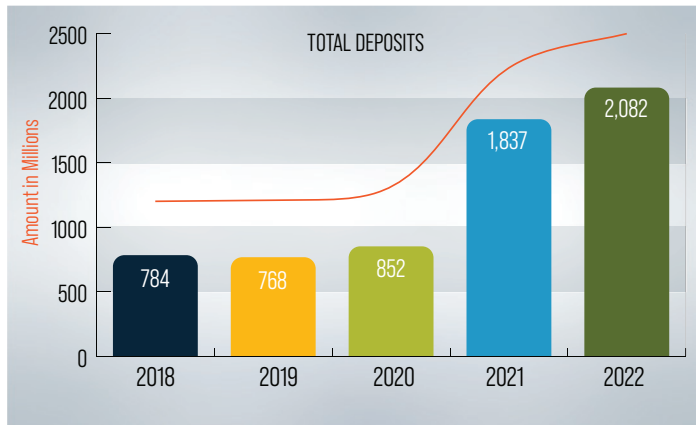
INTEREST EARNING ASSETS





Customer Deposits

Customer deposits increased by \$243.98 million or 13.28 percent to \$2.08 billion at September 30, 2022 from \$1.84 billion at the previous year end. Demand accounts increased by \$157.59 million, savings accounts by \$61.42 million and time deposits by \$24.85 million. There was a 4 percent shift in the composition of customer deposits mix during the year whereby demand deposits increased by 4 percent to 38 percent of the portfolio while savings dropped by 3 percent to 44 percent of the portfolio and time deposits dropped by 1 percent to 18 percent of the portfolio.



Outlook

Antigua and Barbuda's economy is expected to expand by 9.4 percent in 2023 and this augurs well for growth opportunities in our commercial and small business portfolios as well as customer deposits. We expect the world economies to rebound; thereby positively impacting the country's tourism and construction sectors.

The Bank will continue to work with Scotiabank towards a successful migration of the assets and liabilities acquired. The migration is slated for early 2023 and is expected to be a smooth transition. Our soon

to be launched online Integration Hub will provide information and regular updates to assist the former Scotiabank customers during the integration in navigating ECAB's banking platform as well as learning about our offered products and services.

One of our objectives is to continue the enhancement of our digital banking platforms to provide customers with the technology to conduct a wider scope of business outside of the Bank at their convenience. We will continue to serve the financial needs of our customers with products and services that meet or exceed their changing expectations. Also staff development, through training, will be ongoing to further enhance our customer service delivery and the technological capabilities of our employees.

We wish to sincerely thank our employees, customers, shareholders and other stakeholders for their continued support, loyalty, and confidence in our Bank as we implement transformative strategies for sustainable growth.

Michael Spencer
General Manager



Meet our Management Team

V. Alicia Gardner

.....
Manager
Retail Lending



Jamil Edwards- Spencer

.....
Manager
Projects



Carol Martin

.....
Manager
Card Services



Sharon Williams-Potter

.....
Manager
Small Business



Lorraine Perry

.....
Manager
Banking Services



K. Michele Marshall

.....
Manager
Marketing and Communications



Hyasis Mullin

.....
Manager
Finance & Accounting



Kevin Joseph

.....
Manager
Information Systems



Debra Williams

.....
Manager
Risk & Compliance



Morlon Charles

.....
Manager
Support Services



Garfield Nelson

.....
Manager
Woods Branch



Yetlee Thomas

.....
Manager
Accounts



Janice Benjamin

.....
Manager
Personal Banking



Carolyn Walter

.....
Manager
Operations



Our Managers are at the core of our daily operations. They facilitate the bank reaching its deliverables by leading and guiding staff. Our managers maintain an open-door policy which allows them to adequately address concerns and suggestions raised by staff members. This relationship between managers and staff allows the organization to stay apprised of the needs of both its employees and customers.

Stakeholder Engagement and Corporate Social Responsibility



In 2022, the Eastern Caribbean Amalgamated Bank (ECAB) undertook a pivotal transformation as it prepared to onboard former Scotiabank customers onto its platform. This significant integration was more than a mere expansion; it was an opportunity to enhance our services and ensure sustainable growth. By focusing on organizational improvements, system upgrades, and product enhancements, ECAB commenced the work to lay a robust foundation for future development, including the integration of new customers and employees in an effort to maintain and surpass the quality of service expected by all stakeholders.

Organizational and Structural Enhancements

The acquisition of Scotiabank's Antigua operations brought new customers and employees into the ECAB family. To manage this change effectively, a comprehensively reorganized structure was designed to support our expanded customer base and foster career development and advancement for our employees.

We launched an extensive training program for our new team members to familiarize them with ECAB's systems, processes, and policies. This smooth transition was critical for maintaining the high standards of service our customers expect. Additionally, we initiated a job evaluation process to align responsibilities with remuneration, further supporting our staff in their roles to contribute to overall job satisfaction and performance.

We launched an extensive training program for our new team members to familiarize them with ECAB's systems, processes, and policies.

System and Process Upgrades

In our commitment to improving customer experience, ECAB implemented several strategic system enhancements. One of the most significant upgrades was to our MOREBanking online and mobile banking platform. We added functionalities such as mobile top-ups, payment templates, and scheduling recurring payments. Customers can now also create personalized user IDs, making the platform more user-friendly and personalized. These improvements have revolutionized MOREBanking, allowing customers to manage their financial affairs more efficiently without having to visit a branch.

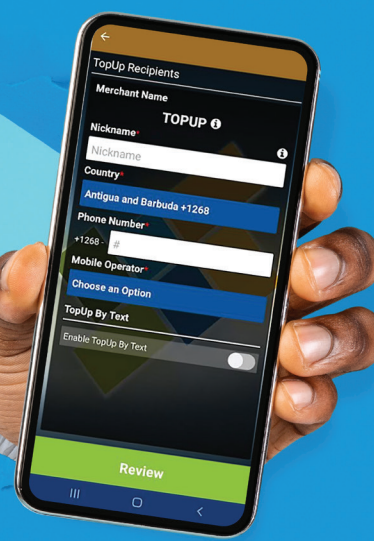


We added functionalities such as mobile top-ups, payment templates, and scheduling recurring payments.

Mobile **TopUps** are now **available** on **MOREBanking**.

It's convenient, instant and secure.

Download the ECAB Mobile App today



Product Innovations

Recognizing the evolving needs of our customers, ECAB introduced new products and promotions in 2022. We launched the Breathe Easy Christmas campaign, offering unsecured loans with attractive financing packages to essential workers. This initiative was a way to acknowledge and support those who served our community diligently during the pandemic.

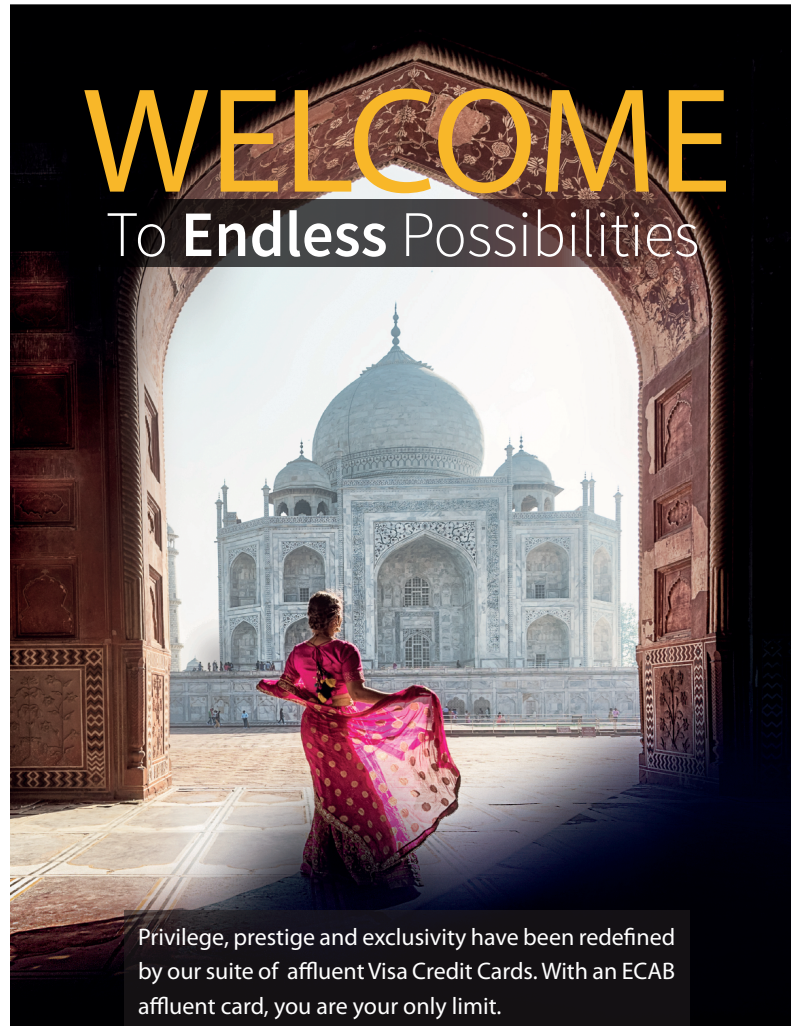
A home equity loans promotion was launched, providing customers with the opportunity to access funds for renovations or other necessary expenses needed to upgrade their property's current value. This promotion paired with the Right Fit Mortgage Promotion which presented attractive terms for existing and prospective mortgage customers helped customers in achieving their personal goals as they recovered from the pandemic.

A significant milestone was the launch of our new Visa Credit Card suite, which includes a Platinum debit card and our Gold, Platinum, Business, and the coveted Visa Infinite credit card. These new cards offer greater security and the ability to make contactless payments, thanks to their chip-enabled features. This expansion not only enhanced our product offerings but also aligned with global standards of convenience and security in banking.

Enhancing Customer Experience

To offer a positive onboarding experience, ECAB invested heavily in communication and customer education. We kept our stakeholders informed through regular updates on the integration process and changes to banking processes, services, and products. This was complemented by "How To" advertisements, which educated customers on how to leverage the new products and services available to them. In addition to these educational efforts, we streamlined our loan

WELCOME To Endless Possibilities



Privilege, prestige and exclusivity have been redefined by our suite of affluent Visa Credit Cards. With an ECAB affluent card, you are your only limit.

Now, opening your wallet opens your world.

Platinum



Infinite



application process by implementing the RiskCam Loan Origination System. This system automated the loan review and approval process, resulting in faster loan disbursements and improved customer satisfaction.

Additionally, to make banking with ECAB more convenient, an online appointment booking system was developed to reduce wait times and enhance the overall customer experience.

Corporate Social Responsibility

In 2022, ECAB's dedication to corporate social responsibility remained a cornerstone of our operations, reflecting our deep commitment to the communities we serve. Notable initiatives included our collaboration with The Inn at English Harbour to raise funds for the Youth Symphony Orchestra, aimed at fostering cultural enrichment and supporting the arts.

Recognizing the transformative power of education, we donated essential stationery supplies to Gospel Light Elementary School, ensuring students have the necessary tools for their academic journey. We celebrated academic excellence by creating a Smart Start Account for the 2022 valedictorian of Buckleys Primary School, thereby providing a good financial foundation. Additionally, we recognized the vital role teachers play in shaping young lives by presenting the Teacher of the Year Award at the Ottos Comprehensive School Graduation Ceremony.

In fostering financial literacy among the youth, we supported the SamuelFields Consulting YOLO Workshop, aimed at equipping Antigua and Barbuda's youth, ages 15-35, with the knowledge to manage money effectively, build assets, and achieve their personal goals. Recognizing that financial literacy is crucial for avoiding financial pitfalls, we sought to create a paradigm shift in the community's approach to financial education.

Our commitment extended to supporting the differently-abled community through donations to the National Sailing Academy's Sailability Programme, which offers sailing opportunities tailored to their abilities. We continued to support the Community Charitable Ministry's fundraising efforts to provide palliative care to cancer patients, ensuring they receive comfort and medical support during their battle with the disease.

Moreover, our support of PiAngo Fest, formerly known as Mango Fest, organized by the Ministry of Agriculture, helped to showcase the diversity and potential of local agriculture. This event provides agro-processors and entrepreneurs an invaluable opportunity to promote their businesses and network, thereby adding value to the local fruit industry of Antigua and Barbuda.

The foregoing and the many other initiatives supported this year demonstrate ECAB's unwavering commitment to nurturing the growth

and development of our community, reinforcing our role as a socially responsible corporate citizen.

The transformative strategies implemented by ECAB in 2022 have been instrumental in laying the groundwork for sustainable growth. By focusing on organizational enhancements, system upgrades, and innovative product offerings, ECAB has positioned itself to meet the needs of its expanded customer base effectively.

The upcoming integration of former Scotiabank customers and employees will be a significant milestone, and we strive to ensure that the quality of service remains unparalleled. Our investments in technology and process improvements have made banking more accessible and convenient, to align with our strategy of providing technologically advanced, people-driven solutions.

As we move forward, ECAB is committed to continuing this path of growth and innovation. We will remain adaptable to the ever-changing demands of the banking industry, always prioritizing the needs of our customers and the wellbeing of our community. Our achievements in 2022 are a testament to our dedication to excellence and our unwavering commitment to sustainable growth.

Notable initiatives included our collaboration with The Inn at English Harbour to raise funds for the Youth Symphony Orchestra, fostering cultural enrichment and supporting the arts.



Financial Statements

September 30, 2022

(Expressed in Eastern Caribbean Dollars)

The financial statements provide a report from our independent auditors along with detailed information and notes on our income, balance sheet, cash flows and changes in equity.

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, 2022, 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, 2022, and its financial performance and its statement of cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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



Chartered Accountants

February 28, 2024

St. John's, Antigua

Eastern Caribbean Amalgamated Bank Limited

Statement of Financial Position

As of September 30, 2022

(expressed in Eastern Caribbean dollars)

	Notes	2022 \$	2021 \$
Assets			
Cash and balances with the Central Bank	8	324,018,428	262,129,282
Due from banks and other financial institutions	9	466,654,202	360,670,500
Investment securities	10	364,963,148	261,283,675
Loans and advances to customers	11	1,085,889,516	1,127,362,378
Other assets	12	22,578,823	14,315,924
Property, plant and equipment	13	39,201,185	41,475,167
Right-of-Use asset	32	3,245,888	2,617,538
Intangible assets	14	36,533,772	40,587,304
Total assets		2,343,084,962	2,110,441,768
Liabilities			
Customers' deposits	15	2,081,559,930	1,837,581,601
Other liabilities and accrued expenses	16	35,137,717	55,859,223
Income taxes payable	30	17,847,334	9,753,030
Lease liability	32	3,339,948	2,748,106
Deferred tax liability	30	3,621,028	9,115,105
Total liabilities		2,141,505,957	1,915,057,065
Equity			
Preference shares	17	47,869,339	47,869,339
Common shares	17	24,000,000	24,000,000
Revaluation reserve	19	1,560,592	1,918,447
Other reserves	19	27,209,863	24,881,003
Retained earnings		100,939,211	96,715,914
Total equity		201,579,005	195,384,703
Total liabilities and equity		2,343,084,962	2,110,441,768

Statement of Financial Position

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

Approved by the Board of Directors on February 26, 2024

Director

Director

Eastern Caribbean Amalgamated Bank Limited

Statement of Comprehensive Income

For the year ended September 30, 2022

(expressed in Eastern Caribbean dollars)

	Notes	2022 \$	2021 \$
Operating income			
Interest income	24	88,756,234	52,404,188
Interest expense	24	(22,231,354)	(12,270,188)
Net interest income		66,524,880	40,134,000
Impairment charges	29	(6,497,768)	(9,869,676)
Net interest income after impairment charges		60,027,112	30,264,324
Fee and commission income	25	49,864,542	22,436,215
Fee and commission expense	25	(24,895,710)	(9,330,479)
Net fee income		24,968,832	13,105,736
Other (loss)/income, net	26	(10,872,434)	12,818,644
Net interest, fee, commission and other income		74,123,510	56,188,704
Operating expenses			
Personnel expenses	27	27,469,877	17,036,767
General and administrative expenses	28	29,715,576	14,858,541
Depreciation of property, plant and equipment	13	2,363,558	1,243,263
Depreciation of right-of-use asset	32	1,249,298	1,315,293
Amortisation of intangible assets	14	4,053,532	635,947
Total operating expenses		64,851,841	35,089,811
Profit for the year before tax		9,271,669	21,098,893
Income tax expense	30	(2,719,512)	(5,968,252)
Profit for the year after tax		6,552,157	15,130,641
Other comprehensive income			
Unrealised (losses) gains on investment securities, net of tax	19	(357,855)	53,729
Comprehensive income for the year		6,194,302	15,184,370

Statement of Comprehensive Income

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

Eastern Caribbean Amalgamated Bank Limited

Statement of Cash Flows

For the year ended September 30, 2022

(expressed in Eastern Caribbean dollars)

	Notes	2022 \$	2021 \$
Cash flows from operating activities			
Operating profit for the year before tax		9,271,669	21,098,893
Adjustments for items not affecting cash:			
Interest income	24	(88,756,234)	(52,404,188)
Interest expense	24	22,231,354	12,270,188
Depreciation	13	2,363,558	1,243,263
Unrealised gain on FVTPL investments	26	14,988,425	(6,836,251)
Gain on business acquisition		—	(51,536)
Amortisation of intangible assets	14	4,053,532	635,947
Provision for impairment charges	29	6,497,768	9,869,676
Other non-cash items		584,696	336,375
Cash flows used in operating activities		(28,765,232)	(13,837,633)
Net increase/(decrease) in operating assets			
Loans and advances to customers		4,944,874	(15,430,417)
Other assets		(8,262,899)	(6,458,564)
Right-of-Use Asset		(628,350)	1,859,825
Mandatory deposits with the Central Bank		(13,173,739)	(1,743,386)
Net (decrease)/increase in operating liabilities			
Customers' deposits		243,853,633	80,261,628
Other liabilities and accrued expenses		(20,721,506)	27,027,455
Lease liability		591,842	(1,782,126)
Cash generated from operations		177,838,623	69,896,782
Income tax paid		—	(6,525,505)
Interest received		117,641,982	33,204,860
Interest paid		(22,106,652)	(12,452,384)
Net cash generated from operating activities		273,373,953	84,123,753
Cash flows from investing activities			
Purchase of plant and equipment	13	(89,576)	(13,466,878)
Purchase of investment securities		(327,988,662)	(52,164,132)
Disposal of investment securities		203,314,973	73,677,207
Purchase of intangible assets	14	—	(1,040,157)
Acquisition of business net of cash acquired		—	281,895,394
Net cash generated from investing activities		(124,763,265)	288,901,434
Cash flows from financing activities			
Dividends paid to shareholders	34	—	(2,335,427)
Net cash used in financing activities		—	(2,335,427)

Eastern Caribbean Amalgamated Bank Limited

Statement of Cash Flows...*continued*

For the year ended September 30, 2022

(expressed in Eastern Caribbean dollars)

	Note	2022 \$	2021 \$
Net increase in cash and cash equivalents		148,610,688	370,689,760
Exchange gains on cash and cash equivalents		(584,696)	(336,375)
Cash and cash equivalents at beginning of year		<u>550,748,880</u>	<u>180,395,495</u>
Cash and cash equivalents at end of year	23	<u>698,774,872</u>	<u>550,748,880</u>

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

Eastern Caribbean Amalgamated Bank Limited

Statement of Changes in Equity For the year ended September 30, 2022

(expressed in Eastern Caribbean dollars)

	Note	Preference shares \$	Common shares \$	Revaluation reserve \$	Other reserves \$	Retained earnings \$	Total \$
Balance as of September 30, 2020		47,869,339	24,000,000	1,864,718	22,182,632	86,946,826	182,863,515
Profit for the year		–	–	–	–	15,130,641	15,130,641
Other comprehensive income for the year		–	–	53,729	–	–	53,729
Total comprehensive income for the year		–	–	53,729	–	15,130,641	15,184,370
Reserve for interest recognised on impaired loans		–	–	–	(327,755)	–	(327,755)
Statutory reserve transfer		–	–	–	3,026,126	(3,026,126)	–
Transactions with owners		–	–	–	–	(2,335,427)	(2,335,427)
Dividends paid	34	–	–	–	–	–	–
Balance as of September 30, 2021		47,869,339	24,000,000	1,918,447	24,881,003	96,715,914	195,384,703
Profit for the year		–	–	–	–	6,552,157	6,552,157
Other comprehensive loss for the year		–	–	(357,855)	–	–	(357,855)
Total comprehensive income for the year		–	–	(357,855)	–	6,552,157	6,194,302
Reserve for interest recognised on impaired loans	19	–	–	–	1,018,427	(1,018,427)	–
Statutory reserve transfer	19	–	–	–	1,310,433	(1,310,433)	–
Transactions with owners		–	–	–	–	–	–
Dividends paid	34	–	–	–	–	–	–
Balance as of September 30, 2022		47,869,339	24,000,000	1,560,592	27,209,863	100,939,211	201,579,005

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

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2022

(expressed in Eastern Caribbean dollars)

1 Nature of operations

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

2 General information and statement of compliance with IFRS

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

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

3 Changes in accounting policies

3.1 New and revised standards that are effective for the Bank’s annual periods beginning on or after October 1, 2021

Standards and amendments that are effective for the first time on October 1, 2021 are as follows:

- Reference to the Conceptual Framework (Amendments to IFRS 3)
- Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IFRS 16)
- Annual Improvement to IFRS Standards 2018-2022 (Amendments to IFRS 7, IFRS 9, IFRS 16, IAS 41)
- Onerous Contracts – Cost of fulfilling a contract (Amendments to IAS 37)

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

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

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

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

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2022

(expressed in Eastern Caribbean dollars)

4 Summary of significant accounting policies

4.1 Overall considerations

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

4.2 Cash and cash equivalents

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

4.3 Financial instruments

4.3.1 Policies under IFRS 9

Classification and measurement

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

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

(a) Debt instruments

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

Classification and subsequent measurement of debt instruments depend on:

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

Business model test:

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

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2022

(expressed in Eastern Caribbean dollars)

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

4.3 Financial instruments ... *continued*

4.3.1 Policies under IFRS 9 ... *continued*

Classification and measurement ... *continued*

(a) Debt instruments ... *continued*

Solely payments of principal and interest test (SPPI):

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Bank assesses whether the financial instruments' cash flows represent solely payments of principal and interest on the amount outstanding that is consistent with a basic lending arrangement. In this context, 'principal' is the fair value of the financial asset on initial recognition and 'interest' is consideration for the time value of money and credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs as well as profit margin. In making this assessment, the Bank considers whether interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement.

Based on these factors, the Bank classifies its debt instruments as amortised cost. These are financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at FVTPL. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured.

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

(b) Equity instruments

Equity instruments are instruments that do not contain contractual obligations to pay the instrument holder and that evidence a residual interest in the issuer's net assets. The Bank subsequently measures all equity investments at FVTPL, except where the Bank's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Bank's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in other comprehensive income and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Bank's right to receive payments is established.

Eastern Caribbean Amalgamated Bank Limited

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(expressed in Eastern Caribbean dollars)

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

4.3 Financial instruments ... *continued*

4.3.1 Policies under IFRS 9 ... *continued*

Expected credit loss (ECL) measurement

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

- **Stage 1: 12-month ECL (Performing, not credit-impaired)**
A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1'. Financial instruments in Stage 1 have their expected credit losses (ECL) measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next twelve (12) months.
- **Stage 2: Lifetime ECL (Under performing, not credit-impaired)**
If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Instruments in Stages 2 have their ECL measured based on expected credit losses on a lifetime basis. Lifetime ECLs are the ECL resulting from all possible default events over the expected life of the financial instrument. Credit risk is continuously monitored by the Bank.
- **Stage 3: Lifetime ECL (Non-performing, credit-impaired)**
If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Instruments in Stage 3 have their ECL measured based on expected credit losses on a lifetime basis. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis.

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

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

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

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

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

4.3 Financial instruments ... *continued*

4.3.1 Policies under IFRS 9... *continued*

Expected credit loss (ECL) measurement ... *continued*

Significant increase in credit risk (SICR)

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

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

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

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

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

Backstop

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

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

Default

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

Quantitative criteria

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

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

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

4.3 Financial instruments ... *continued*

4.3.1 Policies under IFRS 9 ... *continued*

Expected credit loss (ECL) measurement... *continued*

Default...continued

Qualitative criteria

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

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

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

Write-offs

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

Measurement of credit risk exposure

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

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

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

Details of these statistical parameters/inputs are as follows:

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

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

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

4.3 Financial instruments ... *continued*

4.3.1 Policies under IFRS 9 ... *continued*

Expected credit loss (ECL) measurement... *continued*

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

LGD – The loss given default represents the Bank's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, availability of collateral or other credit support, and historical recovery information. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral.

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

Forward-looking macroeconomic information

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

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

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

Segmentation

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

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2022

(expressed in Eastern Caribbean dollars)

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

4.3 Financial instruments ... *continued*

4.3.1 Policies under IFRS 9... *continued*

Derecognition of financial liabilities

Financial liabilities are derecognised when they are extinguished (i.e., when the obligation specified in the contract is discharged, cancelled or expires). The exchange between the Bank and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration.

If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Offsetting financial instruments

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

4.4 Provisions, contingent assets and contingent liabilities

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

Provisions are not recognised for future operating losses. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material. In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised.

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

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2022

(expressed in Eastern Caribbean dollars)

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

4.5 Property, plant and equipment and depreciation

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

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

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

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

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

Leases

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

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

Eastern Caribbean Amalgamated Bank Limited

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

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

The Bank as a lessee

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

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

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

The right-of-use asset is initially measured at cost, which comprises the initial measurement of the lease liability, any initial direct costs incurred by the Bank. Estimates of any costs to dismantle and remove the asset at the end of the lease are not made as these costs are deemed to be immaterial. Subsequent to initial measurement, the right-of-use asset is depreciated on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Bank also assesses the right-of-use asset for impairment when such indicators exist. The Bank does not revalue any of its right-of-use assets.

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

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

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

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

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

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4 Summary of significant accounting policies ... continued

4.6 Intangible assets

Computer software

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

Customer list intangible

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

Subsequent measurement

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

Software	1 – 5 years
Customer list	8 – 11 years

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

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

4.7 Impairment of non-financial assets

All individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

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

4.7 Impairment of non-financial assets ... *continued*

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

4.8 Equity and reserves

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

Other components of equity include the following:

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

4.9 Operating expenses

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

4.10 Foreign currency translation

Functional and presentation currency

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

Foreign currency transactions and balances

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

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

4.11 Interest income and expense

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

Eastern Caribbean Amalgamated Bank Limited

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4 Summary of significant accounting policies ... continued

4.11 Interest income and expense ... continued

The Effective Interest Rate (EIR) method

The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

The Bank calculates interest income on financial assets, other than those considered impaired, by applying the EIR to the gross carrying amount of the financial asset.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

4.12 Fee and commission income

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

For the financial year ended September 30, 2022, the Bank recognised fees and commission revenue based on a 5-step process:

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

4.13 Employee benefits

Post-employment benefit plan

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

Prepaid employee short term benefit

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

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4 Summary of significant accounting policies ... continued

4.13 Employee benefits ... continued

Short-term employee benefits

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

4.14 Financial guarantee contracts

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

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

4.15 Current and deferred income taxes

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

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

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

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

Deferred tax assets are recognised to the extent that it is probable that the underlying tax loss or deductible temporary difference will be able to be utilised against future taxable income. This is assessed based on the Bank's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit.

Deferred tax assets and liabilities are offset only when the Bank has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Eastern Caribbean Amalgamated Bank Limited

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September 30, 2022

(expressed in Eastern Caribbean dollars)

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

4.15 Current and deferred income taxes ... *continued*

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

4.16 Related party transactions and relationship

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

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include:

- (a) individuals or entities that control the Bank, either directly or indirectly through one or more intermediaries, or are controlled by, or under common control with the Bank;
- (b) associates; and
- (c) individuals or entities owning, directly or indirectly, an interest in the voting power of the Bank that gives them significant influence over the Bank, and close members of the family of any such individual.

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

4.17 Business combinations

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

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

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

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

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

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

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(expressed in Eastern Caribbean dollars)

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

4.18 Events after reporting date

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

5 Financial risk management

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

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

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

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

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

5.1 Credit risk

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

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

5.1.1 Credit risk measurement

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

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

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

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

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5 Financial risk management ... continued

5.1.1 Credit risk measurement ... continued

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

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

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

(b) Debt securities

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

5.1.2 Risk limit control and mitigation policies

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

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

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

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

Eastern Caribbean Amalgamated Bank Limited

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5 Financial risk management ... *continued*

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

Some other specific control and mitigation measures are outlined below:

(a) *Collateral*

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

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

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

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

(b) *Financial guarantees (for credit related commitments)*

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

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter term commitments.

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5 Financial risk management ... continued

5.1.3 Impairment and provisioning policies

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

	Loans and advances \$	%	Expected Credit Loss \$	%	Net total \$
At September 30, 2022					
Pass	925,052,081	80	(34,846,131)	45	890,205,950
Special mention	171,394,582	15	(11,123,778)	14	160,270,804
Substandard	48,039,161	4	(23,354,111)	30	24,685,050
Doubtful	698,954	0	(681,568)	1	17,386
Loss	9,622,785	1	(7,727,587)	10	1,895,198
Gross loans and advances	1,154,807,563	100	(77,733,175)	100	1,077,074,388
Interest receivable	9,421,110	—	—	—	9,421,110
Deferred loan origination fees	(605,982)	—	—	—	(605,982)
	1,163,622,691	100	(77,733,175)	100	1,085,889,516

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

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5 Financial risk management ... continued

5.1.3 Impairment and provisioning policies ...continued

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

	Loans and advances \$	%	Expected Credit Loss \$	%	Net total \$
At September 30, 2022					
Stage 1	1,021,539,634	88	(25,379,793)	33	996,159,841
Stage 2	43,135,391	4	(10,773,668)	14	32,361,723
Stage 3	90,132,538	8	(41,579,714)	53	48,552,824
Gross loans and advances	1,154,807,563	100	(77,733,175)	100	1,077,074,388
Interest receivable	9,421,110	—	—	—	9,421,110
Deferred loan origination fees	(605,982)	—	—	—	(605,982)
	1,163,622,691	100	(77,733,175)	100	1,085,889,516
At September 30, 2021					
Stage 1	1,001,907,221	86	(20,150,916)	26	981,756,305
Stage 2	93,571,009	8	(24,740,584)	32	68,830,425
Stage 3	69,873,314	6	(31,863,767)	42	38,009,547
Gross loans and advances	1,165,351,544	100	(76,755,267)	100	1,088,596,277
Interest receivable	39,451,329	—	—	—	39,451,329
Deferred loan origination fees	(685,228)	—	—	—	(685,228)
	1,204,117,645	100	(76,755,267)	100	1,127,362,378

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5 Financial risk management ... continued

5.1.3 Impairment and provisioning policies ... continued

Loans and advances to customers and investment securities

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Bank measures credit risk through various approaches using PD, EAD and LGD or a loss rate approach. The approaches used for the purposes of measuring ECL under IFRS 9 are probability of default for the government loans and all investments. The loss rate approach was used for all remaining financial assets.

Credit risk grading

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

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

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

Expected credit loss measurement

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

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

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5 Financial risk management ... continued

5.1.3 Impairment and provisioning policies ... continued

Expected credit loss measurement ... continued

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

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

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

Forward looking information incorporated in the ECL models

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

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

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

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

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5 Financial risk management ... continued

5.1.3 Impairment and provisioning policies ... continued

Macroeconomic variable assumptions

The significant period-end assumptions and scores used for ECL estimates as of September 30, 2022, and 2021 are set out below.

		Weighting 2022	Weighting 2021
Antigua and Barbuda GDP growth	Upside	0.25	0.25
	Base	0.25	0.25
	Downside	0.31	0.31
Antigua and Barbuda balance of payments	Upside	0.25	0.25
	Base	0.25	0.25
	Downside	0.31	0.31
Antigua and Barbuda tourism	Upside	0.15	0.15
	Base	0.20	0.20
	Downside	0.25	0.25
Antigua and Barbuda construction	Upside	0.15	0.15
	Base	0.20	0.20
	Downside	0.20	0.20
USA inflation rate	Upside	0.04	0.04
	Base	0.05	0.05
	Downside	0.06	0.06
USA employment rate	Upside	0.04	0.04
	Base	0.05	0.05
	Downside	0.06	0.06

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

	Upside	Base	Downside
September 30, 2022	0.86	1	1.20
September 30, 2021	0.75	1	1.25

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

	2022	2021
Antigua and Barbuda GDP growth	25%	25%
Antigua and Barbuda balance of payments	25%	25%
Antigua and Barbuda tourism	20%	20%
Antigua and Barbuda construction	20%	20%
USA inflation rate	5%	5%
USA employment rate	5%	5%
	100%	100%

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5 Financial risk management ... continued

5.1.3 Impairment and provisioning policies ... continued

Macroeconomic variable assumptions ... continued

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

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

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

Significant increase in credit risk (SICR)

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

- Movement from stage 1 to stage 2: Significant increase in credit risk (SICR) - credit rating dropped by 2 notches.
 - Movement from stage 1 or 2 to stage 3: Ratings of “SD” – selected default as per S&P or “C” as per Moody’s.
 - In the absence of Moody’s credit rating, the Bank would use CariCris then S&P. The ratings are then converted to the equivalent ratings as per the mapping table.
- a) Stage 1 includes those financial instruments that were not credit impaired on initial recognition or that have low credit risk at the reporting date. The expected credit loss for these instruments is measured by default events that are possible within twelve (12) months after the reporting date. It is not the expected cash shortfalls over the twelve (12)-month period but the entire credit loss on an asset weighted by the probability that the loss will occur in the next twelve (12) months. Such facilities identified as:
- a) Loan repayments current or not more than 30 days past due;
 - b) Credit cards current or not more than 30 days past due;
 - c) Loans rescheduled and up to date for more than 12 months;
 - d) Financial instruments with a low risk of default;
 - e) Overdraft facilities with deposits over the last 30 days equal to, or in excess of the interest accrued on the facility;
 - f) Facilities where the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
 - g) Moratorium loans current or not more than 30 days past due at the commencement of the ECAB Loan Relief Plan.

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5 Financial risk management ... continued

5.1.3 Impairment and provisioning policies ... continued

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

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

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

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

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

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

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

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5 Financial risk management ... continued

5.1.3 Impairment and provisioning policies ... continued

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

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

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

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

Definition of default and credit-impaired assets

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

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

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

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

Eastern Caribbean Amalgamated Bank Limited

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5 Financial risk management ... continued

5.1.3 Impairment and provisioning policies ... continued

Expected credit loss measurement

Maximum exposure to credit risk – Financial instruments subject to impairment

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

Summary of loans and advances to customers ECL Staging 2022

	Stage 1 12-month ECL \$	Stage 2 Lifetime ECL \$	Stage 3 Lifetime ECL \$	September 30, 2022 Total \$	September 30, 2021 Total \$
Personal Loans	524,517,036	28,616,122	77,267,419	630,400,577	660,674,651
Government	286,559,663	–	–	286,559,663	257,417,178
Corporate Loans	139,019,729	13,309,415	5,926,758	158,255,902	169,184,252
Credit card advances	43,654,070	955,894	3,141,688	47,751,652	52,813,665
Overdrafts	27,789,136	253,960	3,796,673	31,933,972	25,261,798
Gross carrying amount	1,021,539,634	43,135,391	90,132,538	1,154,807,563	1,165,351,544
Provision for expected credit losses	(25,379,793)	(10,773,668)	(41,579,714)	(77,733,175)	(76,755,267)
Carrying amount	996,159,841	32,361,723	48,552,824	1,077,074,388	1,088,596,277

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5 Financial risk management ... continued

5.1.3 Impairment and provisioning policies ... continued

Expected credit loss measurement ... continued

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

	2022 \$	2021 \$
Personal loans	47,397,894	40,393,723
Corporate loans	22,255,526	26,407,076
Credit card advances	6,286,068	8,034,508
Overdrafts	1,778,540	1,371,363
Government	15,147	548,597
Total provision for expected credit losses (ECL)	77,733,175	76,755,267

Summary of Investment Securities ECL Staging – amortised cost

	Stage 1 12-month ECL \$	Stage 2 Lifetime ECL \$	Stage 3 Lifetime ECL \$	September 30, 2022 Total \$	September 30, 2021 Total \$
Treasury bills	39,980,452	–	–	39,980,452	33,422,452
Bonds/Fixed rate notes	38,899,374	5,100,493	–	43,999,867	38,181,857
Money market	28,335,385	–	–	28,335,385	27,997,060
Term deposits	188,916,050	–	–	188,916,050	82,485,347
Gross carrying amount	296,131,261	5,100,493	–	301,231,754	182,086,716
Provision for expected credit losses	(635,432)	(43,349)	–	(678,781)	(678,781)
Carrying amount	295,495,829	5,057,144	–	300,552,973	181,407,935

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5 Financial risk management ... continued

5.1.3 Impairment and provisioning policies ... continued

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

	2022 \$	2021 \$
Bonds/Fixed rate notes	485,622	485,622
Term deposits	106,318	106,318
Treasury bills	86,841	86,841
Total provision for expected credit losses (ECL)	678,781	678,781

Loss allowance

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

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

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5 Financial risk management ... continued

5.1.3 Impairment and provisioning policies ... continued

Expected credit loss measurement ... continued

Loss allowance...continued

Summary of Loans and Advances to Customers Loss Allowance - Loans at amortised cost				
	Stage 1 12-month ECL \$	Stage 2 Lifetime ECL \$	Stage 3 Lifetime ECL \$	Total \$
Loss allowance as of September 30, 2021	20,150,916	24,740,584	31,863,767	76,755,267
Movements with P&L impact:				
<i>Transfers:</i>				
Transfers from Stage 1 to Stage 2	(1,392,006)	1,392,006	—	—
Transfers from Stage 1 to Stage 3	(798,379)	—	798,379	—
Transfers from Stage 2 to Stage 1	15,234,417	(15,234,417)	—	—
Transfers from Stage 2 to Stage 3	—	(1,081,446)	1,081,446	—
Transfers from Stage 3 to Stage 1	791,642	—	(791,642)	—
Transfers from Stage 3 to Stage 2	—	1,538,885	(1,538,885)	—
New financial assets originated or purchased	1,451,876	375,149	1,019,650	2,846,675
Financial assets derecognised during the year	(1,019,419)	(1,628,992)	(4,784,159)	(7,432,570)
Changes in PDs LGDs/EADs	(9,039,254)	671,899	19,451,018	11,083,663
Total net P&L charge during the year	25,379,793	10,773,668	47,099,574	83,253,035
Changes in PDs LGDs/EADs				
Other movements with no P&L impact				
Write-offs	—	—	(5,519,860)	(5,519,860)
Loss allowance as of September 30, 2022	25,379,793	10,773,668	41,579,714	77,733,175

The write-offs were as follows:

	2022 \$	2021 \$
Personal loans	—	63,514
Overdraft accounts	—	—
Corporate loans	—	—
Credit card advances	5,519,860	—
	5,519,860	63,514

Eastern Caribbean Amalgamated Bank Limited

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(expressed in Eastern Caribbean dollars)

5 Financial risk management ... continued

5.1.3 Impairment and provisioning policies ... continued

IFRS 9 carrying values

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

Treasury Bills

Gross carrying amount as of September 30, 2021

Transfers:

Transfers from Stage 1 to Stage 2
Transfers from Stage 1 to Stage 3
Transfers from Stage 2 to Stage 3

New financial assets originated or purchased
Financial assets derecognised during the year
Changes in principal and interest

	Stage 1 12-month ECL \$	Stage 2 Lifetime ECL \$	Stage 3 Lifetime ECL \$	Total \$
	33,422,452	—	—	33,422,452
	—	—	—	—
	—	—	—	—
	—	—	—	—
	26,851,949	—	—	26,851,949
	(20,293,949)	—	—	(20,293,949)
	—	—	—	—
	39,980,452	—	—	39,980,452

Gross carrying amount as of September 30, 2022

Bonds/fixed rate notes

Gross carrying amount as at September 30, 2021

Transfers:

Transfers from Stage 1 to Stage 2
Transfers from Stage 1 to Stage 3
Transfers from Stage 2 to Stage 3

New financial assets originated or purchased
Financial assets derecognised during the year
Changes in principal and interest

	33,079,446	5,102,411	—	38,181,857
	—	—	—	—
	—	—	—	—
	—	—	—	—
	101,353,838	—	—	101,353,838
	(95,817,322)	—	—	(95,817,322)
	283,412	(1,918)	—	281,494
	38,899,374	5,100,493	—	43,999,867

Gross carrying amount as of September 30, 2022

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements
September 30, 2022

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5 Financial risk management ... continued

5.1.3 Impairment and provisioning policies ... continued

Money market	Stage 1 12-month ECL \$	Stage 2 Lifetime ECL \$	Stage 3 Lifetime ECL \$	Total \$
Gross carrying amount as of September 30, 2021	27,997,060	—	—	27,997,060
<i>Transfers:</i>				
Transfers from Stage 1 to Stage 2	—	—	—	—
Transfers from Stage 1 to Stage 3	—	—	—	—
Transfers from Stage 2 to Stage 3	—	—	—	—
New financial assets originated or purchased	338,325	—	—	338,325
Financial assets derecognised during the year	—	—	—	—
Changes in principal and interest	—	—	—	—
Gross carrying amount as of September 30, 2022	28,335,385	—	—	28,335,385
Term deposits				
Gross carrying amount as of September 30, 2021	82,485,347	—	—	82,485,347
<i>Transfers:</i>				
Transfers from Stage 1 to Stage 2	—	—	—	—
Transfers from Stage 1 to Stage 3	—	—	—	—
Transfers from Stage 2 to Stage 3	—	—	—	—
New financial assets originated or purchased	199,444,550	—	—	199,444,550
Financial assets derecognised during the year	(93,876,819)	—	—	(93,876,819)
Changes in principal and interest	862,972	—	—	862,972
Gross carrying amount as of September 30, 2022	188,916,050	—	—	188,916,050

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

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(expressed in Eastern Caribbean dollars)

5 Financial risk management ... continued

5.1.3 Impairment and provisioning policies ... continued

Personal – amortised cost

Gross carrying amount as of September 30, 2021

Transfers:

Transfers from Stage 1 to Stage 2

Transfers from Stage 1 to Stage 3

Transfers from Stage 2 to Stage 1

Transfers from Stage 2 to Stage 3

Transfers from Stage 3 to Stage 1

Transfers from Stage 3 to Stage 2

New financial assets originated or purchased

Financial assets derecognised during the year

Changes in principal and interest

Gross carrying amount as of September 30, 2022

Corporate – amortised cost

Gross carrying amount as of September 30, 2021

Transfers:

Transfers from Stage 1 to Stage 2

Transfers from Stage 1 to Stage 3

Transfers from Stage 2 to Stage 1

Transfers from Stage 2 to Stage 3

Transfers from Stage 3 to Stage 1

New financial assets originated or purchased

Financial assets derecognised during the year

Changes in principal and interest

Gross carrying amount as of September 30, 2022

	Stage 1 12-month ECL \$	Stage 2 Lifetime ECL \$	Stage 3 Lifetime ECL \$	Total \$
Personal – amortised cost				
Gross carrying amount as of September 30, 2021				
Transfers:				
Transfers from Stage 1 to Stage 2	567,462,530	32,740,019	60,472,102	660,674,651
Transfers from Stage 1 to Stage 3	(10,375,511)	10,375,511	–	–
Transfers from Stage 2 to Stage 1	(3,658,721)	–	3,658,721	–
Transfers from Stage 2 to Stage 3	26,269,376	(26,269,376)	–	–
Transfers from Stage 3 to Stage 1	–	(2,076,286)	2,076,286	–
Transfers from Stage 3 to Stage 2	4,733,099	–	(4,733,099)	–
New financial assets originated or purchased	–	3,086,968	(3,086,968)	–
Financial assets derecognised during the year	45,754,557	540,385	658,768	46,953,710
Changes in principal and interest	(34,174,566)	(3,563,161)	(4,054,326)	(41,792,053)
	(71,493,728)	13,782,062	22,275,935	(35,435,731)
Gross carrying amount as of September 30, 2022	524,517,036	28,616,122	77,267,419	630,400,577
Corporate – amortised cost				
Gross carrying amount as of September 30, 2021				
Transfers:				
Transfers from Stage 1 to Stage 2	108,618,749	56,096,208	4,469,295	169,184,252
Transfers from Stage 1 to Stage 3	(12,958,262)	12,958,262	–	–
Transfers from Stage 2 to Stage 1	(23,431)	–	23,431	–
Transfers from Stage 2 to Stage 3	30,077,724	(30,077,724)	–	–
Transfers from Stage 3 to Stage 1	–	(1,610,880)	1,610,880	–
Transfers from Stage 3 to Stage 2	19,418	–	(19,418)	–
New financial assets originated or purchased	6,428,812	–	–	6,428,812
Financial assets derecognised during the year	(1,876,369)	–	(48,109)	(1,924,478)
Changes in principal and interest	8,733,088	(24,056,451)	(109,321)	(15,432,684)
Gross carrying amount as of September 30, 2022	139,019,729	13,309,415	5,926,758	158,255,902

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements
September 30, 2022

(expressed in Eastern Caribbean dollars)

5 Financial risk management ... continued

5.1.3 Impairment and provisioning policies ... continued

Government – amortised cost	Stage 1 12-month ECL \$	Stage 2 Lifetime ECL \$	Stage 3 Lifetime ECL \$	Total \$
Gross carrying amount as of September 30, 2021	257,417,178	–	–	257,417,178
<i>Transfers:</i>				
Transfers from Stage 1 to Stage 2	–	–	–	–
Transfers from Stage 1 to Stage 3	–	–	–	–
Transfers from Stage 2 to Stage 3	–	–	–	–
New financial assets originated or purchased	–	–	–	–
Financial assets derecognised during the year	–	–	–	–
Changes in principal and interest	29,142,485	–	–	29,142,485
Gross carrying amount as of September 30, 2022	286,559,663	–	–	286,559,663
Overdrafts – amortised cost				
Gross carrying amount as of September 30, 2021	23,322,570	1,198,733	740,495	25,261,798
<i>Transfers:</i>				
Transfers from Stage 1 to Stage 2	(600,243)	600,243	–	–
Transfers from Stage 1 to Stage 3	(232,217)	–	232,217	–
Transfers from Stage 2 to Stage 1	585,927	(585,927)	–	–
Transfers from Stage 2 to Stage 3	–	(12,009)	12,009	–
Transfers from Stage 3 to Stage 1	132,621	–	(132,621)	–
Transfers from Stage 3 to Stage 2	–	972	(972)	–
New financial assets originated or purchased	22,765,472	2,729,450	668,234	26,163,156
Financial assets derecognised during the year	(19,756,077)	(808,083)	(610,287)	(21,174,447)
Changes in principal and interest	1,571,083	(2,869,419)	2,887,598	1,589,262
Gross carrying amount as of September 30, 2022	27,789,136	253,960	3,796,673	31,839,769

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements
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(expressed in Eastern Caribbean dollars)

5 Financial risk management ... continued

5.1.3 Impairment and provisioning policies ... continued

Credit card advances – amortised cost

Gross carrying amount as of September 30, 2021

Transfers:

Transfers from Stage 1 to Stage 2

Transfers from Stage 1 to Stage 3

Transfers from Stage 2 to Stage 1

Transfers from Stage 2 to Stage 3

Transfers from Stage 3 to Stage 1

Transfers from Stage 3 to Stage 2

New financial assets originated or purchased

Financial assets derecognised during the year

Changes in principal and interest

	Stage 1 12-month ECL \$	Stage 2 Lifetime ECL \$	Stage 3 Lifetime ECL \$	Total \$
	45,086,194	3,536,049	4,191,422	52,813,665
	(1,183,927)	1,183,927	–	–
	(493,135)	–	493,135	–
	551,572	(551,572)	–	–
	–	–	–	–
	1,660,771	–	(1,660,771)	–
	–	291,905	(291,905)	–
	2,211,961	52,839	975,901	3,240,701
	(1,416,081)	(47,090)	(150,884)	(1,614,055)
	(2,763,285)	(3,510,164)	(415,210)	(6,688,659)
Gross carrying amount as of September 30, 2022	43,654,070	955,894	3,141,688	47,751,652

Eastern Caribbean Amalgamated Bank Limited

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(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

	2022 \$	2021 \$
Credit risk exposures relating to on-balance sheet assets:		
Loans and advances to customers	1,085,889,516	1,127,362,378
Due from banks and other financial institutions	466,654,202	360,670,500
Investment securities at amortised cost	300,552,973	181,407,935
Other financial assets	1,719,320	1,717,044
	1,854,816,011	1,671,157,857
Credit risk exposures relating to off-balance sheet items:		
Loan commitments and other credit related facilities	167,661,367	150,079,292
Financial guarantees	4,050,000	4,050,000
	171,711,367	154,129,292
Total credit exposure	2,026,527,378	1,825,287,149

The previous table represents a worst-case scenario of credit risk exposures to the Bank as of September 30, 2022, 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 62% (2021: 70%) of the total maximum exposure is derived from loans and advances to customers and 15% (2021: 10%) is derived from investment securities.

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

- In 2022, 95% (2021: 95%) of the loans and advances portfolio are categorised in the top two grades of the internal rating system, being Pass and Special mention;
- In 2022, 5% (2021: 5%) 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, 2022. For all classes of assets, the Bank has allocated exposures to regions based on the country of domicile of the counterparties.

Eastern Caribbean Amalgamated Bank Limited

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September 30, 2022

(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, 2022

	Antigua & Barbuda \$	Other Caribbean \$	North America \$	Europe \$	Total \$
Credit risk exposures relating to on-balance sheet assets:					
Due from banks and other financial institutions	1,681,363	23,639,103	432,615,931	8,717,805	466,654,202
Investment securities at amortised cost	17,890,759	111,125,423	146,999,696	24,537,095	300,552,973
Loans and advances to customers	1,084,066,183	1,823,333	—	—	1,085,889,516
Other financial assets	1,719,320	—	—	—	1,719,320
	1,105,357,625	136,587,859	579,615,627	33,254,900	1,854,816,011
Credit exposures relating to off-balance sheet items:					
– Financial guarantees	4,050,000	—	—	—	4,050,000
– Loan commitments and other credit related facilities	167,661,367	—	—	—	167,661,367
Total	1,277,068,992	136,587,859	579,615,627	33,254,900	2,026,527,378

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements
September 30, 2022

(expressed in Eastern Caribbean dollars)

5 Financial instruments risk ... *continued*

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

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

As of September 30, 2021

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

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2022

(expressed in Eastern Caribbean dollars)

5 Financial instruments risk ... continued

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

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

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

	2022		2021	
	\$	%	\$	%
Personal	639,912,815	55.4%	662,711,584	56.9%
Public sector	297,075,259	25.7%	263,251,803	22.6%
Tourism	62,609,104	5.4%	65,096,486	5.6%
Credit card advances	47,751,652	4.1%	52,813,665	4.5%
Construction/Real Estate	45,752,328	4.0%	63,147,260	5.4%
Other industries	23,238,291	2.0%	19,605,545	1.7%
Transportation/storage	16,680,376	1.4%	13,366,527	1.1%
Distributive Trade	14,864,704	1.3%	18,577,612	1.6%
Manufacturing	5,068,514	0.4%	4,513,519	0.4%
Professional/Services	1,854,520	0.1%	2,267,544	0.2%
Total	1,154,807,563	100.0%	1,165,351,545	100.0%

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

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2022

(expressed in Eastern Caribbean dollars)

5 Financial instruments risk ... continued

5.1.5 Debt securities

There is no formal rating of the credit quality of bonds, treasury bills and equity investments. A number of qualitative and quantitative factors are considered in assessing the risk associated with each investment. However, there is no hierarchy of ranking. There are no external ratings of securities at the year end. The table below presents an analysis of debt securities, treasury bills and other eligible bills by rating agency designation as of September 30, 2022.

As of September 30, 2022

	Amortised cost \$	FVOCI debt securities \$	FVTPL debt Securities \$	Total \$
Unrated	300,552,973	—	—	300,552,973
Total	300,552,973	—	—	300,552,973

As of September 30, 2021

	Amortised cost \$	FVOCI debt securities \$	FVTPL debt Securities \$	Total \$
Unrated	181,407,935	—	—	181,407,935
Total	181,407,935	—	—	181,407,935

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2022

(expressed in Eastern Caribbean dollars)

5 Financial instruments risk ... *continued*

5.2 Market risk

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

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

5.2.1 Price risk

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

5.2.2 Foreign exchange risk

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

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

The following table summarises the Bank's exposure to foreign currency exchange risk as of September 30, 2022. Included in the table are the Bank's financial instruments at carrying amounts, categorised by currency.

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements
September 30, 2022

(expressed in Eastern Caribbean dollars)

5 Financial instruments risk ... continued

5.2.2 Foreign exchange risk ... continued

As of September 30, 2022

Cash and balances with the Central Bank
Due from banks and financial institutions

Investment securities:

– Amortised cost	116,621,240	183,931,733	–	–	–	300,552,973
– FVOCI	3,228,467	2,141,933	–	–	–	5,370,400
– FVTPL	–	59,039,775	–	–	–	59,039,775
Loans and advances to customers	996,796,187	89,093,329	–	–	–	1,085,889,516
Other financial assets	1,719,320	–	–	–	–	1,719,320

Total financial assets

1,466,871,142 773,002,926 1,703,716 1,205,072 461,758 2,243,244,614

Liabilities

Customers' deposits
Other liabilities and accrued expenses

1,574,257,576 507,302,354 – – 2,081,559,930
32,514,635 – – – 32,514,635

Total financial liabilities

1,606,772,211 507,302,354 – – 2,114,074,565

Net on-balance sheet position

(139,901,069) 265,700,572 1,703,716 1,205,072 461,758 129,170,049

Credit commitments

167,661,367 4,050,000 – – 171,711,367

Eastern Caribbean Amalgamated Bank Limited

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September 30, 2022

(expressed in Eastern Caribbean dollars)

5 Financial instruments risk ... continued

5.2.2 Foreign exchange risk ... continued

As of September 30, 2021

Cash and balances with the Central Bank
Due from banks and financial institutions

Investment securities:

– Amortised cost

– FVOCI

– FVTPL

Loans and advances to customers

Other financial assets

Total financial assets

Liabilities

Customers' deposits

Other liabilities and accrued expenses

Total financial liabilities

Net on-balance sheet position

Credit commitments

	XCD \$	USD \$	EUR \$	GBP \$	Other \$	Total \$
260,602,475	1,220,409	166,838			44,074	262,129,282
3,349,481	350,912,459	1,444,118			3,730,596	360,670,500
104,596,290	76,811,645	–	–	–	–	181,407,935
3,228,467	2,619,073	–	–	–	–	5,847,540
–	74,028,200	–	–	–	–	74,028,200
1,045,759,873	81,602,505	–	–	–	–	1,127,362,378
1,717,044	–	–	–	–	–	1,717,044
1,419,253,630	587,194,291	1,610,956	1,329,332	3,774,670	2,013,162,879	
1,566,928,148	270,653,453	–	–	–	–	1,837,581,601
53,695,738	–	–	–	–	–	53,695,738
1,620,623,886	270,653,453	–	–	–	1,891,277,339	
(201,370,256)	316,540,838	1,610,956	1,329,332	3,774,670	121,885,540	
150,079,292	4,050,000	–	–	–	–	154,129,292

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2022

(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.

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements
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(expressed in Eastern Caribbean dollars)

5 Financial instruments risk ... continued

5.2.3 Interest rate risk ... continued

As of September 30, 2022	Under 1 Month \$	1 to 3 Months \$	3 to 12 Months \$	1 to 5 Years \$	Over 5 Years \$	Non-interest Bearing \$	Total \$
Assets							
Cash and balances with the Central bank	—	—	—	—	—	324,018,428	324,018,428
Due from banks and other financial institutions	—	—	—	—	—	466,654,202	466,654,202
<i>Investment securities:</i>							
— Amortised cost	40,785,070	59,866,752	188,454,406	4,028,310	7,418,435	—	300,552,973
— FVOCI investments	—	—	—	—	—	5,370,400	5,370,400
— FVTPL investments	—	—	—	—	—	59,039,775	59,039,775
Loans and advances to customers	107,437,605	4,778,264	18,801,556	128,308,091	826,564,000	—	1,085,889,516
Other financial assets	—	—	—	—	—	1,719,320	1,719,320
Total financial assets	148,222,675	64,645,016	207,255,962	132,336,401	833,982,435	856,802,125	2,243,498,244
Liabilities							
Customers' deposits	1,777,247,648	61,368,405	233,677,902	6,611,235	2,654,740	—	2,081,559,930
Other liabilities and accrued expenses	32,514,635	—	—	—	—	—	32,514,635
Total financial liabilities	1,809,762,283	61,368,405	233,677,902	6,611,235	2,654,740	—	2,114,074,565
Total interest repricing gap	(1,661,539,608)	3,276,611	(26,421,940)	125,725,166	831,327,695	856,802,125	129,170,049

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements
September 30, 2022

(expressed in Eastern Caribbean dollars)

5 Financial instruments risk ... continued

5.2.3 Interest rate risk ... continued

As of September 30, 2021

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

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

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(expressed in Eastern Caribbean dollars)

5 Financial instruments risk ... *continued*

5.2.3 Interest rate risk ... continued

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

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

5.3 Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its obligations when they fall due as a result of customer deposits being withdrawn, cash requirements from contractual commitments, or other cash outflows, such as debt maturities or margin calls for derivatives. Such outflows would deplete available cash resources for client lending, trading activities and investments. In extreme circumstances, lack of liquidity could result in reductions in the statement of financial position and sales of assets, or potentially an inability to fulfil lending commitments. The risk that the bank will be unable to do so is inherent in all banking operations and can be affected by a range of institution-specific and market-wide events including, but not limited to, credit events, merger and acquisition activity, systemic shocks and natural disasters.

5.3.1 Liquidity risk management process

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

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

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

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

5.3.2. Funding approach

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

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements
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(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, 2022						
Customers' deposits	1,777,247,648	61,368,405	233,677,902	6,611,235	2,654,740	2,081,559,930
Other liabilities and accrued expenses	32,514,635	—	—	—	—	32,514,635
Total financial liabilities (contractual maturity dates)	1,809,762,283	61,368,405	233,677,902	6,611,235	2,654,740	2,114,074,565
Assets held for managing liquidity risk (contractual maturity dates)	930,442,561	52,492,759	327,720,482	492,927,229	886,052,305	2,689,635,336

Eastern Caribbean Amalgamated Bank Limited

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(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

As of September 30, 2021

Customers' deposits	1,551,227,732	56,928,694	217,030,840	9,968,770	2,425,565	1,837,581,601
Other liabilities and accrued expenses	53,695,738	—	—	—	—	53,695,738
Total financial liabilities (contractual maturity dates)	1,604,923,470	56,928,694	217,030,840	9,968,770	2,425,565	1,891,277,339
Assets held for managing liquidity risk (contractual maturity dates)	492,685,755	36,194,838	217,044,168	656,049,486	952,111,110	2,354,085,357

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

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(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, 2022			
Financial guarantees	4,050,000	—	4,050,000
Credit commitments	167,661,367	—	167,661,367
	171,711,367	—	171,711,367

As of September 30, 2021

Financial guarantees	4,050,000	—	4,050,000
Credit commitments	150,079,292	—	150,079,292
	154,129,292	—	154,129,292

	Up to 1 year \$	1 to 5 years \$	Total \$
(c) Operating Lease Commitments			
As of September 30, 2022	—	—	—
As of September 30, 2021	—	—	—

(d) Capital commitments

The Bank had no contractual capital commitments as of September 30, 2022 or September 30, 2021.

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

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(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	
	2022	2021	2022	2021
	\$	\$	\$	\$
Financial assets				
Due from banks and other financial institutions	466,654,202	360,670,500	466,654,202	360,670,500
Investment securities at amortised cost	300,552,973	181,407,935	300,552,973	181,407,935
Loans and advances to customers	1,085,889,516	1,127,362,378	915,464,325	940,918,239
Other financial assets	1,719,320	1,717,044	1,719,320	1,717,044
	1,854,816,011	1,671,157,857	1,684,390,820	1,484,713,718
Financial liabilities				
Customers' deposits	2,081,559,930	1,837,581,601	2,083,850,568	1,839,895,448
Other liabilities and accrued expenses	32,514,635	53,695,738	32,514,635	53,695,738
	2,114,074,565	1,891,277,339	2,116,365,203	1,893,591,186

Eastern Caribbean Amalgamated Bank Limited

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(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.

Eastern Caribbean Amalgamated Bank Limited

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5 Financial instruments risk ... *continued*

5.4.2 Assets and liabilities measured at fair value

As of September 30, 2022

	Level 2	Level 3	Total
	\$	\$	\$
Financial assets			
<i>Investment securities:</i>			
– FVOCI investments	3,991,931	1,378,469	5,370,400
– FVTPL investments	59,039,775	–	59,039,775
Total assets	63,031,706	1,378,469	64,410,175

As of September 30, 2021

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

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Notes to Financial Statements

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(expressed in Eastern Caribbean dollars)

5 Financial instruments risk ... *continued*

5.4.3 Measurement of fair value of financial instruments

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

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

- Government securities (quoted) (Level 3)

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

6 Capital management policies and procedures

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

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

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

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

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

- Tier 1 capital: share capital (net of any book values of treasury share), general bank reserves, statutory reserve, retained earnings and reserves created by appropriations of retained earnings.
- Tier 2 capital: qualifying subordinated loan capital, collective impairment allowances and unrealised gains arising on the fair valuation of securities held as FVOCI equity investments.

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Notes to Financial Statements

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6 Capital management policies and procedures ... continued

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

The following table summarises the composition of the regulatory capital and the ratios of the Bank as of September 30, 2022. At this date the Bank complied with all the externally imposed capital requirements to which it is subject.

	2022 \$	2021 \$
Tier 1 capital		
Common share capital	24,000,000	24,000,000
Preference share capital	47,869,339	47,869,339
Retained earnings	100,939,211	96,715,914
Regulatory reserve for interest on non-performing loans	2,848,980	1,830,553
Statutory reserve	24,360,883	23,050,450
Customer lists intangible asset	(36,000,000)	(39,600,004)
Total qualifying Tier 1 capital	164,018,413	153,866,252
Tier 2 capital		
Unrealised gain on FVOCI equity investments	1,560,592	1,918,447
Portfolio loan loss provisions	—	—
Total qualifying Tier 2 capital	1,560,592	1,918,447
Total regulatory capital	165,579,005	155,784,699
	2022 \$	2021 \$
Risk weighted assets		
On-balance sheet	943,264,601	915,378,709
Off-balance sheet	33,553,793	30,015,858
Total risk weighted assets	976,818,394	945,394,567
Basel ratio	17%	16%

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

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7 Significant management judgement in applying accounting policies and estimation uncertainty

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

Estimation uncertainty

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

Impairment losses on loans and advances carried at amortised cost

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

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

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

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

Detailed information about the judgements and estimates made by the Bank in the above areas are set out in note 5.1.3.

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

Set out below are the changes to the ECL as of September 30, 2022 that would result from reasonably possible variations in the most significant assumptions affecting the ECL allowance for the financial assets in stages 1 to 2 with respect to the credit risk:

Loss Given Default	Change in threshold %	ECL impact of:	
		Increase in Value \$	Decrease in value \$
Loans	+/-10%	2,895,780	(2,941,411)
Overdrafts	+/-10%	103,573	(103,573)
Other financial assets	+/-10%	229,819	(230,084)

Below are the changes to the ECL as of September 30, 2022 that would result from reasonably possible variations in the most significant assumptions affecting the ECL allowance for the financial assets in stage 3 with respect to the credit risk:

Default loss rate	Change in threshold %	ECL impact of:	
		Increase in value \$	Decrease in value \$
Loans	+/-10%	596,470	(579,574)
Overdrafts	+/-10%	29,458	(29,458)
Other financial assets	+/-10%	17,532	(17,469)

In the ECL provisioning for stage 3 loans and advances to customers, the Bank considers the amount and timing of future cashflows in the assessment of the loss allowance. Were the net present value of estimated cash flows to differ by +/-10%, the impairment loss would be an estimated \$2,492,963 higher or \$2,200,843 lower (2021: \$2,974,488) higher or \$2,840,899 lower). Were the discount period used in calculation of the present value of the future cash flows to differ by +/-1 year, the impairment loss would be an estimated \$2,018,079 higher or \$1,811,510 lower (2021: \$2,347,092 higher or \$2,282,776 lower).

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8 Cash and balances with the Central Bank

	Note	2022 \$	2021 \$
Cash on hand		20,014,564	21,854,077
Balances with ECCB other than mandatory reserves		177,789,138	127,234,218
Included in cash and cash equivalents	23	197,803,702	149,088,295
Mandatory deposits with the ECCB		126,214,726	113,040,987
Total cash and balances with the Central Bank		324,018,428	262,129,282

Mandatory deposits with the Central Bank

- 1) Commercial banks in the Eastern Caribbean Currency Union are required to maintain a non-interest bearing reserve with the ECCB equivalent to a minimum of 6% of their total deposit liabilities (excluding inter-bank deposits and foreign currencies). This reserve deposit is not available for use in the Bank's day-to-day operations. The minimum reserve requirement at the end of the reporting period was \$99,578,786 (2021: \$87,905,047).
- 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 \$26,635,940 (2021: \$25,135,940) and is included in the mandatory deposits with the Central Bank.

9 Due from banks and other financial institutions

	Note	2022 \$	2021 \$
Operating accounts with other banks		466,243,276	359,493,157
Items in the course of collection from other banks		410,926	1,177,343
Included in cash and cash equivalents	23	466,654,202	360,670,500
Total due from banks and other financial institutions		466,654,202	360,670,500

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

Balances held with shareholder banks as of September 30, 2022 amounted to \$22,503,287 (2021: \$1,657,979).

Eastern Caribbean Amalgamated Bank Limited

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10 Investment securities

	2022 \$	2021 \$
FVTPL		
Quoted equity investments	59,039,775	74,028,200
	59,039,775	74,028,200
FVOCI – equity securities		
Quoted equity investments	3,991,931	4,469,071
Unquoted equity investments	1,378,469	1,378,469
	5,370,400	5,847,540
Amortised cost		
Term deposits	187,834,639	82,266,908
Bonds/fixed rate notes	40,974,170	37,468,979
Treasury bills	41,664,654	33,075,326
Money market	28,335,385	27,997,060
	298,808,848	180,808,273
Interest receivable	2,422,906	1,278,443
Total amortised cost, gross	301,231,754	182,086,716
Less: provision for expected credit losses	(678,781)	(678,781)
Total amortised cost, net	300,552,973	181,407,935
Total investment securities	364,963,148	261,283,675
Current	289,106,225	166,951,201
Non-current	75,856,923	94,332,474
Total investment securities	364,963,148	261,283,675

Treasury bills' interest rates range between 1.49% to 8% (2021: 1.49% to 8%) per annum with original maturities of less than 12 months. Included in the treasury bills from OECS Governments are cash equivalents with original maturities of three (3) months or less and interest rates ranging from 1.49% to 8% (2021: 1.49% to 8%) totalling \$19,949,412 (2021: \$17,918,084). Included in the treasury bills are amounts held with a shareholder, the Government of Antigua and Barbuda, totalling \$8,273,599 (2021: \$8,273,599). Interest income earned from treasury bills held with the Government of Antigua and Barbuda amounted to \$343,577 (2021: \$309,919).

Term deposits are with other OECS banks and financial institutions and international banks with interest rates ranges between 0.25% to 3.17% (2021: 0.01% to 2.05%) per annum with original maturities of 12 months or less. Included in the term deposits are cash equivalents with original maturities of three (3) months or less at interest rate of 1% to 2.35% (2021: 0.01% to 1%) per annum totalling \$14,367,556 (2021: \$23,072,001). Refer to note 23.

Bonds/fixed rate notes include various government bonds and fixed rate notes with OECS banks and financial institutions at interest rates ranging from 2.25% to 7.5% (2021 : 2.25% to 7.5%) per annum with original maturities of greater than 12 months.

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10 Investment securities ... *continued*

FTVPL investments are comprised of shares held in VISA International.

FVOCI investments include quoted and unquoted shares:

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

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10 Investment securities ... *continued*

The movement in investment securities during the year ended September 30, 2022 is as follows:

	Equity securities – FVTPL \$	Equity securities – FVOCI \$	Amortised Cost \$	Total \$
Balance, beginning of year	88,054,310	5,775,902	167,650,757	261,480,969
Purchases	–	–	97,134,845	97,134,845
Disposals (sales/redemptions)	(22,866,840)	–	(83,093,415)	(105,960,255)
Fair value gains	8,840,730	71,638	–	8,912,368
Change in principal and interest	–	–	(284,252)	(284,252)
Balance, September 30, 2021	74,028,200	5,847,540	181,407,935	261,283,675
Purchases	–	–	327,988,662	327,988,662
Disposals (sales/redemptions)	–	–	(209,988,090)	(209,988,090)
Fair value losses	(14,988,425)	(477,140)	–	(15,465,565)
Change in principal and interest	–	–	1,144,466	1,144,466
Balance, September 30, 2022	59,039,775	5,370,400	300,552,973	364,963,148

Eastern Caribbean Amalgamated Bank Limited

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11 Loans and advances to customers

	2022 \$	2021 \$
<i>Stage 1 Loans</i>		
Personal loans	524,517,036	567,462,530
Government of Antigua and Barbuda loans	286,559,663	257,417,178
Corporate loans	139,019,729	108,618,749
Credit card advances	43,654,070	45,086,194
Overdrafts	27,789,136	23,322,570
Total Stage 1 loans	1,021,539,634	1,001,907,221
<i>Stage 2 Loans</i>		
Personal loans	28,616,122	32,740,019
Corporate loans	13,309,415	56,096,208
Credit card advances	955,894	3,536,049
Overdrafts	253,960	1,198,733
Total Stage 2 loans	43,135,391	93,571,009
<i>Stage 3 Loans</i>		
Personal loans	77,267,419	60,472,102
Corporate loans	5,926,758	4,469,295
Overdrafts	3,796,673	740,495
Credit card advances	3,141,688	4,191,422
Total Stage 3 loans	90,132,538	69,873,314
Interest receivable	9,421,110	39,451,329
<i>Less:</i>		
Deferred loan origination fees	(605,982)	(685,228)
Provision for expected credit losses	(77,733,175)	(76,755,267)
Total loans and advances to customers	1,085,889,516	1,127,362,378
Current	112,215,858	131,387,668
Non-current	973,673,658	995,974,710
	1,085,889,516	1,127,362,378

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

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(expressed in Eastern Caribbean dollars)

11 Loans and advances to customers ... continued

Roll forward of provision for credit losses on loans and advances	Note	2022 \$	2021 \$
Balance, beginning of year		76,755,267	27,654,554
Provision related to loans acquired from BNS		—	39,294,551
Impairment charge	29	6,497,768	9,869,676
Loans written-off during the year as uncollectible		(5,519,860)	(63,514)
Balance, end of year		77,733,175	76,755,267

According to the ECCB credit prudential guidelines, the calculated allowance for loan impairment amounts to \$26,678,500 (2021: \$11,964,210). It has been determined that a reserve is not required in equity in the current financial year as the provision under IFRS 9 of \$77,733,175 (2021: \$76,755,267) exceeds the provision per the ECCB prudential guidelines.

Additionally, of the \$9,421,110 (2021: 39,451,329) interest receivable recorded, \$2,167,895 (2021: \$29,670,034) represents interest receivable due from the Government of Antigua and Barbuda attributed to its loan facilities with the Bank. (see note 5.1.4)

According to the ECCB prudential guidelines, interest income is not accrued for loans that are non-performing. The accrued interest of \$2,848,980 (2021: \$1,830,553) on non-performing loans has been set aside as a specific reserve in equity (see note 19).

12 Other assets

	2022 \$	2021 \$
Financial assets		
Trade and other receivables	1,737,138	1,734,862
Provision for doubtful debts	(17,818)	(17,818)
	1,719,320	1,717,044
Non-financial assets		
Other receivables	8,670,464	4,379,057
Other prepaid expenses	5,667,193	3,620,599
Prepaid purchases	3,898,764	2,435,739
Prepaid employee benefit	2,623,082	2,163,485
	20,859,503	12,598,880
Total other assets	22,578,823	14,315,924
Current	16,911,630	10,695,325
Non-current	5,667,193	3,620,599
	22,578,823	14,315,924

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements
September 30, 2022

(expressed in Eastern Caribbean dollars)

13 Property, plant and equipment

	Artwork \$	Land \$	Buildings \$	Furniture, fixtures & equipment \$	Computer equipment \$	Motor vehicles \$	Total \$
As of September 30, 2020							
Cost	51,740	6,128,600	10,800,488	3,303,016	8,241,135	570,306	29,095,285
Accumulated depreciation	—	—	(2,224,886)	(2,163,517)	(6,877,983)	(450,608)	(11,716,994)
Net book amounts	51,740	6,128,600	8,575,602	1,139,499	1,363,152	119,698	17,378,291
Year ended September 30, 2021							
Opening net book amount	51,740	6,128,600	8,575,602	1,139,499	1,363,152	119,698	17,378,291
Additions	—	4,272,672	6,039,828	2,395,533	758,845	—	13,466,878
Assets acquired in business combination (note 22)	—	3,547,950	7,499,092	698,357	127,862	—	11,873,261
Depreciation charge	—	—	(294,880)	(313,088)	(599,181)	(36,114)	(1,243,263)
Net book amounts	51,740	13,949,222	21,819,642	3,920,301	1,650,678	83,584	41,475,167
As of September 30, 2021							
Cost	51,740	13,949,222	24,339,408	6,396,906	9,127,842	570,306	54,435,424
Accumulated depreciation	—	—	(2,519,766)	(2,476,605)	(7,477,164)	(486,722)	(12,960,257)
Net book amounts	51,740	13,949,222	21,819,642	3,920,301	1,650,678	83,584	41,475,167

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements
September 30, 2022

(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, 2022							
Opening net book amount	51,740	13,949,222	21,819,642	3,920,301	1,650,678	83,584	41,475,167
Additions	—	—	—	84,107	5,469	—	89,576
Depreciation charge	—	—	(812,298)	(873,164)	(654,770)	(23,326)	(2,363,558)
Net book amounts	51,740	13,949,222	21,007,344	3,131,244	1,001,377	60,258	39,201,185
As of September 30, 2022							
Cost	51,740	13,949,222	24,339,408	6,481,013	9,133,311	570,306	54,525,000
Accumulated depreciation	—	—	(3,332,064)	(3,349,769)	(8,131,934)	(510,048)	(15,323,815)
Net book amounts	51,740	13,949,222	21,007,344	3,131,244	1,001,377	60,258	39,201,185

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2022

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14 Intangible assets

	Computer software \$	Customer lists \$	Total \$
September 30, 2020			
Cost	5,498,836	2,031,000	7,529,836
Accumulated amortisation	(5,100,382)	(1,846,360)	(6,946,742)
Net book amount	398,454	184,640	583,094
Year ended September 30, 2021			
Net book value	398,454	184,640	583,094
Additions	1,040,157	—	1,040,157
Assets acquired in business combination	—	39,600,000	39,600,000
Amortisation charge	(451,311)	(184,636)	(635,947)
Net book amount	987,300	39,600,004	40,587,304
September 30, 2021			
Cost	6,538,993	41,631,000	48,169,993
Accumulated amortisation	(5,551,693)	(2,030,996)	(7,582,689)
Net book amount	987,300	39,600,004	40,587,304
Year ended September 30, 2022			
Net book value	987,300	39,600,004	40,587,304
Amortisation charge	(453,528)	(3,600,004)	(4,053,532)
Net book amount	533,772	36,000,000	36,533,772
September 30, 2022			
Cost	6,538,993	41,631,000	48,169,993
Accumulated amortisation	(6,005,221)	(5,631,000)	(11,636,221)
Net book amount	533,772	36,000,000	36,533,772

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2022

(expressed in Eastern Caribbean dollars)

15 Customers' deposits

	2022 \$	2021 \$
Savings accounts	920,324,707	858,907,344
Current accounts	788,219,326	630,631,135
Time deposits	370,531,758	345,683,679
	2,079,075,791	1,835,222,158
Interest payable	2,484,139	2,359,443
Total customers' deposits	2,081,559,930	1,837,581,601
Current	1,838,616,053	1,825,187,366
Non-current	242,943,877	12,394,235
	2,081,559,930	1,837,581,601

Included in the customers' deposits at year end are deposits from related parties amounting to \$53,866,376 (2021: \$50,492,668) as disclosed in note 21.

Included in the customers' deposits at year end are deposits from other financial institutions, excluding shareholder banks, amounting to \$9,771,897 (2021: \$9,620,944).

Deposits held as collateral for loans and advances amounted to \$29,622,207 (2021: \$13,279,470).

Interest rates on customers' deposit range between 0.25% to 6.25% (2021: 0.25% to 6.25%) per annum. The total interest expense amounted to \$22,231,354 (2021: \$12,270,188) as disclosed in note 24. The time deposits have original maturities ranging from less than 12 months to 5 years.

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2022

(expressed in Eastern Caribbean dollars)

16 Other liabilities and accrued expenses

	2022 \$	2021 \$
Trade payables and accrued expenses	16,834,732	19,376,016
Other payables	9,834,318	17,191,621
Manager's cheques	3,657,119	3,334,836
Deferred employee benefit	2,623,082	2,163,485
Transfers payable	2,188,466	13,793,265
Total other liabilities and accrued expenses	35,137,717	55,859,223
Current	32,514,635	53,695,738
Non-current	2,623,082	2,163,485
	35,137,717	55,859,223

17 Share capital

	Note	2022 \$	2021 \$
Authorised share capital:			
710,000 common shares at no par value		—	—
100,000 preference shares at no par value		—	—
Issued and fully paid:			
240,000 common shares issued at \$100 each		24,000,000	24,000,000
100,000 preference shares issued at \$478.69 each	18	47,869,339	47,869,339

18 Preference shares

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

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

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2022

(expressed in Eastern Caribbean dollars)

19 Reserves

a) Other reserves

	2022 \$	2021 \$
Regulatory reserve for interest on non-performing loans	2,848,980	1,830,553
Statutory reserve	24,360,883	23,050,450
Total other reserves	27,209,863	24,881,003

(i) Reserve for interest on non-performing loans

This reserve was created to set aside interest accrued on non-performing loans where certain conditions are met in accordance with IFRS 9. The Prudential Guidelines of the Eastern Caribbean Central Bank, however, do not allow for the accrual of such interest. The interest is therefore set aside in a reserve and is not available for distribution to the shareholders.

(ii) Statutory reserve

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

b) Revaluation reserve

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

	Notes	2022 \$	2021 \$
Balance, beginning of year		1,918,447	1,864,718
Unrealised (losses) gains on FVOCI equity investment securities	10	(477,140)	71,639
Deferred income tax on remeasurement of FVOCI equity investment securities	30	119,285	(17,910)
Balance, end of year		1,560,592	1,918,447

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2022

(expressed in Eastern Caribbean dollars)

20 Commitments

a) Credit commitments and others

	2022 \$	2021 \$
Undrawn Commitments – Credits cards	97,060,151	104,521,297
Undrawn Commitments – Loans and overdrafts	70,601,216	45,557,995
Financial guarantees	4,050,000	4,050,000
	<u>171,711,367</u>	<u>154,129,292</u>

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

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2022

(expressed in Eastern Caribbean dollars)

21 Related parties' balances and transactions

	Interest rate	2022 \$	2021 \$
Loans to Government of Antigua and Barbuda	7.5 – 8.5%	296,684,991	263,026,955
Loans to key management personnel	4.0 – 8.5%	2,138,720	2,247,774
Loans to directors	5.75 – 7.0%	891,398	883,425
		299,715,109	266,158,154

Certain loans to shareholders are partially secured by assets including property. The loans to directors and key management personnel are secured by assets including cash and property. Interest income earned on shareholders', directors', and key members of management's loans and advances during the year amounted to \$23,736,220 (2021: \$20,896,554). The average interest rate on these loans is 7.58% (2021: 8.25%).

Deposits from related parties

	Interest rate	2022 \$	2021 \$
Deposits from shareholders	0 – 2.15%	44,875,943	42,733,400
Deposits from staff retirement savings fund	5%	6,846,554	5,369,211
Deposits from key management personnel	0 – 2.5%	1,659,614	1,769,994
Deposits from directors	0 – 2.0%	484,265	620,063
		53,866,376	50,492,668

Interest expense paid on shareholders', directors', key members of management and the staff retirement savings fund deposits during the year amounted to \$719,414 (2021: \$641,550). The average interest rate on these deposits is 1.50% (2021: 0.86%).

Remuneration of key management personnel

	2022 \$	2021 \$
Salaries and allowances	2,339,478	2,420,008
Directors' fees	253,307	236,500
Social Security and Medical Benefits costs	103,431	100,429
Other staff costs	18,181	19,884
	2,714,397	2,776,821

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2022

(expressed in Eastern Caribbean dollars)

22 Business combination

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

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

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

Fair value of consideration transferred at September 1, 2021

	September 1, 2021 \$
Amount settled in cash	32,400,000
Closing net asset value adjustment	(751,605)
Total consideration transferred	31,648,395

Recognised amounts of identifiable assets acquired and liabilities assumed at September 1, 2021

Loans and advances to customers	532,162,118
Due from other banks and financial institutions	215,343,533
Cash and balances due from Central Bank	153,199,661
Intangible assets	39,600,000
Property, plant and equipment	11,873,261
Lease asset	2,199,156
Other assets	5,967
Total assets	954,383,696
Customer deposits	905,923,446
Due to other banks and financial institutions	11,069,678
Other liabilities	3,455,910
Lease liability	2,234,731
Total liabilities	922,683,765
Total identifiable net assets	31,699,931
Bargain purchase on acquisition	51,536

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2022

(expressed in Eastern Caribbean dollars)

22 Business combination ...continued

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

23 Cash and cash equivalents

Cash and cash equivalents are comprised of the following:

	Notes	2022 \$	2021 \$
Due from banks and other financial institutions	9	466,654,202	360,670,500
Cash and non-mandatory balances with the Central Bank	8	197,803,702	149,088,295
Treasury bills	10	19,949,412	17,918,084
Term deposits with original maturities of ninety days or less	10	14,367,556	23,072,001
		698,744,872	550,748,880

24 Interest income and interest expense

	2022 \$	2021 \$
Interest income		
Loans and advances	84,395,748	48,821,979
Investment securities	4,358,347	3,556,859
Short term deposits	2,139	25,350
Total interest income	88,756,234	52,404,188
Interest expense		
Savings accounts	(16,676,072)	(7,447,005)
Fixed deposits	(5,478,479)	(4,791,449)
Leases	(76,803)	(31,734)
Total interest expense	(22,231,354)	(12,270,188)
Net interest income	66,524,880	40,134,000

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2022

(expressed in Eastern Caribbean dollars)

25 Net fee income

	2022 \$	2021 \$
Fee income		
Credit card fees	28,201,838	8,944,718
Foreign exchange gain/losses	12,163,047	6,577,495
Service charge – deposits	5,243,086	3,191,521
Other fees and commission	3,546,637	2,909,243
Credit related fees	709,934	813,238
Total fee income	49,864,542	22,436,215
Fee expense		
Credit card expenses	(20,915,423)	(7,863,603)
Other fees-expenses	(2,176,130)	(276,840)
Bank charges	(1,804,157)	(1,190,036)
Total fee expense	(24,895,710)	(9,330,479)
Net fee income	24,968,832	13,105,736

26 Other income, net

	2022 \$	2021 \$
Recovery of loan amounts written off	3,047,223	236,138
Dividends received	538,477	447,377
Miscellaneous income	516,513	730,594
Recovery of credit card items written-off	13,778	11,765
Realised gain on sale of FVTPL investments	–	2,552,040
Unrealised (loss)/gain on FVTPL investments	(14,988,425)	8,840,730
Total other (loss)/ income, net	(10,872,434)	12,818,644

27 Personnel expenses

	2022 \$	2021 \$
Salaries and allowances	18,926,245	13,087,161
Other personnel expenses	6,294,258	2,492,759
Statutory contributions	1,574,606	1,170,348
Insurance contributions	674,768	286,499
Total personnel expenses	27,469,877	17,036,767

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2022

(expressed in Eastern Caribbean dollars)

28 General and administrative expenses

	2022 \$	2021 \$
Professional fees	15,221,821	4,286,970
Telecommunications and postage	3,315,581	3,004,789
Information technology	3,001,642	2,682,959
Printing, stationery and office supplies	2,347,925	1,352,225
Utilities	1,896,313	1,074,164
Repairs and maintenance	1,213,958	782,801
Insurance	1,092,812	540,164
Marketing and public relations	495,684	528,796
Rent	412,007	122,230
Licenses and taxes	330,196	176,436
Directors' fees	253,307	236,500
Other administration costs	90,932	40,156
Travel, conferences and meetings	43,398	30,351
Total general and administrative expenses	29,715,576	14,858,541

29 Impairment charges

	Notes	2022 \$	2021 \$
Loans and advances to customers	11	6,497,768	9,869,676
Investment securities	10	—	—
Total impairment charges		6,497,768	9,869,676

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2022

(expressed in Eastern Caribbean dollars)

30 Income tax

The legislatively enacted corporate tax rate for the year is 25% (2021: 25%).

	2022 \$	2021 \$
Tax charge		
Profit for the year before tax	9,271,669	21,098,893
Tax charge at the applicable tax rate of 25%	2,317,917	5,274,723
Windfall tax at the applicable tax rate of 10%	130,819	1,260,651
Effect of permanent differences	270,776	(567,122)
Tax charge for the year	2,719,512	5,968,252
Represented as follows:		
Current income tax expense	7,963,485	8,492,379
Deferred income tax credit	(5,374,792)	(3,784,778)
Windfall tax	130,819	1,260,651
	2,719,512	5,968,252
Income tax payable		
Balance recorded beginning of year	9,753,030	6,525,505
Taxes paid during the year	—	(6,525,505)
Current income tax expense for the year	7,963,485	8,492,379
Windfall tax	130,819	1,260,651
Balance, end of year	17,847,334	9,753,030

Deferred tax (liability)/asset

At the year end, the Bank had a net deferred tax liability of \$3,621,028 (2021: \$9,115,105) at the future tax rate of 25%. The Bank previously held an exemption from the payment of income taxes for a period of 15 years from November 25, 2011, however, this exemption was withdrawn effective December 31, 2015. The net deferred tax liability was recorded in 2016. The deferred tax liability is comprised as follows:

	2022 \$	2021 \$
Deferred commissions on loans	151,494	171,307
Regulatory reserve for interest on non-performing loans	(770,877)	(516,270)
Depreciation on property, plant and equipment	416,642	138,979
IFRS 9 loan loss provisioning in excess of ECCB provision	10,246,873	8,622,431
Unrealised gain on investment securities	(13,665,160)	(17,531,552)
Total deferred tax liability	(3,621,028)	(9,115,105)

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

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(expressed in Eastern Caribbean dollars)

30 Income tax ... continued

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

	Note	2022 \$	2021 \$
Balance, beginning of year		(9,115,105)	(12,881,973)
Current year credit		5,374,792	3,784,778
Unrealised loss/(gains) on investment securities in other comprehensive income		119,285	(17,910)
Balance, end of year		(3,621,028)	(9,115,105)

31 Employee benefits

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

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

An employee is not entitled to the Bank's contribution if terminated for just cause. An employee whose employment ceases due to medical reasons of a terminable nature is entitled to 100% of contributions made on their behalf by the Bank. The fund is administered by a committee of Trustees comprising the General Manager, the Manager of Human Resources and three employees who are staff nominated, voted and determined by the employees. The retirement savings plan expense for the year was \$362,958 (2021: \$362,103).

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

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32 Leases

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

a) Amounts recognised in the statement of financial position

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

	2022 \$	2021 \$
Right-of-use asset		
Building	7,038,134	5,160,487
Accumulated Depreciation	(3,792,246)	(2,542,949)
Net book amount	3,245,888	2,617,538
	2022 \$	2021 \$
Lease Liabilities		
Current	1,206,080	1,034,803
Non-Current	2,133,868	1,713,303
	3,339,948	2,748,106

b) Amounts recognised in the statement of comprehensive income

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

	2022 \$	2021 \$
Depreciation charge of right-of-use asset		
Building	1,249,298	1,315,293
Interest expense (included in finance cost)	76,803	31,734
Expenses relating to short-term leases (included in administrative expenses and distribution costs)	69,430	82,430

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

Eastern Caribbean Amalgamated Bank Limited

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33 Contingencies

Contingent liability

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

34 Dividends

In 2021, the financial statements reflected a dividend payment of \$2,335,427. This comprises \$2.75 per common share amounting to \$660,000 and 3.5% of the par value of the preferred shares amounting to \$1,675,427. Approval of these payments was given at the Tenth Annual General Meeting held on July 02, 2021. There were no dividend payments during the 2022 financial year.

35 Comparatives

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

