



Our future, Our bank



Championing Change Embracing the Future



Annual Report 2019



“Change will not come if we wait for some other person, or if we wait for some other time. We are the ones we've been waiting for. We are the change that we seek.”

- *Barack Obama*

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 OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the Ninth Annual General Meeting of the Eastern Caribbean Amalgamated Bank Limited will be held virtually on Thursday, the 2nd day of July, 2020 commencing at 11:00am.

AGENDA

1. Call to Order
2. Prayers
3. Adoption of Agenda
4. Chairman's Remarks
5. Consider and confirm the Minutes of Eight Annual General Meeting held on April 15, 2019
6. Consider the matters arising from Minutes of Eight Annual General Meeting held on April 15, 2019
7. Presentation of Chairman's Report
8. Presentation of Directors' Report
9. Consider Auditors' Report and Financial Statements for the year ended September 30, 2019
10. Declare a dividend for the financial year ended September 30, 2019
11. Appointment of External Auditors for the year ending September 30, 2020 and authorize the Board to fix their remuneration
12. Approval for execution of Addendum to Shareholders' Agreement
13. Election of Directors and confirmation of remuneration
14. Transact any other business that may properly be brought before an Annual General Meeting of Shareholders

Dated the 11th day of June, 2020

BY ORDER OF THE BOARD OF DIRECTORS



TRACY BENN-ROBERTS
Corporate Secretary

Chairman's Report

CONTINUITY DEEPENS OUR ROOTS, NURTURING BUILDS OUR STRENGTH, CHANGE SHAPES THE GROWTH OF OUR BRANCHES

ECAB, Our Bank, is on the eve of its tenth year of operations since its establishment – an establishment in strength in the midst of a crucible of financial disruption at that time. We have risen above many challenges and have emerged firm and stable as Your Financial Partner for Life. Our roots are sunken deep in the landscape of Antigua & Barbuda and the Eastern Caribbean Currency Union (ECCU) as evidenced by the unwavering support of our shareholders, loyalty of our cherished customers and dedication of our prized employees. Here and now, the banking landscape is facing unprecedented change, chief of which is the alacritous move by extra-regional branch banks to exit our market. Over the years, we have built up ECAB's reputation, our technological competencies, our financial strength and our human resource capacity – always with the view to be equipped to capitalize on opportunities for growth through mergers and acquisitions as well as sound organic cultivation and nurturing of Our Bank's business and assets.

Our objective is to be at the forefront of the changes that are a key part of the evolution of banking in Antigua and Barbuda, the ECCU and further afield. While we continue to enhance our online and mobile banking products and services, ECAB will be bringing other customer-driven initiatives to the market that will add value to our partnerships, now and into the future. While we continue to move our operations and services towards a paperless and contactless experience, we will save our partners time and therefore add value to our relationships. We are equipping and steering ECAB on a course to be positive agents of change in this time of technological and eco-friendly advancements that characterize banking, and life in general, today and in the future.

Our social responsibility as a good corporate citizen is one that we take very seriously and very much to heart. Given our strong penchant for managing change and keen eye on the future, it is natural that a key part of our focus continue to be youth development and cultural



Craig Walter
Chairman

expression. In this regard, we continue to sponsor the Junior Soca Monarch Competition and the Spelling Bee contest. Beyond this, we will be looking to partner with the newly established Five Islands Campus of the University of the West Indies in ways to make university education more widely accessible to our youths – Our Future.

ECONOMIC REVIEW

The International Monetary Fund (IMF) in its January 2020 issue of World Economic Outlook revised its global economic growth for 2019 to 2.9 percent, a level that is significantly lower than the 3.7 growth rate realized in 2018. Similarly, growth for 2020 was revised downwards to 3.3 percent. The downgrade was partly due to resurgent trade tensions between the United States and China. The significant tariff increases between the two nations appear to have dampened business sentiment and confidence globally.

The United States economy sustained momentum in the first half of the year. Although investment remained sluggish, employment and consumption were buoyant. Growth in 2019 is expected to settle at 2.4 percent, moderating to 2.1 percent in 2020. The projected moderation reflects in part the fading effects of the 2017 Tax Cuts and Jobs Act.

IMF preliminary estimates for the United Kingdom put GDP growth at 1.2 percent in 2019 and project that its economy will grow at 1.4 percent in 2020. The projection for both years reflects the combination of a negative impact from weaker global growth and continued “Brexit” uncertainty and a positive impact from higher public spending.

For China, one of Antigua and Barbuda’s most important developmental partners through grant funding and concessionary loans, the macroeconomic effects of escalating tariffs and weakening external demand appear to have taken a toll on the economy. With policy stimulus expected to continue supporting activity in the face of the adverse external shock, growth is forecast at 6.1 percent in 2019 and 5.8 percent in 2020.

Figures extracted from ECCB’s Economic Statistics publication - Growth Rate in Domestic Product (GDP) in Constant Prices, indicate that Antigua and Barbuda’s economy grew by 4.7 percent in 2019, down from 7.4 percent in 2018 but comparing favourably to the 3.9 and 3.3 percent respectively for the ECCU for comparative periods. Growth was influenced largely by improved performance in the tourism industry, along with the re-commencement of infrastructural work in the construction sector.

Public sector initiatives which contributed to this growth included the port re-development project, reconstruction efforts in Barbuda, government housing projects, and major road rehabilitation works. In the private sector, construction activity included hotel, business and residential construction.

The level of activity in the tourism industry, one of the main drivers of the economy, improved in 2019 where stay-over visitors increased by 14.9 percent to 309,000. This achievement was buoyed by a few notable events, including the country’s hosting of international cricket, regional conferences and meetings, as well as the opening of Royalton Antigua and Hodges Bay Resort and Spa.

The economic outlook for 2020 for Antigua and Barbuda is positive and is expected to be influenced by a number of public and private sector partnership initiatives including the development of a beach park in conjunction with a major cruise line, and continued

work on an additional pier in St. John’s Harbour to accommodate the world’s largest cruise ships. This is expected to bolster the cruise industry after a sober 2019. The opening of the University of the West Indies’ Five Islands Campus should also provide some impetus for growth, with plans afoot for the construction of dormitories and other infrastructure. Continued work on the existing road rehabilitation projects and commencement of additional earmarked projects are also expected to spur economic growth.



OUR PERFORMANCE

ECAB’s operating results for 2019 present a reversal from the dip in growth rate in after-tax profits experienced in 2018. For the year ending 30 September 2019, profits grew significantly by 27.4 percent to \$19.1 million, as compared to the 4.4 percent growth rate achieved in 2018. This achievement is approximately \$3.0 million in excess of the budget for the year.

The value of total assets declined marginally by 1.2 percent to \$969 million. This decline in assets was concentrated in balances held in our operating accounts at the ECCB and correspondent banks which fell by 39.6 percent. In contrast, the other major classes of assets - loans and advances, which represent 56.4 percent of our total assets, and investment securities, which represent 26.9 percent of total assets grew by 3.1 and 29.2 percent respectively. Thus, despite the fall in total assets, Our Bank was still able to grow our return on assets which increased from 1.7 to 1.9 percent in 2019, primarily as a result of gains from our investment portfolio. The Bank’s liquidity remained strong with a Loans-to-Deposits ratio of 71.1 percent, up marginally from 67.6 percent in the previous year level but still below the ECCB’s prudential range of 75 – 85 percent.

As we seek to keep pace with innovation and changes in the industry, the Bank has embarked on a project to automate and streamline our loan underwriting process from application to approval to disbursement. This, we believe, will enhance our competitiveness and accelerate the pace of growth in the loan portfolio.

ACKNOWLEDGEMENTS

As we look toward a milestone, we also reflect on our journey so far. Indeed, we have cleared the hurdles and risen above the challenges, we have grown and gained strength, we have set our strategy and seized the opportunities. Every step of the journey has been a partnership, hand-in-hand with our key stakeholders – our customers, our shareholders and our employees. We have not only survived; we have prospered together. Our Vision, “To be Your Bank of Choice and Financial Partner for Life”, is coming into sharper focus and being realized more and more with each passing year.

At this juncture, the Board of Directors continues its pledge to shape the future for growth through wealth and value for our customers, shareholders and employees.

On behalf of the Board of Directors, I express profound appreciation to all the stakeholders of Eastern Caribbean Amalgamated Bank Limited for the continued support and loyalty, in particular the Management and Staff, for their unswerving dedication and service to Our Bank over the past year.



Craig J. Walter
Chairman
Board of Directors

JUNE 2020

TO OUR SHAREHOLDERS

Without a doubt, 2020 will be remembered as a difficult time for our nations, societies and our economies. The COVID-19 pandemic is not only claiming human lives - it is changing our lives. Our countries, leaders and peoples are being challenged in extraordinary ways which, on the whole, have mostly been unseen in our lifetimes. However, these challenges only reinforce our resolve to continue working towards making Our Bank and Antigua and Barbuda more resilient.

The Board of Directors give special recognition to our Management and Staff who remain firm and have done remarkably well in ensuring that ECAB was prepared and ready to cope with the circumstances brought on by the pandemic. Their efforts make all the difference – from our frontline customer-facing Team Members to the Teams working behind the scenes. Their commitment and discipline ensured business continuity and uninterrupted operations of our critical systems, processes and services.

Our Bank’s performance, asset base and capital adequacy remain strong during these unprecedented and challenging times. Diligent oversight and guidance over the years have ensured that robust and responsible growth have come with stability and strength. Before the reality of COVID-19, our results were on pace to meet our objectives and targets for the ensuing year. Since then, we have had to review and revise our budget and expectations based on our best judgement of the current time and circumstances and outlook on the short to medium-term. While it is too early and uncertain to predict how future results may be impacted, we are confident that ECAB has the established strength, the stability, and the right Team to safeguard Our Future, Our Bank.

Our Bank has responded with flexibility, courage, commitment and a caring heart and will continue to work together with all our partners and stakeholders to Stay Safe.



Craig J. Walter
Chairman
Board of Directors

Board of Directors



Craig Walter
Chairman

Antigua Commercial Bank
Limited



C. Davidson Charles
Deputy Chairman

Antigua Commercial Bank
Limited



Estherlita Cumberbatch

East Caribbean Financial
Holding Company Limited



Genevieve Astaphan

National Bank of
Dominica Limited



Rasona Davis-Crump

Government of Antigua
and Barbuda



Howard McEachrane

St. Kitts Nevis Anguilla
National Bank Limited



Bernard Hamilton

Bank of St. Vincent and
the Grenadines Limited

Directors' Report

INTRODUCTION

The Board of Directors of Eastern Caribbean Amalgamated Bank Limited (ECAB) looks to the future with a great deal of optimism. While the road ahead is full of uncertainties, we remain positive in our outlook and steadfast in our commitment to maximizing value for all stakeholders. During the 2019 financial year, this commitment saw members of the Board continuing to develop competence through certifications which directly enhance the effective oversight function and direction to the Management Team. The Board's consistent track record of sound decision-making, adherence to the principles of Corporate Governance and a strong risk management culture continue to strengthen stakeholder trust and confidence in ECAB year after year.

The Board composition, functioning and structure including all matters related thereto are governed by the Shareholders' Agreement, the Board and Committee Charters, By-Laws, Companies Act 1995 (and its amendments), Banking Act 2015 (and its amendments) and/or any other applicable regulatory provisions in effect.



Tracy Benn-Roberts
General Counsel/Corporate Secretary

BOARD COMPOSITION

Clause 4.2 of the By-Laws of ECAB provides for a minimum of seven (7) directors and a maximum of eleven (11) directors. At present, the Board consists of seven (7) non-executive directors representing the six (6) shareholders of ECAB as shown in the table below.

NAME OF DIRECTORS	SHAREHOLDERS	NUMBER OF ORDINARY 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 and C. Davidson Charles	Antigua Commercial Bank Ltd.	37,200
Genevieve Astaphan	National Bank of Dominica Ltd.	37,200
Bernard Hamilton	Bank of St. Vincent and the Grenadines Ltd.	19,200

Notes: (1) The Government of Antigua and Barbuda also owns 100,000 preference shares; (2) No Director personally owns shares in ECAB.

FUNCTIONS OF THE BOARD OF DIRECTORS

Providing oversight and strategic direction to the Management Team is the predominant role of the Board of Directors. It is therefore crucial for the Board of Directors to consistently function in a manner that ensures that its decisions are well-informed, sound and always in the best interest of ECAB. As part of its functions, the Board of Directors must regularly make and review policies which guide the Bank's day-to-day operations.

The Board of Directors meets once per month or as deemed necessary. Board meetings are supplemented by ongoing dialogue with the General Manager and other members of Management as needed. Through the continuous commitment and dedication of both the Board of Directors and Management Team, ECAB is strategically equipped and positioned for future sustainable growth.

The protection of ECAB's assets and the interests of all stakeholders are of prime importance to the Board of Directors. The Board, therefore, keenly reviews ECAB's performance on an ongoing basis, encourages timely and accurate reporting, urges proper disclosure of financial information by Management, promotes an attitude of accountability and transparency at all tiers and sets the tone for high standards of ethical behaviour and risk management. The Board directs the strategic direction of ECAB through the regular review and approval of budgets, strategies and operating plans and by its insistence on the strict adherence to the By-Laws and all relevant legislations and regulations in effect.

BOARD OF DIRECTORS' TRAINING

The Board of Directors leads by example and, as such, it is regularly sensitized to current information as it relates to Banking, Finance, Corporate Governance and other relevant aspects of the Bank's core areas. It also participates annually in training on Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT). Attendance at valuable training sessions, seminars and conferences is highly encouraged as a means of sustaining professional growth and fostering enhanced understanding of the roles and responsibilities of good directorship.

BOARD OF DIRECTORS' CONFLICT OF INTEREST POLICY

The Board of Directors is governed by a Conflict of Interest Policy which sets out the framework for the avoidance of 'potential, actual or perceived conflicts of interest' by Directors. In keeping with this, it is established practice for upfront declaration of any conflicts of interest on matters to be considered by the Board. Such conflicts include those of a personal or outside nature or arising from a financial, professional or other relationship and which may exist in connection to or stem from the matter under consideration. The affected Director is recused from any and all deliberations or input on the subject matter.

BOARD SUB-COMMITTEES

The Board's functioning is supported by four (4) sub-committees. These are:

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

The Committees meet as and when required to consider reports and matters falling within the terms of reference embodied in the respective Charters. The Committees are vital to the proper functioning of the Board and they provide the necessary oversight required on an ongoing basis. The Committees report to the Board on a monthly basis or as otherwise deemed appropriate.

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

NAMES OF BOARD SUB-COMMITTEES	NAMES OF SUB-COMMITTEE MEMBERS
Corporate Governance Committee	Directors Craig Walter (Chairman), C. Davidson Charles, Estherlita Cumberbatch and Howard McEachrane
Credit Committee	Directors C. Davidson Charles (Chairman), Craig Walter, Bernard Hamilton, Estherlita Cumberbatch, Genevieve Astaphan, Rasona Davis-Crump and Howard McEachrane
Audit & Risk Committee	Directors Rasona Davis-Crump (Chairman), Genevieve Astaphan, Howard McEachrane and Estherlita Cumberbatch
Human Resource Committee	Directors C. Davidson Charles (Chairman), Rasona Davis-Crump, Howard McEachrane and Bernard Hamilton

THE CHAIRMAN OF THE BOARD

The responsibility of ensuring that the Board of Directors functions effectively rests with the Chairman. Additionally, the Chairman has the responsibility of safeguarding the Board's independence and ensuring that the Board is equipped with all of the relevant information necessary to make the best decisions for the greatest good of all stakeholders.

To enhance this ability to offer proper leadership and the most effective management skills, the Chairman participated in and successfully completed a Chairman's workshop and certification during the period under review. The Chairman continues to promote healthy mutually beneficial working relationships among all Board Members and the level of conduct befitting the position of Directors. The primary aim is to ensure that the Board of Directors consistently functions at its best and in the interest of all stakeholders.

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"; and that: "If the Chairman is absent or is unable or refuses to act, the Deputy Chairman shall, when present, preside at all meetings of the directors and any committee of the directors or the shareholders".

During the financial year ended September 2019, Director Craig Walter held the office of Chairman and Director C. Davidson Charles held the position of Deputy Chairman.

BOARD MEETINGS AND ATTENDANCE

During the financial year ended September 30, 2019, there were fourteen (14) Board of Directors meetings. The following table records the attendance of the Directors:

DIRECTORS (IN ORDER OF TENURE)	ATTENDANCE		PERCENTAGE
	Required	Actual	
Craig Walter	14	13	93%
Rasona Davis-Crump	14	14	100%
Howard McEachrane	14	14	100%
C. Davidson Charles	14	14	100%
Estherlita Cumberbatch	14	14	100%
Bernard Hamilton	14	14	100%
Genevieve Astaphan	14	11	79%

DIRECTORS' TENURE

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

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

Pursuant to the above-mentioned clause, all Directors are eligible for re-election for the financial year ending September 30, 2020 namely: – Craig Walter, C. Davidson Charles, Rasona Davis-Crump, Howard McEachrane, Estherlita Cumberbatch, Bernard Hamilton and Genevieve Astaphan.

DIRECTORS' REMUNERATION

Directors' remuneration is generally determined by the internal circumstances and industry standards. The Board of Directors generally considers and recommends annually for approval by the Shareholders, the level of remuneration for the Board of Directors during the financial year. Directors are also entitled to have any travel accommodation and other expenses reasonably incurred in the performance of ECAB's duties and responsibilities covered by the Bank.

VOTING BY SHAREHOLDERS

Voting by Shareholders is governed by Clause 12.6 of the By-Laws of ECAB which provides that shareholders shall vote at the election “...in the first instance by a show of hands unless a person entitled to vote at the meeting has demanded a ballot...”

Clause 12.6.1 of the By-Laws of ECAB also provides that 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.

DIVIDEND

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

For the financial year ended September 30, 2019, the Board of Directors recommends the payment of dividend of 3.5% of par value to the preferred shareholder on record as at September 30, 2019 and dividends of \$5.50 for each unit of common share to the shareholders on record as at September 30, 2019.

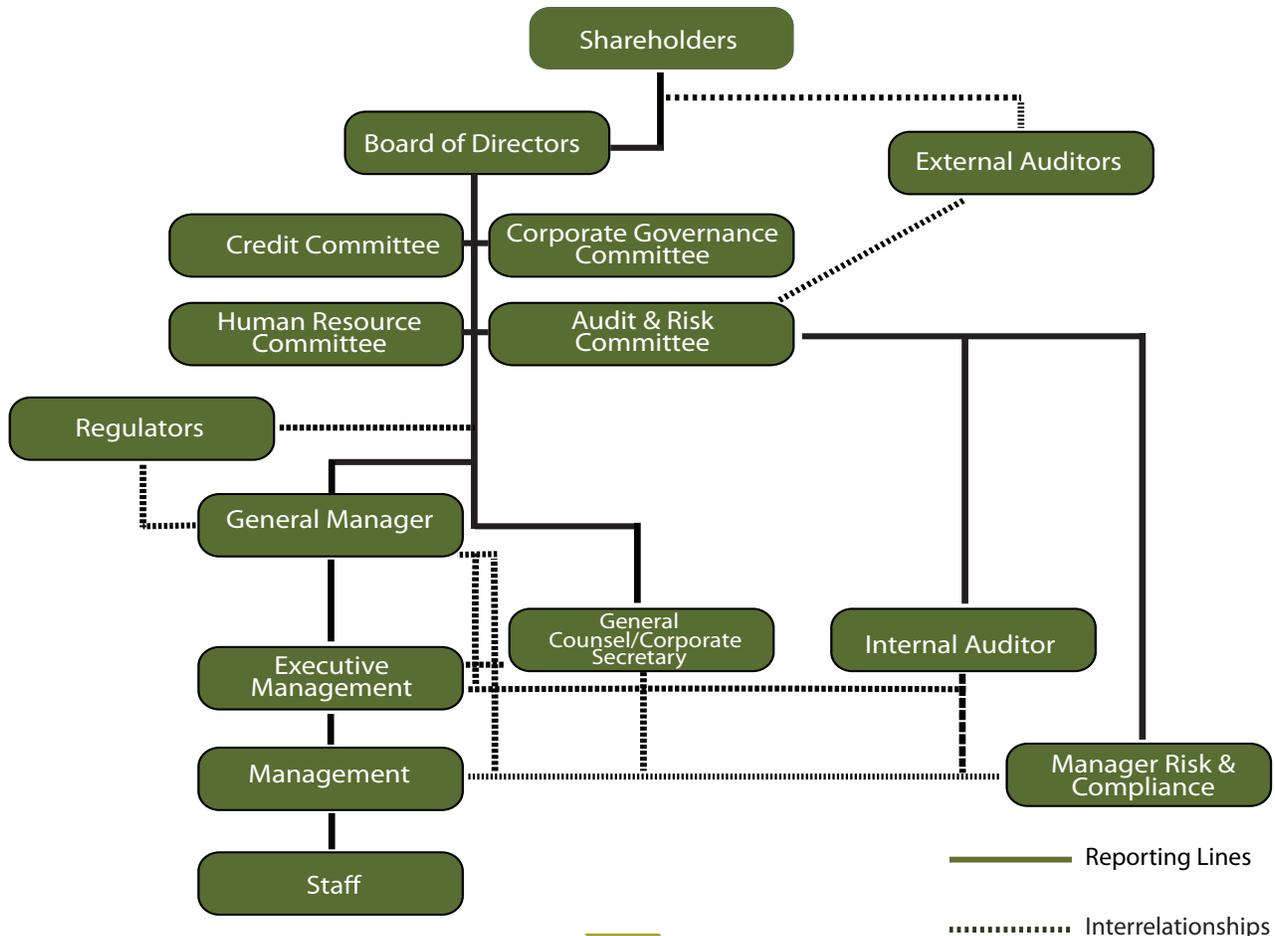
EXTERNAL AUDITORS

The External Auditors, Grant Thornton, retired at the financial year ended September 30, 2019. The Auditors are eligible for re-appointment and have offered themselves for re-appointment for the year ending September 30, 2020. The Board of Directors recommends their re-appointment.

BY ORDER OF THE BOARD OF DIRECTORS

Tracy Benn-Roberts
 Tracy Benn-Roberts
 Corporate Secretary

ECAB GOVERNANCE STRUCTURE



Executive Management



Michael Spencer
General Manager



Donna Cort
Chief Financial Officer



Tracy Benn-Roberts
General Counsel/
Corporate Secretary



Sonya Roberts-Carter
Senior Manager
Operations



Alicia Bazil-Ashton
Senior Manager
Human Resources



Sophie Thomas-Durand
Chief Information Systems
Officer



Adrian McLean
Senior Manager
Retail and Commercial Lending



Peter Quinn
Internal Auditor

Management's Discussion and Analysis



BUSINESS OVERVIEW

As one of the leading financial institutions in Antigua and Barbuda, we, at the Eastern Caribbean Amalgamated Bank Limited (ECAB) proudly serve our broad-based clientele from four (4) convenient branch locations, twelve (12) strategically located ATMs, the only three (3) lane drive-thru on island and our user friendly digital platforms, namely mobile and online banking. Our vast array of service delivery solutions continues to evolve in response to the changing digital landscape locally and abroad. During the last fiscal, we invested heavily in enhancing our online service features thereby affording customers more convenient banking while at the same time reducing operating costs and managing overall risks. We are pleased to present our 2019 Annual Report, under the theme “Championing Change, Embracing the Future” which is emblematic of our ongoing efforts to modernize customers’ banking experience and hone our competitive edge in 2019 and beyond.

ECONOMIC AND BUSINESS ENVIRONMENT

Economic development in Antigua and Barbuda expanded at a slower pace in 2019 compared to 2018. The moderation in growth was attributed to delays in construction projects and an easing of tourism-related activity. Preliminary estimates from the ECCB indicated that GDP expanded by 4.66 percent in 2019 compared to 7.39 percent in 2018. Visitor arrivals increased by 13 percent in 2019 with stay-over arrivals increasing by 15 percent. Performance in the banking sector reflected marginal tightening in the liquidity position with a reduction in the ratio of liquid assets to total assets to 52.3 percent at September 2019 from 57.9 percent at September 2018. Domestic credit increased by 8.9 percent to \$2,739.6 million from \$2,494.6 million, while there was a slight reduction in deposits to \$3,892.5 million from \$3,961.4 million resulting in an increase in the loans and advances to deposits ratio to 70 percent at September 2019 compared to 63 percent for the same period of the previous year; still below



Michael Spencer
General Manager

the ECCB prudential benchmark of 75 percent. The non-performing loans ratio improved to 5.31 percent at September 2019 from 7.0 percent at September 2018; still slightly above the ECCB benchmark of 5 percent. Regulatory capital to risk-weighted assets (CAR) improved from 35.9 percent at September 2018 to 36.5 percent at September 2019.

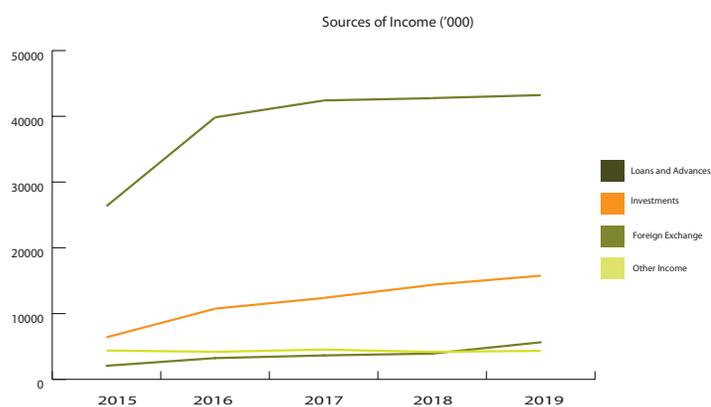
PERFORMANCE HIGHLIGHTS

The Bank recorded another successful year with reported profit after tax of \$19.1 million for year ended September 30, 2019; an increase of 27.4 percent over the 2018 result of \$15.0 million. Our performance in 2019 was mainly influenced by gains from investment securities and an increase in income from fees, commissions and foreign exchange earnings.

Highlights of Financial Operations
(In Thousands of Dollars)

For the year	2019	2018	2017	2016	2015
Interest Income	47,575	46,930	46,937	44,011	30,730
Interest Expense	10,949	10,512	10,499	12,839	10,578
Loan Impairment Charges	5,047	2,000	1,534	1,020	413
Net Fee Income	13,706	11,408	9,478	7,383	5,400
Operating Expenses	29,003	26,842	26,188	23,241	18,385
Net Income	19,078	14,970	14,338	12,071	6,839
Yield on Interest Earning Assets	6.1%	6.7%	7.2%	7.6%	7.2%
Cost of Funds	1.4%	1.4%	1.6%	2.0%	2.5%
Spread	4.7%	5.3%	5.6%	5.6%	4.7%
Efficiency Ratio	52.3%	58.3%	58.8%	61.4%	72.1%

At year end	2019	2018	2017	2016	2015
Loans & Advances	546,412	529,823	512,330	497,084	318,198
Investments	260,258	201,452	178,314	143,734	120,701
Total Assets	969,023	980,725	836,066	805,778	507,221
Total Deposits	768,301	784,212	667,814	667,735	405,809
Total Shareholders' Equity	170,113	168,246	140,710	106,097	93,489
Return on Assets	1.9%	1.7%	1.7%	1.7%	1.3%
Return on Equity	11.7%	9.7%	11.6%	12.1%	7.6%
Capital Adequacy Ratio	46%	49%	52%	47%	56%



INTEREST INCOME

Interest income increased by \$0.6 million or 1.4 percent. Yield from interest earning assets decreased to 6.1 percent for 2019 from 6.7 percent for 2018 as the Bank continued to contend with lending rates offered

by its competitors and by global rate cuts on term deposit investments.

INTEREST EXPENSE

Interest expense increased by \$0.4 million or 4.2 percent. Funding costs were closely monitored resulting in a cost of funds ratio of 1.4 percent for 2019 and 2018.

IFRS 9/LOAN IMPAIRMENT CHARGE

The Bank implemented IFRS 9 during its 2019 fiscal. This resulted in an increase in the provision for expected credit losses at the beginning of the 2019 fiscal of \$17.2 million which was adjusted over the retained earnings account. The Bank also reviewed its non-performing loans and advances and a decision was made to write-off loans deemed as uncollectible totaling \$11.5 million.

Loans impairment charge for 2019 was \$5.0 million compared to \$2.0 million for the previous fiscal. The increase was mainly attributed to the implementation of IFRS 9. The Banks non-performing ratio was well within the ECCB's benchmark of 5.0 percent.

NET FEE INCOME

Net fee income increased by \$2.3 million or 20.1 percent to \$13.7 million in 2019 compared to 2018. This increase was mainly attributed to an increase in foreign exchange earnings coupled with increases in fees and commissions and service charges.

OPERATING EXPENSES

Operating expenses increased by \$2.2 million or 8.1 percent to \$29.0 million for 2019 compared to 2018 driven primarily by increases of \$1.5 million or 10.7 percent in personnel expenses and \$0.6 million or 5.5 percent in general and administrative expenses. Certain managerial positions which were filled towards the end of the previous fiscal, along with salary increases in accordance with the Union Agreement, contributed to an increase of \$1.0 million or 8.5 percent in salaries and allowances. An increase in telecommunication costs of \$0.4 million or 30.3 percent, as the Bank improved its IT infrastructure, contributed to the increase in general and administrative expenses.

INCOME TAX EXPENSE

On January 1, 2019, the Income Tax (Amendment) Act was introduced by the Government of Antigua and Barbuda for the period commencing January 1, 2019 and ending December 31, 2020. As a result of this amendment, the rate of tax on net income payable by all commercial banking institutions, insurance companies, petroleum companies and telecommunication companies is now ten percent per year. Accordingly, the Bank was required to pay an additional tax amount of \$1.8 million for 2019.

ASSETS

At September 30, 2019, total assets were \$969.0 million down from \$980.7 million at September 30, 2018. Excess cash levels were transferred to interest yielding investments, new loans and advances and in customer funding activities.

Investment securities increased by \$58.8 million or 29.2 percent mainly attributed to investments in interest-yielding time deposits and to revaluation gains.

Loans and advances increased by \$27.3 million or 5.1 percent primarily driven by increases in mortgage loans. There was a slight improvement in the loans to deposit ratio which moved from 67.6 percent the previous fiscal to 71.1 percent at September 30, 2019.

CUSTOMER DEPOSITS

Customer deposits fell by \$15.9 million or 2.0 percent in 2019 compared to growth of \$116.4 million in 2018 as special purpose deposits were withdrawn. Demand and time deposits reflected decreases of \$23.9 million or 10.4 percent and \$2.6 million or 1.0 percent respectively partially offset by growth of \$10.5 million or 3.7 percent in savings deposits.





OUTLOOK

Changing times dictate that ECAB must also evolve to remain competitive and viable. The Bank will continue to enhance its digital platforms to enable a wider suite of mobile and online capabilities as well as use technology to drive more efficient in-branch processes. The launch of a new suite of credit cards will take place during the upcoming year and customers will benefit from wider choices and greater rewards.

The Bank recently updated its medium-term strategic plan and will be pursuing several strategic priorities in the 2020 fiscal year. Some of the Bank’s strategic pursuits include initiatives to further reduce the amount of paper used for transaction processing, improved turnaround times for loans processing and a greater focus on client relationships.

Whilst there have been several successful partnerships with community associations, the Bank will continue to develop sustainable programs in the areas of youth, education, health and culture for the benefit of various

stakeholder groups as part of its Corporate Social Responsibility initiative.

There will also be a continued focus on employee development as the Bank recognizes the importance of having a professional, well-trained and engaged workforce.

In closing, we are extremely pleased with the Bank’s performance in 2019 and stand ready to champion change and embrace the bright future which lays ahead for the Eastern Caribbean Amalgamated Bank Limited.

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

Michael Spencer
General Manager

Management



Eleanor Mourillon
Manager
Banking Services



Debra Williams
Manager
Risk & Compliance



Hyasis Mullin
Manager
Finance & Accounting



V. Alicia Gardner
Manager
Lending



K. Michele Marshall
Manager
Marketing & Communications



Norris Antonio
Manager
Projects (Credit)



Carol Martin
Manager
Support Services



Jamil Edwards- Spencer
Manager
Projects

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Reliable

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via **Electronic Funds Transfer**
using the ECAB MoreBanking App



Think Outside the Bank.

 (268) 480 6187

 info@ecabank.com

Find us on 

Championing Change, Embracing the Future

“The best way to predict your future is to create it”. (US President Abraham Lincoln) As professionals in the financial services sector, we know all too well that one can never truly predict the future. Nevertheless, we are reminded that our future depends largely on what we do in the present.

At the Eastern Caribbean Amalgamated Bank Limited, we are actively charting our path to prominence as a leading financial institution in Antigua and Barbuda and further afield. The theme of this year’s Annual Report, “Championing Change, Embracing the Future”, is inspired by the enduring truth that the one most likely to survive is the one most adaptable to change. Especially cognizant of the dynamism of the marketplace, we have implemented a number of game-changing upgrades over the last year to secure our future and our Bank.



ECAB Brand Ambassadors 2019

ECAB is evolving. Our customer-focused business model continues to adapt to the changing landscape of financial services. Apart from the largest network of branches and ATMs on island, our Drive-Thru Banking and Night Deposit facilities, our recent upgrades to MOREBanking – our online and mobile application – serve to improve our customers’ banking experience. MOREBanking enables our customers to bank at their own convenience and save time while putting us ahead of our competitors.



Rotaract Spelling Bee 2019

During the last fiscal, we finalized our 2019-2022 Strategic Plan to deliver to our customers the best value for money, empower our employees and give back to our community. Mindful of the rising costs associated with banking, we have not lost sight of the fact that “Our Future, Our Bank” encompasses our growing customer base which is integral to our success. To this end, we express our gratitude by maintaining competitive fees and charges while providing quality service and convenience products that deliver to our customers the best value for money. Following our last review, ‘Employee Engagement’ was added to our list of cultural pillars on the basis that people are our most valued resource. In this regard, our recently launched Change Champion and Brand Ambassador initiatives were designed to empower employees by putting their feedback and suggestions at the heart of the change management process. Additionally, the Bank continues to create opportunities for staff to broaden their knowledge base through courses offered by the University of the West Indies Open Campus and training sessions on risk management, security awareness and anti-money laundering among others. By keeping our staff abreast of the latest developments in the marketplace, we are preparing ourselves for the promising future that awaits.

ECAB's mission to create value for its stakeholders is holistic. We embrace our responsibility to give back to society at large through various annual initiatives that build capacity, instill self-discipline, unlock creativity, preserve our national culture and showcase budding local talent. Such initiatives include the Junior Soca Monarch Competition for which we have been title sponsor for the past five (5) years, the Rotaract Spelling Bee, the Lions Club of Antigua Eye Screening, the GARD Center's Farm to Table and Entrepreneurial Workshops as well as various schools' graduation and awards ceremonies. As a responsible corporate citizen, we demonstrate our stalwart commitment to national development with each investment we make into our future.

Delivering value to our customers, empowering our employees and giving back to our community altogether fulfill our mission to create value for our stakeholders. Beyond being the theme of our 2019 Annual Report, "Championing Change, Embracing the Future" represents the way we have done business from the inception. Following this path, the Future of our Bank is secure.



Jr Soca 2019 winner - Island Prince



ECAB Change Champions 2019

ECAB Highlights 2019





Financial Statements
September 30, 2019
(Expressed in Eastern Caribbean Dollars)

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, 2019, 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, 2019, and its financial performance and its statement of cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

As part of an audit in accordance with ISAs, we exercise professional 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

December 30, 2019

St. John's, Antigua

Eastern Caribbean Amalgamated Bank Limited

Statement of Financial Position

As of September 30, 2019

(expressed in Eastern Caribbean dollars)

	Notes	2019 \$	2018 \$
Assets			
Cash and balances with the Central Bank	8	94,899,378	128,007,350
Due from banks and other financial institutions	9	42,410,766	99,361,144
Investment securities	10	260,258,193	201,451,518
Loans and advances to customers	11	546,412,367	529,822,732
Other assets	12	6,142,403	2,398,877
Property, plant and equipment	13	17,873,621	18,323,032
Intangible assets	14	1,026,300	1,360,369
Total assets		969,023,028	980,725,022
Liabilities			
Customers' deposits	15	768,300,589	784,212,268
Other liabilities and accrued expenses	16	13,553,036	10,210,715
Income taxes payable	29	4,639,463	4,276,348
Deferred tax liability	29	12,417,148	13,779,258
Total liabilities		798,910,236	812,478,589
Equity			
Preference shares	18	47,869,339	47,869,339
Common shares	17	24,000,000	24,000,000
Revaluation reserve	19	1,488,446	39,369,503
Other reserves	19	19,278,868	16,927,413
Retained earnings		77,476,139	40,080,178
Total equity		170,112,792	168,246,433
Total liabilities and equity		969,023,028	980,725,022

The notes on pages 31 to 122 are an integral part of these financial statements.

Approved by the Board of Directors on December 23, 2019



Director



Director

Eastern Caribbean Amalgamated Bank Limited

Statement of Comprehensive Income

For the year ended September 30, 2019

(expressed in Eastern Caribbean dollars)

	Notes	2019 \$	2018 \$
Operating income			
Interest income	23	47,575,417	46,930,160
Interest expense	23	(10,948,954)	(10,512,038)
Net interest income		36,626,463	36,418,122
Impairment charges	28	(5,047,048)	(2,000,004)
Net interest income after impairment charges		31,579,415	34,418,118
Fee and commission income	24	21,416,434	18,291,816
Fee and commission expense	24	(7,710,868)	(6,884,188)
Net fee income		13,705,566	11,407,628
Other income, net	25	10,241,549	176,543
Net interest, fee, commission and other income		55,526,530	46,002,289
Operating expenses			
Personnel expenses	26	15,628,881	14,124,118
General and administrative expenses	27	11,533,702	10,935,873
Depreciation of property, plant and equipment	13	1,338,270	1,312,129
Amortization of intangible assets	14	501,897	469,469
Total operating expenses		29,002,750	26,841,589
Profit for the year before tax		26,523,780	19,160,700
Income tax expense	29	(7,446,175)	(4,191,078)
Profit for the year after tax		19,077,605	14,969,622
Other comprehensive income			
Unrealised gains on investment securities, net of tax	19	371,420	15,562,361
Comprehensive income for the year		19,449,025	30,531,983

The notes on pages 31 to 122 are an integral part of these financial statements.

Eastern Caribbean Amalgamated Bank Limited

Statement of Cash Flows

For the year ended September 30, 2019

(expressed in Eastern Caribbean dollars)

	Notes	2019 \$	2018 \$
Cash flows from operating activities			
Operating profit for the year before tax		26,523,780	19,160,700
Adjustments for items not affecting cash:			
Interest income	23	(47,575,417)	(46,930,160)
Interest expense	23	10,948,954	10,512,038
Depreciation	13	1,338,270	1,312,129
Gain on disposal of property and equipment	25	–	(950)
Unrealised gain on FVTPL investments	25	(9,652,200)	–
Amortization of intangible assets	14	501,897	469,469
Provision for impairment charges	28	5,047,048	2,000,004
Other non-cash items		(47,404)	(41,817)
Cash flows used in operating activities		(12,915,072)	(13,518,587)
Net increase/(decrease) in operating assets			
Loans and advances to customers		(41,520,554)	(22,847,409)
Mandatory deposits with the Central Bank		(13,483,692)	(10,336,758)
Other assets		(3,743,531)	8,120,096
Restricted deposits		–	6,907,967
Net (decrease)/increase in operating liabilities			
Customers' deposits		(15,996,580)	116,472,325
Other liabilities and accrued expenses		3,342,321	(4,715,864)
Cash generated (used in)/from operations		(84,317,108)	80,081,770
Income tax paid		(4,276,348)	(3,938,424)
Interest received		48,810,911	50,386,382
Interest paid		(10,864,053)	(10,585,790)
Net cash (used in)/generated from operating activities		(50,646,598)	115,943,938
Cash flows from investing activities			
Purchase of plant and equipment	13	(888,859)	(1,500,969)
Proceeds from disposal of plant and equipment	13	–	11,400
Purchase of investment securities		(76,809,382)	(22,050,084)
Disposal of investment securities		32,695,490	19,656,661
Purchase of intangible assets	14	(167,828)	(383,055)
Net cash used in investing activities		(45,170,579)	(4,266,047)
Cash flows from financing activities			
Dividends paid to shareholders	32	(2,995,427)	(2,995,427)
Net cash used in financing activities		(2,995,427)	(2,995,427)

Eastern Caribbean Amalgamated Bank Limited

Statement of Cash Flows...*continued*

For the year ended September 30, 2019

(expressed in Eastern Caribbean dollars)

	Note	2019 \$	2018 \$
Net (decrease)/increase in cash and cash equivalents		(98,812,604)	108,682,464
Exchange losses on cash and cash equivalents		47,404	41,817
Cash and cash equivalents at beginning of year		<u>208,809,301</u>	<u>100,085,020</u>
Cash and cash equivalents at end of year	22	<u>110,044,101</u>	<u>208,809,301</u>

The notes on pages 31 to 122 are an integral part of these financial statements.

Eastern Caribbean Amalgamated Bank Limited

Statement of Changes in Equity For the year ended September 30, 2019

(expressed in Eastern Caribbean dollars)

	Note	Preference shares \$	Common shares \$	Revaluation reserve \$	Other reserves \$	Retained earnings \$	Total \$
Balance as of September 30, 2017		47,869,339	24,000,000	23,807,142	13,907,590	31,125,806	140,709,877
Profit for the year		–	–	–	–	14,969,622	14,969,622
Other comprehensive income for the year		–	–	15,562,361	–	–	15,562,361
Total comprehensive income for the year		–	–	15,562,361	–	14,969,622	30,531,983
Reserve for loan loss provision		–	–	–	(310,837)	310,837	–
Reserve for interest recognised on impaired loans		–	–	–	283,465	(283,465)	–
Statutory reserve transfer		–	–	–	3,047,195	(3,047,195)	–
Transactions with owners		–	–	–	–	–	–
Dividends paid	32	–	–	–	–	(2,995,427)	(2,995,427)
Balance as of September 30, 2018		47,869,339	24,000,000	39,369,503	16,927,413	40,080,178	168,246,433
Changes upon initial adoption of IFRS 9, net of tax	3, 19	–	–	(38,252,477)	–	25,129,306	(13,123,171)
Restated balance as of October 1, 2018		47,869,339	24,000,000	1,117,026	16,927,413	65,209,484	155,123,262
Profit for the year		–	–	–	–	19,077,605	19,077,605
Other comprehensive income for the year		–	–	371,420	–	–	371,420
Total comprehensive income for the year		–	–	371,420	–	19,077,605	19,449,025
Reserve for interest recognised on impaired loans		–	–	–	(1,464,068)	–	(1,464,068)
Statutory reserve transfer		–	–	–	3,815,523	(3,815,523)	–
Transactions with owners		–	–	–	–	–	–
Dividends paid	32	–	–	–	–	(2,995,427)	(2,995,427)
Balance as of September 30, 2019		47,869,339	24,000,000	1,488,446	19,278,868	77,476,139	170,112,792

The notes on pages 31 to 122 are an integral part of these financial statements.

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2019

(expressed in Eastern Caribbean dollars)

1 Nature of operations

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

2 General information and statement of compliance with IFRS

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

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRSs) and IFRIC interpretations as issued by the International Accounting Standards Board (IASB). They have been prepared under the assumption that the Bank operates on a 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, 2018

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The Bank has assessed the relevance of all such new interpretations and amendments, and adopted the following which are relevant to its operations.

IFRS 9 ‘Financial Instruments’

The Bank has adopted IFRS 9 *Financial instruments* as issued by the IASB in July 2014 with a date of transition of October 1, 2018. IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement*. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an ‘expected credit loss’ model for the impairment of financial assets.

When adopting IFRS 9, the Bank has applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of IFRS 9 in relation to classification, measurement, and impairment are recognised in opening retained earnings. Consequently, for note disclosures, the consequential amendments to IFRS 7 disclosures have also been applied to the current period. The comparative period note disclosures repeat those disclosures made in the prior year. IFRS 9 also necessitated requirements for more extensive qualitative and quantitative disclosures relating to the new IFRS 9 classification categories, the three-stage impairment model, data inputs and modelling assumptions applied.

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2019

(expressed in Eastern Caribbean dollars)

3 Changes in accounting policies...*continued*

3.1 New and revised standards that are effective for the Bank's annual periods beginning on or after October 1, 2018...*continued*

IFRS 9 'Financial Instruments'...*continued*

IFRS 9 also contains new requirements on the application of hedge accounting. The new requirements look to align hedge accounting more closely with entities' risk management activities by increasing the eligibility of both hedged items and hedging instruments and introducing a more principles-based approach to assessing hedge effectiveness. The Bank has no hedge instruments, therefore hedge accounting is not applicable to the Bank.

The adoption of IFRS 9 has impacted the following areas:

- **Financial assets reclassified from available-for-sale (AFS) financial assets to fair value through other comprehensive income (FVOCI)**

AFS financial assets include quoted and unquoted equity investments. Under IAS 39, the equity investments which were not traded were previously carried at cost less impairment. This treatment is no longer permitted under IFRS 9, and accordingly the investments have been restated as of October 1, 2018. All other equity instruments were classified as available-for-sale with unrealised net gains or losses initially recognised in other comprehensive which were then subsequently recycled to profit or loss on disposal of the financial assets.

The Bank elected to irrevocably designate certain equity investment securities at FVOCI, as the assets are held by the Bank with the objective of selling in the future for liquidity purposes and are not actively traded for the purposes of profit making through speculative trading. There were no accumulated fair value gains for those equity securities which were previously measured at cost. However, for those equity instruments which were measured at fair value, there were net gains or losses presented under the revaluation reserve account within the statement of changes in equity.

- **Financial assets reclassified from available-for-sale (AFS) financial assets to fair value through profit or loss (FVTPL)**

AFS financial assets include certain quoted investments which were acquired by management for the purposes of profit making through speculation. Under IAS 39, the equity investments were measured at fair value. Unrealised net gains or losses on changes in fair value were initially recognised in other comprehensive income which were then subsequently recycled to profit or loss on disposal of the financial assets.

As these equity investments were measured at fair value under IAS 39, there was no further remeasurement to their carrying value on transition to IFRS 9. The net gains or losses presented under AFS investment revaluation reserves within the statement of changes in equity that were transferred to retained earnings amounted to \$38,252,477, net of tax.

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2019

(expressed in Eastern Caribbean dollars)

3 Changes in accounting policies...*continued*

3.1 New and revised standards that are effective for the Bank's annual periods beginning on or after October 1, 2018...*continued*

IFRS 9, 'Financial Instruments' ...*continued*

- **Credit losses on financial assets measured at amortised cost and debt securities measured at amortised cost**

The impairment of financial assets applying the expected credit loss model affects the Bank's debt securities classified at amortised cost as presented under cash and balances with Central Bank, due from the banks and other financial institutions, loans and advances to customers, investment securities and certain financial assets included under "other assets" in the statement of financial position. These assets are initially measured at amortised cost.

For debt securities, the Bank applies the lifetime expected credit losses based on the stages as identified in the impairment assessment. For other financial assets at amortised cost, the Bank applies the 12-month expected credit loss model of recognising lifetime expected credit losses as these items do not have a significant financing component. This is outlined in more detail in Note 4.3.1.

The application of the expected credit loss methodology based on the stages of impairment assessment for financial assets measured at amortised cost resulted in the recognition of an additional allowance for credit losses for loans and advances to customers amounting to \$17,170,517 and investment in debt securities amounting to \$245,283. The amount net of tax of \$13,123,171 was charged against the opening balance of the retained earnings account.

The quantitative impact of applying IFRS 9 as of October 1, 2018 is disclosed in the transition disclosures below and in note 5.1.3.

- IFRS 9 requirements related to the Bank's financial liabilities are substantially unchanged from IAS 39.

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements
September 30, 2019

(expressed in Eastern Caribbean dollars)

3 Changes in accounting policies...continued

3.1 New and revised standards that are effective for annual periods beginning on or after October 1, 2018 ...continued

a) Classification and measurement of financial instruments

On the date of initial application, October 1, 2018, the measurement category and the carrying amount of the financial instruments of the Bank in accordance with IAS 39 and IFRS 9 are compared as follows:

	Original IAS 39 Category	New IFRS 9 Category	Carrying amount at September 30, 2018 \$	Adoption of IFRS 9 \$	Carrying amount at October 1, 2018 \$
Cash and balances with the Central Bank	Amortised cost (loans and receivables)	Amortised cost	128,007,350	–	128,007,350
Due from banks and other financial institutions	Amortised cost (loans and receivables)	Amortised cost	99,361,144	–	99,361,144
Investment securities (Quoted debt)	Amortised cost (available-for-sale)	Amortised cost	17,145,567	(40,790)	17,104,777
Investment securities (Quoted equity)	Amortised cost (available-for-sale)	FVTPL	66,090,270	–	66,090,270
Investment securities (Quoted and Unquoted equity)	Amortised cost (available-for-sale)	FVOCI	4,778,977	–	4,778,977
Investment securities	Amortised cost (loans and receivables)	Amortised cost	113,436,704	(204,493)	113,232,211
Loans and advances to customers	Amortised cost (loans and receivables)	Amortised cost	529,822,732	(17,170,517)	512,652,215
Other financial assets	Amortised cost (loans and receivables)	Amortised cost	619,560	–	619,560
Total financial assets			959,262,304	(17,415,800)	941,846,504

There have been no changes to the classification of financial liabilities as a result of the application of IFRS 9.

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2019

(expressed in Eastern Caribbean dollars)

3 Changes in accounting policies...continued

3.1 New and revised standards that are effective for annual periods beginning on or after October 1, 2018

... continued

b) Reconciliation of statement of financial position from IAS 39 to IFRS 9

The Bank performed a detailed analysis of its business models for managing financial assets as well as an analysis of their cash flow characteristics. The new classification requirements of IFRS 9 are outlined under the summary of impairment and provisioning policies in note 5.1.3.

The following table reconciles the carrying amounts of the financial assets from the previous measurement category in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on October 1, 2018:

	IAS 39 carrying amount September 30, 2018 \$	Reclassifica- tion \$	Remeasure- ment (Expected credit loss) \$	IFRS 9 carrying amount October 1, 2018 \$	Retained Earnings effect \$
Financial assets measured at Amortised cost					
Cash and balances with the Central Bank	128,007,350	–	–	128,007,350	–
Due from banks and other financial institutions	99,361,144	–	–	99,361,144	–
Investment securities	130,582,271	–	(245,283)	130,336,988	(245,283)
Loans and advances to customers	529,822,732	–	(17,170,517)	512,652,215	(12,877,888)
Other financial assets	619,560	–	–	619,560	–
	888,393,057	–	(17,415,800)	870,977,257	(13,123,171)
Financial assets measured at FVOCI					
Investment securities – equity	70,869,247	(66,090,270)	–	4,778,977	–
Financial assets measured at FVTPL					
Investment securities – equity	–	66,090,270	–	66,090,270	38,252,477
	959,262,304	–	(17,415,800)	941,846,504	25,129,306

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2019

(expressed in Eastern Caribbean dollars)

3 Changes in accounting policies...continued

3.1 New and revised standards that are effective for annual periods beginning on or after October 1, 2018 ... continued

b) Reconciliation of statement of financial position from IAS 39 to IFRS 9...continued

On the date of initial application of IFRS 9, October 1, 2018, the impact to retained earnings of the Bank is as follows:

	Retained earnings effect \$
Balance as of September 30, 2018	40,080,178
Accumulated fair value gains of investment securities – equity investments – FVTPL previously classified as investment securities – available-for-sale, net of tax	38,252,477
Expected credit losses on financial assets at amortised cost	(17,415,800)
Deferred tax asset on expected credit losses on loans and advances to customers	<u>4,292,629</u>
Balance as of October 1, 2018, as restated	<u>65,209,484</u>

IFRS 15 ‘Revenue from Contracts with Customers’

IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 ‘Revenue’, IAS 11 ‘Construction Contracts’, and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities. IFRS 15 provides a principles five-step model to be applied to all contracts and customers except those within the scope of IFRS 9.

IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2018. The main impact relates to deferred loan origination fees, for which recognition and measurement has not significantly changed under IFRS 15. See note 11.

Other amendments to standards

Other standards and amendments that are effective for the first time in 2019 are as follows:

- Annual Improvements 2014-2016 Cycle (Amendments to IFRS 1 and IAS 28);
- Applying IFRS 9, *Financial Instruments*, with IFRS 4, *Insurance Contracts*, (Amendments to IFRS 4);
- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2);
- IFRIC 22, *Foreign Currency Transactions and Advance Consideration*; and
- Transfer to Investment Property (Amendments to IAS 40).

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

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2019

(expressed in Eastern Caribbean dollars)

3 Changes in accounting policies...*continued*

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

At the date of authorisation of these 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. Information on those expected to be relevant to the Bank's financial statements is provided below.

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

IFRS 16 'Leases'

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

- perform a full review of all agreements to assess whether any additional contracts will now become a lease under IFRS 16's new definition;
- decide which transitional provisions to adopt; either full retrospective application or partial retrospective application (which means comparatives do not need to be restated). The partial application method also provides optional relief from reassessing whether contracts in place are, or contain, a lease, as well as other reliefs. Deciding which of these practical expedients to adopt is important as they are one-off choices;
- assess their current disclosures for operating leases (note 20) as these are likely to form the basis of the amounts to be capitalised and become right-of-use assets;
- determine which optional accounting simplifications apply to their lease portfolio and if they are going to use these exemptions; and
- assessing the additional disclosures that will be required.

IFRS 16 is effective for the periods beginning on or after January 1, 2019.

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

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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 as of October 1, 2018

The Bank has adopted IFRS 9 with a date of transition of October 1, 2018. The adoption of IFRS 9 has resulted in changes in accounting policies for the recognition, classification, measurement and impairment of financial assets. As permitted by IFRS 9, the Bank elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets at the date of transition were recognised in the opening retained earnings and other reserves of the current period.

Classification and measurement

From October 1, 2018, the Bank has applied IFRS 9 and classifies its financial assets in the following measurement categories:

- FVTPL;
- 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:

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, 2019

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies...continued

4.3 Financial assets and liabilities...continued

4.3.1 Policies under IFRS 9 as of October 1, 2018 ... 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 residual interests in the issuer's net assets. The Bank subsequently measures all equity investments at FVTPL, except where the Bank's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Bank's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate 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

Notes to Financial Statements

September 30, 2019

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies...*continued*

4.3 Financial assets and liabilities...*continued*

4.3.1 Policies under IFRS 9...*continued*

Expected credit loss measurement (ECL)

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

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

For debt securities, the Bank examines the issuer’s capital adequacy, financial performance, liquidity position, and credit rating to assess whether the issuer has experienced significant increase in credit risk since the origination of the assets. When no external credit rating is available, the Bank assigns internal credit rating 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 utilized 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

September 30, 2019

(expressed in Eastern Caribbean dollars)

4 Summary of significant accounting policies...continued

4.3 Financial assets and liabilities...continued

4.3.1 Policies under IFRS 9...continued

Expected credit loss measurement (ECL)...continued

Significant increase in credit risk (SICR)

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

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

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

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

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

Backstop

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

If an asset is in investment grade at reporting date, it will be in Stage 1 irrespective of its origination rating. With respect to loans and advances to customers however, the Bank has not used the low credit risk exemption for any of those financial instruments in the year ended September 30, 2019.

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

September 30, 2019

(expressed in Eastern Caribbean dollars)

4 Summary of significant accounting policies...continued

4.3 Financial assets and liabilities...continued

4.3.1 Policies under IFRS 9...continued

Expected credit loss measurement (ECL)...continued

Default...continued

Qualitative criteria

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

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

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

Write - offs

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

ECL measurement

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

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

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

Details of these statistical parameters/inputs are as follows:

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

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2019

(expressed in Eastern Caribbean dollars)

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

4.3 Financial assets and liabilities...*continued*

4.3.1 Policies under IFRS 9...*continued*

ECL measurement...*continued*

EAD – The exposure of 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 realization 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 homogeneous.

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 takes 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, 2019

(expressed in Eastern Caribbean dollars)

4 Summary of significant accounting policies...continued

4.3 Financial assets and liabilities...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.

4.3.2 Policies under IAS 39 before October 1, 2018

Recognition, initial measurement and derecognition

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

Classification and subsequent measurement of financial assets

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

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

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

4.3 Financial assets and liabilities...continued

4.3.2 Policies under IAS 39 before October 1, 2018 ...continued

Classification and subsequent measurement of financial assets...continued

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

(a) Loans and receivables

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

(b) Held-to-maturity financial assets

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

(c) Available-for-sale financial assets

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

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

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

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4 Summary of significant accounting policies...continued

4.3 Financial assets and liabilities...continued

4.3.2 Policies under IAS 39 before October 1, 2018 ...continued

Impairment of financial assets

(a) *Assets carried at amortised cost*

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

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

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

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

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

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

4.3.2 Policies under IAS 39 before October 1, 2018...continued

Impairment of financial assets...continued

(a) Assets carried at amortised cost...continued

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

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

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

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

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

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

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Notes to Financial Statements

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(expressed in Eastern Caribbean dollars)

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

4.3 Financial instruments...*continued*

4.3.2 Policies under IAS 39 before October 1, 2018...*continued*

Impairment of financial assets...*continued*

(b) Assets classified as available-for-sale

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

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

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

(c) Renegotiated Loans

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

Classification and subsequent measurement of financial liabilities

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

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2019

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4 Summary of significant accounting policies...continued

4.3 Financial instruments ... continued

4.3.2 Policies under IAS 39 before October 1, 2018...continued

Classes of financial instruments

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

Financial assets	Loans and receivables	Due from banks and other financial institutions		Correspondent bank accounts
				Fixed deposits
		Loans and advances to customers	Loans and advances to individuals	Demand loans
				Mortgage loans
				Non-performing loans and advances
				Rebate Loans
				Overdrafts
				Credit Card advances
				Demand Loans
				Mortgage loans
		Loans and advances to corporate entities		Non-performing loans and advances
				Overdrafts
				Demand Loans
		Loans and advances to government and statutory bodies		Overdrafts
		Investment securities		Treasury bills
Debt instruments	Quoted Unquoted			
Other assets				
Available-for-sale financial assets	Investment securities	Debt instruments	Quoted	
			Unquoted	
		Equity securities	Quoted	
			Unquoted	
Held-to-Maturity	Investment securities	Debt instruments	Quoted	
Financial liabilities	Amortised cost	Customers' deposits		
		Borrowings		
		Other liabilities and accrued expenses		

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

4.3.2 Policies under IAS 39 before October 1, 2018...continued

Offsetting financial instruments

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

4.4 Provisions, contingent assets and contingent liabilities

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

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

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

4.5 Property, plant and equipment and depreciation

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

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

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

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

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

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4 Summary of significant accounting policies...continued

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

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

4.6 Intangible assets

Computer software

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

Customer list intangible

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

Subsequent measurement

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

Software	1 – 5 years
Customer list	11 years

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

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

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September 30, 2019

(expressed in Eastern Caribbean dollars)

4 Summary of significant accounting policies...continued

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.

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 comprises 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 (2018: available-for-sale financial assets) comprises unrealized 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.

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

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(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies...continued

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 Leases

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

4.12 Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' and 'interest expense' in the statement of comprehensive income using the effective interest method. The 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 and is therefore regarded as "Stage 3", the Bank calculates interest income by applying the EIR to the net amortized cost of the financial asset. If the financial assets cures as outlined in note 5.1.3 they are no longer credit-impaired, and the Bank reverts to calculating interest income on a gross basis.

The Effective Interest Rate (EIR) method

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

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

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2019

(expressed in Eastern Caribbean dollars)

4 Summary of significant accounting policies...continued

4.13 Fee and commission income

Fees and commissions are generally recognised on the accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised using the effective interest method over the term of the loan. 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, 2019, the Bank determined whether to recognise revenue based on a 5-step process:

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

4.14 Employee Benefits

Post-employment benefit plan

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

Prepaid employee short term benefit

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

Short-term employee benefits

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

Eastern Caribbean Amalgamated Bank Limited

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4 Summary of significant accounting policies...continued

4.15 Financial guarantee contracts

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

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the Bank's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with 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.

4.16 Current and deferred income taxes

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

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

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

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

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

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2019

(expressed in Eastern Caribbean dollars)

4 Summary of significant accounting policies...continued

4.16 Current and deferred income taxes...continued

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

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

4.17 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.

4.18 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.

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2019

(expressed in Eastern Caribbean dollars)

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.

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

Notes to Financial Statements

September 30, 2019

(expressed in Eastern Caribbean dollars)

5 Financial risk management...*continued*

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

Some other specific control and mitigation measures are outlined below:

(a) *Collateral*

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

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

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

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

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

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

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

Eastern Caribbean Amalgamated Bank Limited

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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, 2019					
Pass	411,835,786	73	(8,022,000)	46	403,813,786
Special mention	133,868,060	24	(4,050,088)	24	129,817,972
Substandard	13,899,378	3	(4,335,943)	25	9,563,435
Doubtful	1,016,749	–	(733,990)	4	282,759
Loss	173,647	–	(173,647)	1	–
Gross loans and advances	560,793,620	100	(17,315,668)	100	543,477,952
Interest receivable	3,669,468	–	–	–	3,669,468
Deferred loan origination fees	(735,053)	–	–	–	(735,053)
	563,728,035	100	(17,315,668)	100	546,412,367
	Loans and advances		Impairment provision		Net total
	\$	%	\$	%	\$
At September 30, 2018					
Pass	357,302,605	66	(437,119)	8	356,865,486
Special mention	150,000,945	29	(352,951)	6	149,647,994
Substandard	19,985,897	4	(2,164,790)	40	17,821,107
Doubtful	3,882,545	1	(1,672,338)	31	2,210,207
Loss	1,058,001	–	(807,157)	15	250,844
Gross loans and advances	532,229,993	100	(5,434,355)	100	526,795,638
Interest receivable	4,928,842	–	–	–	4,928,842
Deferred loan origination fees	(766,609)	–	–	–	(766,609)
Portfolio allowance	–	–	(1,135,139)	–	(1,135,139)
	536,392,226	100	(6,569,494)	100	529,822,732

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2019

(expressed in Eastern Caribbean dollars)

5 Financial risk management...continued

5.1.3 Impairment and provisioning policies...continued

Loans and advances to customers and investment securities

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

Credit risk grading

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

The Bank relies on external rating 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 to the effective interest rate ("EIR") as the difference is considered immaterial.

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2019

(expressed in Eastern Caribbean dollars)

5 Financial risk management...continued

5.1.3 Impairment and provisioning policies...continued

Expected credit loss measurement ...continued

The PD, LGD, and EAD models which support these determinations are reviewed regularly in light of differences between loss estimates and actual loss experience but given that IFRS 9 requirements have only just been applied, there has been little time available to make these comparisons. Therefore, the underlying models and their calibration, including how they react to forward-looking economic conditions remain subject to review and refinement. 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. 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.

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2019

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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, 2019 and 2018 are set out below.

		Weighting 2019	Weighting 2018
Antigua and Barbuda GDP growth	Upside	0.19	0.19
	Base	0.19	0.19
	Downside	0.25	0.25
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	0.06	0.06
	Base	0.05	0.05
	Downside	0.06	0.06
USA employment rate	Upside	0.06	0.06
	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, 2019	0.75	1	1.25
October 1, 2018	0.75	1	1.25

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

	2019	2018
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%

Eastern Caribbean Amalgamated Bank Limited

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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):

Risk Assessment	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 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. Credit risk is considered to be low for these assets. The expected credit loss for these instruments are 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; and
 - f) Facilities where the borrower has a strong capacity to meet its contractual cash flow obligations in the near term.

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2019

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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; and
 - h) Overdraft exceeding the approved limit for more than 60 consecutive days.
- d) Stage 3 includes those financial instruments that are considered be in default or credit-impaired. A rebuttable presumption is applied, and a financial instrument is considered to be credit impaired if the borrower is more than 90 days past due on the contractual payments. The Bank also considers other qualitative criteria is determining default as they are indicators of the unlikeliness that the loan will be repaid such as:
- a) Delinquent restructured loans;
 - b) Overdraft facilities with no deposits over the last 90 days and funds insufficient to cover the interest accrued thereon;
 - c) All unauthorized overdrawn accounts without an approved limit; and
 - d) All credit card accounts that have been transferred to recoveries for collection.

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

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. Forward looking information is also incorporated in determining the loss given default. 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. 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

2019

	Stage 1 12-month ECL \$	Stage 2 Lifetime ECL \$	Stage 3 Lifetime ECL \$	September 30, 2019 Total \$	September 30, 2018 Total \$	Adoption of IFRS 9 Total \$	October 1, 2018 Total \$
Personal Loans	187,822,316	10,927,679	17,963,451	216,713,446	193,953,559	–	193,953,559
Corporate Loans	65,315,428	7,983,353	4,335,579	77,634,360	60,831,662	–	60,831,662
Government	241,817,852	–	–	241,817,852	254,359,007	–	254,359,007
Overdrafts	10,092,413	4,900,992	575,861	15,569,266	14,370,836	–	14,370,836
Credit card advances	8,146,999	346,825	564,872	9,058,696	8,714,929	–	8,714,929
Gross carrying amount	513,195,008	24,158,849	23,439,763	560,793,620	532,229,993	–	532,229,993
Provision for expected credit losses	(6,925,305)	(2,501,000)	(7,889,363)	(17,315,668)	(6,569,494)	(17,170,517)	(23,740,011)
Carrying amount	506,269,703	21,657,849	15,550,400	543,477,952	525,660,499	(17,170,517)	508,489,982

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

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.

	September 30 2019 \$	October 1 2018 \$
Personal loans	10,304,436	15,459,514
Corporate loans	3,615,345	5,219,674
Government	12,220	12,844
Overdrafts	2,322,967	2,274,661
Credit card advances	1,060,700	773,318
Total provision for expected credit losses (ECL)	17,315,668	23,740,011

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

Summary of Investment Securities ECL Staging – amortised cost

	Stage 1 12-month ECL \$	Stage 2 Lifetime ECL \$	Stage 3 Lifetime ECL \$	September 30, 2019 Total \$	September 30, 2018 Total \$	Adoption of IFRS 9 Total \$	October 1, 2018 Total \$
Treasury bills	34,484,587	–	–	34,484,587	33,474,616	–	33,474,616
Bonds/Fixed rate notes	33,587,746	7,134,800	–	40,722,546	38,014,226	–	38,014,226
Term deposits	104,713,166	–	–	104,713,166	59,516,839	–	59,516,839
Gross carrying amount	172,785,499	7,134,800	–	179,920,299	131,005,681	–	131,005,681
Provision for expected credit losses	(665,624)	(13,157)	–	(678,781)	(423,410)	(245,283)	(668,693)
Carrying amount	172,119,875	7,121,643	–	179,241,518	130,582,271	(245,283)	130,336,988

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

	September 30 2019 \$	October 1 2018 \$
Treasury bills	86,841	75,475
Bonds/Fixed rate notes	485,622	487,900
Term deposits	106,318	105,318
Total provision for expected credit losses (ECL)	678,781	668,693

Eastern Caribbean Amalgamated Bank Limited

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September 30, 2019

(expressed in Eastern Caribbean dollars)

5 Financial risk management...*continued*

5.1.3 Impairment and provisioning policies *continued*

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.

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2019

(expressed in Eastern Caribbean dollars)

5 Financial risk management...continued

5.1.3 Impairment and provisioning policies...continued

Expected credit loss measurement...continued

Loss allowance...continued

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

	Stage 1 12-month ECL \$	Stage 2 Lifetime ECL \$	Stage 3 Lifetime ECL \$	Total \$
Loss allowance as of October 1, 2018	3,942,918	1,439,647	18,357,446	23,740,011
Movements with P&L impact:				
<i>Transfers:</i>				
Transfers from Stage 1 to Stage 2	(973,786)	973,786	–	–
Transfers from Stage 1 to Stage 3	(581,175)	–	581,175	–
Transfers from Stage 2 to Stage 1	673,465	(673,465)	–	–
Transfers from Stage 3 to Stage 1	76,368	–	(76,368)	–
New financial assets originated or purchased	1,927,198	440,497	137,185	2,504,880
Changes in PDs LGDs/EADs	2,859,832	988,888	1,214,381	5,063,101
Financial assets derecognised during the year	(581,780)	(177,180)	(1,772,061)	(2,531,021)
Total net P&L charge during the year	3,400,122	1,552,526	84,312	5,036,960
Other movements with no P&L impact				
Transfers from Stage 3 to Stage 2	–	40,170	(40,170)	–
Transfers from Stage 2 to Stage 3	–	(459,469)	459,469	–
Write-offs	(417,735)	(71,874)	(10,971,694)	(11,461,303)
Loss allowance as of September 30, 2019	6,925,305	2,501,000	7,889,363	17,315,668

The write-offs were as follows:

	September 30, 2019 \$
Personal loans	7,125,574
Corporate loans	2,892,020
Overdraft accounts	1,184,955
Credit card advances	258,754
Government loans	–
	11,461,303

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements
September 30, 2019

(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 October 1, 2018

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 \$
	33,474,616	—	—	33,474,616
	—	—	—	—
	—	—	—	—
	—	—	—	—
	54,958,728	—	—	54,958,728
	(53,846,657)	—	—	(53,846,657)
	(102,100)	—	—	(102,100)
	34,484,587	—	—	34,484,587

Gross carrying amount as of September 30, 2019

Bonds/fixed rate notes

Gross carrying amount as of October 1, 2018

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 \$
	30,891,326	7,122,900	—	38,014,226
	—	—	—	—
	—	—	—	—
	—	—	—	—
	8,000,000	2,000,000	—	10,000,000
	(5,000,000)	(2,000,000)	—	(7,000,000)
	(303,580)	11,900	—	(291,680)
	33,587,746	7,134,800	—	40,722,546

Gross carrying amount as at September 30, 2019

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

	Stage 1 12-month ECL \$	Stage 2 Lifetime ECL \$	Stage 3 Lifetime ECL \$	Total \$
Term deposits				
Gross carrying amount as of October 1, 2018	59,516,839	—	—	59,516,839
<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	56,700,000	—	—	56,700,000
Financial assets derecognised during the year	(11,810,783)	—	—	(11,810,783)
Changes in principal and interest	307,110	—	—	307,110
Gross carrying amount as of September 30, 2019	104,713,166	—	—	104,713,166
Personal – amortised cost				
Gross carrying amount as of October 1, 2018	161,874,832	5,702,285	26,376,442	193,953,559
<i>Transfers:</i>				
Transfers from Stage 1 to Stage 2	(5,712,523)	5,712,523	—	—
Transfers from Stage 1 to Stage 3	(2,014,090)	—	2,014,090	—
Transfers from Stage 2 to Stage 1	2,151,091	(2,151,091)	—	—
Transfers from Stage 2 to Stage 3	—	(646,905)	646,905	—
Transfers from Stage 3 to Stage 1	1,883,993	—	(1,883,993)	—
Transfers from Stage 3 to Stage 2	—	26,459	(26,459)	—
New financial assets originated or purchased	56,665,548	3,137,253	47,006	59,849,807
Financial assets derecognised during the year	(21,287,173)	(1,335,224)	(8,326,239)	(30,948,636)
Changes in principal and interest	(5,739,362)	482,379	(884,301)	(6,141,284)
Gross carrying amount as of September 30, 2019	187,822,316	10,927,679	17,963,451	216,713,446

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements
September 30, 2019

(expressed in Eastern Caribbean dollars)

5 Financial risk management...continued

5.1.3 Impairment and provisioning policies...continued

	Stage 1 12-month ECL \$	Stage 2 Lifetime ECL \$	Stage 3 Lifetime ECL \$	Total \$
Corporate – amortised cost				
Gross carrying amount as of October 1, 2018				
<i>Transfers:</i>				
Transfers from Stage 1 to Stage 2	49,091,242	4,761,017	6,979,403	60,831,662
Transfers from Stage 1 to Stage 3	(161,774)	161,774	–	–
Transfers from Stage 2 to Stage 1	–	–	–	–
Transfers from Stage 2 to Stage 3	–	(753,131)	753,131	–
Transfers from Stage 3 to Stage 1	–	–	–	–
Transfers from Stage 3 to Stage 2	–	–	–	–
New financial assets originated or purchased	25,094,888	331,674	–	25,426,562
Financial assets derecognised during the year	(16,798,732)	–	(2,856,411)	(19,655,143)
Changes in principal and interest	8,089,804	3,482,019	(540,544)	11,031,279
Gross carrying amount as of September 30, 2019	65,315,428	7,983,353	4,335,579	77,634,360
Government – amortised cost				
Gross carrying amount as of October 1, 2018				
<i>Transfers:</i>				
Transfers from Stage 1 to Stage 2	254,359,007	–	–	254,359,007
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	(12,541,155)	–	–	(12,541,155)
Foreign exchange adjustments	–	–	–	–
Gross carrying amount as of September 30, 2019	241,817,852	–	–	241,817,852

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements
September 30, 2019

(expressed in Eastern Caribbean dollars)

5 Financial risk management...continued

5.1.3 Impairment and provisioning policies...continued

	Stage 1 12-month ECL \$	Stage 2 Lifetime ECL \$	Stage 3 Lifetime ECL \$	Total \$
Overdrafts – amortised cost				
Gross carrying amount as of October 1, 2018	3,661,756	9,247,543	1,461,537	14,370,836
<i>Transfers:</i>				
Transfers from Stage 1 to Stage 2	(979,289)	979,289	–	–
Transfers from Stage 1 to Stage 3	(514,705)	–	514,705	–
Transfers from Stage 2 to Stage 1	6,947,030	(6,947,030)	–	–
Transfers from Stage 2 to Stage 3	–	(779,246)	779,246	–
Transfers from Stage 3 to Stage 1	1,972	–	(1,972)	–
Transfers from Stage 3 to Stage 2	–	57,773	(57,773)	–
New financial assets originated or purchased	835,548	1,934,183	130,623	2,900,354
Financial assets derecognised during the year	(956,267)	(184,556)	(1,281,677)	(2,422,500)
Changes in principal and interest	1,096,368	593,036	(968,828)	720,576
Gross carrying amount as of September 30, 2019	10,092,413	4,900,992	575,861	15,569,266
Credit card advances – amortised cost				
Gross carrying amount as of October 1, 2018	7,852,449	423,675	438,805	8,714,929
<i>Transfers:</i>				
Transfers from Stage 1 to Stage 2	(201,743)	201,743	–	–
Transfers from Stage 1 to Stage 3	(144,556)	–	144,556	–
Transfers from Stage 2 to Stage 1	270,618	(270,618)	–	–
Transfers from Stage 2 to Stage 3	–	(35,783)	35,783	–
Transfers from Stage 3 to Stage 1	81,530	–	(81,530)	–
Transfers from Stage 3 to Stage 2	–	16,378	(16,378)	–
New financial assets originated or purchased	698,746	35,444	–	734,190
Financial assets derecognised during the year	(222,250)	(72,821)	(307,983)	(603,054)
Changes in principal and interest	(187,795)	48,807	351,619	212,631
Gross carrying amount as of September 30, 2019	8,146,999	346,825	564,872	9,058,696

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

	2019	2018
	\$	\$
Credit risk exposures relating to on-balance sheet assets:		
Due from banks and other financial institutions	42,410,766	99,361,144
Investment securities at amortised cost	179,241,518	–
<i>Investment securities:</i>		
- Loans and receivable	–	113,436,704
- Debt securities	–	17,145,567
Loans and advances to customers	546,412,367	529,822,732
Other financial assets	1,845,353	619,560
	769,910,004	760,385,707
Credit risk exposures relating to off-balance sheet items:		
Financial guarantees	4,321,000	4,321,000
Loan commitments and other credit related facilities	33,672,401	68,713,201
	37,993,401	73,034,201
Total credit exposure	807,903,405	833,419,908

The previous table represents a worst case scenario of credit risk exposures to the Bank as of September 30, 2019, 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 68% (2018: 64%) of the total maximum exposure is derived from loans and advances to customers and 22% (2018: 16%) 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 2018, 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 2018, 68% of the loans and advances portfolio are considered to be neither past due nor impaired, as defined in 5.1.5; and
- In 2018, 7% 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, 2019. 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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5 Financial instruments risk ... *continued*

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

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

As of September 30, 2019

Credit risk exposures relating to on-balance sheet assets:

Due from banks and other financial institutions	2,400,171	1,700,867	28,900,623	9,409,105	42,410,766
Investment securities at amortised cost	13,756,249	115,307,107	50,178,162	–	179,241,518
Loans and advances to customers	546,412,367	–	–	–	546,412,367
Other financial assets	1,845,353	–	–	–	1,845,353
	564,414,140	117,007,974	79,078,785	9,409,105	769,910,004

Credit exposures relating to off-balance sheet items:

– Financial guarantees	4,321,000	–	–	–	4,321,000
– Loan commitments and other credit related facilities	33,672,401	–	–	–	33,672,401
Total	602,407,541	117,007,974	79,078,785	9,409,105	807,903,405

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements
September 30, 2019

(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, 2018

	Antigua & Barbuda \$	Other Caribbean \$	North America \$	Europe \$	Total \$
Credit risk exposures relating to on-balance sheet assets:					
Due from banks and other financial institutions	3,440,868	2,091,281	77,041,899	16,787,096	99,361,144
<i>Investment securities:</i>					
– Loans and receivables investments	13,699,871	95,548,233	4,188,600	–	113,436,704
– Available-for-sale investments - debt securities (quoted)	2,054,400	15,091,167	–	–	17,145,567
Loans and advances to customers	529,822,732	–	–	–	529,822,732
Other financial assets	619,560	–	–	–	619,560
	549,637,431	112,730,681	81,230,499	16,787,096	760,385,707
Credit exposures relating to off-balance sheet items:					
– Financial guarantees	4,321,000	–	–	–	4,321,000
– Loan commitments and other credit related facilities	68,713,201	–	–	–	68,713,201
Total	622,671,632	112,730,681	81,230,499	16,787,096	833,419,908

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2019

(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:

	2019		2018	
	\$	%	\$	%
Public sector	243,209,275	43.4%	255,308,093	48.0%
Personal	218,125,285	38.9%	196,190,224	36.9%
Distributive Trade	24,182,031	4.3%	21,100,570	4.0%
Construction/Real Estate	20,549,033	3.7%	17,198,906	3.2%
Tourism	20,370,707	3.6%	7,027,072	1.3%
Transportation/storage	13,747,622	2.5%	12,245,000	2.3%
Credit card advances	9,058,696	1.6%	8,714,928	1.6%
Professional	6,036,407	1.1%	11,097,832	2.1%
Other industries	4,614,370	0.8%	2,736,898	0.5%
Manufacturing	900,194	0.1%	610,470	0.1%
Total	560,793,620	100.0%	532,229,993	100.0%

5.1.5 Credit risk management disclosures applied until September 30, 2018

Loans and advances are summarised as follows:

	Loans and advances to customers 2018 \$
Neither past due nor impaired	457,162,688
Past due but not impaired	38,887,591
Impaired	36,179,714
Gross	532,229,993
Interest receivable	4,928,842
	537,158,835
<i>Less:</i>	
Deferred loan origination fees	(766,609)
Provision for losses on loans and advances	(6,569,494)
Net loans and advances	529,822,732

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2019

(expressed in Eastern Caribbean dollars)

5 Financial instruments risk... *continued*

5.1.5 Credit risk management disclosures applied until September 30, 2018... *continued*

	Loans and advances to customers 2018 \$
Allocation of allowance for impairment:	
Individually impaired	(5,434,355)
Portfolio allowance	<u>(1,135,139)</u>
	<u>(6,569,494)</u>

The total impairment allowance for loans and advances is \$6,569,494 of which \$5,434,355 relates to individually impaired loans and the remaining amount of \$1,135,139 represents the portfolio allowance. Further information on the impairment allowance for loans and advances to customers is provided in note 11.

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements
September 30, 2019

(expressed in Eastern Caribbean dollars)

5 Financial instruments risk... *continued*

5.1.5 Credit risk management disclosures applied until September 30, 2018... *continued*

(a) *Loans and advances neither past due nor impaired*

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

September 30, 2018

	Credit cards \$	Overdrafts \$	Personal \$	Commercial \$	Public sector \$	Total \$
Pass	7,012,570	5,065,548	125,808,542	22,960,792	160,603,769	321,451,221
Special mention	—	7,242,971	16,481,214	18,232,043	93,755,238	135,711,466
	7,012,570	12,308,519	142,289,756	41,192,835	254,359,007	457,162,687

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(expressed in Eastern Caribbean dollars)

5 Financial instruments risk...continued

5.1.5 Credit risk management disclosures applied until September 30, 2018...continued

(b) Loans and advances past due but not impaired

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

As of September 30, 2018

	Credit cards \$	Personal \$	Commercial \$	Public Sector \$	Total \$
Past due up to 30 days	737,553	20,685,878	7,898,407	–	29,321,838
Past due 31 – 60 days	188,995	3,770,565	4,761,017	–	8,720,577
Past due 61 – 90 days	–	830,919	14,257	–	845,176
	926,548	25,287,362	12,673,681	–	38,887,591

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements
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(expressed in Eastern Caribbean dollars)

5 Financial instruments risk... *continued*

5.1.5 Credit risk management disclosures applied until September 30, 2018... *continued... continued*

(c) *Loans and advances individually impaired*

The individually impaired loans and advances to customers before taking into consideration the cash flows from collateral held is \$36,179,714 in 2018. The breakdown of the gross amount of individually impaired loans and advances by class is as follows:

As of September 30, 2018

	Credit cards \$	Overdrafts \$	Personal \$	Commercial \$	Total \$
Individually impaired loans and advances	775,810	2,048,060	26,376,441	6,979,403	36,179,714

(d) *Loans and advances renegotiated*

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

- Renegotiated loans and advances to customers:
- Continuing to be impaired after restructuring
 - Non-impaired after restructuring

2018
\$

	1,487,062
	111,160,623
	<u>112,647,685</u>

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2019

(expressed in Eastern Caribbean dollars)

5 Financial instruments risk... *continued*

5.1.6 Debt securities

There is no formal rating of the credit quality of bonds, treasury bills and equity investments. A number of qualitative and quantitative factors are considered in assessing the risk associated with each investment. However, there is no hierarchy of ranking. There are no external ratings of securities at the year end. The table below presents an analysis of debt securities, treasury bills and other eligible bills by rating agency designation as of September 30, 2019.

As of September 30, 2019

	Amortised cost \$	FVOCI debt securities \$	FVTPL debt Securities \$	Total \$
Unrated	179,241,518	–	–	179,241,518
Total	179,241,518	–	–	179,241,518

As of September 30, 2018

	Loans and receivables \$	Available for sale \$	Total \$
Unrated	113,436,704	17,145,567	130,582,271
Total	113,436,704	17,145,567	130,582,271

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(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, 2019. 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, 2019

(expressed in Eastern Caribbean dollars)

5 Financial instruments risk... *continued*

5.2.2 Foreign exchange risk ... *continued*

As of September 30, 2019

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 \$
	94,219,412	507,997	47,466	13,621	110,882	94,899,378
	4,080,751	37,480,380	433,282	269,184	147,169	42,410,766
	118,803,481	60,438,037	–	–	–	179,241,518
	3,228,467	2,045,737	–	–	–	5,274,204
	–	75,742,471	–	–	–	75,742,471
	480,380,687	66,031,680	–	–	–	546,412,367
	1,845,353	–	–	–	–	1,845,353
Total financial assets	702,558,151	242,246,302	480,748	282,805	258,051	945,826,057
	689,657,513	78,643,076	–	–	–	768,300,589
	11,969,518	–	–	–	–	11,969,518
Total financial liabilities	701,627,031	78,643,076	–	–	–	780,270,107
Net on-balance sheet position	931,120	163,603,226	480,748	282,805	258,051	165,555,950
Credit commitments	33,672,401	4,321,000	–	–	–	37,993,401

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements
September 30, 2019

(expressed in Eastern Caribbean dollars)

5 Financial instruments risk ... continued

5.2.2 Foreign exchange risk ... continued

As of September 30, 2018

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

Investment securities:

- Loans and receivables
- Available-for-sale equity investments
– unquoted
- Available-for-sale investments
– quoted

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 \$
	127,184,176	539,041	94,386	56,553	133,194	128,007,350
	4,799,113	92,959,502	1,053,102	349,052	200,375	99,361,144
	98,002,143	15,434,561	–	–	–	113,436,704
	1,252,058	–	–	–	–	1,252,058
	18,995,564	67,767,192	–	–	–	86,762,756
	462,155,992	67,666,740	–	–	–	529,822,732
	619,560	–	–	–	–	619,560
Total financial assets	713,008,606	244,367,036	1,147,488	405,605	333,569	959,262,304
Liabilities						
Customers' deposits	691,433,944	92,775,305	–	–	3,019	784,212,268
Other liabilities and accrued expenses	10,210,715	–	–	–	–	10,210,715
Total financial liabilities	701,644,659	92,775,305	–	–	3,019	794,422,983
Net on-balance sheet position	11,363,947	151,591,731	1,147,488	405,605	330,550	164,839,321
Credit commitments	68,713,201	4,321,000	–	–	–	73,034,201

Eastern Caribbean Amalgamated Bank Limited

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September 30, 2019

(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

September 30, 2019

(expressed in Eastern Caribbean dollars)

5 Financial instruments risk... continued

5.2.3 Interest rate risk ... continued

	Under 1 Month \$	1 to 3 Months \$	3 to 12 Months \$	1 to 5 Years \$	Over 5 Years \$	Non-interest Bearing \$	Total \$
As of September 30, 2019							
Assets							
Cash and balances with the Central bank	—	—	—	—	—	94,899,378	94,899,378
Due from banks and other financial institutions	—	—	—	—	—	42,410,766	42,410,766
<i>Investment securities:</i>							
— Amortised cost	12,403,810	29,321,563	128,673,598	3,727,609	5,114,938	—	179,241,518
— FVOCI investments	—	—	—	—	—	5,274,204	5,274,204
— FVTPL investments	—	—	—	—	—	75,742,471	75,742,471
Loans and advances to customers	37,020,612	1,753,464	18,118,153	34,624,773	454,895,365	—	546,412,367
Other financial assets	—	—	—	—	—	1,845,353	1,845,353
Total financial assets	49,424,422	31,075,027	146,791,751	38,352,382	460,010,303	220,172,172	945,826,057
Liabilities							
Customers' deposits	538,986,374	85,213,746	137,465,543	4,534,819	2,100,107	—	768,300,589
Other liabilities and accrued expenses	—	—	—	—	—	11,969,518	11,969,518
Total financial liabilities	538,986,374	85,213,746	137,465,543	4,534,819	2,100,107	11,969,518	780,270,107
Total interest repricing gap	(489,561,952)	(54,138,719)	9,326,208	33,817,563	457,910,196	208,202,654	165,555,950

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements
September 30, 2019

(expressed in Eastern Caribbean dollars)

5 Financial instruments risk... continued

5.2.3 Interest rate risk ... continued

	Under 1 Month \$	1 to 3 Months \$	3 to 12 Months \$	1 to 5 Years \$	Over 5 Years \$	Non- interest Bearing \$	Total \$
As of September 30, 2018							
Assets							
Cash and balances with the Central bank	—	—	—	—	—	128,007,350	128,007,350
Due from banks and other financial institutions	—	—	—	—	—	99,361,144	99,361,144
<i>Investment securities:</i>							
– Loans and receivables	12,681,166	24,733,268	75,173,424	477,857	370,989	—	113,436,704
– Available-for-sale equity unquoted	—	—	—	—	—	1,252,058	1,252,058
– Available-for-sale investments quoted securities	266,302	2,164,265	5,264,811	9,155,173	295,017	69,617,188	86,762,756
Loans and advances to customers	30,667,121	5,858,425	17,123,737	53,559,058	422,614,391	—	529,822,732
Other financial assets	—	—	—	—	—	619,560	619,560
Total financial assets	43,614,589	32,755,958	97,561,972	63,192,088	423,280,397	298,857,300	959,262,304
Liabilities							
Customers' deposits	549,190,464	54,004,743	169,184,231	10,056,285	1,776,545	—	784,212,268
Other liabilities and accrued expenses	—	—	—	—	—	10,210,715	10,210,715
Total financial liabilities	549,190,464	54,004,743	169,184,231	10,056,285	1,776,545	10,210,715	794,422,983
Total interest repricing gap	(505,575,875)	(21,248,785)	(71,622,259)	53,135,803	421,503,852	288,646,585	164,839,321

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2019

(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, 2019						
Customers' deposits	539,498,087	86,526,190	139,784,578	4,709,457	2,100,107	772,618,419
Other liabilities and accrued expenses	11,969,518	—	—	—	—	11,969,518
Total financial liabilities (contractual maturity dates)	551,467,605	86,526,190	139,784,578	4,709,457	2,100,107	784,587,937
Assets held for managing liquidity risk (contractual maturity dates)	177,295,249	52,521,097	213,046,368	240,391,614	503,485,673	1,186,740,001

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements
September 30, 2019

(expressed in Eastern Caribbean dollars)

5 Financial instruments risk... *continued*

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

	Under 1 month \$	1-3 months \$	3-12 months \$	1-5 years \$	Over 5 years \$	Total \$
As of September 30, 2018						
Customers' deposits	549,652,495	54,853,133	172,048,556	10,357,346	1,796,638	788,708,168
Other liabilities and accrued expenses	10,210,715	—	—	—	—	10,210,715
Total financial liabilities (contractual maturity dates)	559,863,210	54,853,133	172,048,556	10,357,346	1,796,638	798,918,883
Assets held for managing liquidity risk (contractual maturity dates)	271,100,546	42,361,292	127,232,564	278,419,878	432,490,266	1,151,604,546

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, 2019			
Financial guarantees	4,321,000	–	4,321,000
Credit commitments	33,672,401	–	33,672,401
	37,993,401	–	37,993,401
As of September 30, 2018			
Financial guarantees	4,321,000	–	4,321,000
Credit commitments	68,713,201	–	68,713,201
	73,034,201	–	73,034,201
	Up to 1 year \$	1 to 5 years \$	Total \$
(c) <i>Operating Lease Commitments</i>			
As of September 30, 2019	1,059,300	1,734,750	2,794,050
As of September 30, 2018	–	–	–

(d) *Capital commitments*

The Bank had no contractual capital commitments as of September 30, 2019 or September 30, 2018.

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	
	2019 \$	2018 \$	2019 \$	2018 \$
Financial assets				
Due from banks and other financial institutions	42,410,766	99,361,144	42,410,766	99,361,144
Investment securities at amortised cost	179,241,518	—	179,241,518	—
Investment securities: loans and receivables	—	113,436,704	—	113,436,704
Loans and advances to customers	546,412,367	529,822,732	506,794,962	537,118,365
Other financial assets	1,845,353	619,560	1,845,353	619,560
	769,910,004	743,240,140	730,292,599	750,535,773
Financial liabilities				
Customers' deposits	768,300,589	784,212,268	767,971,943	784,979,508
Other liabilities and accrued expenses	11,969,518	10,210,715	11,969,518	10,210,715
	780,270,107	794,422,983	779,941,461	795,190,223

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Notes to Financial Statements

September 30, 2019

(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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(expressed in Eastern Caribbean dollars)

5 Financial instruments risk ... *continued*

5.4.2 Assets and liabilities measured at fair value

As of September 30, 2019

	Level 2 \$	Level 3 \$	Total \$
Financial assets			
<i>Investment securities:</i>			
– FVOCI investments	3,895,735	1,378,469	5,274,204
– FVTPL investments	75,742,471	–	75,742,471
Total assets	79,638,206	1,378,469	81,016,675

As of September 30, 2018

	Level 2 \$	Level 3 \$	Total \$
Financial assets			
<i>Investment securities:</i>			
– Available-for-sale investments – quoted	69,617,189	16,809,167	86,426,356
Total assets	69,617,189	16,809,167	86,426,356

The following table presents the changes in level 3 instruments.

	2019 Investment securities amortised cost \$	2018 AFS assets debt securities \$
Balance as of beginning of the year	16,809,167	15,231,666
Effect of adoption of IFRS 9 - reclassification	112,900,024	–
	129,709,191	15,231,666
Additions	122,356,404	8,000,000
Settlements	(73,465,666)	(6,422,499)
Balance as of end of the year	178,599,929	16,809,167

In 2018, the amount is reflective only of OECS and ECHMB bond instruments. In 2019 upon adoption of IFRS 9, the level 3 instruments also include treasury bills, fixed rate notes and term deposits as disclosed in note 10.

Eastern Caribbean Amalgamated Bank Limited

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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 valuation 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 ratio') at or above the internationally agreed minimum of 8%.

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

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

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(expressed in Eastern Caribbean dollars)

6 Capital management policies and procedures ... continued

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

The following table summarises the composition of the regulatory capital and the ratios of the Bank as of September 30, 2019. At this date the Bank complied with all the externally imposed capital requirements to which it is subject.

	2019 \$	2018 \$
Tier 1 capital		
Common share capital	24,000,000	24,000,000
Preference share capital	47,869,339	47,869,339
Retained earnings	77,476,139	40,080,178
Regulatory reserve for interest on non-performing loans	2,371,072	3,835,140
Statutory reserve	16,907,796	13,092,273
Customer lists intangible asset	(369,276)	(553,912)
Total qualifying Tier 1 capital	168,255,070	128,323,018
Tier 2 capital		
Unrealised gain on FVOCI equity investments (2018: available for sale investments)	1,488,446	39,369,503
Portfolio loan loss provisions	–	1,135,139
Total qualifying Tier 2 capital	1,488,446	40,504,642
Total regulatory capital	169,743,516	168,827,660
	2019 \$	2018 \$
Risk weighted assets		
On-balance sheet	358,318,000	334,104,247
Off-balance sheet	6,734,480	13,742,640
Total risk weighted assets	365,052,480	347,846,887
Basel ratio	46%	49%

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

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(expressed in Eastern Caribbean dollars)

7 Significant management judgement in applying accounting policies and estimation uncertainty

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

Estimation uncertainty

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

Impairment losses on loans and advances carried at amortised cost

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

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

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

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

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

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2019

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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, 2019 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%	626,977	(626,977)
Overdrafts	+/- 10%	187,667	(187,667)
Other financial assets	+/- 10%	32,860	(32,860)

Below are the changes to the ECL as of September 30, 2019 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%	436,588	(436,588)
Overdrafts	+/- 10%	12,037	(12,037)
Other financial assets	+/- 10%	2,575	(2,575)

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 \$272,383 higher or \$142,053 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 \$205,469 higher or \$132,513 lower.

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2019

(expressed in Eastern Caribbean dollars)

8 Cash and balances with the Central Bank

	Note	2019 \$	2018 \$
Cash on hand		9,713,909	11,263,283
Balances with ECCB other than mandatory reserves		28,553,949	73,596,239
Included in cash and cash equivalents	22	38,267,858	84,859,522
Mandatory deposits with the ECCB		56,631,520	43,147,828
Total cash and balances with the Central Bank		94,899,378	128,007,350

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 \$36,130,520 (2018: \$34,647,828).
- 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 \$20,500,000 (2018: \$8,500,000) and is included in the mandatory deposits with the Central Bank.

9 Due from banks and other financial institutions

	Note	2019 \$	2018 \$
Operating accounts with other banks		40,154,464	96,535,410
Items in the course of collection from other banks		2,256,302	2,825,734
Included in cash and cash equivalents	22	42,410,766	99,361,144
Restricted deposits		—	—
Total due from banks and other financial institutions		42,410,766	99,361,144

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, 2019 amounted to \$1,347,503 (2018: \$1,644,193).

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2019

(expressed in Eastern Caribbean dollars)

10 Investment securities

	2019 \$	2018 \$
FVTPL		
Quoted equity investments	75,742,471	–
	<u>75,742,471</u>	<u>–</u>
FVOCI – equity securities		
Quoted equity investments	3,895,735	–
Unquoted equity investments	1,378,469	–
	<u>5,274,204</u>	<u>–</u>
Available-for-sale		
Quoted equity investments	–	69,617,189
Bond investments	–	17,232,577
Unquoted equity investments	–	1,252,058
	<u>–</u>	<u>88,101,824</u>
Interest receivable	–	336,400
	<u>–</u>	<u>88,438,224</u>
Total available-for-sale investments, gross	<u>–</u>	<u>88,438,224</u>
Less: provision for expected credit losses	–	(423,410)
	<u>–</u>	<u>88,014,814</u>
Total available-for-sale investments, net	<u>–</u>	<u>88,014,814</u>
Amortised cost (2018: loans and receivable)		
Treasury bills	34,131,287	33,019,216
Bonds/fixed rate notes	40,153,646	20,276,349
Term deposits	104,314,996	59,181,049
	<u>178,599,929</u>	<u>112,476,614</u>
Interest receivable	1,320,370	960,090
	<u>179,920,299</u>	<u>113,436,704</u>
Total amortised cost (2018: loans and receivable), gross	<u>179,920,299</u>	<u>113,436,704</u>
Less: provision for expected credit losses	(678,781)	–
	<u>179,241,518</u>	<u>113,436,704</u>
Total amortised cost (2018: loans and receivable), net	<u>179,241,518</u>	<u>113,436,704</u>
Total investment securities	<u>260,258,193</u>	<u>201,451,518</u>
Current	<u>170,398,971</u>	<u>120,283,236</u>
Non-current	<u>89,859,222</u>	<u>81,168,282</u>
Total investment securities	<u>260,258,193</u>	<u>201,451,518</u>

Treasury bills' interest rates range between 1.98% 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 1.99% to 8.0% totalling \$17,947,201 (2018: \$16,060,000). Included in the treasury bills are amounts held with a shareholder, the Government of Antigua and Barbuda, totalling \$9,300,443 (2018: \$10,178,573). Interest income earned from treasury bills held with Government of Antigua and Barbuda amounted to \$185,110 (2018: \$497,777).

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2019

(expressed in Eastern Caribbean dollars)

10 Investment securities...*continued*

Term deposits are with other OECS banks and financial institutions and international bank with interest rates ranges between 1% to 2.77% 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% - 2.04% per annum totalling \$11,418,276 (2018: \$8,631,636). Refer to note 22.

Bonds/fixed rate notes includes various government bonds and fixed rate notes with OECS banks and financial institutions with interest rates ranging from 1.55% to 9% per annum with original maturities of greater than 12 months.

The available for sale bond investments in 2018 included OECS Government Bonds. The bonds held with the Government of Antigua and Barbuda in 2018 amounted to \$2,000,000. Interest income earned in 2018 from bonds held with the Government of Antigua and Barbuda amounted to \$136,800.

FTVPL investments are comprised of shares held in VISA International. These were classified as available-for-sale in 2018.

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. These were classified as available-for-sale in 2018.

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements
September 30, 2019

(expressed in Eastern Caribbean dollars)

10 Investment securities....continued

The movement in investment securities during the year ended September 30, 2019 is as follows:

	Available for sale \$	Loans and receivables \$	Equity securities – FVTPL \$	Equity securities – FVOCI \$	Amortised Cost \$	Total \$
Balance at beginning of year – IAS 39	88,014,814	113,436,704	–	–	–	201,451,518
Effects of adoption of IFRS 9:	(88,014,814)	(113,436,704)	66,090,270	4,778,977	130,582,271	–
Reclassifications	–	–	–	–	(245,283)	(245,283)
Remeasurement	–	–	–	–	–	–
Balance at beginning of year under IFRS 9, as restated	–	–	66,090,270	4,778,977	130,336,988	201,206,235
Purchases	–	–	–	–	122,356,404	122,356,404
Disposals (sales/redemptions)	–	–	–	–	(73,465,666)	(73,465,666)
Fair value gains	–	–	9,652,201	495,227	–	10,147,428
Increase in expected credit losses	–	–	–	–	(10,088)	(10,088)
Interest receivable	–	–	–	–	23,880	23,880
Balance at end of year – IFRS 9	–	–	75,742,471	5,274,204	179,241,518	260,258,193

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2019

(expressed in Eastern Caribbean dollars)

10 Investment securities ... *continued*

The movement in investment securities during the year ended September 30, 2018 is as follows in 2018:

	Note	Available- for-sale- (unquoted) \$	Available- for-sale- (quoted) \$	Loans and receivables \$	Total \$
Balance as of September 30, 2017		1,075,216	64,529,962	112,708,765	178,313,943
Purchase of investments		99,420	8,000,000	54,740,498	62,839,918
Disposal of investments		—	(6,422,499)	(53,928,269)	(60,350,768)
Gains from changes in fair value	19	77,422	20,672,393	—	20,749,815
Decrease in interest receivable, net		—	(17,100)	(84,290)	(101,390)
Balance as of September 30, 2018		1,252,058	86,762,756	113,436,704	201,451,518

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2019

(expressed in Eastern Caribbean dollars)

11 Loans and advances to customers

	2019	2018
	\$	\$
<i>Performing</i>		
Personal loans	187,822,316	–
Corporate loans	65,315,428	–
Government	241,817,852	–
Overdrafts	10,092,413	–
Credit card advances	8,146,999	–
Total performing loans	513,195,008	–
<i>Under-performing</i>		
Personal loans	10,927,679	–
Corporate loans	7,983,353	–
Overdrafts	4,900,992	–
Credit card advances	346,825	–
Total under-performing loans	24,158,849	–
<i>Non-performing</i>		
Personal loans	17,963,451	–
Corporate loans	4,335,579	–
Overdrafts	575,861	–
Credit card advances	564,872	–
Total non-performing loans	23,439,763	–
Demand loans	–	318,387,515
Mortgage loans	–	157,400,775
Non-performing loans and advances	–	36,179,714
Overdrafts	–	12,322,871
Credit cards advances	–	7,939,118
Total principal balance for loans and advances to customers	560,793,620	532,229,993
Interest receivable	3,669,468	4,928,842
<i>Less:</i>		
Deferred loan origination fees	(735,053)	(766,609)
Provision for expected credit losses	(17,315,668)	(6,569,494)
Total loans and advances to customers	546,412,367	529,822,732
Current	59,913,924	53,649,284
Non-current	486,498,443	476,173,448
	546,412,367	529,822,732

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2019

(expressed in Eastern Caribbean dollars)

11 Loans and advances to customers...continued

Roll forward of provision for credit losses on loans and advances	Note	2019 \$	2018 \$
Balance at beginning of year under IAS 39		6,569,494	5,153,078
Amounts restated through opening retained earnings (note 3)		17,170,517	–
Restated opening balance under IFRS 9 as at October 1, 2018		23,740,011	5,153,078
Impairment charge	28	5,036,960	2,000,004
Loans written-off during the year as uncollectible		(11,461,303)	(583,588)
Balance at end of year		17,315,668	6,569,494

According to the ECCB credit prudential guidelines, the calculated allowance for loan impairment amounts to \$3,344,130 (2018: \$5,797,301). It has been determined that a reserve is not required in equity in the current financial year as the provision under IFRS 9 of \$17,315,668 (2018: IAS 39 of \$6,569,494) exceeds the provision per the ECCB prudential guidelines.

According to the ECCB prudential guidelines, interest income is not accrued for loans that are non-performing. The accrued interest of \$2,371,072 (2018: \$3,835,140) on non-performing loans has been set aside as a specific reserve in equity (see note 19).

12 Other assets

	2019 \$	2018 \$
<i>Financial assets</i>		
Trade and other receivables	1,863,171	637,378
Provision for doubtful debts	(17,818)	(17,818)
	1,845,353	619,560
<i>Non-financial assets</i>		
Prepaid employee benefit	1,583,518	–
Other prepaid expenses	1,566,262	1,073,523
Prepaid purchases	1,147,270	705,794
	4,297,050	1,779,317
Total other assets	6,142,403	2,398,877
Current	4,576,141	2,398,877
Non-current	1,566,262	–
	6,142,403	2,398,877

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements
September 30, 2019

(expressed in Eastern Caribbean dollars)

13 Property, plant and equipment

	Artwork \$	Land \$	Buildings \$	Furniture, fixtures & equipment \$	Computer equipment \$	Motor vehicles \$	Total \$
At September 30, 2017							
Cost	51,740	5,914,200	10,800,488	2,295,547	6,395,684	453,676	25,911,335
Accumulated depreciation	—	—	(1,484,429)	(1,332,761)	(4,771,339)	(178,164)	(7,766,693)
Net book amount	51,740	5,914,200	9,316,059	962,786	1,624,345	275,512	18,144,642
Year ended September 30, 2018							
Opening net book amount at October 1, 2017	51,740	5,914,200	9,316,059	962,786	1,624,345	275,512	18,144,642
Additions	—	214,400	—	354,500	932,069	—	1,500,969
Disposals	—	—	—	—	(14,250)	—	(14,250)
Depreciation write back on disposals	—	—	—	—	3,800	—	3,800
Depreciation charge	—	—	(246,819)	(293,500)	(680,064)	(91,746)	(1,312,129)
Net book amount	51,740	6,128,600	9,069,240	1,023,786	1,865,900	183,766	18,323,032
At September 30, 2018							
Cost	51,740	6,128,600	10,800,488	2,650,047	7,313,503	453,676	27,398,054
Accumulated depreciation	—	—	(1,731,248)	(1,626,261)	(5,447,603)	(269,910)	(9,075,022)
Net book amounts	51,740	6,128,600	9,069,240	1,023,786	1,865,900	183,766	18,323,032

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements
September 30, 2019

(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, 2019							
Opening net book amount at October 1, 2018	51,740	6,128,600	9,069,240	1,023,786	1,865,900	183,766	18,323,032
Additions	—	—	—	102,512	786,347	—	888,859
Depreciation charge	—	—	(246,819)	(269,543)	(730,162)	(91,746)	(1,338,270)
Net book amount	51,740	6,128,600	8,822,421	856,755	1,922,085	92,020	17,873,621
At September 30, 2019							
Cost	51,740	6,128,600	10,800,488	2,752,559	8,099,850	453,676	28,286,913
Accumulated depreciation	—	—	(1,978,067)	(1,895,804)	(6,177,765)	(361,656)	(10,413,292)
Net book amounts	51,740	6,128,600	8,822,421	856,755	1,922,085	92,020	17,873,621

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2019

(expressed in Eastern Caribbean dollars)

14 Intangible assets

	Computer software \$	Customer lists \$	Total \$
September 30, 2017			
Cost	4,921,420	2,031,000	6,952,420
Accumulated amortisation	(4,213,185)	(1,292,452)	(5,505,637)
	<u>708,235</u>	<u>738,548</u>	<u>1,446,783</u>
Year ended September 30, 2018			
Net book value as of October 1, 2017	708,235	738,548	1,446,783
Additions	383,055	—	383,055
Amortisation charge	(284,833)	(184,636)	(469,469)
Net book amount	<u>806,457</u>	<u>553,912</u>	<u>1,360,369</u>
September 30, 2018			
Cost	5,304,475	2,031,000	7,335,475
Accumulated amortisation	(4,498,018)	(1,477,088)	(5,975,106)
	<u>806,457</u>	<u>553,912</u>	<u>1,360,369</u>
Year ended September 30, 2019			
Net book value as of October 1, 2018	806,457	553,912	1,360,369
Additions	167,828	—	167,828
Amortisation charge	(317,261)	(184,636)	(501,897)
Net book amount	<u>657,024</u>	<u>369,276</u>	<u>1,026,300</u>
September 30, 2019			
Cost	5,472,303	2,031,000	7,503,303
Accumulated amortisation	(4,815,279)	(1,661,724)	(6,477,003)
	<u>657,024</u>	<u>369,276</u>	<u>1,026,300</u>

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2019

(expressed in Eastern Caribbean dollars)

15 Customers' deposits

	2019 \$	2018 \$
Savings accounts	296,025,714	285,515,596
Current accounts	205,493,501	229,394,818
Time deposits	264,299,102	266,904,483
	<u>765,818,317</u>	781,814,897
Interest payable	2,482,272	2,397,371
Total customers' deposits	<u>768,300,589</u>	784,212,268
Current	761,665,663	772,379,439
Non-current	<u>6,634,926</u>	11,832,829
	<u>768,300,589</u>	784,212,268

Included in the customers' deposits at year end are deposits from related parties amounting to \$46,360,769 (2018: \$42,418,706) as disclosed in note 21.

Included in the customers' deposits at year end are deposits from other financial institutions, excluding shareholder banks, amounting to \$23,305,330 (2018: \$22,355,559).

Deposits held as collateral for loans and advances amounted to \$15,055,534 (2018: \$14,240,485).

Interest rates on customers' deposit range between 0.25% to 6.25% (2018: 0.25% to 6.25%) per annum. The total interest expense amounted to \$10,948,954 (2018: \$10,512,038) as disclosed in note 23. 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, 2019

(expressed in Eastern Caribbean dollars)

16 Other liabilities and accrued expenses

	2019	2018
	\$	\$
Trade payables and accrued expenses	5,905,957	5,699,998
Manager's cheques	2,846,259	3,378,373
Transfers payable	2,354,158	426,368
Deferred employee benefit	1,583,518	—
Other payables	863,144	705,976
Total other liabilities and accrued expenses	13,553,036	10,210,715
Current	11,969,518	10,210,715
Non-current	1,583,518	—
Current	13,553,036	10,210,715

17 Share capital

	Note	2019	2018
		\$	\$
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, 2019

(expressed in Eastern Caribbean dollars)

19 Reserves

a) Other reserves

	2019	2018
	\$	\$
Regulatory reserve for interest on non-performing loans	2,371,072	3,835,140
Statutory reserve	16,907,796	13,092,273
Total other reserves	19,278,868	16,927,413

(i) Reserve for interest on non-performing loans

This reserve is created to set aside interest accrued on non-performing loans where certain conditions are met in accordance with IAS 39 and 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 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 (2018: available-for-sale investment securities), net of tax. The movements in the reserve during the year are as follows:

	Note	2019	2018
		\$	\$
Balance, beginning of year		39,369,503	23,807,142
Changes upon initial adoption of IFRS 9		(38,252,477)	—
Restated opening balance under IFRS 9 as at October 31, 2018		1,117,026	23,807,142
Unrealised gains on FVOCI equity investment securities	10	495,227	20,749,815
Deferred income tax on remeasurement of FVOCI equity investment securities	10	(123,807)	(5,187,454)
Balance, end of year		1,488,446	39,369,503

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2019

(expressed in Eastern Caribbean dollars)

20 Commitments

a) *Credit commitments and others*

	2019	2018
	\$	\$
Undrawn Commitments – Loans and overdrafts	20,619,886	55,878,895
Undrawn Commitments – Credits cards	13,052,515	12,834,306
Financial guarantees	4,321,000	4,321,000
	<u>37,993,401</u>	<u>73,034,201</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.

b) *Operating lease commitments*

	Within 1 Year \$	1 to 5 years \$	After 5 years \$	Total \$
September 30, 2019	<u>1,059,300</u>	<u>1,734,750</u>	–	<u>2,794,050</u>
September 30, 2018	–	–	–	–

Lease expense during the year amounted to EC\$1,343,956 (2018: \$1,322,239), representing the minimum lease payments.

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2019

(expressed in Eastern Caribbean dollars)

21 Related parties' balances and transactions

	Interest rate	2019 \$	2018 \$
Loans to Government of Antigua and Barbuda	8.0 – 9.8%	241,817,852	254,062,561
Loans to directors	6.0 – 7.0%	849,190	775,620
Loans to key management personnel	6.0 – 8.5%	1,698,956	1,552,127
		244,365,998	256,390,308

The loans to shareholder and key management personnel are secured by assets including cash and property. Interest income earned on shareholders', directors', and key members of management's loans and advances during the year amounted to \$20,924,836 (2018: \$21,914,734). The average interest rate on these loans is 8.28% (2018: 8.28%).

Deposits from related parties

	Interest rate	2019 \$	2018 \$
Deposits from shareholders	0 – 2.5%	41,572,596	38,660,286
Deposits from key management personnel	0 – 2.5%	950,838	779,671
Deposits from staff retirement savings fund	5%	3,653,860	2,832,283
Deposits from directors	0 – 2%	183,475	146,466
		46,360,769	42,418,706

Interest expense paid on shareholders', directors', key members of management's and the staff retirement savings fund deposits during the year amounted to \$818,957 (2018: \$710,801). The average interest rate on these deposits is 1.53% (2018: 1.72%).

Remuneration of key management personnel

	2019 \$	2018 \$
Salaries and allowances	2,100,347	1,877,778
Directors' fees	419,937	418,658
Social Security and Medical Benefits costs	76,912	59,393
Other staff costs	17,710	15,600
	2,614,906	2,371,429

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

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2019

(expressed in Eastern Caribbean dollars)

22 Cash and cash equivalents

Cash and cash equivalents are comprised of the following:

	Notes	2019 \$	2018 \$
Term deposits with original maturities of ninety days or less	10	11,418,276	8,631,636
Due from banks and other financial institutions	9	42,410,766	99,361,144
Cash and non-mandatory balances with the Central Bank	8	38,267,858	84,859,522
Treasury bills	10	17,947,201	15,956,999
		<u>110,044,101</u>	<u>208,809,301</u>

23 Interest income and interest expense

	2019 \$	2018 \$
Interest income		
Loans and advances	43,229,995	42,762,569
Investment securities	4,342,424	4,137,246
Short term deposits	2,998	30,345
Total interest income	<u>47,575,417</u>	<u>46,930,160</u>
Interest expense		
Savings accounts	(5,515,092)	(4,978,979)
Fixed deposits	(5,433,862)	(5,533,059)
Total interest expense	<u>(10,948,954)</u>	<u>(10,512,038)</u>
Net interest income	<u>36,626,463</u>	<u>36,418,122</u>

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2019

(expressed in Eastern Caribbean dollars)

24 Net fee income

	2019 \$	2018 \$
Fee income		
Credit card fees	8,244,305	7,780,388
Foreign exchange gain/losses	5,643,120	3,919,142
Service charge – deposits	3,525,922	3,212,518
Other fees and commission	3,193,935	2,726,649
Credit related fees	809,152	653,119
Total fee income	21,416,434	18,291,816
Fee expense		
Credit card expenses	(6,551,869)	(5,761,744)
Bank Charges	(1,139,866)	(1,118,642)
Other fees-expenses	(19,133)	(3,802)
Total fee expense	(7,710,868)	(6,884,188)
Net fee income	13,705,566	11,407,628

25 Other income, net

	2019 \$	2018 \$
Unrealised gain on FVTPL investments	9,652,200	–
Dividends received	382,152	–
Recovery of loan items written off	195,906	174,978
Miscellaneous income	6,749	–
Recovery of credit card items written-off	4,542	615
Gain on disposal of fixed assets	–	950
Total other income, net	10,241,549	176,543

26 Personnel expenses

	2019 \$	2018 \$
Salaries and allowances	12,196,440	11,238,688
Other personnel expenses	2,125,282	1,707,379
Statutory contributions	1,068,563	949,939
Insurance contributions	238,596	228,112
Total personnel expenses	15,628,881	14,124,118

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2019

(expressed in Eastern Caribbean dollars)

27 General and administrative expenses

	2019 \$	2018 \$
Information technology	2,013,869	2,186,052
Professional fees	1,825,547	1,781,783
Telecommunications and postage	1,549,913	1,189,369
Printing, stationery and office supplies	1,421,104	1,295,070
Rent	1,343,956	1,322,239
Utilities	1,143,406	1,096,504
Repairs and maintenance	546,390	544,567
Marketing and public relations	494,767	407,608
Insurance	420,073	385,316
Directors' fees	419,937	418,658
Licenses and taxes	178,386	181,887
Travel, conferences and meetings	136,075	111,344
Other administration costs	40,279	15,476
Total general and administrative expenses	11,533,702	10,935,873

28 Impairment charges

	Notes	2019 \$	2018 \$
Loans and advances to customers	11	5,036,960	2,000,004
Investments securities	10	10,088	—
Total impairment charges		5,047,048	2,000,004

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2019

(expressed in Eastern Caribbean dollars)

29 Income tax

The legislative enacted corporate tax rate for the year is 25% (2018: 25%).

	2019 \$	2018 \$
Tax charge		
Profit for the year before tax	<u>26,523,780</u>	19,160,700
Tax charge at the applicable tax rate of 25%	6,630,945	4,790,175
Windfall tax at the applicable tax rate of 10%	1,774,404	–
Movement in deferred taxes not recorded in prior years	(430,985)	46,159
Effect of permanent differences	<u>(528,189)</u>	(645,256)
Tax charge for the year	<u>7,446,175</u>	4,191,078
Represented as follows:		
Current income tax expense	2,865,059	4,276,348
Deferred income tax expense/(credit)	2,806,712	(85,270)
Windfall tax	<u>1,774,404</u>	–
	<u>7,446,175</u>	4,191,078
Income tax payable		
Balance recorded beginning of year	4,276,348	3,938,424
Taxes paid during the year	(4,276,348)	(3,938,424)
Current income tax expense for the year	2,865,059	4,276,348
Windfall tax	<u>1,774,404</u>	–
Balance, end of year	<u>4,639,463</u>	4,276,348

Deferred tax (liability)/asset

At the year end, the Bank had a net deferred tax liability of \$12,417,148 (2018: \$13,779,258) 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 liabilities are comprised as follows:

	2019 \$	2018 \$
Deferred commissions on loans	183,763	191,653
Regulatory reserve for interest on non-performing loans	(592,768)	(958,785)
Depreciation on property, plant and equipment	158,995	111,041
IFRS 9 loan loss provisioning in excess of ECCB provision	3,492,885	–
Unrealised gain on investment securities	<u>(15,660,023)</u>	(13,123,167)
Total deferred tax liability	<u>(12,417,148)</u>	(13,779,258)

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2019

(expressed in Eastern Caribbean dollars)

29 Income tax ... continued

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

	Note	2019 \$	2018 \$
Balance, beginning of year		(13,779,258)	(8,677,074)
Effect of adoption of IFRS 9	3.1	4,292,629	–
Current year charge		(2,806,712)	85,270
Unrealised gains on investment securities in other comprehensive income		(123,807)	(5,187,454)
Balance, end of year		(12,417,148)	(13,779,258)

Tax losses

The Bank has no brought forward losses for tax purposes as they were utilized in 2016.

30 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 \$311,736 (2018: \$251,496).

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

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31 Contingencies

Contingent asset

A former employee filed an appeal in 2012 against a 2011 Industrial Court decision which held that the Bank was not liable to pay severance (among other things) to the former employee of Bank of Antigua Limited (In Liquidation) as the Bank was not a successor employer. The Court of Appeal held the Bank was jointly and severally liable to the employee for the payment of \$449,813 as severance pay on redundancy. The Bank appealed in 2017 to the Privy Council. As a condition for granting of leave to appeal, the Bank was ordered to pay the sum of \$449,813 to the Registrar of the High Court and for the monies to be placed into an escrow account pending the outcome of the Privy Council matter. The Privy Council considered the matter and ruled in the Bank's favour and noted that there was no implication that the Purchase and Assumptions agreement created a liability for the Bank to pay severance and cost to the former employee of Bank of Antigua Limited (In Liquidation). The Privy Council referred the matter back to the Court of Appeal for consideration on how best to proceed. The Matter was heard before the Court of Appeal on September 16, 2019 and both parties were ordered to file submissions. The matter has been set for hearing again on November 11, 2019, and subsequently deferred.

Contingent liability

In 2018, an employee of the Bank was terminated on the grounds of redundancy. The employee filed an unfair dismissal claim against the Bank. A decision was given on November 6, 2019 indicating that the employee was unfairly terminated, and a payment was recommended. The Bank will determine its next steps in the matter.

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.

32 Dividends

The financial statements reflect a dividend payment of \$2,995,427 (2018: \$2,995,427). This comprises \$5.50 per common share amounting to \$1,320,000 and 3.5% of the par value of the preferred shares amounting to \$1,675,427. Approval of these payments was given at the Seventh Annual General Meeting held on May 26, 2019.

33 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.



"The best way to predict your future is to create it"

-Abraham Lincoln



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