

ANNUAL REPORT 2015

Five Years of Sustained Growth



*“Without continual growth and progress,
such words as improvement, achievement,
and success have no meaning.”*

- Benjamin Franklin

OUR VISION

To be your Bank of choice and financial partner for life.

OUR MISSION

To create value for our stakeholders.

OUR MANTRA

Get It Right the First Time, Every Time.

STRATEGIC INTENT

Our strategic intent is Operational Efficiency.

CULTURAL PILLARS

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

OUR VALUE STATEMENTS

- Honesty and integrity are the overriding guiding principles.
- All employees are regarded as critical to the success of the institution. The proficiency, expertise, knowledge and vision of everyone are highly valued and mutual respect and trust are greatly emphasized.
- All customers are regarded as critical to the success of the institution. Bank staff is therefore very customer-focused, responsive and driven to exceed customers' expectations.
- The reputation of the Bank and the integrity, sincerity and transparency that staff demonstrate every day are held in the highest regard.
- Continuous learning is valued, reinforced by a commitment of the staff to listen to customers and to each other in order to institutionalize the discipline, processes and methodologies that offer the greatest reliability and quality of banking services.

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Notice of Annual General Meeting

NOTICE is hereby given that the Fifth Annual General Meeting of the Eastern Caribbean Amalgamated Bank Limited will be held on Friday, **the 26th day of February, 2016** at its head office located at 1000 Airport Boulevard, Coolidge, in the parish of St. George's, in Antigua and Barbuda commencing at **5:30 p.m.** in the Board Room.

AGENDA

1. Call to Order
2. Prayers
3. Adoption of Agenda
4. Revision of Minutes of Fourth Annual General Meeting held on April 28, 2015
5. Matters Arising from Minutes of Fourth Annual General Meeting held on April 28, 2015
6. Chairman's Report
7. Directors' Report
8. Auditors' Report and Financial Statement for the year ended September 30, 2015
9. Appointment of Auditors
10. Election of Directors and Confirmation of Remuneration
11. Any other Business

Dated the 12th day of February, 2016

BY ORDER OF THE BOARD OF DIRECTORS



Tracy Benn-Roberts
Corporate Secretary

Chairman's Report

“Five years of Sustained Growth” is an achievement that the Eastern Caribbean Amalgamated Bank Limited (ECAB) takes a profound sense of pride in, while at the same time, we are very encouraged by our capacity to attain much more growth in the years to come.

ECONOMIC OVERVIEW

After experiencing relatively hopeful economic growth in 2014, Antigua and Barbuda's preliminary forecast for growth in 2015 ranged from 2 percent to 5 percent. However, the actual rate of growth recorded in 2015 was a modest 2.2 percent.

The Eastern Caribbean Central Bank (ECCB) has provisionally projected a 2.83 percent growth rate of GDP in 2016. The Government, on the other hand, has projected that growth will be closer to 6 percent in 2016, led by tourism and construction related activities as hotel and housing projects gather momentum. Whichever the outcome, it appears more than likely that growth in 2016 will exceed that achieved in 2015.

According to the International Monetary Fund's World Economic Outlook update of January 2016, after falling short of expectations at 3.1 percent in 2015 and being influenced by a slowdown in several leading and emerging market economies, the global economy is projected to experience modest growth at 3.4 percent in 2016. With the United States representing the largest share of our tourism market and China being a strong development partner for Antigua & Barbuda in the recent past, the encouraging estimates for growth in these regions set a promising outlook for the local economy in 2016.

OUR PERFORMANCE

While the global, regional and local economies continue to show mixed signs of recovery, ECAB continues to show sustained growth as it enhances its position as a strong financial institution in Antigua and Barbuda. From inception, the trajectory of ECAB's net profit has been upward and 2015 was no exception. We are therefore, immensely proud to announce a net profit of \$6.8M for the year ended September 30, 2015, an 11.1 percent increase over the \$6.2M achieved in 2014.



Our total assets decreased marginally by 1.1 percent from \$513M as at September 30, 2014 to \$507M as at September 30, 2015 and our overall market share from 9.2 percent to 8.8 percent. Loans and advances increased by 3.86 percent from \$306M as at September 30, 2014 to \$318M as at September 30, 2015. This translated to a 1.10 percent increase in our market share of loans and advances which now stands at 12.7 percent as at September 30, 2015.

Although the Loans to Deposit Ratio drifted upwards to 85.2 percent as at September 30, 2015, up from 80.1 percent as at September 30, 2014, the Bank's liquidity is still considered strong. Also, the Bank remains more than adequately capitalized with the capital adequacy ratio holding steady at the 56 percent level from the prior year which is well in excess of ECCB's statutory minimum of 8.0 percent.

Following the decision of the 81st Meeting of the Eastern Caribbean Monetary Council to reduce the minimum savings deposit rate from 3.0 percent to 2.0 percent, the Bank took the initiative to implement an overall reduction of interest rates on all deposits. This has served to reduce our cost of funds and improve our profitability.

During the year, ECAB received an award from 4Cs for the highest growth in international debit card transactions. This recognition reinforces ECAB's commitment to making it easier for our customers to conduct their daily banking business and our goal to become the market leader in convenience banking.

OUR STRATEGY

From the inception of ECAB in 2010, our mission has been to consistently deliver the highest possible quality of service to our customers. As such, over the past five (5) years, we have been earnestly working at making the provision of an excellent level of customer service and the surpassing of our customers' expectations in every way possible a part of our culture. As we continue to climb the growth chart, one of our strategies will always be to deliver improved services and introduce a wider variety of products all geared towards enhancing our customers' overall banking experience.

A noteworthy subsequent event was ECAB's purchase and assumption of certain assets and liabilities of ABI Bank Limited (in Receivership), totaling approximately \$260M on November 29, 2015. While our strategic intent has always been steady and sustained growth of the asset base over time, this move was an opportunity to not only strengthen and grow ECAB but, to play a greater role in maintaining the stability of the banking industry. As a result of the above transaction, ECAB has become the fourth largest bank in Antigua & Barbuda. Going forward, the Board and management will continue its quest to seek to capitalize on all opportunities presented to further the growth and development of ECAB.

ACKNOWLEDGEMENTS

October 18, 2015 represented an important milestone in the life of ECAB. On that day, we celebrated our Fifth Anniversary! Over the past five (5) years, the staff and management of ECAB have demonstrated the dynamism and acumen necessary to grow and develop ECAB into a leading bank in Antigua and Barbuda and the OECS.

As we commemorate five (5) years of existence and sustained growth, the Board of Directors takes this opportunity to express our sincerest gratitude to our valued shareholders for their steadfast commitment to the Bank, without which ECAB would not have been able to make the many important strides over these years.

To our existing customers, we are extremely grateful for your continued patronage over the years. To our new customers, we say WELCOME! Our pledge is to serve you with the same courtesy and professionalism which is the hallmark of the ECAB brand.

To the management and staff, the Board of Directors expresses its heartfelt appreciation for your loyalty and support over the past five (5) years. We look forward to many more years of working together to build a brighter financial future for yourselves, our customers, our shareholders and all other stakeholders.



Craig J. Walter
Chairman
Board of Directors

Five Years of Sustained Growth...A New Journey Awaits

In 2010, we embarked on a journey of unknowns. However, we were confident and determined to realize Our Vision to become the Bank of Choice and Financial Partner for Life for our customers. That confidence and determination were also rooted in Our Mission to create value for all stakeholders. With Our Value Statement, Strategic Intent and Cultural Pillars being our guide, we remained resolute in our pledge to our customers, employees, stakeholders and the public at large. As we celebrate Five Years of Sustained Growth, we pause to thank all of our customers and staff, both past and present, for their support and to take a look back at the infancy days.



A Look Back at Five Years of...

Customer Service Driven by Excellence

Our customers and employees are critical to our success. We take pleasure in delivering a high level of customer service at all times. We also aim to ensure that the customer experience is intimate, exceptional and well characterized by friendly service and active listening to make sure that proper guidance is provided to facilitate the best financial decisions.



We listen to our customers so that we may better meet their needs.

We are always ready to serve with a smile.



We take the time to provide guidance.



Directors' Report

Over the past five (5) years, the Board of Directors of the Eastern Caribbean Amalgamated Bank Limited (ECAB) has worked diligently towards ensuring the sustainability of a strong risk management culture, a system of accountability, financial integrity and transparency throughout all aspects of ECAB's operation while, at the same time, maintaining the trust and confidence of all stakeholders. This focused oversight by the Board of Directors, driven by the duty of care to ensure that all decisions made are in the best interests and welfare of all concerned, has been a key pillar of the sustained growth of ECAB from 2010 to 2015. Having now achieved the fifth (5) anniversary milestone, the Board of Directors' intends to astutely safeguard and preserve the foundation already built whilst working diligently to continue to grow the asset base and profitability of ECAB in the years to come.

BOARD COMPOSITION

There are seven (7) non-executive directors on the Board of ECAB representing the six (6) shareholders of ECAB (as shown below). During the financial year ended September 30, 2015, Director Craig Walter held the office of Chairman and Director Esther Brown-Weekes that of Deputy Chairman. The wide-ranging backgrounds and experiences of the Directors serve to strengthen the effectiveness of the Board thereby enabling it to successfully navigate the tides and consistently challenge

NAME OF DIRECTORS (IN ORDER OF YEARS ON BOARD)	SHAREHOLDERS	NUMBER OF ORDINARY SHARES OWNED
Craig Walter	Antigua	37,200
Gladston Joseph	Commercial Bank	
Derry Williams	Bank of St. Vincent and the Grenadines Ltd	19,200
Mithcell Gumbs (replaced by Howard McEachrane)	St. Kitts Nevis Anguilla National Bank	38,400
Esther Brown-Weekes	Eastern Caribbean Financial Holding Company Ltd.	48,000
Paul Moses	National Bank of Dominica Ltd.	37,200
Rasona Davis-Crump	Government of Antigua and Barbuda	60,000



management to not just achieve but surpass the strategic goals.

Notes:

- (1) Director Mitchell Gumbs represented St. Kitts Nevis Anguilla National Bank Ltd until the appointment of Director Howard McEachrane effective May 2015.
- (2) The Government of Antigua and Barbuda also owns 100,000 preference shares.

MEETINGS

The Board of Directors normally meets once per month and additionally when required. During the financial year ended September 30, 2015, there were twelve (12) Board of Directors meetings. The following table records the attendance of the Directors:

DIRECTORS (IN ORDER OF TENURE)	ATTENDANCE		PERCENTAGE
	Required	Actual	
Craig Walter	12	11	92%
Gladston Joseph	12	12	100%
Derry Williams	12	12	100%
Mitchell Gumbs	7	7	100%
Esther Brown-Weekes	12	8	67%
Paul Moses	12	10	83%
Rasona Davis-Crump	12	10	83%
Howard McEachrane	5	3	60%

BOARD SUB-COMMITTEES

There are four (4) sub-committees of the Board of Directors which meet as and when required. These are and comprise of the following:

1. Credit Committee – Directors Gladston Joseph (Chairman), Craig Walter, Derry Williams, Esther Brown-Weekes, Mitchell Gumbs (replaced by Howard McEachrane in May 2015), Paul Moses and Rasona Davis-Crump;
2. Human Resource Committee – Directors Derry Williams (Chairman), Gladston Joseph and Mitchell Gumbs (replaced by Rasona Davis-Crump in May 2015);
3. Audit & Risk Committee – Directors Esther Brown-Weekes (Chairman), Paul Moses and Rasona Davis-Crump and Howard McEachrane as of May 2015;
4. Corporate Governance – Directors Craig Walter (Chairman), Esther Brown-Weekes and Mitchell Gumbs (replaced by Howard McEachrane in May 2015).

DIRECTORS' TENURE AND VOTING BY SHAREHOLDERS

In accordance with Clause 4.4 of the By-Laws of ECAB: *“Unless his tenure is sooner determined, a director shall hold office from the date from which he is elected or appointed until the close of the annual meeting of the shareholders next following but shall be eligible for re-election if qualified.”*

Clause 4.2 of the By-Laws of ECAB also states that: *“There shall be a minimum of 7 directors and a maximum of 11 directors.”*

In accordance with Clause 12.6 of the By-Laws of ECAB, shareholders shall vote at the election *“in the first instance by a show of hands unless a person entitled to vote at the meeting has demanded a ballot”*. Accordingly, each shareholder or proxy holder or individual authorized to represent a shareholder is entitled to one vote at every meeting at which he is entitled to vote (Clause 12.6.1 of the By-Laws of ECAB).

DIVIDEND

The Board of Directors does not recommend the payment of dividends for the year ended September 30, 2015 in accordance with its objectives and policies to further grow the capital base of the Bank.

AUDITORS

The Auditors, Grant Thornton, retired at the financial year ended September 30, 2015. The Auditors are eligible for re-appointment and have offered themselves for re-appointment for the year ended September 30, 2016. The Board of Directors recommends their re-appointment.



Tracy Benn-Roberts
Corporate Secretary

A Look Back at Five Years of...

Commitment to Our Employees

We recognize that our employees are most valuable and that their continued professional training and development is paramount to the continued success and growth of our institution. Over the past five years, we have provided regular training for our staff to ensure that they are kept well abreast of industry standards and fully equipped to meet and exceed our customers' needs. We also offer an education assistance programme to our staff as we aim to foster a culture of self-improvement and educational advancement. We, further, recognize and reward our employees for their accomplishments as part of our appreciation for their hard work, commitment and loyalty.



We've made sure that our employees are fully equipped to meet and exceed customers' needs.



We foster a culture of self-improvement.



We recognize and reward our employees' accomplishments and encourage their continued professional advancements.

Board of Directors

Gladston Joseph
Antigua Commercial
Bank Limited

Craig Walter
Antigua Commercial
Bank Limited
Chairman

Howard McEachrane
St. Kitts Nevis Anguilla
National Bank Limited



Paul Moses
National Bank of
Dominica Limited

Rasona Davis-Crump
Government of
Antigua & Barbuda

Esther Brown-Weekes
Eastern Caribbean Financial
Holding Company Limited

Derry Williams
Bank of St. Vincent and
the Grenadines Limited

A Look Back at Five Years of...

Exceptional Product Offerings

In a world of constant and rapid evolution in technology, we are very mindful of the need for our institution to remain up-to-date with technological and other advancements. We are further quite aware of the necessity for our products and services offered to be continuously above par, competitively priced and affordable to our customers. We strive to provide our customers with the convenience and reliability that they require from us and which will provide them with much ease in their daily banking. We also recognize that our customers' demands must be met and that in today's banking environment, our customers have choices. As such, we intend to continue our hard work and commitment to satisfying our customers' needs and to remaining their Bank of Choice.



With customer satisfaction being our focus, we provide, among other things, superior rewards cards, seven easily accessible ATMs, mobile and online banking, eStatements and convenient branch locations.

We've made banking easy and reliable.



Loans for YOUR Lifestyle.

We Offer...

- Competitive Interest Rates
- Flexible Terms
- Speedy Approvals

Farther Your Education

Buy Your First Vehicle

Upgrade Your Home

Build Your Home

Purchase a Plot of Land

Our future, Our bank

eCAB

Contact us Today at 268-480-5317
info@ecabank.com • www.ecabank.com

We engineer our products with every type of customer in mind.

Executive Management



Michael Spencer
General Manager



Donna Cort
Chief Financial Officer



Tracy Benn-Roberts
General Counsel and
Corporate Secretary



Norris Antonio
Senior Manager Credit Administration



Sophie Thomas-Durand
Chief Information Systems Officer



Peter Quinn
Internal Auditor



Sonya Roberts-Carter
Senior Manager Operations

Management's Discussion and Analysis



2015 Economic and Business Environment

Global economic recovery continued into 2015 with growth of 2.4 percent estimated for the year. Based on the global outlook, the economies within the ECCU are expected to expand. Preliminary data from the Eastern Caribbean Central Bank indicates that the economy of Antigua and Barbuda is expected to grow by 2.8 percent in 2015 driven by activity in some of the main service sectors excluding tourism. Although total visitor arrivals increased by 14.4 percent for the first six months in 2015 compared to the corresponding period in 2014, stay-over visitors fell by 3.6 percent. Activity is estimated to have declined in the construction sector influenced in part by delays in commencement of a number of tourism projects scheduled for 2015 and evidenced by a reduction of 6.4 percent in cement imports. Liquidity in the banking system to June 2015 increased by 5.0 percent while at the same time private sector credit fell by 2.7 percent thereby causing increased competition among banks for the available good loans.

Performance Highlights

The Bank's performance for fiscal year ended September 30, 2015 was commendable with reported comprehensive income of \$6.8 million; an increase of 11.1 percent in comparison to the 2014 results. Our performance in 2015 was largely influenced by continued strategic measures aimed at reducing cost of funds coupled with further reduction in customer deposit rates following the Monetary Council's decision to decrease the minimum savings rate from 3.0 percent to 2.0 percent in May 2015.

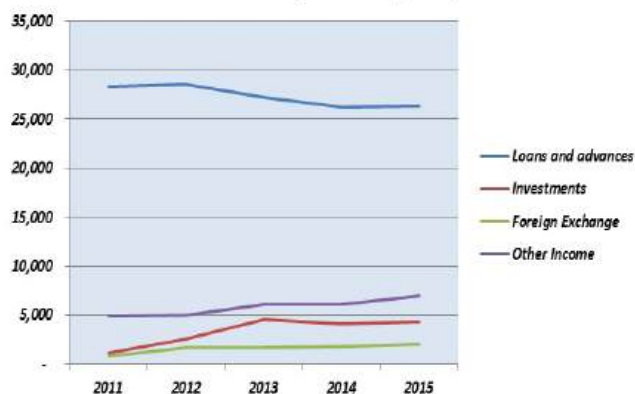
Highlights of Financial Operations

(In Thousands of Dollars)

<u>For the year</u>	2015	2014	2013	2012	2011
Interest Income	30,730	30,317	31,721	31,170	29,417
Interest Expense	10,578	11,738	13,740	13,300	11,488
Loan Impairment Charges	413	321	946	939	3,651
Net Fee Income	5,400	4,626	4,840	4,227	2,660
Operating Expenses	18,385	16,758	16,384	16,756	18,714
Net Income (Loss)	6,839	6,158	5,507	4,369	(1,253)
Yield on Interest Earning Assets	7.2%	7.3%	7.4%	8.2%	9.1%
Cost of Funds	2.5%	2.9%	3.0%	3.6%	3.9%
Spread	4.7%	4.4%	4.4%	4.6%	5.2%
Efficiency Ratio	72.1%	71.9%	74.8%	79.3%	107.2%

<u>At year end</u>	2015	2014	2013	2012	2011
Loans & Advances	318,198	306,379	309,770	309,080	313,134
Investments	120,701	117,857	121,650	86,829	47,016
Total Assets	507,221	513,082	506,476	487,233	417,880
Total Deposits	405,809	414,160	416,381	396,256	344,326
Total Shareholders' Equity	93,489	86,650	80,493	74,986	70,617
Return on Assets	1.3%	1.3%	1.1%	1.0%	(0.3%)
Return on Equity	7.6%	7.4%	7.1%	6.0%	(1.8%)
Tier 1 Capital Ratio	56%	56%	53%	52%	49%

Sources of Income ('000)



Interest Income

Interest income increased by \$0.4 million or 1.4 percent to \$30.7 million for 2015 compared to 2014. Growth in the loans and advances portfolio occurred during the latter half of the financial year and resulted in an average loans and advances balance of \$306.3 million for 2015 compared to \$304.5 million for 2014. In addition, the average investment securities balance was \$117.9 million in 2015 compared to \$100.8 million in 2014. Yield on interest earning assets dropped slightly to 7.2 percent for 2015 from 7.3 percent for 2014.

Interest Expense

The reduction in cost of funds to 2.5 percent for 2015 from 2.9 percent for 2014 made a significant contribution to the Bank's successful performance for the 2015 fiscal. Interest expense decreased \$1.2 million or 9.9 percent to \$10.6 million for 2015 compared to 2014 despite growth in average customer deposits to \$414.9 million in 2015 from \$393.4 million in 2014.

Loan Impairment Charges

Loans and advances continued to be closely monitored resulting in improvement in the delinquency ratio to 6.8 percent at the close of 2015 from 7.9 percent at the end of 2014. However, loan impairment charges increased by \$0.1 million or 28.6 percent to \$0.4 million for 2015

compared to 2014 due to depreciation in values of certain properties being held as security for customer loans.

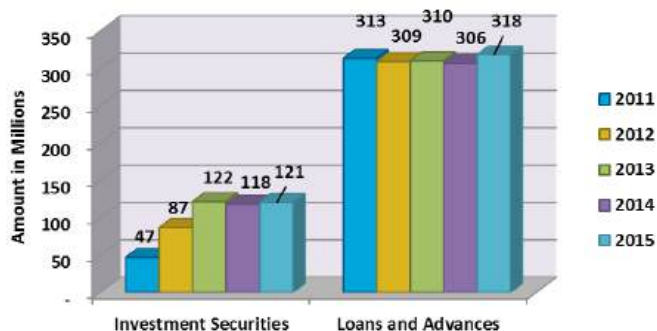
Net Fee Income

Net fee income increased by \$0.8 million or 16.7 percent to \$5.4 million in 2015 compared to 2014. This increase was mainly attributed to the introduction of a minimum monthly service charge fee on demand accounts and to an increase in gains from foreign exchange transactions.

Operating Expenses

Operating expenses increased by \$1.6 million or 9.7 percent to \$18.4 million for 2015 compared to 2014 primarily driven by increases of \$0.9 million in personnel expenses and \$0.4 million in general and administrative expenses. The primary contributors to the increase in personnel expenses were a 2.5 percent increase in staff salaries and an increase in other staff benefits in accordance with the Collective Agreement. The increase in administration costs was driven by an increase in repairs and maintenance expense as the Bank commenced remedial work on the parking lot at the Coolidge Branch and to higher communication charges.

Interest Earning Assets

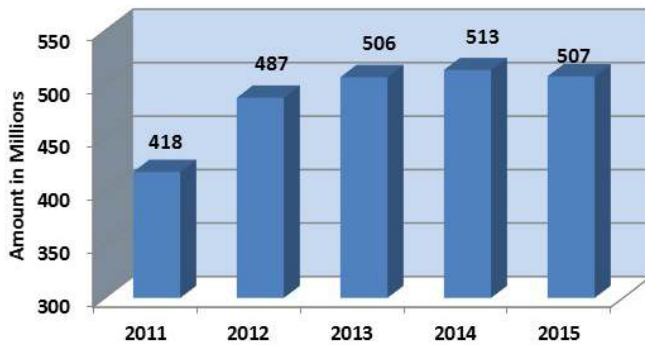


Assets

Total assets decreased by \$5.9 million or 1.1 percent to \$507.2 million compared to 2014. Significant efforts were made during 2015 to grow the loan and advances portfolio resulting in an increase of \$11.8 million or 3.9 percent. Investment securities grew by \$2.8 million or 2.4 percent, but balances due from banks and other financial institutions decreased by \$18.4 million or 58.0 percent.

Looking ahead, we will continue to seek ways to optimize profits while at the same time providing superior customer service. Focus will be placed on continued growth in loans and advances and improving the delinquency and efficiency ratios.

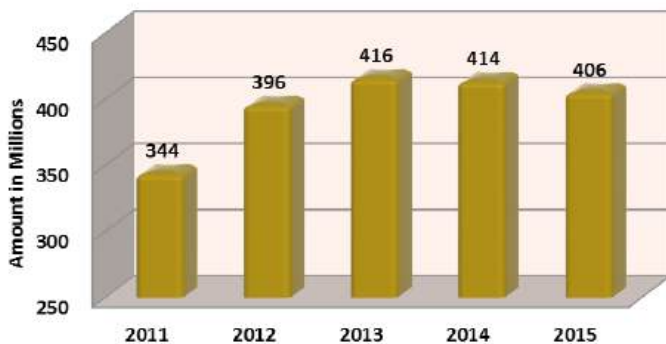
Total Assets



Customer Deposits

Despite a decrease in customer deposits of \$8.4 million or 2.0 percent, the bank maintained strong liquidity which was used to fund expansion of its operations. Surplus funds were invested in regional government securities and in placements with other financial institutions.

Total Deposits



A Look Back at Five Years of...

Corporate Social Responsibility

We are committed not only to the communities in which we operate but also to the communities of our customers and other stakeholders. Over the years, we have fostered relationships with several communities and institutions through financial donations, our time and other resources at our disposal.



We take pride in contributing towards initiatives such as the annual Camp Grow program focused on molding youth into responsible citizens.

Our commitment to the youth has been, and will continue to be, a cornerstone of our philanthropic efforts.



Whether it's academic achievements, sports or otherwise, we recognize the importance of rewarding the youth for a job well done.



A Look Back at Five Years of...

Corporate Social Responsibility

Recognizing that the youth play an integral role in the preservation and development of our communities, much of our philanthropic efforts are geared towards youth activities and initiatives. However, we also believe in taking a holistic approach as well to aid overall community development and, as such, have contributed to many charitable areas to include sports, health, arts and culture.



Our commitment to preserving our culture is unwavering. Over the years we have donated to cultural events such as the Queen of Carnival and the Jennings Secondary School Steel Orchestra.

We take pride in promoting our local culture.



Congratulations

To the Participants of the first ever
ECAB Junior Soca Monarch Competition

Best Stage Performer - Jumpy- Junior Rampler
Best Stage Performer Groovy - Baby Eye
Most Punctual - De Mighty BC
Most Cooperative - KidDrone
Facebook Prize - Jr. Rampler

Groovy Soca Monarch Competition

Winner - Baby Eye
First Runner Up - Mighty Soyinka
Second Runner Up - De Mighty BC
(left)

Jumpy Soca Monarch Competition

Winner - Junior Rampler
First Runner Up - Kid Vicious
Second Runner Up - De Advisor
(right)



In 2015, we partnered with the National Festivals Office to produce the first annual ECAB Junior Soca Monarch Competition.

Management

Eleanor Mourillon
Manager Banking Services

Harold Barriteau
Manager Information Systems

Carol George-Martin
Manager Support Services

Gevon Dash
Manager Finance and Accounting



Alicia Gardner
Manager Lending

Debra Williams
Manager Risk and Compliance

Tracy Edwards
Manager Card Services
(not shown)

Five Years of Sustained Growth...

A New Journey Awaits

It has been our pleasure to provide you, our valued stakeholders with a unique brand of customer service, competitive and reliable products and increased value over the past five years. We have enjoyed our partnership on the journey which has seen sustained growth year after year. We look forward to a continued and a mutually beneficial relationship going forward. We now invite you to join us as we embark on the new journey that awaits.



Eastern Caribbean Amalgamated Bank

Financial Statements

September 30, 2015

(Expressed in Eastern Caribbean Dollars)



Grant Thornton
11 Old Parham Road
P.O. Box 1531
St. John's, Antigua
West Indies

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Eastern Caribbean Amalgamated Bank Limited

T +1 268 462 3000
F +1 268 462 1902
www.grantthornton.ag

We have audited the accompanying financial statements of **Eastern Caribbean Amalgamated Bank Limited**, which comprise the statement of financial position as of September 30, 2015 and the statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Eastern Caribbean Amalgamated Bank Limited** as of September 30, 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Chartered Accountants
December 30, 2015
St. John's, Antigua

Partners:
Antigua
Charles Walwyn - Managing Partner
Robert Wilkinson
Kathy David

St. Kitts
Jefferson Hunte

Audit • Tax • Advisory
Member of Grant Thornton International Ltd

Eastern Caribbean Amalgamated Bank Limited

Statement of Financial Position

As of September 30, 2015

(expressed in Eastern Caribbean dollars)

	Notes	2015 \$	2014 \$
Assets			
Cash and balances with the Central Bank	8	34,862,361	35,471,806
Due from banks and other financial institutions	9	13,298,512	31,659,657
Investment securities	10	120,700,813	117,856,527
Loans and advances to customers	11	318,197,622	306,379,115
Other assets	12	1,234,700	1,443,127
Property, plant and equipment	13	17,186,716	17,861,206
Intangible assets	15	1,740,600	2,410,504
Total assets		507,221,324	513,081,942
Liabilities			
Customers' deposits	16	405,808,591	414,159,573
Other liabilities and accrued expenses	17	5,267,568	8,112,941
Borrowings	18	2,655,706	4,159,364
Total liabilities		413,731,865	426,431,878
Equity			
Preference shares	19	47,869,339	47,869,339
Common shares	19	24,000,000	24,000,000
Other reserves	21	8,471,841	7,369,767
Retained earnings		13,148,279	7,410,958
Total equity		93,489,459	86,650,064
Total liabilities and equity		507,221,324	513,081,942

The notes on pages 30 to 94 are an integral part of these financial statements.

Approved by the Board of Directors on December 30, 2015



Director



Director

Eastern Caribbean Amalgamated Bank Limited

Statement of Comprehensive Income For the year ended September 30, 2015

(expressed in Eastern Caribbean dollars)

	Notes	2015 \$	2014 \$
Operating income			
Interest income	25	30,729,749	30,317,406
Interest expense	25	(10,577,799)	(11,738,019)
Net interest income		20,151,950	18,579,387
Loan impairment charges	11	(412,513)	(320,857)
Net interest income after loan impairment charges		19,739,437	18,258,530
Fee and commission income	26	9,046,323	7,866,134
Fee and commission expense	26	(3,646,160)	(3,240,244)
Net fee income		5,400,163	4,625,890
Other income	27	85,157	31,464
Net interest, fee, commission and other income		25,224,757	22,915,884
Operating expenses			
Personnel expenses	28	9,814,399	8,912,978
General and administrative expenses	29	6,191,695	5,812,229
Amortization of intangible assets	15	994,767	864,365
Depreciation of property, plant and equipment	13	1,384,501	1,168,794
Total operating expenses		18,385,362	16,758,366
Profit for the year		6,839,395	6,157,518
Other comprehensive income		—	—
Comprehensive income for the year		6,839,395	6,157,518

The notes on pages 30 to 94 are an integral part of these financial statements.

Eastern Caribbean Amalgamated Bank Limited

Statement of Cash Flows

For the year ended September 30, 2015

(expressed in Eastern Caribbean dollars)

	Notes	2015 \$	2014 \$
Cash flows from operating activities			
Operating profit for the year		6,839,395	6,157,518
Adjustments for items not affecting cash:			
Interest income	25	(30,729,749)	(30,317,406)
Interest expense	25	10,577,799	11,738,019
Depreciation	13	1,384,501	1,168,794
Amortization of intangible assets	15	994,767	864,365
Provision for loan impairment charges	11	412,513	320,857
Other non-cash items		(69,637)	(16,536)
Cash flows used in operating activities		(10,590,411)	(10,084,389)
Net (increase)/decrease in operating assets			
Loans and advances to customers		(12,868,477)	4,869,316
Mandatory deposits with the Central Bank		2,339,647	3,931
Other assets		208,427	(318,275)
Restricted deposits		681,736	(803,250)
Net increase/(decrease) in operating liabilities		(8,044,028)	(1,149,055)
Deposits from customers		(8,044,028)	(1,149,055)
Other liabilities and accrued expenses		(2,845,373)	4,060,185
Cash used in operations		(31,118,479)	(3,421,537)
Interest received		31,180,754	28,620,989
Interest paid		(10,884,753)	(12,810,189)
Net cash (used in)/generated from operating activities		(10,822,478)	12,389,263
Cash flows from investing activities			
Purchase of plant and equipment		(710,011)	(911,477)
Purchase of investment securities		(51,018,316)	(62,282,175)
Disposal of investment securities		34,992,443	48,608,465
Purchase of intangible assets		(324,863)	(272,504)
Net cash used in investing activities		(17,060,747)	(14,857,691)
Cash flows from financing activities			
Repayment of long term borrowings		(1,503,658)	(1,390,564)
Net cash used in financing activities		(1,503,658)	(1,390,564)

Eastern Caribbean Amalgamated Bank Limited

Statement of Cash Flows

For the year ended September 30, 2015

(expressed in Eastern Caribbean dollars)

	Notes	2015 \$	2014 \$
Net decrease in cash and cash equivalents		(29,386,883)	(3,858,992)
Exchange gains on cash and cash equivalents		69,637	16,536
Cash and equivalents at beginning of year		<u>90,591,887</u>	<u>94,434,343</u>
Cash and cash equivalents at end of year	24	<u>61,274,641</u>	<u>90,591,887</u>

The notes on pages 30 to 94 are an integral part of these financial statements.

Eastern Caribbean Amalgamated Bank Limited

Statement of Changes in Equity For the year ended September 30, 2015

(expressed in Eastern Caribbean dollars)

	Notes	Preference shares \$	Common shares \$	Other reserves \$	Retained earnings \$	Total \$
Balance as of September 30, 2013		47,869,339	24,000,000	5,983,572	2,639,635	80,492,546
Comprehensive income for the year		—	—	—	6,157,518	6,157,518
Reserve for loan loss provision	21	—	—	342,763	(342,763)	—
Reserve for interest recognised on impaired loans	21	—	—	(253,397)	253,397	—
Statutory reserve	21	—	—	1,296,829	(1,296,829)	—
Balance as of September 30, 2014		47,869,339	24,000,000	7,369,767	7,410,958	86,650,064
Comprehensive income for the year		—	—	—	6,839,395	6,839,395
Reserve for loan loss provision	21	—	—	(340,231)	340,231	—
Reserve for interest recognised on impaired loans	21	—	—	74,426	(74,426)	—
Statutory reserve	21	—	—	1,367,879	(1,367,879)	—
Balance as of September 30, 2015		47,869,339	24,000,000	8,471,841	13,148,279	93,489,459

The notes on pages 30 to 94 are an integral part of these financial statements.

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2015

(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. 14 of 2005 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 Antigua 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. The Bank’s registered office is located at 1000 Airport Boulevard, Coolidge, Antigua.

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

3 Changes in accounting policies

3.1 New and revised standards that are effective for annual periods beginning on or after January 1, 2014

A number of new and revised standards are effective for annual periods beginning on or after January 1, 2014. Information on these new standards is presented below.

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

These amendments clarify the application of certain offsetting criteria in IAS 32, including:

- the meaning of ‘currently has a legally enforceable right of set-off’ – It must not be contingent on a future event, but must also be legally enforceable in the normal course of business;
- that some gross settlement mechanisms may be considered equivalent to net settlement.

The amendments have been applied retrospectively in accordance with their transitional provisions. As the Bank does not currently present any of its financial assets and financial liabilities on a net basis using the provisions of IAS 32, these amendments had no material effect on the financial statements for any period presented.

Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)

These amendments clarify that an entity is required to disclose the recoverable amount of an asset (or cash generating unit) whenever an impairment loss has been recognised or reversed in the period. In addition, they introduce several new disclosures required to be made when the recoverable amount of impaired assets is based on fair value less costs of disposal, including:

- additional information about fair value measurement including the applicable level of the fair value hierarchy, and a description of any valuation techniques used and key assumptions made
- the discount rates used if fair value less costs of disposal is measured using a present value technique.

The amendments have been applied retrospectively in accordance with their transitional provisions and had no material effect on the financial statements for any period presented.

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2015

(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, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Bank.

Management anticipates that all of the relevant pronouncements will be adopted in the Bank's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Bank's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Bank's financial statements.

IFRS 15 'Revenue from Contracts with Customers'

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

IFRS 15 is effective for reporting periods beginning on or after January 1, 2018. The Bank's management has not yet assessed the impact of IFRS 15 on these financial statements.

IFRS 9 'Financial Instruments'

The IASB recently released IFRS 9 'Financial Instruments' (2014), representing the completion of its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting. The Bank's management has yet to fully assess the impact of IFRS 9 and is not yet in a position to provide quantified information.

The new standard is required to be applied for annual reporting periods beginning on or after January 1, 2018.

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

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

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2015

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies

4.1 Overall considerations

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

4.2 Cash and cash equivalents

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

4.3 Financial instruments

Recognition, initial measurement and derecognition

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

Classification and subsequent measurement of financial assets

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

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

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

(a) Loans and receivables

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

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2015

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies ... *continued*

4.3 Financial instruments ... *continued*

(b) Held-to-maturity financial assets

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

(c) Available-for-sale financial assets

AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The equity investments in Eastern Caribbean Securities Exchange Limited and Eastern Caribbean Home Mortgage Bank are measured at cost less any impairment charges, as the fair value cannot currently 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 AFS reserve within equity, except for interest and dividend income, impairment losses and foreign exchange differences on monetary assets, which are recognised in profit or loss. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss. Interest is calculated using the effective interest method.

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

Impairment of financial assets

(a) Assets carried at amortised cost

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

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

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

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2015

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies ... *continued*

4.3 Financial instruments ... *continued*

Impairment of financial assets ... *continued*

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

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

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

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

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

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

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

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

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2015

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies ... *continued*

4.3 Financial instruments ... *continued*

Impairment of financial assets ... *continued*

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

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

(b) *Assets classified as available-for-sale*

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

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

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

(c) *Renegotiated Loans*

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

Classification and subsequent measurement of financial liabilities

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

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2015

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies ... continued

4.3 Financial instruments....continued

Classes of financial instruments

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

Financial assets	Loans and receivables	Due from banks and other financial institutions		Correspondent bank accounts	
				Fixed deposits	
		Loans and advances to individuals			Demand loans
					Mortgage loans
					Non- performing loans and advances
					Rebate Loans
					Overdrafts
					Credit Card advances
			Loans and advances to corporate entities		
				Mortgage loans	
				Non -performing loans and advances	
				Overdrafts	
		Loans and advances to government and statutory bodies			Demand Loans
					Overdrafts
		Investment securities	Treasury bills	Local and regional 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

September 30, 2015

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies ... *continued*

4.3 Financial instruments ... *continued*

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to 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

September 30, 2015

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies ... *continued*

4.5 Property, plant and equipment and depreciation*continued*

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

4.6 Intangible assets

Computer software

Acquired computer software licences in a business combination are recorded at their fair values. 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. It is recognised because it is separable and the cost 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 stated at cost less amortisation and provisions for impairment, if any, plus reversals of impairment, if any. The asset is amortised over its estimated useful life based on the expected life of the customer relationship.

Subsequent measurement

Any intangible assets that are not acquired through a business combination are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives, generally not exceeding 20 years, as these assets are considered finite. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing as described in note 4.10. The following useful lives are applied:

- Software: 3-5 years
- Customer list: 11 years.

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

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

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2015

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies ... *continued*

4.7 Foreign currency translation

Functional and presentation currency

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

Foreign currency transactions and balances

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

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

4.8 Equity and reserves

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

Other components of equity include the following:

- Other reserves – comprises statutory and regulatory reserves as stipulated by the Banking Act and the Eastern Caribbean Central Bank (see note 21); 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

September 30, 2015

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies ... *continued*

4.10 Impairment of non-financial assets

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

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

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

4.11 Leases

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

4.12 Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' and 'interest expense' in the statement of comprehensive income using the effective interest method.

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

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

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2015

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies ... *continued*

4.13 Fee and commission income

Fees and commissions are generally recognised on the accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised using the effective interest method over the term of the loan.

4.14 Employee Benefits

Post-employment benefit plan

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

Prepaid employee short term benefit

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

Short-term employee benefits

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

4.15 Financial guarantee contracts

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

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the Bank's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with IAS 18, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgement of management. The fee income earned is recognised on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the statement of comprehensive income within operating expenses.

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2015

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies ... *continued*

4.16 Current and deferred income taxes

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

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

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

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

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

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

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

4.17 Borrowings

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

4.18 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in interest expense (note 25).

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

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(expressed in Eastern Caribbean dollars)

5 Financial instruments risk

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

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

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

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

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

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2015

(expressed in Eastern Caribbean dollars)

5 Financial instruments risk...continued

5.1 Credit risk

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

The Bank is also exposed to other credit risks arising from investments in debt securities.

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

5.1.1 Credit risk measurement

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

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

The Bank assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of the counterparty. They have been developed based on the Eastern Caribbean Central Bank's guidelines. Customers of the Bank are segmented into five rating classes. The Bank's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes. The ratings tools are kept under review and upgraded as necessary.

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

(b) Debt and equity securities

The Bank's portfolio of debt and equity 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.

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2015

(expressed in Eastern Caribbean dollars)

5 Financial instruments risk...*continued*

5.1.2 Risk limit control and mitigation policies

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

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

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

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

Some other specific control and mitigation measures are outlined below:

(a) Collateral

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

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

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

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

(b) Financial guarantees (for credit related commitments)

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

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

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2015

(expressed in Eastern Caribbean dollars)

5 Financial instruments risk ... continued

5.1.3 Impairment and provisioning policies

The internal rating system described in Note 5.1.1 focuses on expected credit losses – that is, taking into account the risk of future events giving rise to loss. In contrast, impairment provisions are recognised for financial reporting purposes only for losses that have been incurred at the reporting date, based on the objective evidence of impairment. Due to the different methodologies applied, the amount of incurred credit losses provided for in the financial statements is usually lower than the amount determined from the expected loss model that is used for internal operational management and banking regulation purposes.

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

	Loans and advances \$	%	Impairment provision \$	%	Net total \$
At September 30, 2015					
Pass	178,244,251	56	–	–	178,244,251
Special Mention	115,086,466	36	(30,084)	1	115,056,382
Substandard	20,651,690	7	(1,524,839)	49	19,126,851
Doubtful	2,417,159	1	(1,180,679)	38	1,236,480
Loss	650,467	–	(399,011)	12	251,456
<hr/>					
Gross loans and advances	317,050,033	100	(3,134,613)	100	313,915,420
Interest receivable	5,302,349	–	–	–	5,302,349
Deferred loan origination fees	(386,758)	–	–	–	(386,758)
Portfolio allowance	–	–	(633,389)	–	(633,389)
<hr/>					
	321,965,624	100	(3,768,002)	100	318,197,622
<hr/>					
At September 30, 2014					
Pass	159,898,449	53	–	–	159,898,449
Special Mention	119,774,083	39	(381,361)	13	119,392,722
Substandard	21,624,154	7	(1,021,060)	36	20,603,094
Doubtful	2,512,106	1	(1,029,525)	36	1,482,581
Loss	419,595	–	(416,836)	15	2,759
<hr/>					
Gross loans and advances	304,228,387	100	(2,848,782)	100	301,379,605
Interest receivable	5,939,806	–	–	–	5,939,806
Deferred loan origination fees	(282,909)	–	–	–	(282,909)
Portfolio allowance	–	–	(657,387)	–	(657,387)
<hr/>					
	309,885,284	100	(3,506,169)	100	306,379,115

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2015

(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

	2015	2014
	\$	\$
Credit risk exposures relating to on-balance sheet assets:		
Due from banks and other financial institutions	13,298,512	31,659,657
<i>Investment securities:</i>		
- Loans and receivables	105,059,808	103,673,324
- Held-to-maturity investments	1,012,450	2,025,400
- Available-for-sale investments – debt securities (quoted)	14,522,695	12,051,943
Loans and advances to customers	318,197,622	306,379,115
Other financial assets	446,245	273,964
	<u>452,537,332</u>	<u>456,063,403</u>
	2015	2014
	\$	\$
Credit risk exposures relating to off-balance sheet items:		
Financial guarantees	6,224,500	6,911,278
Loan commitments and other credit related facilities	21,845,434	22,427,671
	<u>28,069,934</u>	<u>29,338,949</u>
Total credit exposure	<u>480,607,266</u>	<u>485,402,352</u>

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2015

(expressed in Eastern Caribbean dollars)

5 Financial instruments risk ... *continued*

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

The previous table represents a worst case scenario of credit risk exposures to the Bank as of September 30, 2015, 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 66% (2014: 63%) of the total maximum exposure is derived from loans and advances to customers and 25% (2014: 24%) 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:

- 92% (2014: 92%) of the loans and advances portfolio are categorised in the top two grades of the internal rating system, being Pass and Special mention, as defined in 5.1.3;
- 59% (2014: 55%) of the loans and advances portfolio are considered to be neither past due nor impaired, as defined in 5.1.6; and
- 8% (2014: 10%) of loans and advances are considered impaired as defined in 5.1.6.

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, 2015. 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

Notes to Financial Statements
September 30, 2015

(expressed in Eastern Caribbean dollars)

5 Financial instruments risk ... *continued*

5.1.5 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, 2015

Credit risk exposures relating to on-balance sheet assets:

Due from banks and other financial institutions

Investment securities:

- Loans and receivables investments
 - Held-to-maturity investments
 - Available-for-sale investments – debt securities (quoted)
- Loans and advances to customers
Other financial assets

	Antigua & Barbuda \$	Other Caribbean \$	North America \$	Europe \$	Total \$
	459,038	1,411,450	9,150,470	2,277,554	13,298,512
	10,733,863	88,397,245	5,928,700	–	105,059,808
	1,012,450	–	–	–	1,012,450
	2,000,000	12,522,695	–	–	14,522,695
	318,197,622	–	–	–	318,197,622
	446,245	–	–	–	446,245
	332,849,218	102,331,390	15,079,170	2,277,554	452,537,332

Credit exposures relating to off-balance sheet items:

- Financial guarantees
- Loan commitments and other credit related facilities

	6,224,500	–	–	–	6,224,500
	21,845,434	–	–	–	21,845,434
Total	360,919,152	102,331,390	15,079,170	2,277,554	480,607,266

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements
September 30, 2015

(expressed in Eastern Caribbean dollars)

5 Financial instruments risk... *continued*

5.1.5 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, 2014

	Antigua & Barbuda \$	Other Caribbean \$	North America \$	Europe \$	Total \$
Credit risk exposures relating to on-balance sheet assets:					
Due from banks and other financial institutions	1,046,589	575,155	24,979,919	5,057,994	31,659,657
<i>Investment securities:</i>					
– Loans and receivables investments	8,896,034	88,848,790	5,928,500	–	103,673,324
– Held-to-maturity investments	2,025,400	–	–	–	2,025,400
– Available-for-sale investments – debt securities (quoted)	2,000,000	10,051,943	–	–	12,051,943
Loans and advances to customers	306,379,115	–	–	–	306,379,115
Other financial assets	273,964	–	–	–	273,964
	320,621,102	99,475,888	30,908,419	5,057,994	456,063,403
Credit exposures relating to off-balance sheet items:					
– Financial guarantees	6,911,278	–	–	–	6,911,278
– Loan commitments and other credit related facilities	22,427,671	–	–	–	22,427,671
Total	349,960,051	99,475,888	30,908,419	5,057,994	485,402,352

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2015

(expressed in Eastern Caribbean dollars)

5 Financial instruments risk ... *continued*

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

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

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

	2015		2014	
	\$	%	\$	%
Public sector	171,800,118	54.2%	173,983,640	57.2%
Personal	118,828,805	37.5%	111,141,559	36.5%
Construction/Real Estate	15,876,469	5.0%	8,647,133	2.8%
Credit card advances	3,708,427	1.1%	3,304,934	1.1%
Professional	3,376,780	1.0%	3,541,808	1.2%
Manufacturing	1,474,612	0.5%	1,613,309	0.5%
Other industries	1,788,452	0.6%	1,703,279	0.6%
Tourism	196,370	0.1%	292,725	0.1%
Total	317,050,033	100%	304,228,387	100%

5.1.6 Loans and advances

Loans and advances are summarised as follows:

	Loans and advances to customers 2015 \$	Loans and advances to customers 2014 \$
Neither past due nor impaired	187,914,827	166,834,864
Past due but not impaired	104,207,782	107,017,268
Impaired	24,927,424	30,376,255
Gross	317,050,033	304,228,387
Interest receivable	5,302,349	5,939,806
Deferred loan origination fees	(386,758)	(282,909)
Less: Provision for losses on loans and advances	(3,768,002)	(3,506,169)
Net loans and advances	318,197,622	306,379,115

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2015

(expressed in Eastern Caribbean dollars)

5 Financial instruments risk... *continued*

5.1.6 Loans and advances ... *continued*

	Loans and advances to customers 2015 \$	Loans and advances to customers 2014 \$
Allocation of allowance for impairment:		
Individually impaired	(3,134,613)	(2,848,782)
Portfolio allowance	(633,389)	(657,387)
	<u>(3,768,002)</u>	<u>(3,506,169)</u>

The total impairment allowance for loans and advances is \$3,768,002 of which \$3,134,613 relates to individually impaired loans and the remaining amount of \$633,389 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, 2015

(expressed in Eastern Caribbean dollars)

5 Financial instruments risk... continued

5.1.6 Loans and advances ... continued

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

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

September 30, 2015

	Credit cards \$	Overdrafts \$	Personal \$	Commercial \$	Public sector \$	Total \$
Pass	3,053,992	946,033	81,552,273	16,091,819	76,600,134	178,244,251
Special mention	—	2,680,027	5,638,602	1,351,947	—	9,670,576
	3,053,992	3,626,060	87,190,875	17,443,766	76,600,134	187,914,827

September 30, 2014

	Credit cards \$	Overdrafts \$	Personal \$	Commercial \$	Public sector \$	Total \$
Pass	3,022,459	15,818	70,546,186	8,058,738	78,255,248	159,898,449
Special mention	—	4,040,778	2,267,371	628,266	—	6,936,415
	3,022,459	4,056,596	72,813,557	8,687,004	78,255,248	166,834,864

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2015

(expressed in Eastern Caribbean dollars)

5 Financial instruments risk... continued

5.1.6 Loans and advances ... continued

(b) Loans and advances past due but not impaired

Late processing and other administrative delays on the side of the borrower can lead to a financial asset being past due but not impaired. Therefore, loans and advances 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, 2015

	Credit cards \$	Personal \$	Commercial \$	Public Sector \$	Total \$
Past due up to 30 days	408,439	4,245,107	–	–	4,653,546
Past due 31 – 60 days	117,354	1,847,177	–	–	1,964,531
Past due 61 – 90 days	102,287	423,829	1,863,605	95,199,984	97,589,705
	628,080	6,516,113	1,863,605	95,199,984	104,207,782

As of September 30, 2014

	Credit cards \$	Personal \$	Commercial \$	Public Sector \$	Total \$
Past due up to 30 days	140,426	6,714,740	170,547	–	7,025,713
Past due 31 – 60 days	115,407	3,032,918	–	–	3,148,325
Past due 61 – 90 days	26,643	1,263,638	872,623	94,680,326	96,843,230
	282,476	11,011,296	1,043,170	94,680,326	107,017,268

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements
September 30, 2015

(expressed in Eastern Caribbean dollars)

5 Financial instruments risk... continued

5.1.6 Loans and advances ... continued

(c) Loans and advances individually impaired

The individually impaired loans and advances to customers before taking into consideration the cash flows from collateral held is \$24,927,424 (2014: \$30,376,255). The breakdown of the gross amount of individually impaired loans and advances by class is as follows:

As of September 30, 2015

	Credit cards \$	Overdrafts \$	Personal \$	Commercial \$	Total \$
Individually impaired loans and advances	26,355	1,236,664	20,022,293	3,642,112	24,927,424

As of September 30, 2014

	Credit cards \$	Overdrafts \$	Personal \$	Commercial \$	Total \$
Individually impaired loans and advances	—	1,174,932	22,717,298	6,484,025	30,376,255

(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 – individuals
- Non-impaired after restructuring – would otherwise not have been impaired – individuals

	2015 \$	2014 \$
	579,701	2,604,081
	13,667,265	6,992,437
	14,246,966	9,596,518

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2015

(expressed in Eastern Caribbean dollars)

5 Financial instruments risk... *continued*

5.1.7 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 at September 30, 2015.

As of September 30, 2015

	Loans and receivables \$	Available for sale \$	Held to maturity \$	Total \$
Unrated	105,059,808	14,522,695	1,012,450	120,594,953
Total	105,059,808	14,522,695	1,012,450	120,594,953

As of September 30, 2014

	Loans and receivables \$	Available for sale \$	Held to maturity \$	Total \$
Unrated	103,673,324	12,051,943	2,025,400	117,750,667
Total	103,673,324	12,051,943	2,025,400	117,750,667

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2015

(expressed in Eastern Caribbean dollars)

5 Financial instruments risk... *continued*

5.2 Market risk

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

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

5.2.1 Price risk

Though the Bank's investment portfolio includes securities that are quoted on the Eastern Caribbean Securities Exchange, its exposure to securities price risk is minimal because the total of these securities is insignificant in relation to its statement of financial position, and because of limited volatility in this market. The Bank does not hold securities that are quoted on the world's major securities markets. The Bank is not exposed to commodity price risk.

5.2.2 Foreign exchange risk

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

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

The following table summarises the Bank's exposure to foreign currency exchange risk as of September 30, 2015. 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, 2015

(expressed in Eastern Caribbean dollars)

5 Financial instruments risk... *continued*

5.2.2 Foreign exchange risk ... *continued*

As of September 30, 2015

Cash and balances with the Central Bank
Due from banks and financial institutions
Investment securities:
– Held to maturity securities
– Loans and receivables
– Available-for-sale equity investments
– unquoted
– Available-for-sale debt investment
government securities – quoted
Loans and advances to customers
Other financial assets

	XCD \$	USD \$	EUR \$	GBP \$	Other \$	Total \$
	34,419,459	277,932	66,555	62,526	35,889	34,862,361
	1,028,785	11,749,270	109,386	301,365	109,706	13,298,512
	1,012,450	–	–	–	–	1,012,450
	88,077,192	16,982,616	–	–	–	105,059,808
	105,860	–	–	–	–	105,860
	13,869,725	652,970	–	–	–	14,522,695
	253,790,966	64,406,656	–	–	–	318,197,622
	446,245	–	–	–	–	446,245
Total financial assets	392,750,682	94,069,444	175,941	363,891	145,595	487,505,553

Liabilities

Customer's deposits
Borrowings
Other liabilities and accrued expenses

	372,995,908	32,812,683	–	–	–	405,808,591
	2,655,706	–	–	–	–	2,655,706
	5,267,568	–	–	–	–	5,267,568
Total financial liabilities	380,919,182	32,812,683	–	–	–	413,731,865
Net on-balance sheet position	11,831,500	61,256,761	175,941	363,891	145,595	73,773,688
Credit commitments	21,845,434	6,224,500	–	–	–	28,069,934

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements
September 30, 2015

(expressed in Eastern Caribbean dollars)

5 Financial instruments risk... *continued*

5.2.2 Foreign exchange risk ... *continued*

As of September 30, 2014

Cash and balances with the Central Bank
Due from banks and financial institutions
Investment securities:
– Held to maturity securities
– Loans and receivables
– Available-for-sale equity investments
– unquoted
– Available-for-sale debt investment
government securities – quoted
Loans and advances to customers
Other financial assets

	XCD \$	USD \$	EUR \$	GBP \$	Other \$	Total \$
	34,725,024	498,968	126,001	62,903	58,910	35,471,806
	1,315,494	29,146,971	176,341	922,371	98,480	31,659,657
	2,025,400	–	–	–	–	2,025,400
	81,928,155	21,745,169	–	–	–	103,673,324
	105,860	–	–	–	–	105,860
	11,398,973	652,970	–	–	–	12,051,943
	241,217,591	65,161,524	–	–	–	306,379,115
	273,964	–	–	–	–	273,964
Total financial assets	372,990,461	117,205,602	302,342	985,274	157,390	491,641,069

Liabilities

Customer's deposits
Borrowings
Other liabilities and accrued expenses

	353,997,692	60,161,881	–	–	–	414,159,573
	4,159,364	–	–	–	–	4,159,364
	7,445,746	661,450	–	5,745	–	8,112,941
Total financial liabilities	365,602,802	60,823,331	–	5,745	–	426,431,878
Net on-balance sheet position	7,387,659	56,382,271	302,342	979,529	157,390	65,209,191
Credit commitments	22,427,671	6,911,278	–	–	–	29,338,949

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2015

(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, 2015

(expressed in Eastern Caribbean dollars)

5 Financial instruments risk... *continued*

5.2.3 Interest rate risk ... *continued*

As of September 30, 2015	Under 1 Month \$	1 to 3 Months \$	3 to 12 Months \$	1 to 5 Years \$	Over 5 Years \$	Non-interest Bearing \$	Total \$
Assets							
Cash and balances with the Central bank	—	—	—	—	—	34,862,361	34,862,361
Due from banks and other financial institutions	—	—	—	—	—	13,298,512	13,298,512
<i>Investment securities:</i>							
– Held to maturity investments	—	—	1,012,450	—	—	—	1,012,450
– Loans and receivables	11,953,943	24,439,159	66,654,401	2,012,305	—	—	105,059,808
– Available-for-sale equity securities – unquoted	—	—	—	—	—	105,860	105,860
– Available-for-sale debt investments – government securities – quoted	295,314	30,170	1,035,543	12,126,863	1,034,805	—	14,522,695
Loans and advances to customers	21,721,864	688,614	4,504,541	16,365,950	274,916,653	—	318,197,622
Other financial assets	—	—	—	—	—	446,245	446,245
Total financial assets	33,971,121	25,157,943	73,206,935	30,505,118	275,951,458	48,712,978	487,505,553
Liabilities							
Customers' deposits	177,873,526	45,553,206	162,125,427	19,568,799	687,633	—	405,808,591
Borrowings	130,922	264,467	1,234,575	1,025,742	—	—	2,655,706
Other liabilities and accrued expenses	—	—	—	—	—	5,267,568	5,267,568
Total financial liabilities	178,004,448	45,817,673	163,360,002	20,594,541	687,633	5,267,568	413,731,865
Total interest repricing gap	(144,033,327)	(20,659,730)	(90,153,067)	9,910,577	275,263,825	43,445,410	73,773,688

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements
September 30, 2015

(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, 2014							
Assets							
Cash and balances with the Central bank	—	—	—	—	—	35,471,806	35,471,806
Due from banks and other financial institutions	—	—	—	—	—	31,659,657	31,659,657
<i>Investment securities:</i>							
– Held to maturity investments	—	—	1,025,400	1,000,000	—	—	2,025,400
– Loans and receivables	26,591,488	38,043,507	39,038,329	—	—	—	103,673,324
– Available-for-sale equity securities – unquoted	—	—	—	—	—	105,860	105,860
– Available-for-sale debt investments – government securities – quoted	306,745	107,617	1,353,137	7,893,262	2,391,182	—	12,051,943
Loans and advances to customers	13,326,624	137,534	1,027,774	16,108,212	275,778,971	—	306,379,115
Other financial assets	—	—	—	—	—	273,964	273,964
Total financial assets	40,224,857	38,288,658	42,444,640	25,001,474	278,170,153	67,511,287	491,641,069
Liabilities							
Customers' deposits	177,323,733	56,270,346	163,394,989	16,554,084	616,421	—	414,159,573
Borrowings	120,895	244,213	1,140,022	2,654,234	—	—	4,159,364
Other liabilities and accrued expenses	—	—	—	—	—	8,112,941	8,112,941
Total financial liabilities	177,444,628	56,514,559	164,535,011	19,208,318	616,421	8,112,941	426,431,878
Total interest repricing gap	(137,219,771)	(18,225,901)	(122,090,371)	5,793,156	277,553,732	59,398,346	65,209,191

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2015

(expressed in Eastern Caribbean dollars)

5 Financial instruments risk... *continued*

5.2.3 Interest rate risk ... *continued*

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

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

5.3 Liquidity risk

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

5.3.1 Liquidity risk management process

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

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

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

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

5.3.2 Funding approach

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

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements
September 30, 2015

(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.

As of September 30, 2015

	Under 1 month \$	1-3 months \$	3-12 months \$	1-5 years \$	Over 5 years \$	Total \$
Customers' deposits	177,892,162	45,781,301	164,868,260	20,337,780	868,560	409,748,063
Borrowings	148,626	297,253	1,337,637	1,053,625	—	2,837,141
Other liabilities and accrued expenses	5,267,568	—	—	—	—	5,267,568
Total financial liabilities (contractual maturity dates)	183,308,356	46,078,554	166,205,897	21,391,405	868,560	417,852,772
Assets held for managing liquidity risk (contractual maturity dates)	72,046,058	30,183,981	95,830,383	126,204,466	372,289,987	696,554,875

Eastern Caribbean Amalgamated Bank Limited

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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, 2014						
Customers' deposits	177,341,620	56,558,984	167,016,866	17,476,016	891,684	419,285,170
Borrowings	148,626	297,253	1,337,637	2,835,901	—	4,619,417
Other liabilities and accrued expenses	8,112,941	—	—	—	—	8,112,941
Total financial liabilities (contractual maturity dates)	185,603,187	56,856,237	168,354,503	20,311,917	891,684	432,017,528
Assets held for managing liquidity risk (contractual maturity dates)	108,935,143	40,684,466	59,905,657	130,393,548	326,972,159	666,890,973

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, 2015			
Financial guarantees	6,224,500	–	6,224,500
Credit commitments	21,845,434	–	21,845,434
	28,069,934	–	28,069,934
As of September 30, 2014			
Financial guarantees	6,911,278	–	6,911,278
Credit commitments	22,427,671	–	22,427,671
	29,338,949	–	29,338,949

(c) *Operating Lease Commitments*

The bank had no contractual operating lease commitments as of September 30, 2015.

(d) *Capital commitments*

The Bank had no contractual capital commitments as of September 30, 2015.

Eastern Caribbean Amalgamated Bank Limited

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(expressed in Eastern Caribbean dollars)

5 Financial instruments risk... continued

5.4 Fair value of financial assets and liabilities

(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	
	2015 \$	2014 \$	2015 \$	2014 \$
Financial assets				
Due from other banks and financial institutions	13,298,512	31,659,657	13,298,512	31,659,657
<i>Investment securities:</i>				
– Held-to-maturity investments	1,012,450	2,025,400	1,012,450	2,031,360
– Loans and receivables	105,059,808	103,673,324	105,059,808	103,673,324
Loans and advances to customers	318,197,622	306,379,115	323,598,872	306,069,808
Other financial assets	446,245	273,964	446,245	273,964
	438,014,637	444,011,460	443,415,887	443,708,113
Financial liabilities				
Customers' deposits	405,808,591	414,159,573	406,600,103	414,416,391
Borrowings	2,655,706	4,159,364	2,655,706	4,159,364
Other liabilities and accrued expenses	5,267,568	8,112,941	5,267,568	8,112,941
	413,731,865	426,431,878	414,523,377	426,688,696

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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 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.

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5 Financial instruments risk ... *continued*

5.4.2 Assets and liabilities measured at fair value

As of September 30, 2015

	Level 3 \$	Total \$
Financial assets		
<i>Investment securities:</i>		
– Available-for-sale debt investments – quoted	14,284,443	14,284,443
Total assets	14,284,443	14,284,443

As of September 30, 2014

	Level 3 \$	Total \$
Financial assets		
<i>Investment securities:</i>		
– Available-for-sale debt investments – quoted	11,811,793	11,811,793
Total assets	11,811,793	11,811,793

Reconciliation of level 3 items

The following table presents changes in level 3 instruments for the year ended September 30, 2015.

	Available-for- sale financial assets <u>Debt securities</u> \$
Balance as of September 30, 2014	11,811,793
Additions	4,000,000
Settlements	(1,527,350)
Balance as of September 30, 2015	14,284,443

If the market interest rate on the available-for-sale bond investment were to change by +/- 10%, the impact on other comprehensive income would be an increase of \$267,168 or a decrease of 257,264.

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

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(expressed in Eastern Caribbean dollars)

5 Financial instruments risk ... *continued*

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

The following table presents the changes in level 3 instruments for the year ended September 30, 2014.

	Available-for-sale financial assets
	Debt securities
	\$
Balance as of September 30, 2013	9,641,043
Additions	2,645,170
Settlements	(474,420)
Balance as of September 30, 2014	<u>11,811,793</u>

5.4.3 Measurement of fair value of financial instruments

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

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

Available-for-sale investments – Government securities (quoted) (Level 3)

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

6 Capital management policies and procedures

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

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

Eastern Caribbean Amalgamated Bank Limited

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(expressed in Eastern Caribbean dollars)

6 Capital management policies and procedures ... continued

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

The ECCB requires all banks under its supervision to: (a) hold the minimum level of regulatory capital of \$5,000,000 and (b) maintain a ratio of total regulatory capital to the risk-weighted assets ('the Basel ratio') at or above the internationally agreed minimum of 8%.

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

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

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

The following table summarises the composition of the regulatory capital and the ratios of the Bank as of September 30, 2015. At this date the Bank complied with all the externally imposed capital requirements to which it is subject.

	2015 \$	2014 \$
Tier 1 capital		
Common share capital	24,000,000	24,000,000
Preference share capital	47,869,339	47,869,339
Retained earnings	13,148,279	7,410,958
Reserve for loan loss impairment	141,577	481,808
Reserve for interest on non-performing loans	3,566,925	3,492,499
Statutory reserve	4,763,339	3,395,460
Customer lists intangible asset	(1,107,820)	(1,292,456)
Total qualifying Tier 1 capital	92,381,639	85,357,608
Tier 2 capital		
General loan loss provisions	633,389	657,387
Total qualifying Tier 2 capital	633,389	657,387
Total regulatory capital	93,015,028	86,014,995

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

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(expressed in Eastern Caribbean dollars)

6 Capital management policies and procedures ... *continued*

	2015	2014
	\$	\$
Risk weighted assets		
On-balance sheet	162,383,400	149,867,000
Off-balance sheet	4,369,200	4,486,000
Total risk weighted assets	166,752,600	154,353,000
Basel ratio	56%	56%

7 Significant management judgement in applying accounting policies and estimation uncertainty

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

Estimation uncertainty

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

Impairment losses on loans and advances

The Bank reviews its loan portfolios to assess impairment at least on a quarterly basis for the regulatory prudential reporting purposes and annually in preparing its IFRS financial statements. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Bank makes judgements as to whether there is any observable data indicating an impairment trigger followed by a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or local economic conditions that correlate with defaults on assets in the Bank.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Were the net present value of estimated cash flows to differ by +/-10% the impairment loss would be an estimated \$1,002,697 higher or \$695,531 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 \$609,853 higher or \$528,104 lower.

Eastern Caribbean Amalgamated Bank Limited

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(expressed in Eastern Caribbean dollars)

8 Cash and balances with the Central Bank

	Note	2015 \$	2014 \$
Cash on hand		6,043,413	4,423,495
Balances with ECCB other than mandatory reserves		<u>11,986,620</u>	<u>11,876,336</u>
Included in cash and cash equivalents	24	18,030,033	16,299,831
Mandatory reserve deposits with the ECCB		<u>16,832,328</u>	<u>19,171,975</u>
Total cash and balances with the Central Bank		<u>34,862,361</u>	<u>35,471,806</u>

Commercial banks doing banking business in member states of the Organization of the Eastern Caribbean States are required to maintain a non-interest bearing reserve with the ECCB equivalent to a minimum 6% of their total deposit liabilities (excluding inter-bank deposits and foreign currencies). This reserve deposit is not available for use in the Bank's day-to-day operations.

9 Due from banks and other financial institutions

	Note	2015 \$	2014 \$
Operating accounts with other banks		12,757,165	30,189,953
Items in the course of collection from other banks		<u>419,833</u>	<u>666,454</u>
Included in cash and cash equivalents	24	13,176,998	30,856,407
Restricted deposits		<u>121,514</u>	<u>803,250</u>
Total due from banks and other financial institutions		<u>13,298,512</u>	<u>31,659,657</u>

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

Balances held with shareholder banks as of September 30, 2015 amounted to \$539,676 (2014: \$583,192).

The restricted deposits are used as collateral for letters of credit existing at the year end.

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September 30, 2015

(expressed in Eastern Caribbean dollars)

10 Investment securities

Loans and receivables investment securities

	Note	Nominal value 2015 \$	Cost 2015 \$	Nominal value 2014 \$	Cost 2014 \$
Treasury bills					
Treasury bills at amortized cost – OECS Governments with original maturities of three (3) months or less and interest rates ranging from 1.0% to 8.0%		17,869,500	17,571,977	13,059,500	12,956,897
Included in cash and cash equivalents	24	17,869,500	17,571,977	13,059,500	12,956,897
Treasury bills at amortized cost - OECS Governments with original maturities greater than three (3) months and interest rates ranging from 1.5% to 5.0%		11,942,000	11,822,441	17,942,000	17,566,411
Interest receivable		–	392,750	–	386,500
Total treasury bills		29,811,500	29,787,168	31,001,500	30,909,808

Included in the treasury bills are amounts held with a shareholder, the Government of Antigua and Barbuda, totalling \$10,541,313 (2014: \$8,721,234).

Interest income earned from treasury bills held with the Government of Antigua and Barbuda amounted to \$591,586 (2014: \$489,778).

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2015

(expressed in Eastern Caribbean dollars)

10 Investment securities ... continued

Loans and receivables investment securities ... continued

	Note	2015 \$	2014 \$
Term Deposits			
St. Kitts Nevis Anguilla National Bank, with original maturities of three (3) months or less at interest rates ranging from 1% to 2% per annum.		8,343,868	8,228,622
Bank of St. Vincent & the Grenadines, maturing on October 25, 2015 with an interest rate of 4.0% per annum.		4,151,765	—
Bank of Saint Lucia, with original maturities of three (3) months or less with an interest rate of 3.0% per annum.		—	14,694,027
Included in cash and cash equivalents	24	12,495,633	22,922,649
Term deposits with other OECS banks with original maturities greater than three (3) months up to one year at interest rates ranging from 2% to 3.75% per annum.		36,651,160	25,053,431
Restricted term deposits with Bank of America with original maturities of one year at interest rates of 0.28% to 0.31% per annum.		5,913,000	5,913,000
Restricted term deposits with Caribbean Credit Card Corporation with an original maturity of one year at an interest rate of 4.5% per annum.		500,000	500,000
Interest receivable		464,140	289,155
		56,023,933	54,678,235
Fixed rate notes			
Government of Saint Lucia:			
- Maturing on March 16, 2017 with an interest rate of 5.5% per annum.		2,008,078	2,008,078
- Maturing on July 18, 2016 with an interest rate of 5.0% per annum.		5,400,000	5,400,000
Interest receivable		58,327	64,800
		7,466,405	7,472,878

Included in the term deposits are amounts held with the shareholder banks totalling \$49,146,794 (2014: \$47,976,079).

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2015

(expressed in Eastern Caribbean dollars)

10 Investment securities ... continued

Loans and receivables investment securities ... continued

Interest income earned during the year on term deposits held with the shareholder banks amounted to \$1,351,000 (2014: \$1,296,080).

	Notes	2015 \$	2014 \$
Fixed income paper			
First Citizens Investments Services Limited with original maturities of three (3) months or less			
– Maturing on October 10, 2014 with an interest rate of 1.75%		–	5,542,391
– Maturing on November 24, 2014 with an interest rate of 2.25%		–	2,013,712
Included in cash and cash equivalents	24	–	7,556,103
First Citizen Investment Services Limited with using original maturities greater than three (3) months			
– Maturing on July 12, 2016 with an interest rate of 2.65%		1,024,810	1,000,000
– Maturing on July 15, 2016 with an interest rate of 2.65%		2,071,044	2,000,000
– Maturing on June 10, 2016 with an interest rate of 2.75%		1,500,000	–
– Maturing on April 29, 2016 with an interest rate of 2.50%		5,055,943	–
– Maturing on May 25, 2016 with an interest rate of 1.75%		2,047,666	–
Interest receivable		82,839	56,300
		11,782,302	10,612,403
Total loans and receivables investment securities		105,059,808	103,673,324
Total principal		104,061,752	102,876,569
Interest receivable		998,056	796,755
		105,059,808	103,673,324
Current portion		103,051,730	103,673,324
Non-current portion		2,008,078	–
		105,059,808	103,673,324

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2015

(expressed in Eastern Caribbean dollars)

10 Investment securities ... continued

	2015 \$	2014 \$
Available-for-sale – unquoted		
Eastern Caribbean Securities Exchange Limited 2,500 Class ‘C’ shares (2,500 shares at cost of \$10 each)	25,000	25,000
Eastern Caribbean Home Mortgage Bank 622 shares with market value of \$160 per share	80,860	80,860
Available-for-sale equity investments	<u>105,860</u>	105,860
Available-for-sale- quoted		
Eastern Caribbean Home Mortgage Bank bonds with original maturity of four (4) years at an interest rate of 3.75%	500,000	1,500,000
OECS Government bonds with original maturities ranging from five (5) to ten (10) years at interest rates ranging from 6% to 7.5%	13,784,443	10,311,793
Interest receivable	<u>238,252</u>	240,150
Available-for-sale debt investments	<u>14,522,695</u>	12,051,943
Total available-for-sale investment securities	<u>14,628,555</u>	12,157,803
Held-to-maturity investments		
Government of Antigua and Barbuda Bonds, maturing on July 28, 2016 with an interest rate of 7.5%	1,000,000	2,000,000
Interest receivable	<u>12,450</u>	25,400
Total held to maturity investment securities	<u>1,012,450</u>	2,025,400
Summary of investment securities		
Total principal	119,452,055	116,794,222
Total interest receivable	<u>1,248,758</u>	1,062,305
Total investment securities	<u>120,700,813</u>	117,856,527
Current	104,947,602	104,938,874
Non-current	<u>15,753,211</u>	12,917,653
Total investment securities	<u>120,700,813</u>	117,856,527

Included in the held to maturity investments are amounts held with a shareholder, the Government of Antigua and Barbuda, totalling \$1,000,000 (2014: \$2,000,000).

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2015

(expressed in Eastern Caribbean dollars)

10 Investment securities ... continued

Interest income earned from bonds held with the Government of Antigua and Barbuda amounted to \$118,300 (2014: \$194,050).

Included in the OECS Government bonds are bonds issued by the Government of Dominica totaling \$5 million that have been pledged as collateral for the Eastern Caribbean Automated Clearing House facility.

The movement in investment securities is summarised as follows:

	Available- for-sale- (unquoted) \$	Available- for-sale- (quoted) \$	Held-to- maturity \$	Loans and receivables \$	Total \$
Opening balance as of September 30, 2013	105,860	9,858,794	3,037,600	108,647,997	121,650,251
Purchase of investments	—	2,645,170	—	61,745,878	64,391,048
Disposal of investments	—	(474,421)	(1,000,000)	(66,564,956)	(68,039,377)
(Decrease)/increase in interest receivable, net	—	22,400	(12,200)	(155,595)	(145,395)
Balance as of September 30, 2014	105,860	12,051,943	2,025,400	103,673,324	117,856,527
Opening balance as of September 30, 2014	105,860	12,051,943	2,025,400	103,673,324	117,856,527
Purchase of investments	—	4,000,000	—	55,900,408	59,900,408
Disposal of investments	—	(1,527,350)	(1,000,000)	(54,715,225)	(57,242,575)
(Decrease)/increase in interest receivable, net	—	(1,898)	(12,950)	201,301	186,453
Balance as of September 30, 2015	105,860	14,522,695	1,012,450	105,059,808	120,700,813

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2015

(expressed in Eastern Caribbean dollars)

11 Loans and advances to customers

	2015 \$	2014 \$
Demand loans	206,699,932	208,876,513
Mortgage loans	78,114,545	57,489,927
Non-performing loans and advances	24,927,424	30,376,255
Rebate loans	–	124,162
Overdrafts	3,626,060	4,056,596
Credit card advances	3,682,072	3,304,934
	317,050,033	304,228,387
Deferred loan origination fees	(386,758)	(282,909)
Interest receivable	5,302,349	5,939,806
Less: Provision for losses on loans and advances	(3,768,002)	(3,506,169)
Total loans and advances to customers	318,197,622	306,379,115
Current	26,915,019	14,491,932
Non-current	291,282,603	291,887,183
	318,197,622	306,379,115

Roll forward of allowance for losses on loans and advances

	2015 \$	2014 \$
Balance at beginning of year	3,506,169	3,302,613
Provision for loan impairment	412,513	320,857
Loans written-off during the year as uncollectible	(150,680)	(117,301)
Balance at end of year	3,768,002	3,506,169

According to the ECCB loan provisioning guidelines, the calculated allowance for loan impairment amounts to \$3,909,579 (2014: \$3,987,977) and the difference of \$141,577 (2014: \$481,808) between this figure and the provision for loan impairment calculated under IAS 39 has been set aside as a specific reserve in equity, see note 21.

According to the ECCB prudential guidelines, interest income is not accrued for loans that are non-performing. The accrued interest of \$3,566,925 (2014: \$3,492,499) on non-performing loans has been set aside as a specific reserve in equity, see note 21.

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2015

(expressed in Eastern Caribbean dollars)

12 Other assets

	2015 \$	2014 \$
<i>Financial assets</i>		
Trade receivables	464,065	291,784
Provision for doubtful debts	<u>(17,820)</u>	<u>(17,820)</u>
	<u>446,245</u>	<u>273,964</u>
<i>Non-financial assets</i>		
Prepayments	694,980	709,779
Prepaid purchases	<u>93,475</u>	<u>459,384</u>
	<u>788,455</u>	<u>1,169,163</u>
Total other assets	<u>1,234,700</u>	<u>1,443,127</u>
Current	<u>1,234,700</u>	<u>1,443,127</u>

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements
September 30, 2015

(expressed in Eastern Caribbean dollars)

13 Property, plant and equipment

	Artwork \$	Land \$	Buildings \$	Furniture, fixtures & equipment \$	Computer equipment \$	Motor vehicles \$	Total \$
At September 30, 2013							
Cost	51,740	4,769,200	10,744,986	1,225,839	3,879,207	255,000	20,925,972
Accumulated depreciation	—	—	(498,224)	(402,075)	(1,755,567)	(151,583)	(2,807,449)
Net book amount	51,740	4,769,200	10,246,762	823,764	2,123,640	103,417	18,118,523
Year ended September 30, 2014							
Opening net book amount at October 1, 2014	51,740	4,769,200	10,246,762	823,764	2,123,640	103,417	18,118,523
Additions	—	—	55,502	186,628	669,347	—	911,477
Depreciation charge	—	—	(245,748)	(179,606)	(691,731)	(51,709)	(1,168,794)
Net book amount	51,740	4,769,200	10,056,516	830,786	2,101,256	51,708	17,861,206
At September 30, 2014							
Cost	51,740	4,769,200	10,800,488	1,412,467	4,548,554	255,000	21,837,449
Accumulated depreciation	—	—	(743,972)	(581,681)	(2,447,298)	(203,292)	(3,976,243)
Net book amount	51,740	4,769,200	10,056,516	830,786	2,101,256	51,708	17,861,206
Year ended September 30, 2015							
Opening net book amount at October 1, 2014	51,740	4,769,200	10,056,516	830,786	2,101,256	51,708	17,861,206
Additions	—	—	—	178,162	531,849	—	710,011
Depreciation charge	—	—	(246,819)	(222,686)	(863,288)	(51,708)	(1,384,501)
Net book amount	51,740	4,769,200	9,809,697	786,262	1,769,817	—	17,186,716

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements
September 30, 2015

(expressed in Eastern Caribbean dollars)

13 Property, plant and equipment ... continued

	Artwork \$	Land \$	Buildings \$	Furniture, fixtures & equipment \$	Computer equipment \$	Motor vehicles \$	Total \$
At September 30, 2015							
Cost	51,740	4,769,200	10,800,488	1,590,629	5,080,403	255,000	22,547,460
Accumulated depreciation	—	—	(990,791)	(804,367)	(3,310,586)	(255,000)	(5,360,744)
Net book amount	51,740	4,769,200	9,809,697	786,262	1,769,817	—	17,186,716

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2015

(expressed in Eastern Caribbean dollars)

14 Financial assets and liabilities

Categories of financial assets and financial liabilities

Categories of financial assets and financial liabilities

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

As of September 30, 2015	Notes	Available for sale \$	Held to maturity \$	Loans and receivables \$	Total \$
Financial assets					
Loans and advances to customers	11	–	–	318,197,622	318,197,622
Investment securities	10	14,628,555	1,012,450	105,059,808	120,700,813
Other financial assets	12	–	–	446,245	446,245
Due from banks and other financial institutions	9	–	–	13,298,512	13,298,512
		14,628,555	1,012,450	437,002,187	452,643,192
			Other Liabilities (carried at Amortised cost) \$	Total \$	
Financial liabilities					
Customers' deposits	16	405,808,591	405,808,591		
Borrowings	18	2,655,706	2,655,706		
Other liabilities and accrued expenses	17	5,267,568	5,267,568		
		413,731,865	413,731,865		
As of September 30, 2014	Notes	Available for Sale \$	Held to Maturity \$	Loans and Receivables \$	Total \$
Financial assets					
Loans and advances to customers	11	–	–	306,379,115	306,379,115
Investment securities	10	12,157,803	2,025,400	103,673,324	117,856,527
Other financial assets	12	–	–	273,964	273,964
Due from banks and other financial institutions	9	–	–	31,659,657	31,659,657
		12,157,803	2,025,400	441,986,060	456,169,263

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2015

(expressed in Eastern Caribbean dollars)

14 Financial assets and liabilities ... continued

	Notes	Other Liabilities (carried at Amortised cost) \$	Total \$
Financial liabilities			
Customers' deposits	16	414,159,573	414,159,573
Borrowings	18	4,159,364	4,159,364
Other liabilities and accrued expenses	17	8,112,941	8,112,941
		<u>426,431,878</u>	<u>426,431,878</u>

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

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

15 Intangible assets

	Computer software \$	Customer lists \$	Total \$
Year ended September 30, 2014			
Net book value at October 1, 2013	1,525,273	1,477,092	3,002,365
Additions	272,504	–	272,504
Amortisation charge	(679,729)	(184,636)	(864,365)
Net book amount	<u>1,118,048</u>	<u>1,292,456</u>	<u>2,410,504</u>
At September 30, 2014			
Cost	3,746,080	2,031,000	5,777,080
Accumulated amortisation	(2,628,032)	(738,544)	(3,366,576)
Net book amount	<u>1,118,048</u>	<u>1,292,456</u>	<u>2,410,504</u>
Year ended September 30, 2015			
Net book value at October 1, 2014	1,118,048	1,292,456	2,410,504
Additions	324,863	–	324,863
Amortisation charge	(810,131)	(184,636)	(994,767)
Net book amount	<u>632,780</u>	<u>1,107,820</u>	<u>1,740,600</u>

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2015

(expressed in Eastern Caribbean dollars)

15 Intangible assets ... continued

	Computer software \$	Customer lists \$	Total \$
At September 30, 2015			
Cost	4,070,943	2,031,000	6,101,943
Accumulated amortisation	(3,438,163)	(923,180)	(4,361,343)
Net book amount	632,780	1,107,820	1,740,600

16 Customers' deposits

	2015 \$	2014 \$
Time deposits	242,244,193	252,632,046
Savings accounts	104,309,322	80,166,357
Current accounts	55,362,071	77,161,211
	401,915,586	409,959,614
Interest payable	3,893,005	4,199,959
Total customers' deposits	405,808,591	414,159,573
Current	385,552,159	396,989,068
Non-current	20,256,432	17,170,505
	405,808,591	414,159,573

Included in the customers' deposits at year end are deposits from related parties amounting to \$27,015,465 (2014: \$21,283,501) as disclosed in note 23.

Included in the customers' deposits at year end are deposits from other financial institutions, excluding shareholder banks, amounting to \$42,008,360 (2014: \$36,706,882).

Deposits held as collateral for loans and advances amounted to \$6,750,291 (2014: \$7,433,229).

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2015

(expressed in Eastern Caribbean dollars)

17 Other liabilities and accrued expenses

	2015 \$	2014 \$
Trade payables and accrued expenses	2,064,625	2,179,931
Manager's cheques	1,901,848	4,977,579
Transfers payable	616,139	134,874
Other payables	684,956	820,557
Total other liabilities and accrued expenses	5,267,568	8,112,941
Current	5,267,568	8,112,941

18 Borrowings

	2015 \$	2014 \$
Consortium loan payable over ten (10) years in blended monthly instalments of \$148,627 commencing on March 8, 2012 with final payment of principal due at the end of the 120 th month together with all outstanding interest. Interest is charged at 8% per annum.	2,655,706	4,159,364
Current portion of loan	1,629,964	1,505,129
Non-current portion of loan	1,025,742	2,654,235
Balance at end of year	2,655,706	4,159,364

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

The loan is secured as follows:

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

The Bank's Board of Directors approved a lump sum payment of EC\$5,000,000 which was paid in January 2014.

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2015

(expressed in Eastern Caribbean dollars)

19 Share capital

	Note	2015 \$	2014 \$
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		<u>24,000,000</u>	<u>24,000,000</u>
100,000 preference shares issued at \$478.69 each	20	<u>47,869,339</u>	<u>47,869,339</u>

20 Preference shares

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

- Preference shareholders are entitled to receive dividends as and when declared by the Board and in the priority of disbursements and distributions as set forth in the by-laws paid out of the net profits of the Bank at 3.5% of par value.
- Upon any liquidation, dissolution or winding up of the Bank, the preference shares will rank highest in priority of all share holdings.
- Preference shares are redeemable at the 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, 2015

(expressed in Eastern Caribbean dollars)

21 Other reserves

	2015	2014
	\$	\$
Regulatory reserve for loan impairment	141,577	481,808
Regulatory reserve for interest on non-performing loans	3,566,925	3,492,499
Statutory reserve	4,763,339	3,395,460
Total	8,471,841	7,369,767

(a) *Reserve for loan impairment*

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

(b) *Reserve for interest on non-performing loans*

This reserve is created to set aside interest accrued on non-performing loans where certain conditions are met in accordance with International Accounting Standard (IAS) 39. The Prudential Guidelines of the Eastern Caribbean Central Bank, however do not allow for the accrual of such interest. The interest is therefore set aside in a reserve and is not available for distribution to the shareholders.

(c) *Statutory Reserve*

Under the Banking Act 2005, 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.

22 Commitments

a) *Credit commitments and others*

	2015	2014
	\$	\$
Financial guarantees	6,224,500	6,911,278
Undrawn Commitments – Loans and overdrafts	15,952,537	17,181,796
Undrawn Commitments – Credits cards	5,892,897	5,245,875
	28,069,934	29,338,949

b) *Operating lease commitments*

The bank had no contractual operating lease commitments as of September 30, 2015.

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2015

(expressed in Eastern Caribbean dollars)

23 Related parties

	Interest rate	2015 \$	2014 \$
Loans to Government of Antigua and Barbuda	8.0 – 9.8%	171,800,118	173,586,386
Loan to directors	8.5%	190,250	–
Loans to key management personnel	6.0 – 8.5%	741,027	687,386
		172,731,395	174,273,772

The loans to shareholders 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 \$15,432,292 (2014: \$15,599,554). The average interest rate on these loans is 8.76% (2014: 8.73%).

Deposits from related parties

	Interest rate	2015 \$	2014 \$
Deposits from shareholders	3.0 – 4.0%	25,453,231	19,721,643
Deposits from key management personnel	0 – 4.0%	412,462	903,442
Deposits from staff retirement savings fund	5%	1,133,617	649,018
Deposits from directors	3.0%	16,155	9,398
		27,015,465	21,283,501

Interest expense paid on shareholders', directors', key members of management's and the staff retirement savings fund deposits during the year amounted to \$670,705 (2014: \$583,065). The average interest rate on these deposits is 2.14% (2014: 2.97%).

Remuneration of key management personnel

	2015 \$	2014 \$
Salaries and allowances	1,519,857	1,498,501
Directors' fees	302,568	287,351
Social Security and Medical Benefits costs	61,825	62,828
Other staff costs	15,501	15,314
	1,899,751	1,863,994

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, 2015

(expressed in Eastern Caribbean dollars)

24 Cash and cash equivalents

Cash and cash equivalents are comprised of the following:

	Notes	2015 \$	2014 \$
Term deposits with original maturities of ninety days or less	10	12,495,633	22,922,649
Operating accounts due from local banks	9	13,176,998	30,856,407
Cash and non-mandatory balances with the Central Bank	8	18,030,033	16,299,831
Treasury bills	10	17,571,977	12,956,897
Fixed income paper with original maturities of ninety days or less	10	—	7,556,103
		<u>61,274,641</u>	<u>90,591,887</u>

25 Interest income and interest expense

	2015 \$	2014 \$
Interest income		
Loans and advances	26,333,251	26,192,937
Investment securities	4,391,386	4,122,756
Short term deposits	5,112	1,713
Total interest income	<u>30,729,749</u>	<u>30,317,406</u>
Interest expense		
Demand accounts	65,019	170,686
Savings accounts	2,138,186	2,135,547
Fixed deposits	8,098,383	9,038,911
Borrowings	276,211	392,875
Total interest expense	<u>10,577,799</u>	<u>11,738,019</u>
Net interest income	<u>20,151,950</u>	<u>18,579,387</u>

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2015

(expressed in Eastern Caribbean dollars)

26 Net fee income

	2015 \$	2014 \$
Fee income		
Credit card fees	3,955,303	3,376,653
Other fees and commission	1,471,589	1,577,339
Foreign exchange gain/losses	2,060,148	1,794,904
Service charge – deposits	1,211,584	766,241
Credit related fees	347,699	350,997
Total fee income	9,046,323	7,866,134
Fee expense		
Credit card expenses	3,167,641	2,782,232
Bank charges	476,448	430,463
Other fees – expenses	2,071	27,549
Total fee expense	3,646,160	3,240,244
Net fee income	5,400,163	4,625,890

27 Other income/expenses

	2015 \$	2014 \$
Recovery of loan items written off	76,439	27,534
Gain on disposal of fixed assets	8,000	–
Recovery of credit card items written-off	718	3,930
Total other income	85,157	31,464

28 Personnel expenses

	2015 \$	2014 \$
Salaries and allowances	7,637,517	7,409,754
Other personnel expenses	1,382,896	759,536
Statutory contributions	609,270	570,385
Insurance contributions	184,716	173,303
Total personnel expenses	9,814,399	8,912,978

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2015

(expressed in Eastern Caribbean dollars)

29 General and administrative expenses

	2015	2014
	\$	\$
Administration costs	1,723,227	1,935,000
Information technology	1,037,978	910,000
Professional fees	901,237	882,076
Telecommunications and postage	818,439	628,101
Repairs and maintenance	619,161	450,830
Directors' fees	302,568	287,351
Marketing and public relations	283,554	181,620
Insurance	277,924	296,599
Rent	163,687	164,169
Travel, conferences and meetings	63,920	76,483
Total general and administrative expenses	6,191,695	5,812,229

30 Income tax

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

The applicable income tax rate for the year is 25% (2014: 25%). However, the effective tax rate is nil (2014: \$nil) as a result of the income tax exemption.

	2015	2014
	\$	\$
Tax charge		
Net income for the period before taxation	6,839,395	6,157,518
Tax charge at the applicable tax rate	1,709,849	1,539,380
Movement in deferred taxes not recognised	286,134	83,020
Effect of permanent differences	(640,038)	(589,378)
Effect of income tax exemption	(1,355,945)	(1,033,022)
Tax charge for the year	—	—

Eastern Caribbean Amalgamated Bank Limited

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30 Income tax ... continued

Deferred tax asset (liability)

At the year end, the Bank had a net deferred tax asset of \$16,889 (2014: liability of \$269,247) at the future tax rate of 25% which was not recognised in the financial statements as the Bank currently has an exemption from the payment of income taxes for a period of 15 years from November 25, 2011. The unrecorded net deferred tax asset (liability) is comprised as follows:

	2015	2014
	\$	\$
Tax losses	780,412	780,412
Deferred commissions on loans	96,690	70,727
Regulatory loan loss reserve	(927,125)	(993,577)
Depreciation on property, plant and equipment	66,912	(126,809)
Balance, end of year	16,889	(269,247)

Tax losses

The Bank has brought forward losses for tax purposes of \$3,121,647 (2014: \$3,121,647). These losses can only be carried forward for six years. However, given the Bank's current corporate tax exemption period, these amounts will likely never be recovered.

The tax losses expire as follows.

	\$
2017	3,034,293
2018	87,354
	<u>3,121,647</u>

Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2015

(expressed in Eastern Caribbean dollars)

31 Employee benefits

During the prior year, 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 trustees of the fund is a committee comprising of 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 \$201,228 (2014: \$177,581).

32 Contingent liabilities

Pending litigation

A legal claim was filed against the Bank in February 2011 by a former employee of Bank of Antigua Limited for \$449,813 relating to unpaid pension fund. The Court has provided a judgment on the case that was in favor of the Bank. However, this has subsequently been appealed by the former employee. No significant loss is expected to arise from this pending claim; however the outcome of the appeal is currently unknown.

33 Post reporting date event

Subsequent to the year end on November 29, 2015 the Bank acquired certain assets of ABI Bank Limited, totalling \$260,200,000 and assumed certain liabilities of an equivalent amount.

Notes

Notes

*“Life is a journey. When we stop,
things don't go right.”*

- Pope Francis

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