

Our future, Our bank



EASTERN CARIBBEAN AMALGAMATED BANK

# Pillars of our Success



**2018**  
*Annual Report*

*Together*  
**WE**  
*Achieve*  
**More**



“The strength of the team is each individual member. The strength of each member is the team.”

***-Phil Jackson***

## **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 Eighth Annual General Meeting of the Eastern Caribbean Amalgamated Bank Limited will be held on **Monday, the 15<sup>th</sup> day of April, 2019** at Runway 10, Burma Road, in the parish of St. John's, in Antigua and Barbuda commencing at **10:30am** in The Executive Business Centre.

## AGENDA

1. Call to Order
2. Prayers
3. Adoption of Agenda
4. Chairman's Remarks
5. Consider and Confirm the Minutes of 7<sup>th</sup> Annual General Meeting held on March 9, 2018
6. Consider the Matters Arising from Minutes of 7<sup>th</sup> Annual General Meeting held on March 9, 2018
7. Presentation of Chairman's Report
8. Presentation of Directors' Report
9. Consider Financial Statements for the year ended September 30, 2018 and Auditors' Report
10. Declare a Dividend for the Financial Year ended September 30, 2018
11. Appointment of External Auditors for the year ending September 30, 2019 and Authorize the Board to Fix Their Remuneration
12. Election of Directors and Confirmation of Remuneration
13. Transact Any Other Business that may properly be brought before an Annual General Meeting of Shareholders

Dated the 1<sup>st</sup> day of March, 2019

**BY ORDER OF THE BOARD OF DIRECTORS**



TRACY BENN-ROBERTS  
Corporate Secretary

# Chairman's Report

## LOOKING BACK TO LOOK FORWARD - THE YEAR IN REVIEW

As stakeholders, we invite you to reflect with us on another successful year during which the challenges appeared to overshadow the opportunities. Nonetheless, we can look back with a true sense of pride and accomplishment. Our ECAB continues to achieve. We look forward to Our Future with great anticipation.

The globalized financial space within which banks operate is constantly changing as the legal and regulatory frameworks evolve and respond to the industry challenges and environmental risks. These changes include, for example, the passage of the Foreign Account Tax Compliance Act (FATCA) and Common Report Standard (CRS) both geared towards combating tax evasion.

FATCA, instituted by the United States of America in 2010, requires all foreign financial institutions (FFIs) to report the assets and identities of persons with US residency and citizenship including green card holders residing outside the US to the Internal Revenue Service (IRS). ECAB became compliant with FATCA in 2014. The Organization for Economic Co-operation and Development (OECD) introduced CRS in 2014. This standard requires jurisdictions to obtain information from their financial institutions annually and automatically exchange the collected information with the participating tax authorities. Antigua and Barbuda became a signatory to CRS on October 15, 2015 and passed legislation in 2016 making it mandatory for financial institutions to comply with CRS.

The practical effect of legal and regulatory changes is that all banks, including ECAB, are required to ask customers for much more information than in the past. While the request for more information may not always be welcomed, it is necessary for all customers to fully cooperate in order for the Bank to comply and avoid adverse “de-risking” consequences. Banks need to maintain certain correspondent banking relationships and other necessary partnerships to conduct international transactions such as wire transfers and foreign drafts.

Notwithstanding the obligations placed on us, ECAB



will continue to attempt to strike a good balance between the need to maintain an excellent level of customer service while ensuring that all customers provide the required information. We crave the indulgence of both existing and new customers as we take the necessary steps to ensure that ECAB operates within the ambit and parameters of the applicable laws and regulations.

## ECONOMIC REVIEW

The world-wide economic recovery which began in mid-2016 continues. In October 2018, the International Monetary Fund reported that the same rate of growth of 3.7 percent in 2017 is projected to be realized in 2018. Escalating trade tensions between the US and some of its major trading partners represent key threats to this global outlook. However, recent moves towards new trade agreements between the US and major trading partners Mexico, Canada and China will help to mitigate these threats and provide some encouragement.

Growth in the United States is expected to peak at 2.9 percent in 2018 supported by the fiscal stimulus. However, it is expected to soften to 2.5 percent in 2019 due to the recently introduced trade restrictions with major trading partners including the imposition of significant tariffs on US imports from China. In 2018, one reliable international source reported that the US unemployment rate fell to 3.7% in September, the lowest rate since December 1969 and below the 5.0 percent economists refer to as the full-employment rate for the US.

China's growth is projected to decline marginally from 6.9 percent in 2017 to 6.6 percent in 2018 and 6.2 percent in 2019, reflecting slowing external demand and the negative effect of recent tariff actions imposed by the US.

In the United Kingdom, growth is projected to slow to 1.4 percent in 2018 and 1.5 percent in 2019 down from 1.7 percent in 2017. The medium-term growth forecast remains at 1.6 percent, tempered by the anticipated higher barriers to trade following the much anticipated Brexit.

ECCB's preliminary assessment of the performance of Antigua and Barbuda's economy estimated that its GDP grew by 4.98 percent in 2018, approximately 2.2 percent above the ECCU average of 2.73 percent. Preliminary results showed that in the tourism sector, a main driver of the economy, total visitor arrivals grew by 14.4 percent with cruise ship passengers representing the largest proportion. The major growth in cruise passenger arrivals has been attributed to improvements in port infrastructure and a diversion of cruise ships from other ports in the Northern Caribbean to Antigua due to port closures resulting from Hurricanes Irma and Maria in 2017. Stay-over arrivals increased by 7.6 percent influenced largely by growth achieved in the major source markets of the US, Canada and the Caribbean. However, arrivals from the UK continued to decline at a rate of 4.6 percent related to slow growth and uncertainty surrounding Brexit as well as volatility of the British Pound.

The positive growth anticipated for Antigua and Barbuda will be influenced by robust activity in the tourism industry and the construction sector which is expected to drive the performance of the related sectors of wholesale and retail trade, transport, storage, communications and real estate. Tourism is also expected to be boosted by additional airlift from major US airports, including an increase from one to two daily direct flights to and from the US which commenced in December 2018. The hosting of the International Cricket Council Women's World T20 Tournament in November 2018, the International Test Match between West Indies and England in early 2019 and other marketing and promotional activities will aid growth. Also, the opening of long anticipated new hotel properties and upgrades to existing hotel stock will boost interest in the destination and stay-over arrivals.

## OUR PERFORMANCE

Given the fiercely competitive banking climate, ECAB performed creditably in 2018 despite a deceleration in the rate of growth of profits from the previous year's results. For financial year ending 30 September 2018, the Bank realized profits of \$15 million which represented a 5 percent growth rate compared to the 19 percent growth recorded in 2017. Meanwhile assets grew by 17.3 percent to \$980 million, just short of \$1 billion mark and 13.5 percent higher than the growth rate realized in the prior year. Strong growth in deposits of 17.4 percent resulted in a significant increase in liquidity as evidenced by a reduction in the Loans-to-Deposits ratio from 76.6 percent to 67.6 percent, a value significantly below ECCB's prudential benchmark of 75 – 85 percent.

With this strong liquidity and growth in assets, we recognize the need to formulate new strategies to maximize earnings through good credit opportunities. Growth in the loan portfolio, valued at \$529.8 million as at 30 September 2018, was marginal compared to the prior year's growth rate, registering a 3.4 percent increase in 2018 compared to 3.1 percent in 2017. This growth in loans is almost 80 percent of our budgeted target for loans, a commendable feat given the circumstances. Our aim is to increase the pace of growth of the loan portfolio so that it more closely mirrors the growth in assets, which would translate to a higher level of sustained profits. In this regard, the restructuring of the credit function has been undertaken to better position the Bank to achieve a larger share of the important commercial loan market. This initiative is expected to bear fruits in the ensuing year.

## ACKNOWLEDGEMENTS

On behalf of the Board of Directors, I take the opportunity to express our gratitude to all stakeholders of ECAB for their continued loyalty, commitment and support. In particular, I am grateful for the continued dedication of my colleague directors and all members of Management and staff. The ECAB Family continues to make us all proud.



Craig J. Walter  
Chairman  
Board of Directors

# Board of Directors



**Craig Walter**  
(Chairman)

Antigua Commercial  
Bank Limited



**C. Davidson Charles**  
(Deputy Chairman)

Antigua Commercial  
Bank Limited



**Rasona Davis-Crump**

Government of Antigua  
and Barbuda



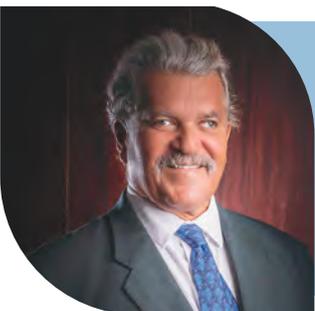
**Genevieve Astaphan**

National Bank of  
Dominica Limited



**Bernard Hamilton**

Bank of St. Vincent and  
the Grenadines Limited



**Howard McEachrane**

St. Kitts Nevis Anguilla  
National Bank Limited



**Estherlita Cumberbatch**

East Caribbean Financial  
Holding Company  
Limited

# Directors' Report

## INTRODUCTION

The Board of Directors of the Eastern Caribbean Amalgamated Bank Limited (ECAB) truly represents the dynamism of the Organization of the Eastern Caribbean States (OECS) through its shareholding structure. With representation on the Board from five (5) of these states, ECAB has been well positioned over the years to capitalize on the collective business acumen spanning more than fifty (50) years. This wide gamut of knowledge and experience in Banking, Finance and Corporate Governance continues to be demonstrated through the strong oversight, sound decision-making process, competency and commitment of the Board to advancing the business interests of all stakeholders. The Directors' continued adherence to the principles of corporate governance helps to reinforce a robust risk management culture, increased accountability, enhanced transparency and preservation of our legacy of stakeholder trust and confidence.

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



## BOARD COMPOSITION

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

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

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

## **FUNCTIONS OF THE BOARD OF DIRECTORS**

The Board of Directors main role is to provide oversight and direction to the Management Team. In so doing, the Board ensures that decisions are well-thought out and made in the best interest of ECAB. It also regularly makes or reviews policies which guide the Bank's day-to-day operations. With meetings held once a month or whenever deemed necessary, coupled with ongoing open channels of communication with the General Manager and other members of Management, the Board and Management have been able to steer ECAB on a path of sustained growth and development.

The Board also has the responsibility of safeguarding ECAB's assets and the interests of its shareholders and stakeholders. The Board, therefore, closely monitors ECAB's performance to ensure that there is timely and accurate reporting and proper disclosure of financial information by Management. The Board encourages accountability and transparency at all levels. Through the review and approval of budgets, strategies and operating plans, the Board directs the strategic course to be taken by ECAB. Further, the Board continually promotes a top down approach to the observance of high standards of ethical behaviour and risk management. The consistent adherence to the By-Laws and all relevant legislations and regulations in effect is exercised by the Board.

## **BOARD OF DIRECTORS' TRAINING**

The Board is consistently exposed to up-to-date pertinent information related to Banking, Finance and Corporate Governance. It also annually participates in training sessions on Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT). The regular sharing of information and attendance at training sessions, seminars and/or conferences facilitates continued personal growth and enhanced understanding of the roles and responsibilities of good directorship. During the coming year, emphasis will be placed on individual certifications in various priority areas to include financial management.

## **BOARD OF DIRECTORS' CONFLICT OF INTEREST POLICY**

The Conflict of Interest Policy sets the framework for the avoidance of 'potential, actual or perceived conflicts

of interest' by Directors. Therefore, it is the practice for Directors to declare, without hesitation, any conflicts of interest on matters to be considered at a meeting or generally by the Board. Such conflicts may be of a personal or outside nature or may arise from a financial, professional or other relationship which may exist in relation to or stem from the matter(s) to be discussed at the meeting or otherwise. The relevant Director must also promptly recuse his/her self from the portion of the meeting in which the identified conflict of interest matter will be discussed or not participate in any deliberations on the matter if submitted for consideration outside of the regular scheduled meetings. Voting by the recused Director is also not permitted.

## **BOARD SUB-COMMITTEES**

The Board consists of four (4) sub-committees, namely, the Audit and Risk Committee, the Corporate Governance Committee, the Credit Committee and the Human Resources Committee. The Committees meet as and when required to review reports and consider matters falling within the terms of reference embodied in the respective Charters. The Committees are vital to the proper functioning of the Board and they provide the necessary oversight required on an ongoing basis. The Committees report to the Board on a monthly basis.

The Committees are comprised as follows:

1. **Credit Committee** – Directors C. Davidson Charles (Chairman), Craig Walter, Bernard Hamilton, Estherlita Cumberbatch, Genevieve Astaphan, Rasona Davis-Crump and Howard McEachrane;
2. **Human Resource Committee** – Directors C. Davidson Charles (Chairman), Rasona Davis-Crump, Howard McEachrane and Bernard Hamilton;
3. **Audit & Risk Committee** – Directors Rasona Davis-Crump (Chairman), Genevieve Astaphan, Howard McEachrane and Estherlita Cumberbatch; and
4. **Corporate Governance Committee** – Directors Craig Walter (Chairman), C. Davidson Charles, Estherlita Cumberbatch and Howard McEachrane.

## THE CHAIRMAN OF THE BOARD

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

The Chairman is tasked with the responsibility of ensuring that the Board functions effectively. The Chairman must be equipped with the proper leadership and management qualities needed to foster positive working relationships among members. Additionally, the Chairman must make sure that members of the Board conduct themselves in a manner befitting the position of a Director. Furthermore, the Chairman must safeguard the Board’s independence at all times and ensure that the Board is armed with all the relevant information necessary to make the best decisions for the ultimate benefit of all stakeholders.

During the financial year ended September 2018, Director Craig Walter held the office of Chairman and Director C. Davidson Charles held the position of Deputy Chairman.

## BOARD MEETINGS AND ATTENDANCE

The Board of Directors normally meets once per month and additionally as required. During the financial year ended September 30, 2018, there were thirteen (13) Board of Directors’ meetings. The following table records the attendance of the Directors:

DIRECTORS (IN ORDER OF TENURE)	ATTENDANCE		PERCENTAGE
	Required	Actual	
Craig Walter	13	11	85%
Rasona Davis-Crump	13	10	77%
Howard McEachrane	13	13	100%
C. Davidson Charles	13	12	92%
Estherlita Cumberbatch	13	12	92%
Bernard Hamilton	13	13	100%
Genevieve Astaphan	13	10	77%

## DIRECTORS’ TENURE

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

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

## DIRECTORS’ REMUNERATION

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

## VOTING BY SHAREHOLDERS

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

## DIVIDEND

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

For the financial year ended September 30, 2018, the Board of Directors recommends the payment of dividend of 3.5% of par value to the preferred shareholder on record as at September 30, 2018 and dividends of \$5.50 for each unit of common share to the shareholders on record as at September 30, 2018.

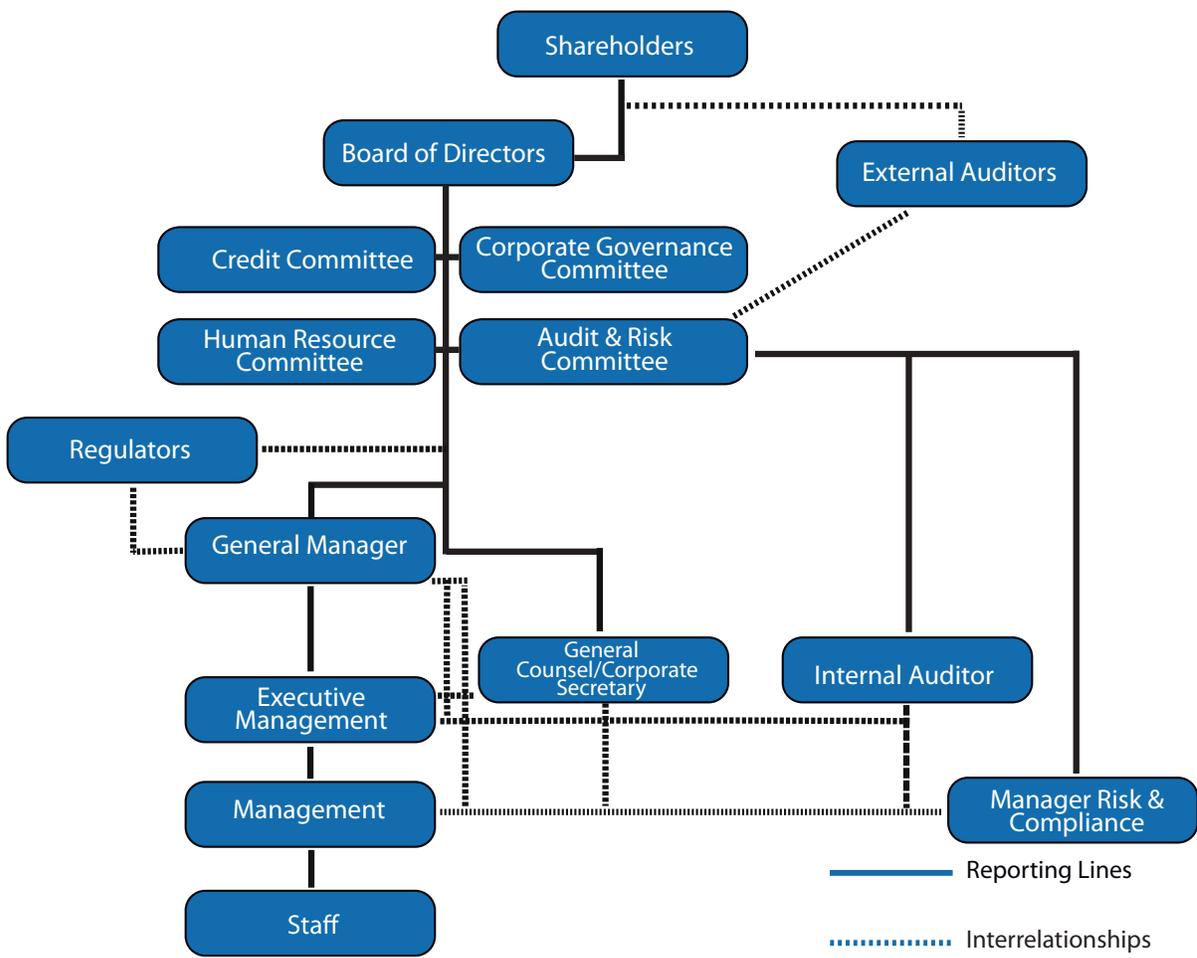
## EXTERNAL AUDITORS

The External Auditors, Grant Thornton, retired at the financial year ended September 30, 2018. The Auditors are eligible for re-appointment and have offered themselves for re-appointment for the year ending September 30, 2019. The Board of Directors recommends their re-appointment.

BY ORDER OF THE BOARD OF DIRECTORS

  
Tracy Benn-Roberts  
Corporate Secretary

## ECAB GOVERNANCE STRUCTURE





# Executive Management



**Michael Spencer**

General Manager



**Sophie Thomas-Durand**

Chief Information  
Systems Officer



**Tracy Benn-Roberts**

General Counsel/  
Corporate Secretary



**Adrian McLean**

Senior Manager  
Retail and Commercial  
Lending



**Donna Cort**

Chief Financial Officer



**Peter Quinn**

Internal Auditor



**Sonya Roberts-Carter**

Senior Manager  
Operations

# Management's Discussion and Analysis

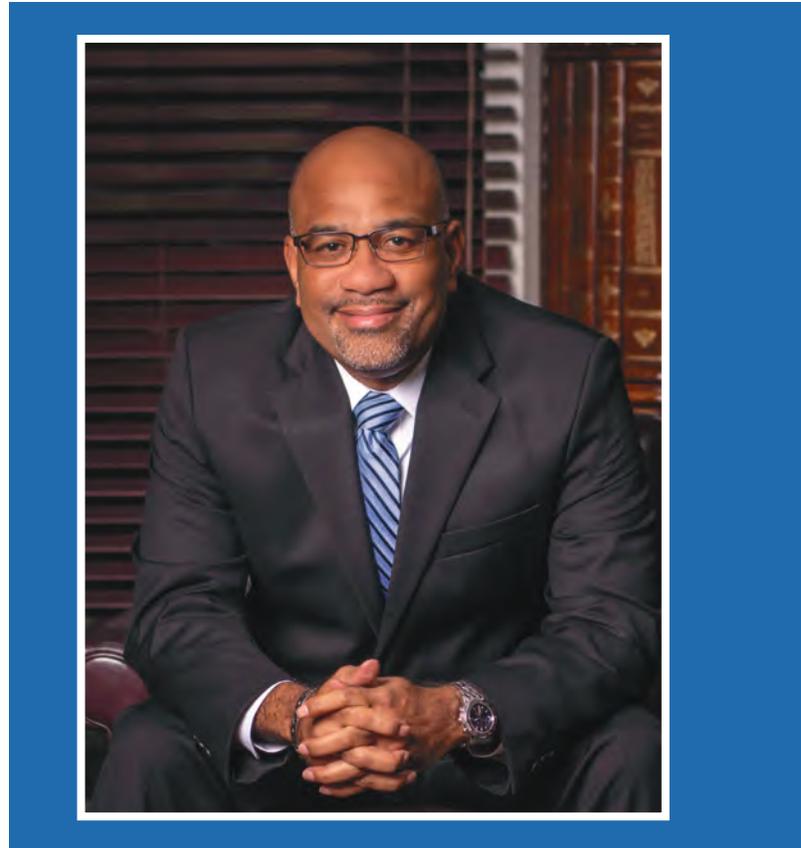
## 2018 Economic and Business Environment

In its October 2018 World Economic Outlook, the International Monetary Fund (IMF) indicated that global growth for 2018 is expected to remain at the 2017 level of 3.7 percent. Growth projections for the United States, one of the main trading partners of the Eastern Caribbean Currency Union (ECCU), remained strong resulting in economic development within the ECCU.

Growth for the ECCU is estimated at 2.9 percent for 2018 up from 1.35 percent in 2017. The economic prospects for the region have been improving with tourism dependent economies experiencing enhanced economic activity due to rising tourism demand, which is expected to continue into 2019. There has also been robust performance in other economic sectors, namely, construction, manufacturing and agriculture.

Much of the economic development that Antigua and Barbuda experienced during the first half of 2018 was due largely to expansion in the tourism and construction sectors, according to the Eastern Caribbean Central Bank (ECCB). Total visitor arrivals increased by 14.4 percent to 665,268 led by stay-over arrivals increasing by 7.6 percent to 148,139. Increases of 38.9 percent and 25.9 percent in the volume of cement imports and that of other construction materials, respectively, evidenced expansion in the construction sector compared with the corresponding period for 2017. The banking sector remained highly liquid with loans and advances to deposits ratio of 60.4 percent; far below the ECCB prudential benchmark of 85 percent. The non-performing loans ratio continued to improve from 7.9 percent at December 2017 to 7.3 percent at June 2018. This was still slightly above the ECCB benchmark of 5%. Domestic credit fell by 2.3 percent to \$2,272.1M resulting from transactions with non-financial public enterprises while deposits increased by 7.5 percent to \$3,728.8M.

Preliminary estimates from the ECCB indicated that the Antigua and Barbuda economy expanded by 4.93



percent in 2018 compared to 3.03 percent for 2017 and projected growth of 4.98 percent for 2019.

## Performance Highlights

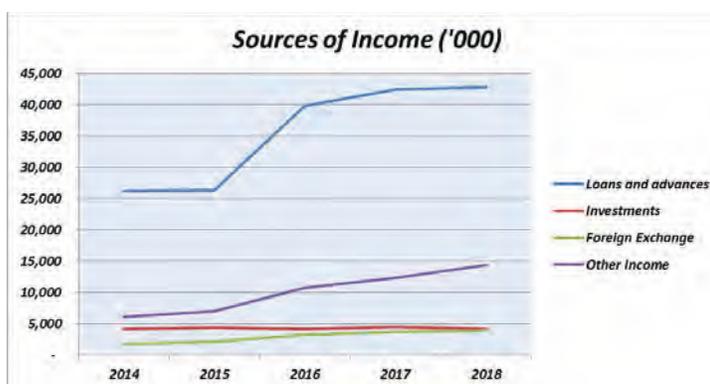
**Together we achieve more.** The daily commitment of our employees to the pillars of Customer Intimacy and Service Excellence contributed to another successful year for the Bank with reported profit after tax of \$15.0 million for year ended September 30, 2018; an increase of 5 percent over the 2017 result of \$14.3 million. Our performance in 2018 was mainly influenced by an increase in income from fees and commission along with continued growth in the loans and advances portfolio.

## Highlights of Financial Operations

(In Thousands of Dollars)

For the year	2018	2017	2016	2015	2014
Interest Income	46,930	46,937	44,011	30,730	30,317
Interest Expense	10,512	10,499	12,839	10,578	11,738
Loan Impairment Charges	2,000	1,534	1,020	413	321
Net Fee Income	11,408	9,478	7,383	5,400	4,626
Operating Expenses	26,842	26,188	23,241	18,385	16,758
Net Income	14,970	14,338	12,071	6,839	6,158
Yield on Interest Earning Assets	6.7%	7.2%	7.6%	7.2%	7.3%
Cost of Funds	1.4%	1.6%	2.0%	2.5%	2.9%
Spread	5.3%	5.6%	5.6%	4.7%	4.4%
Efficiency Ratio	58.3%	58.8%	61.4%	72.1%	71.9%

At year end	2018	2017	2016	2015	2014
Loans & Advances	529,823	512,330	497,084	318,198	306,379
Investments	201,452	178,314	143,734	120,701	117,857
Total Assets	980,725	836,066	805,778	507,221	513,082
Total Deposits	784,212	667,814	667,735	405,809	414,160
Total Shareholders' Equity	168,246	140,710	106,097	93,489	86,650
Return on Assets	1.7%	1.7%	1.7%	1.3%	1.3%
Return on Equity	9.7%	11.6%	12.1%	7.6%	7.4%
Capital Adequacy Ratio	49%	52%	47%	56%	56%



### Interest Income

Interest income remained flat for 2018 with increase in interest income from loans and advances of \$0.3 million tempered by a corresponding decrease in interest income from investment securities. Average loans and advances increased at a slower pace than in 2017 with an increase of \$16.2 million to \$516.4 million in 2018 compared to an average increase of \$45.2 million for

2017. Yields from investments in government treasury bills and term deposits fell during the fiscal resulting in an overall decrease in yield from interest earning assets to 6.7 percent for 2018 from 7.2 percent in 2017.

### Interest Expense

Despite the significant increase of \$116.4 million or 17.4 percent in customer deposits in 2018, interest expense remained at the 2017 level as growth in deposits was led by an increase of \$74.9 million in non-interest bearing demand deposits. Due to continued efficient management, our cost of funds dropped to 1.4 percent in 2018 from 1.6 percent in 2017.

### Loan Impairment Charges

There was a slight deterioration in the Non-performing Loans ratio from 4.46 percent at the close of fiscal 2017 to 4.71 percent at the end of the 2018 fiscal; still below the ECCB benchmark of 5.0 percent. The deterioration was mainly attributed to depreciation in market value of assets held as collateral for certain non-performing loans and advances, (NPLs). The depreciation in market values along with increases in the cost to collect on NPLs also contributed to an increase of \$1.2 million or 28.3 percent in specific impairment provisions.

The Bank will adopt IFRS 9 during the upcoming financial year. Preliminary estimates indicate an increase in impairment provisions of \$6.6 million for loans and advances and \$0.3 million for investments.

### Net Fee Income

Net fee income increased by \$1.9 million or 20.4 percent to \$11.4 million in 2018 compared to 2017. This increase was mainly attributed to an increase in fees from credit card activities coupled with adjustments made to the Bank's fee structure.

### Operating Expenses

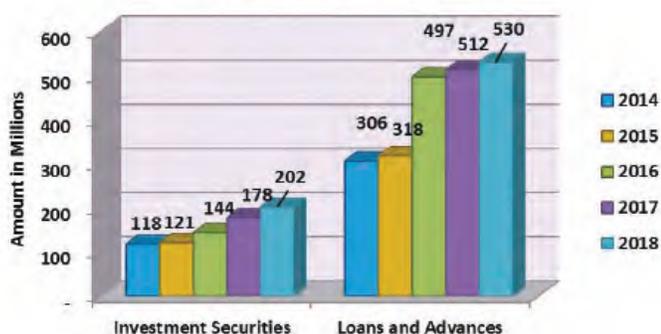
Operating expenses increased by \$0.7 million or 2.7 percent to \$26.8 million for 2018 compared to 2017 driven primarily by an increase of \$1.1 million or 11.5 percent in general and administrative expenses resulting from increases in cost of information technology as we improve our IT infrastructure and to professional fees relating mainly to IFRS 9 Implementation.

## Assets

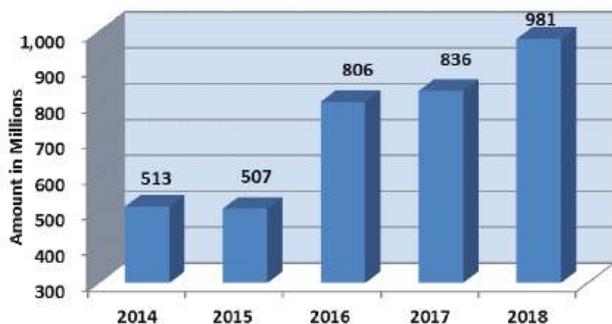
Total assets grew by \$144.7 million or 17.3 percent to \$980.7 million compared to 2017. This significant growth was largely due to increases in cash and balances with the Central Bank and other financial institutions along with increases in investment securities and loans and advances to customers.

Investment securities increased by \$23.1 million or 13.0 percent mainly attributed to revaluation increases of \$20.7 million or 42.2 percent in equity investments.

### Interest Earning Assets



### Total Assets



Gross loans and advances increased by \$19.2 million or 3.7 percent and was mainly attributed to an increase of \$25.4 million or 19.3 percent in mortgage loans partially off-set by a decrease of \$6.1 million or 1.9 percent in demand loans.

## Customer Deposits

Customer deposits grew by \$116.4 million or 17.4 percent in 2018 led by growth of \$74.9 million or 48.5 percent in demand deposits and \$53.4 million or 23.1 percent in savings deposits net of a reduction of \$11.9

## Total Deposits



million or 4.3 percent in time deposits. The growth in deposits was mainly attributed to increased economic activity in the country.

## Our Pillars of Success

The “pillars of our success” are predicated on the contributions made by our staff. We consider our employees to be our most valuable asset, and it is the Bank’s aim to ensure that our staff are happy and motivated in providing service to our customers and to our communities far above and beyond expectations.

During the 2018 fiscal, the Bank finalized its Employee Recognition and Rewards Policy which seeks to acknowledge and encourage exceptional achievement and behavior in the workplace by a system of recognition and rewards. The Bank also updated its Staff Retirement Policy.

Staff training during the 2018 financial year included workshops on “Changing and Embracing a New Culture of Success” and “Developing a Culture of Service” which are considered key components to the Bank achieving its goals and objectives.

We congratulate one of our Customer Service Representatives, Ms. Berthia Barrie who in January 2018 was selected by NIA COMMS in collaboration with the Best of Books as one of three individuals named as an Ambassador of Customer Service in Antigua and Barbuda. Ms. Barrie was recognized for the “way she fulfills her duties, her pleasant demeanor, and her professionalism”.

Feedback from our employees is encouraged and always welcomed. During the year the second “round table” breakfast meeting was held whereby

representatives selected from all departments were given the opportunity to have direct dialogue with the General Manager. They were able to discuss issues and concerns affecting staff and the operations of the Bank and to offer suggestions to improve customers' and staff experience at ECAB.

The Bank continued to play its role in the health and wellness of our employees and organized events that promoted team building. Continued support was given to our Volley Ball Team during participation in the Business League and our staff exercise program - "Workout Wonders". Staff activities during the year included, a hike to Pillars of Hercules and to the Mermaid Pool in English Harbour, a glow walk from the Police Grounds to the Coolidge Branch and a Family Fun Day at the Sir Vivian Richards Cricket Stadium where team members enthusiastically participated in various activities.

Staff recruitment and selection for roles in the updated organization structure introduced during the last quarter of the 2017 fiscal continued throughout the 2018 fiscal. Mr. Norris Antonio retired as Senior Manager, Credit Administration and Mr. Adrian McLean was appointed Senior Manager, Retail and Commercial Lending. We thank Mr. Antonio for his invaluable service to the Bank over the years and welcome Mr. McLean to the ECAB

Family. We also welcomed Mrs. K. Michele Marshall to the ECAB family in the position of Manager, Marketing and Communications.

## **Outlook and Conclusion**

During the upcoming financial year, we expect to complete the full implementation of our re-structured organization, continue to streamline our processes and make certain upgrades to our IT infrastructure in order to further enhance service delivery to our customers.

Customers can also look forward with avid anticipation to the launch of our new suite of card products which will come with a host of additional benefits as well as our third loans blitz on the heels of a successful campaign in 2018. Another development in 2019 is the Bank's adoption of IFRS 9, which is a new accounting standard for the calculation of loan loss provisions. This will likely impact profitability for the bank as a result of increased provisions during the fiscal.

We wish to thank all stakeholders for their continued loyalty and commitment to the Eastern Caribbean Amalgamated Bank Limited.



Michael Spencer  
General Manager

# Management



**Norris Antonio**

Manager  
Projects (Credit )



**V. Alicia Gardner**

Manager  
Lending



**Alicia Bazil-Ashton**

Manager  
Human Resources



**Carol Martin**

Manager  
Support Services



**Tracy Edwards**

Manager  
Card Services



**Eleanor Mourillon**

Manager  
Banking Services



**Debra Williams**

Manager  
Risk & Compliance



**K. Michele Marshall**

Manager  
Marketing &  
Communications



**Hyasis Mullin**

Manager  
Finance & Accounting

# Pillars of Our Success

*Together We Achieve More*

Many of today's existing structures are a testament to the strength and durability of the pillars upon which they are built. One such structure is Rome's famed "Pantheon" constructed during the Bronze Age and on which the ancient Roman Senate convened. Though this man built structure dates back to c. 125 CE, it still remains intact having stood the test of time.

The Eastern Caribbean Amalgamated Bank (ECAB), though not established during the same era, shares one similarity with The Pantheon in that ECAB also stands firm and proud thanks to the strong pillars upon which it was built. However, unlike The Pantheon, ECAB's pillars are not made of stone and mortar. Rather, ECAB's Pillars are buttressed firstly, by its employees and secondly, by the engrained principles which both keep ECAB standing resolute.

Since opening its doors on October 18, 2010, the ECAB brand has steadily grown in recognition along with

its asset base. It continues to increase its market share thereby becoming a major player in the local banking arena. These accomplishments have undoubtedly been achieved through the hard work and commitment of each and every employee who work each day to realize ECAB's Vision and Mission.

## **Pillars of Customer Service**

**We are here for you!** Each customer is special and deserves to be treated with respect. We simply cannot succeed without you. We value each interaction with you and welcome the opportunity to demonstrate our appreciation for your continued loyalty and support. We want to understand your business needs and offer you the best suited products and services. As Pillars of Customer Service, our goal is to achieve customer service excellence.



Coolidge Branch Staff

## Pillars of Cash Operations

**We are reliable and accurate!** No matter what the transaction, you can count on us to deliver with a smile. Our professional staff will cater to your daily operational cash requirements. We will also continue to strive for better efficiency and effectiveness and to ensure that your banking experience surpasses your expectations. As Pillars of Cash Operations, we are committed to the task of ensuring that ECAB becomes and remains your Bank of Choice.

## Pillars of Facilities

**We support all the pillars!** We provide friendly and efficient services to all the departments across the branches. From coordinating deliveries, maintaining the upkeep of our physical infrastructures and ensuring that supplies are readily available, we play an integral part in the daily proficient operations of ECAB. As Pillars of Facilities, we take pride in the up keeping of all the pillars.



Redcliffe Street Branch Staff

## Pillars of Card Services

**We are reward driven!** We offer various types of card and merchant services. Our pre-paid, debit and credit cards are internationally accepted. We put increased purchasing power in your hands and reward you with points each time you swipe your credit card. We have cards that also provide you with the added advantage of travel insurance and automobile rental options. Our staff is knowledgeable, courteous and always ready to assist you whether you are at home or abroad. As Pillars of Card Services, we are dedicated to meeting all of your 'cards' needs.

## Pillars of Finance and Accounting

**We protect the assets!** With individualized skill sets, we work together as a team to safeguard the interests of all stakeholders. We work daily behind the scenes to ensure that there is proper reconciliations, financial accountability and transparency in the day to day execution of our duties. As Pillars of Finance and Accounting, we understand the importance of our role and the need to work with the other pillars to bring about continued growth and success.



Dockyard Branch Staff

### Pillars of Administration

**We direct your calls!** We operate the phones with reliability and courteousness. We are not just the first voices you hear but are cross trained and knowledgeable in all aspects of the bank's operations. We also effectively manage the core organizational functions of ECAB and are the support system for the Executive Management Team. As Pillars of Administration, we are driven by efficiency and professionalism.

### Pillars of Information Systems

**We are the information gate keepers!** We are a diverse team with the computing knowledge and skills required to implement and manage banking solutions as well as computer and information systems. We work quietly in the background to prevent threats from infiltrating and undermining the strength of our pillars. As Pillars of Information Systems, we guarantee a safe and secure technological environment for you.



Woods Bank Staff



High Street Branch Staff

### **Pillars of Human Resources**

**We are the team builders!** We work to bring about an organization that is filled with the right people in the right roles to deliver the right service to you. As the ECAB team grows, we strive to maintain and enhance employee benefits, training and development through the implementation of effective programs and policies. We aim to maximize employee satisfaction. As Pillars of Human Resources, we foster a harmonious blend of talented employees throughout ECAB.

### **Pillars of Retail and Commercial Lending**

**We help you to realize your dreams!** Our experienced and caring staff stands ready to assist you. We will hold your hand and guide you through the lending process. With our improved methods, processes and technology, we will quickly analyze your financial status, check your credit worthiness and evaluate your application to determine feasibility. So whether it is a personal loan, a business loan, a mortgage, a small loan or any other type of credit requirement, we are just a phone call or stop away. We are also available to meet with you wherever may be more mutually convenient. As Pillars of Retail and Commercial Lending, we are committed to meeting all of your financing needs.

### **Pillars of Risk and Compliance and Internal Audit**

**We are the guardians!** Our team of well-skilled officers identify, assess and analyze risks and its financial impact on ECAB and its stakeholders. We ensure that there is compliance with policies, procedures, guidelines and regulations. We also perform checks and balances to confirm that there is adherence to the internal control systems and work towards the achievement of operational efficiency and effectiveness. As Pillars of Risk and Internal Audit, we aim to preserve ECAB's integrity.

### **Pillars of Support Services**

**We are the backbone!** Although we operate in the background, our role is central to the daily workings and progression of ECAB. Our versatile team deals with many functions including payrolls, clearing house transactions, international payments and the production of cheque books. We take our responsibility of safeguarding customer satisfaction and maintaining high productivity levels seriously. As Pillars of Support Services, speed and accuracy are at the core of our daily operations.

## Pillars of Management

**We are the administrators!** The head is no good without the body. As management, it therefore gives us great pleasure to lead a group of individuals who are driven, committed and dedicated to the advancement of ECAB and the realization of the vision, “To Be Your Bank of Choice and Financial Partner For Life”.

During the past eight (8) years, we have overcome many challenges but have managed to maintain steady growth and development. Today, like The Pantheon, our structure stands strong and proud. We are a true examine of what can be achieved with determination and hard work...a true beacon of hope. We intend to capitalize on every opportunity in our mission “To Create Value For Our Stakeholders”. So, as we continue to celebrate our accomplishments, we look forward to the future with great eagerness and confidence. As Pillars of Management, we say “Thank You” to our Pillars of Success...Together We Can Achieve More!



Management Team



ECAB's Queen Bee sponsorship of the Rotaract Spelling Bee



ECAB Junior Soca Monarch Competition

## Our Community

We understand that our community is as strong as its individuals and organizations. As such, we are always ready and eager to partner with organizations that contribute to the development and progression of our community and its members. We take pride in making annual contributions to various initiatives that focus on the advancement of the youth. Such initiatives include the Rotaract Spelling Bee, Lions Club Eye Screening, ECAB Junior Soca Monarch Competition, Youth Invest seminars and graduation and award ceremonies of various schools. With each passing year, we remain resolute in our commitment to our community.

# The Social Side of ECAB



National Dress Day



ECAB Staff Party



ECAB Staff Party



National Dress Day



Customer Appreciation Day



National Dress Day



Rotaract Spelling Bee



Anniversary Games Night



CHSS Home Ec Winner



ECAB Staff Party



CKHS Queen of the form 2018



ABIIT Graduation



National Dress Day



ECAB Staff Party



ECAB Loan Blitz



ECAB Staff Party



ECAB Staff Party



Anniversary Games Night



Customer Appreciation Day



Anniversary Games Night



ABSA Donation



ECAB Morning Hike



APUA Power Blast 2018



National Dress Day



APUA Power Blast 2018



ECAB Staff Party

# Eastern Caribbean Amalgamated Bank



## **Financial Statements** September 30, 2018 (Expressed in Eastern Caribbean Dollars)

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of  
**Eastern Caribbean Amalgamated Bank Limited**

### *Opinion*

We have audited the accompanying financial statements of **Eastern Caribbean Amalgamated Bank Limited** (the "Bank") which comprise the statement of financial position as of September 30, 2018, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of September 30, 2018, and its financial performance and its statement of cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

### *Basis for Opinion*

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

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

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

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

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

## ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

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

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

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

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

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



**Chartered Accountants**

December 27, 2018

St. John's, Antigua

# Eastern Caribbean Amalgamated Bank Limited

## Statement of Financial Position

As of September 30, 2018

(expressed in Eastern Caribbean dollars)

	Notes	2018 \$	2017 \$
<b>Assets</b>			
Cash and balances with the Central Bank	8	128,007,350	64,961,127
Due from banks and other financial institutions	9	99,361,144	50,350,022
Investment securities	10	201,451,518	178,313,943
Loans and advances to customers	11	529,822,732	512,330,159
Other assets	12	2,398,877	10,518,973
Property, plant and equipment	13	18,323,032	18,144,642
Intangible assets	15	1,360,369	1,446,783
<b>Total assets</b>		<b>980,725,022</b>	<b>836,065,649</b>
<b>Liabilities</b>			
Customers' deposits	16	784,212,268	667,813,695
Other liabilities and accrued expenses	17	10,210,715	14,926,579
Income taxes payable	29	4,276,348	3,938,424
Deferred tax liability	29	13,779,258	8,677,074
<b>Total liabilities</b>		<b>812,478,589</b>	<b>695,355,772</b>
<b>Equity</b>			
Preference shares	19	47,869,339	47,869,339
Common shares	18	24,000,000	24,000,000
Revaluation reserve	20	39,369,503	23,807,142
Other reserves	20	16,927,413	13,907,590
Retained earnings		40,080,178	31,125,806
<b>Total equity</b>		<b>168,246,433</b>	<b>140,709,877</b>
<b>Total liabilities and equity</b>		<b>980,725,022</b>	<b>836,065,649</b>

The notes on pages 34 to 101 are an integral part of these financial statements.

Approved by the Board of Directors on December 27, 2018



Director



Director

# Eastern Caribbean Amalgamated Bank Limited

## Statement of Comprehensive Income For the year ended September 30, 2018

(expressed in Eastern Caribbean dollars)

	Notes	2018 \$	2017 \$
<b>Operating income</b>			
Interest income	24	46,930,160	46,936,538
Interest expense	24	(10,512,038)	(10,498,932)
Net interest income		36,418,122	36,437,606
Loan impairment charges	11	(2,000,004)	(1,534,239)
Net interest income after loan impairment charges		34,418,118	34,903,367
Fee and commission income	25	18,291,816	16,010,809
Fee and commission expense	25	(6,884,188)	(6,532,532)
Net fee income		11,407,628	9,478,277
Other income	26	176,543	129,489
<b>Net interest, fee, commission and other income</b>		46,002,289	44,511,133
<b>Operating expenses</b>			
Personnel expenses	27	14,124,118	14,493,087
General and administrative expenses	28	10,935,873	9,808,754
Amortization of intangible assets	15	469,469	589,052
Depreciation of property, plant and equipment	13	1,312,129	1,297,283
<b>Total operating expenses</b>		26,841,589	26,188,176
<b>Profit for the year before tax</b>		19,160,700	18,322,957
Income tax expense	29	(4,191,078)	(3,984,965)
<b>Profit for the year after tax</b>		14,969,622	14,337,992
<b>Other comprehensive income</b>			
Unrealised gains on investment securities, net of tax	20	15,562,361	23,270,494
<b>Comprehensive income for the year</b>		30,531,983	37,608,486

The notes on pages 1 to 68 are an integral part of these financial statements.

# Eastern Caribbean Amalgamated Bank Limited

## Statement of Cash Flows

For the year ended September 30, 2018

(expressed in Eastern Caribbean dollars)

	Notes	2018 \$	2017 \$
<b>Cash flows from operating activities</b>			
Operating profit for the year before tax		19,160,700	18,322,957
Adjustments for items not affecting cash:			
Interest income	24	(46,930,160)	(46,936,538)
Interest expense	24	10,512,038	10,498,932
Depreciation	13	1,312,129	1,297,283
(Gain)/Loss on disposal of property and equipment		(950)	9,944
Amortization of intangible assets	15	469,469	589,052
Provision for loan impairment charges	11	2,000,004	1,534,239
Other non-cash items		(41,817)	42,968
<b>Cash flows used in operating activities</b>		<b>(13,518,587)</b>	<b>(14,641,163)</b>
<b>Net decrease/(increase) in operating assets</b>			
Loans and advances to customers		(22,847,409)	(13,844,439)
Mandatory deposits with the Central Bank		(10,336,758)	447,573
Other assets		8,120,096	(8,882,855)
Restricted deposits		6,907,967	1,744,171
<b>Net increase/(decrease) in operating liabilities</b>			
Deposits from customers		116,472,325	1,211,277
Other liabilities and accrued expenses		(4,715,864)	(13,259,035)
<b>Cash generated from/(used in) operations</b>		<b>80,081,770</b>	<b>(47,224,471)</b>
Income tax paid		(3,938,424)	(1,861,447)
Interest received		50,386,382	43,751,873
Interest paid		(10,585,790)	(11,631,363)
<b>Net cash generated from/(used in) operating activities</b>		<b>115,943,938</b>	<b>(16,965,408)</b>
<b>Cash flows from investing activities</b>			
Purchase of plant and equipment	13	(1,500,969)	(579,129)
Proceeds from disposal of plant and equipment		11,400	20,250
Purchase of investment securities		(22,050,084)	(52,345,293)
Disposal of investment securities		19,656,661	47,957,268
Purchase of intangible assets	15	(383,055)	(5,113)
<b>Net cash (used in) investing activities</b>		<b>(4,266,047)</b>	<b>(4,952,017)</b>
<b>Cash flows from financing activities</b>			
Dividends paid to shareholders		(2,995,427)	(2,995,427)
Repayment of borrowings		–	(1,025,709)
<b>Net cash used in financing activities</b>		<b>(2,995,427)</b>	<b>(4,021,136)</b>

# Eastern Caribbean Amalgamated Bank Limited

## Statement of Cash Flows

For the year ended September 30, 2018

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(expressed in Eastern Caribbean dollars)

	Notes	2018 \$	2017 \$
Net increase/(decrease) in cash and cash equivalents		108,682,464	(25,938,561)
Exchange losses/(gains) on cash and cash equivalents		41,817	(42,968)
Cash and cash equivalents at beginning of year		<u>100,085,020</u>	<u>126,066,549</u>
Cash and cash equivalents at end of year	23	<u>208,809,301</u>	<u>100,085,020</u>

The notes on pages 1 to 68 are an integral part of these financial statements.

## Eastern Caribbean Amalgamated Bank Limited

Statement of Changes in Equity  
For the year ended September 30, 2018

(expressed in Eastern Caribbean dollars)

	Note	Preference shares \$	Common shares \$	Revaluation reserve \$	Other reserves \$	Retained earnings \$	Total \$
<b>Balance as of September 30, 2016</b>		47,869,339	24,000,000	536,648	10,493,633	23,197,198	106,096,818
Profit for the year		–	–	–	–	14,337,992	14,337,992
Other comprehensive income for the year		–	–	23,270,494	–	–	23,270,494
<b>Total comprehensive income for the year</b>		–	–	23,270,494	–	14,337,992	37,608,486
Reserve for loan loss provision		–	–	–	(76,807)	76,807	–
Reserve for interest recognised on impaired loans		–	–	–	623,167	(623,167)	–
Statutory reserve transfer		–	–	–	2,867,597	(2,867,597)	–
<b>Transactions with owners</b>		–	–	–	–	–	–
Dividend paid		–	–	–	–	(2,995,427)	(2,995,427)
<b>Balance as of September 30, 2017</b>		47,869,339	24,000,000	23,807,142	13,907,590	31,125,806	140,709,877
Profit for the year		–	–	–	–	14,969,622	14,969,622
Other comprehensive income for the year		–	–	15,562,361	–	–	15,562,361
<b>Total comprehensive income for the year</b>		–	–	15,562,361	–	14,969,622	30,531,983
Reserve for loan loss provision		–	–	–	(310,837)	310,837	–
Reserve for interest recognised on impaired loans		–	–	–	283,465	(283,465)	–
Statutory reserve transfer		–	–	–	3,047,195	(3,047,195)	–
<b>Transactions with owners</b>		–	–	–	–	–	–
Dividends paid	32	–	–	–	–	(2,995,427)	(2,995,427)
<b>Balance as of September 30, 2018</b>		47,869,339	24,000,000	39,369,503	16,927,413	40,080,178	168,246,433

The notes on pages 1 to 68 are an integral part of these financial statements.

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2018

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(expressed in Eastern Caribbean dollars)

## 1 Nature of operations

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

## 2 General information and statement of compliance with IFRS

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

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

## 3 Changes in accounting policies

### 3.1 New and revised standards that are effective for the Bank’s annual periods beginning on or after October 1, 2017

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

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

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

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

#### IFRS 15 ‘Revenue from Contracts with Customers’

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

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2018

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(expressed in Eastern Caribbean dollars)

## 3 Changes in accounting policies ... continued

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

#### IFRS 15 'Revenue from Contracts with Customers' ... continued

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

#### IFRS 9 'Financial Instruments'

Issued in November 2009, IFRS 9 introduced new requirements for the classification and measurement of financial assets. In October 2010, IFRS 9 was amended to incorporate new requirements on accounting for financial liabilities and for derecognition of financial assets and financial liabilities. In November 2013, new requirements were issued for general hedge accounting. A further revised version of IFRS 9 was issued in July 2014 primarily addressing impairment requirements for financial assets and amendments to the classification and measurement requirements by introducing a fair value through other comprehensive income measurement category for certain simple debt instruments. The version of IFRS 9 issued in 2014, superseded all previous versions and is mandatory for periods beginning on or after January 1, 2018.

IFRS 9 replaces the guidance under IAS 30 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes the primary measurement categories for financial assets; amortized cost or fair value. Where assets are measured at fair value, gains and losses are either recognized entirely in profit or loss or recognized in other comprehensive income. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset.

Classification for debt instruments is directly related to the entity's business model for managing the financial assets and whether the contractual cash flows present solely payments of principal and interest (SPPI). If a debt instrument is held to collect it may be carried at amortized cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect the asset's cash flows and sell the assets may be classified as Fair Value Through Other Comprehensive Income (FVOCI). Financial assets that do not contain the cash flows that are SPPI must be measured at Fair Value through Profit and Loss (FVTPL). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.

Investments in equity instruments are to be measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity is held for trading, changes in fair value are presented in profit or loss.

IFRS 9 allows reclassification between FVTPL, FVTOCI and amortised cost, if and only if the entity's business model objective for its financial assets changes so its previous model assessment would no longer apply. IFRS 9 however does not allow reclassification for equity investments measured at FVTOCI or where the fair value option has been exercised in any circumstance for a financial assets or financial liability.

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2018

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(expressed in Eastern Caribbean dollars)

## 3 Changes in accounting policies ... continued

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

#### IFRS 9 'Financial Instruments' ... continued

IFRS 9 amends some requirements of IFRS 7 Financial Instruments: Disclosures including adding disclosures about investments in equity instruments designated at FVTOCI, disclosures on risk management activities and hedge accounting and disclosures on credit risk management and impairment.

Most of the requirements in IAS 39 for classification and measurement of financial liabilities were integrated and remained unchanged in IFRS 9. Noteworthy change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income. The new standard is not expected to impact the Company's separate financial liabilities as there are no financial liabilities which are currently designated at fair value through profit or loss.

IFRS 9 relaxes the requirement for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and the hedging instrument and for the 'hedged ratio' to be the same as the one management actually uses for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The new standard relating to hedge accounting is not expected to impact the Bank's financial statements, as the bank does not engage in hedge accounting.

The impairment requirements apply to financial assets measured at amortized cost and FVTOCI, and lease receivables and certain loan commitments and financial guarantee contracts.

At initial recognition, an allowance is required for expected credit losses resulting from default events that are possible within the next twelve months. In the event of a significant increase in credit risk, loss allowance for financial instruments is measured at an amount equal to lifetime expected losses if the credit risk of a financial instrument has increased significantly since initial recognition unless the credit risk of the financial instrument is low at the reporting date in which case it can be assumed that credit risk on the financial instrument has not increased significantly since initial recognition.

- financial assets where twelve-month expected credit loss (ECL) is recognized are considered to be in Stage 1;
- financial assets which show a significant increase in credit risk are considered to be in Stage 2; and
- financial assets for which there is objective evidence of impairment are considered to be in default or otherwise credit impaired, are in Stage 3.

The assessment of whether credit risk has increased significantly since initial recognition is performed on an on-going basis by considering the change in the risk of default occurring over the remaining life of the financial assets, rather than by considering an increase in ECL. The assessment of credit risk and the estimation of ECL are required to be unbiased and probability weighted and should incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forward looking information specific to the counterparty, as well as forecasts of economic conditions at the reporting date.

In addition, the estimation of ECL should take into account the time value of money. As a result, the recognition and measurement of impairment is intended to be more forward looking than under IAS 39. It will also tend to result in an increase in the total level of impairment allowances, since all financial assets will be assessed for at least twelve-month ECL and the population of financial assets to which lifetime ECL applies is likely to be larger than the population for which there is objective evidence of impairment in accordance with IAS 39.

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

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(expressed in Eastern Caribbean dollars)

## 3 Changes in accounting policies ... *continued*

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

#### IFRS 9 'Financial Instruments'

An Implementation Committee for the Bank was created to oversee the implementation project. The committee comprises representatives from Credit, Finance and Accounting, Information Systems and Internal Audit. The project includes the following phases:

- **Phase 1:** Current state assessment and gap analysis. This involves review and assessment of the current state and provide analysis and insight on current methodologies and models, current impairment systems and calculations and credit rating governance and process.
- **Phase 2:** Comprehensive review of design options, incorporation of forward looking information taking into consideration the macroeconomic variables, develop probability of default, loss given default and exposure at default based on data gathered during the current state assessment.
- **Phase 3:** Implementation includes assessing the updates to the IT infrastructure to support amended data architecture. Updating credit risk rating methodology.

The Committee has completed its determination of stage migration for financial assets.

Currently, Management has completed phases 1 and 2 and its review of impairment estimates. The Bank expects to complete phase 3 in the second quarter of 2019. Based on phase 2, the Bank's Management estimates that adoption of IFRS 9 will result in an increase of \$6,620,349 and \$308,017 in credit loss provisions on loans and advances to customers, and investments, respectively, as of 1 October 2018.

#### IFRS 16 'Leases'

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

- perform a full review of all agreements to assess whether any additional contracts will now become a lease under IFRS 16's new definition;
- decide which transitional provisions to adopt; either full retrospective application or partial retrospective application (which means comparatives do not need to be restated). The partial application method also provides optional relief from reassessing whether contracts in place are, or contain, a lease, as well as other reliefs. Deciding which of these practical expedients to adopt is important as they are one-off choices;
- assess their current disclosures for operating leases (note 21) as these are likely to form the basis of the amounts to be capitalised and become right-of-use assets;
- determine which optional accounting simplifications apply to their lease portfolio and if they are going to use these exemptions; and
- assessing the additional disclosures that will be required.

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

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(expressed in Eastern Caribbean dollars)

## 4 Summary of accounting policies

### 4.1 Overall considerations

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

### 4.2 Cash and cash equivalents

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

### 4.3 Financial instruments

#### Recognition, initial measurement and derecognition

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

#### Classification and subsequent measurement of financial assets

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

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

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

#### *(a) Loans and receivables*

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

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

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(expressed in Eastern Caribbean dollars)

## 4 Summary of accounting policies ... continued

### 4.3 Financial instruments ... continued

#### (b) Held-to-maturity financial assets

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

#### (c) Available-for-sale financial assets

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

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

### Impairment of financial assets

#### (a) Assets carried at amortised cost

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

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

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

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

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(expressed in Eastern Caribbean dollars)

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

### 4.3 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, 2018

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(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, 2018

(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:

<b>Financial assets</b>	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 customers		
				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
<b>Financial liabilities</b>	Amortised cost	Customers' deposits			
		Borrowings			
		Other liabilities and accrued expenses			

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

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(expressed in Eastern Caribbean dollars)

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

### 4.3 Financial instruments ... *continued*

#### Offsetting financial instruments

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

#### 4.4 Provisions, contingent assets and contingent liabilities

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

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

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

#### 4.5 Property, plant and equipment and depreciation

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

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

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

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

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

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(expressed in Eastern Caribbean dollars)

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

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

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

### 4.6 Intangible assets

#### *Computer software*

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

#### *Customer list intangible*

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

#### *Subsequent measurement*

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

Software	1 – 5 years
Customer list	11 years

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

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

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

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(expressed in Eastern Caribbean dollars)

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

### 4.7 Foreign currency translation

#### *Functional and presentation currency*

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

#### *Foreign currency transactions and balances*

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

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

### 4.8 Equity and reserves

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

Other components of equity include the following:

- Other reserves which comprises statutory and regulatory reserves as stipulated by the Banking Act No. 10 of 2015 and the Eastern Caribbean Central Bank (note 20);
- Revaluation reserve for available-for-sale financial assets comprises unrealised gains/losses relating to these types of financial instruments; and
- Retained earnings, which includes all current and prior periods' retained profits or losses.

### 4.9 Operating expenses

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

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

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(expressed in Eastern Caribbean dollars)

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

### 4.10 Impairment of non-financial assets

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

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

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

### 4.11 Leases

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

### 4.12 Interest income and expense

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

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

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

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

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(expressed in Eastern Caribbean dollars)

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

### 4.13 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

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(expressed in Eastern Caribbean dollars)

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

### 4.16 Current and deferred income taxes

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

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

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

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

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

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

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

### 4.17 Borrowings

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

### 4.18 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in interest expense (note 24).

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

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(expressed in Eastern Caribbean dollars)

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

### 4.19 Business combinations

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

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

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

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

## 5 Financial instruments risk

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

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

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

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

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

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2018

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(expressed in Eastern Caribbean dollars)

## 5 Financial instruments risk...continued

### 5.1 Credit risk

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

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

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

#### 5.1.1 Credit risk measurement

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

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

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

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

##### *(b) Debt securities*

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

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2018

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(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, 2018

(expressed in Eastern Caribbean dollars)

## 5 Financial instruments risk ... continued

### 5.1.3 Impairment and provisioning policies

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

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

	Loans and advances \$	%	Impairment provision \$	%	Net total \$
<b>At September 30, 2018</b>					
Pass	357,302,605	66	(437,119)	8	356,865,486
Special Mention	150,000,945	29	(352,951)	6	149,647,994
Substandard	19,985,897	4	(2,164,790)	40	17,821,107
Doubtful	3,882,545	1	(1,672,338)	31	2,210,207
Loss	1,058,001	0	(807,157)	15	250,844
Gross loans and advances	532,229,993	100	(5,434,355)	100	526,795,638
Interest receivable	4,928,842	–	–	–	4,928,842
Deferred loan origination fees	(766,609)	–	–	–	(766,609)
Portfolio allowance	–	–	(1,135,139)	–	(1,135,139)
	<b>536,392,226</b>	<b>100</b>	<b>(6,569,494)</b>	<b>100</b>	<b>529,822,732</b>
<b>At September 30, 2017</b>					
Pass	335,447,241	66	(382,248)	9	335,064,993
Special Mention	150,761,265	30	(405,960)	10	150,355,305
Substandard	20,616,467	4	(1,818,474)	43	18,797,993
Doubtful	2,209,716	–	(1,062,900)	25	1,146,816
Loss	680,868	–	(566,083)	13	114,785
Gross loans and advances	509,715,557	100	(4,235,665)	100	505,479,892
Interest receivable	8,283,674	–	–	–	8,283,674
Deferred loan origination fees	(515,994)	–	–	–	(515,994)
Portfolio allowance	–	–	(917,413)	–	(917,413)
	<b>517,483,237</b>	<b>100</b>	<b>(5,153,078)</b>	<b>100</b>	<b>512,330,159</b>

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2018

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(expressed in Eastern Caribbean dollars)

## 5 Financial instruments risk ... continued

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

	2018	2017
	\$	\$
<b>Credit risk exposures relating to on-balance sheet assets:</b>		
Due from banks and other financial institutions	99,361,144	50,350,022
<i>Investment securities:</i>		
- Loans and receivables	113,436,704	112,708,764
- Available-for-sale investments – debt securities	17,145,567	15,585,166
Loans and advances to customers	529,822,732	512,330,159
Other financial assets	619,560	8,532,937
	<u>760,385,707</u>	<u>699,507,048</u>
	2018	2017
	\$	\$
<b>Credit risk exposures relating to off-balance sheet items:</b>		
Financial guarantees	4,321,000	4,321,000
Loan commitments and other credit related facilities	68,713,201	59,098,481
	<u>73,034,201</u>	<u>63,419,481</u>
<b>Total credit exposure</b>	<u>833,419,908</u>	<u>762,926,529</u>

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2018

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(expressed in Eastern Caribbean dollars)

## 5 Financial instruments risk ... *continued*

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

The previous table represents a worst case scenario of credit risk exposures to the Bank as of September 30, 2018, 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 64% (2017: 67%) of the total maximum exposure is derived from loans and advances to customers and 16% (2017: 17%) is derived from investment securities.

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

- 95% (2017: 96%) of the loans and advances portfolio are categorised in the top two grades of the internal rating system, being Pass and Special mention;
- 86% (2017: 68%) of the loans and advances portfolio are considered to be neither past due nor impaired, as defined in 5.1.5; and
- 7% (2017: 7%) of loans and advances are considered impaired.

### Concentration of risks of financial assets with credit risk exposure

#### *(a) Geographical sectors*

The following table analyses the Bank's main credit exposure at their carrying amounts, (without taking into account any collateral held or other credit support) as categorised by geographical region as of September 30, 2018. 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, 2018

(expressed in Eastern Caribbean dollars)

## 5 Financial instruments risk ... *continued*

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

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

As of September 30, 2018

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

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements  
September 30, 2018

(expressed in Eastern Caribbean dollars)

## 5 Financial instruments risk... *continued*

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

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

As of September 30, 2017

#### Credit risk exposures relating to on-balance sheet assets:

Due from banks and other financial institutions

##### *Investment securities:*

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

	Antigua & Barbuda \$	Other Caribbean	North America	Europe	Total
	4,685,141	917,806	40,785,407	3,961,668	50,350,022
	13,674,024	94,867,840	4,166,900	–	112,708,764
	–	15,585,166	–	–	15,585,166
	512,330,159	–	–	–	512,330,159
	8,532,937	–	–	–	8,532,937
	<b>539,222,261</b>	<b>111,370,812</b>	<b>44,952,307</b>	<b>3,961,668</b>	<b>699,507,048</b>

#### Credit exposures relating to off-balance sheet items:

- Financial guarantees
- Loan commitments and other credit related facilities

	4,321,000	–	–	–	4,321,000
	59,098,481	–	–	–	59,098,481
<b>Total</b>	<b>602,641,742</b>	<b>111,370,812</b>	<b>44,952,307</b>	<b>3,961,668</b>	<b>762,926,529</b>

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2018

(expressed in Eastern Caribbean dollars)

## 5 Financial instruments risk ... *continued*

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

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

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

	2018	%	2017	%
	\$		\$	
Public sector	255,308,093	48.0%	263,577,467	51.7%
Personal	196,190,224	36.9%	180,566,711	35.4%
Distributive Trade	21,100,570	4.0%	22,183,333	4.4%
Construction/Real Estate	17,198,906	3.2%	16,376,043	3.2%
Transportation/storage	12,245,000	2.4%	—	0.0%
Professional	11,097,832	2.1%	10,555,556	2.1%
Credit card advances	8,714,928	1.6%	7,900,981	1.6%
Tourism	7,027,072	1.3%	4,251,849	0.8%
Other industries	2,736,898	0.5%	3,315,016	0.7%
Manufacturing	610,470	0.1%	988,601	0.2%
<b>Total</b>	<b>532,229,993</b>	<b>100.0%</b>	<b>509,715,557</b>	<b>100.0%</b>

### 5.1.5 Loans and advances to customers

Loans and advances are summarised as follows:

	Loans and advances to customers 2018 \$	Loans and advances to customers 2017 \$
Neither past due nor impaired	457,162,688	346,016,580
Past due but not impaired	38,887,591	130,093,220
Impaired	36,179,714	33,605,757
<b>Gross</b>	<b>532,229,993</b>	<b>509,715,557</b>
Interest receivable	4,928,842	8,283,674
	<b>537,158,835</b>	<b>517,999,231</b>
<i>Less:</i>		
Deferred loan origination fees	(766,609)	(515,994)
Provision for losses on loans and advances	(6,569,494)	(5,153,078)
<b>Net loans and advances</b>	<b>529,822,732</b>	<b>512,330,159</b>

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2018

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(expressed in Eastern Caribbean dollars)

## 5 Financial instruments risk... *continued*

### 5.1.5 Loans and advances to customers ... *continued*

	Loans and advances to customers 2018 \$	Loans and advances to customers 2017 \$
<b>Allocation of allowance for impairment:</b>		
Individually impaired	(5,434,355)	(4,235,665)
Portfolio allowance	(1,135,139)	(917,413)
	<u>(6,569,494)</u>	<u>(5,153,078)</u>

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

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements  
September 30, 2018

(expressed in Eastern Caribbean dollars)

## 5 Financial instruments risk... continued

### 5.1.5 Loans and advances ... continued

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

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

#### September 30, 2018

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

#### September 30, 2017

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

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2018

(expressed in Eastern Caribbean dollars)

## 5 Financial instruments risk... *continued*

### 5.1.5 Loans and advances ... *continued*

*(b) Loans and advances past due but not impaired*

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

As of September 30, 2018

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

As of September 30, 2017

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

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements  
September 30, 2018

(expressed in Eastern Caribbean dollars)

## 5 Financial instruments risk... continued

### 5.1.5 Loans and advances ... continued

#### (c) Loans and advances individually impaired

The individually impaired loans and advances to customers before taking into consideration the cash flows from collateral held is \$36,179,714 (2017: \$33,605,757). The breakdown of the gross amount of individually impaired loans and advances by class is as follows:

#### As of September 30, 2018

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

#### As of September 30, 2017

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

#### (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:

	2018	2017
	\$	\$
- Continuing to be impaired after restructuring	1,487,062	891,848
- Non-impaired after restructuring	111,160,623	14,489,562
	<b>112,647,685</b>	<b>15,381,410</b>

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2018

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(expressed in Eastern Caribbean dollars)

## 5 Financial instruments risk... *continued*

### 5.1.6 Debt securities

There is no formal rating of the credit quality of bonds, treasury bills and equity investments. A number of qualitative and quantitative factors are considered in assessing the risk associated with each investment. However, there is no hierarchy of ranking. There are no external ratings of securities at the year end. The table below presents an analysis of debt securities, treasury bills and other eligible bills by rating agency designation as of September 30, 2018.

As of September 30, 2018

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

As of September 30, 2017

	Loans and receivables \$	Available for sale \$	Total \$
Unrated	112,708,764	15,585,166	128,293,930
<b>Total</b>	<b>112,708,764</b>	<b>15,585,166</b>	<b>128,293,930</b>

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2018

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(expressed in Eastern Caribbean dollars)

## 5 Financial instruments risk... *continued*

### 5.2 Market risk

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

Non-trading portfolios market risk primarily arises from the interest rate management of the entity's retail and commercial banking assets and liabilities. Non-trading portfolios market risk also includes equity price risks arising from the Bank's 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, 2018. 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, 2018

(expressed in Eastern Caribbean dollars)

## 5 Financial instruments risk... *continued*

### 5.2.2 Foreign exchange risk ... *continued*

#### As of September 30, 2018

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

*Investment securities:*

- Loans and receivables
- Available-for-sale equity investments
  - unquoted
- Available-for-sale investments
  - quoted
- Loans and advances to customers
- Other financial assets

#### Total financial assets

#### Liabilities

- Customers' deposits
- Other liabilities and accrued expenses

#### Total financial liabilities

#### Net on-balance sheet position

#### Credit commitments

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

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements  
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(expressed in Eastern Caribbean dollars)

## 5 Financial instruments risk ... *continued*

### 5.2.2 Foreign exchange risk ... *continued*

#### As of September 30, 2017

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

	XCD \$	USD \$	EUR \$	GBP \$	Other \$	Total \$
	64,042,812	724,788	67,740	61,256	64,531	64,961,127
	5,575,010	43,763,676	188,766	630,110	192,460	50,350,022
	97,274,287	15,434,477	–	–	–	112,708,764
	1,075,217	–	–	–	–	1,075,217
	17,126,831	47,403,131	–	–	–	64,529,962
	443,646,855	68,683,304	–	–	–	512,330,159
	8,532,937	–	–	–	–	8,532,937
<b>Total financial assets</b>	<b>637,273,949</b>	<b>176,009,376</b>	<b>256,506</b>	<b>691,366</b>	<b>256,991</b>	<b>814,488,188</b>
<b>Liabilities</b>						
Customers' deposits	600,091,350	67,720,926	–	–	1,419	667,813,695
Other liabilities and accrued expenses	14,926,579	–	–	–	–	14,926,579
<b>Total financial liabilities</b>	<b>615,017,929</b>	<b>67,720,926</b>	<b>–</b>	<b>–</b>	<b>1,419</b>	<b>682,740,274</b>
<b>Net on-balance sheet position</b>	<b>22,256,020</b>	<b>108,288,450</b>	<b>256,506</b>	<b>691,366</b>	<b>255,572</b>	<b>131,747,914</b>
<b>Credit commitments</b>	<b>59,098,481</b>	<b>4,321,000</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>63,419,481</b>

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2018

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(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, 2018

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

# Eastern Caribbean Amalgamated Bank Limited

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

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2018

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(expressed in Eastern Caribbean dollars)

## 5 Financial instruments risk... *continued*

### 5.2.3 Interest rate risk ... *continued*

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

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

### 5.3 Liquidity risk

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

#### 5.3.1 Liquidity risk management process

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

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

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

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

#### 5.3.2. Funding approach

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

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements  
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(expressed in Eastern Caribbean dollars)

## 5 Financial instruments risk... *continued*

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

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

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

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

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements  
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(expressed in Eastern Caribbean dollars)

## 5 Financial instruments risk... *continued*

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

As of September 30, 2017

	Under 1 month \$	1-3 months \$	3-12 months \$	1-5 years \$	Over 5 years \$	Total \$
Customers' deposits	426,034,469	52,870,629	181,885,956	10,619,538	1,221,542	672,632,134
Other liabilities and accrued expenses	14,926,579	—	—	—	—	14,926,579
<b>Total financial liabilities (contractual maturity dates)</b>	<b>440,961,048</b>	<b>52,870,629</b>	<b>181,885,956</b>	<b>10,619,538</b>	<b>1,221,542</b>	<b>687,558,713</b>
<b>Assets held for managing liquidity risk (contractual maturity dates)</b>	<b>158,035,713</b>	<b>46,702,055</b>	<b>126,824,935</b>	<b>300,976,105</b>	<b>613,411,886</b>	<b>1,245,950,694</b>

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements  
September 30, 2018

(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 \$
<b>As of September 30, 2018</b>			
Financial guarantees	4,321,000	—	4,321,000
Credit commitments	68,713,201	—	68,713,201
	<b>73,034,201</b>	<b>—</b>	<b>73,034,201</b>
<b>As of September 30, 2017</b>			
Financial guarantees	4,321,000	—	4,321,000
Credit commitments	59,098,481	—	59,098,481
	<b>63,419,481</b>	<b>—</b>	<b>63,419,481</b>
	Up to 1 year \$	1 to 5 years \$	Total \$
(c) <i>Operating Lease Commitments</i>			
<b>As of September 30, 2018</b>	—	—	—
<b>As of September 30, 2017</b>	<b>329,848</b>	<b>—</b>	<b>329,848</b>

#### (d) Capital commitments

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

# 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	
	2018	2017	2018	2017
	\$	\$	\$	\$
<b>Financial assets</b>				
Due from banks and other financial institutions	99,361,144	50,350,022	99,361,144	50,350,022
<i>Investment securities:</i>				
– Loans and receivables	113,436,704	112,708,764	113,436,704	112,708,764
Loans and advances to customers	529,822,732	512,330,159	537,118,365	541,765,730
Other financial assets	619,560	8,532,937	619,560	8,532,937
	<b>743,240,140</b>	<b>683,921,882</b>	<b>750,535,773</b>	<b>713,357,453</b>
<b>Financial liabilities</b>				
Customers' deposits	784,212,268	667,813,695	784,979,508	666,880,443
Other liabilities and accrued expenses	10,210,715	14,926,579	10,210,715	14,926,579
	<b>794,422,983</b>	<b>682,740,274</b>	<b>795,190,223</b>	<b>681,807,022</b>

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2018

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(expressed in Eastern Caribbean dollars)

## 5 Financial instruments risk ... *continued*

### 5.4 Fair value of financial assets and liabilities ... *continued*

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

##### (i) *Due from banks and other financial institutions*

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

##### (ii) *Loans and advances to customers*

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

##### (iii) *Investment securities*

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

##### (iv) *Deposits from banks and due to customers and other borrowings*

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest-bearing deposits not quoted in an active market is based on discounted cash flows using interest rates for new deposits with similar remaining maturity.

### 5.4.1 Fair value measurement

#### *Fair value measurement of financial instruments*

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

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

# Eastern Caribbean Amalgamated Bank Limited

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September 30, 2018

(expressed in Eastern Caribbean dollars)

## 5 Financial instruments risk ... *continued*

### 5.4.2 Assets and liabilities measured at fair value

As of September 30, 2018

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

As of September 30, 2017

	Level 2 \$	Level 3 \$	Total \$
<b>Financial assets</b>			
<i>Investment securities:</i>			
– Available-for-sale investments – quoted	48,944,796	15,231,666	64,176,462
<b>Total assets</b>	<b>48,944,796</b>	<b>15,231,666</b>	<b>64,176,462</b>

### Reconciliation of level 3 items

The following table presents changes in level 3 instruments for the year ended September 30, 2018.

	<b>Available-for-sale financial assets</b>
	<b>Debt securities</b>
	<b>\$</b>
<b>Balance as of September 30, 2017</b>	<b>15,231,666</b>
Additions	8,000,000
Settlements	(6,422,499)
<b>Balance as of September 30, 2018</b>	<b>16,809,167</b>

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 \$32,843 or a decrease of \$191,723.

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2018

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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, 2017.

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

### 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 \$25,000,000 and (b) maintain a ratio of total regulatory capital to the risk-weighted assets ("the Basel ratio") at or above the internationally agreed minimum of 8%.

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

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

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

The following table summarises the composition of the regulatory capital and the ratios of the Bank as of September 30, 2018. At this date the Bank complied with all the externally imposed capital requirements to which it is subject.

	2018	2017
	\$	\$
<b>Tier 1 capital</b>		
Common share capital	24,000,000	24,000,000
Preference share capital	47,869,339	47,869,339
Retained earnings	40,080,178	31,125,806
Reserve for loan loss impairment	—	310,837
Reserve for interest on non-performing loans	3,835,140	3,551,675
Statutory reserve	13,092,273	10,045,078
Customer lists intangible asset	(553,912)	(738,548)
<b>Total qualifying Tier 1 capital</b>	<b>128,323,018</b>	<b>116,164,187</b>
<b>Tier 2 capital</b>		
Unrealised gain on available for sale investments	39,369,503	23,807,142
General loan loss provisions	1,135,139	917,413
<b>Total qualifying Tier 2 capital</b>	<b>40,504,642</b>	<b>24,724,555</b>
<b>Total regulatory capital</b>	<b>168,827,660</b>	<b>140,888,742</b>

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2018

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(expressed in Eastern Caribbean dollars)

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

	2018	2017
	\$	\$
<b>Risk weighted assets</b>		
On-balance sheet	334,104,247	256,261,492
Off-balance sheet	13,742,640	11,819,696
<b>Total risk weighted assets</b>	<b>347,846,887</b>	<b>268,081,188</b>
<b>Basel ratio</b>	<b>49%</b>	<b>52%</b>

## 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 \$1,598,242 higher or \$382,483 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 \$908,358 higher or \$844,623 lower.

# Eastern Caribbean Amalgamated Bank Limited

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## 8 Cash and balances with the Central Bank

	Note	2018 \$	2017 \$
Cash on hand		11,263,283	10,564,148
Balances with ECCB other than mandatory reserves		<u>73,596,239</u>	<u>21,585,909</u>
Included in cash and cash equivalents	23	84,859,522	32,150,057
Mandatory deposits with the ECCB		<u>43,147,828</u>	<u>32,811,070</u>
<b>Total cash and balances with the Central Bank</b>		<b><u>128,007,350</u></b>	<b><u>64,961,127</u></b>

### *Mandatory deposits with the Central Bank*

- 1) Commercial banks in the Eastern Caribbean Currency Union are required to maintain a non-interest bearing reserve with the ECCB equivalent to a minimum 6% of their total deposit liabilities (excluding inter-bank deposits and foreign currencies). This reserve deposit is not available for use in the Bank's day-to-day operations. The minimum reserve requirement at the end of the reporting period was \$34,647,828 (2017: \$27,311,070).
- 2) All commercial banks in the Eastern Caribbean Currency Union are required to have a 3-day average daily gross Automated Clearing House (ACH) collateral amount with the Eastern Caribbean Central Bank. The cash collateral amount held with the ECCB at the end of the reporting period amounted to \$8,500,000 (2017: \$5,500,000) and is included in the mandatory deposits with the Central Bank.

## 9 Due from banks and other financial institutions

	Note	2018 \$	2017 \$
Operating accounts with other banks		96,535,410	38,974,308
Items in the course of collection from other banks		<u>2,825,734</u>	<u>4,467,747</u>
Included in cash and cash equivalents	23	99,361,144	43,442,055
Restricted deposits		<u>—</u>	<u>6,907,967</u>
<b>Total due from banks and other financial institutions</b>		<b><u>99,361,144</u></b>	<b><u>50,350,022</u></b>

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, 2018 amounted to \$1,644,193 (2017: \$690,841).

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

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2018

(expressed in Eastern Caribbean dollars)

## 10 Investment securities

### Loans and receivables investment securities

	Note	Nominal value 2018 \$	Cost 2018 \$	Nominal value 2017 \$	Cost 2017 \$
<b>Treasury bills</b>					
Treasury bills at amortized cost – OECS Governments with original maturities of three (3) months or less and interest rates ranging from 1.99% to 8.0% (2017: 1.98% to 8.0%)					
		16,060,000	15,956,999	16,059,500	15,947,052
Included in cash and cash equivalents	23	16,060,000	15,956,999	16,059,500	15,947,052
Treasury bills at amortized cost - OECS Governments with original maturities greater than three (3) months and interest rates ranging from 2.96% to 4.5% (2017: 3.85% to 4.76%)					
		17,442,000	17,062,217	17,442,000	17,041,114
Interest receivable		–	455,400	–	470,970
<b>Total treasury bills</b>		<b>33,502,000</b>	<b>33,474,616</b>	<b>33,501,500</b>	<b>33,459,136</b>

Included in the treasury bills are amounts held with a shareholder, the Government of Antigua and Barbuda, totalling \$10,178,573 (2017: \$10,157,471).

Interest income earned from treasury bills held with the Government of Antigua and Barbuda amounted to \$497,777 (2017: \$510,405).

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2018

(expressed in Eastern Caribbean dollars)

## 10 Investment securities ... continued

### Loans and receivables investment securities ... continued

	Note	2018 \$	2017 \$
<b>Term Deposits</b>			
St. Kitts Nevis Anguilla National Bank deposits, with original maturities of three (3) months or less at interest rate of 1% per annum.	23	8,631,636	8,545,856
Term deposits with other OECS banks and financial institutions with original maturities greater than three (3) months up to one year at interest rates ranging from 1.50% to 3.50% per annum.		44,170,489	43,758,635
Restricted term deposit with Bank of America with original maturity of one year at interest rate of 1.61% per annum.		4,131,000	4,131,000
Term deposits with ACB Mortgage and Trust Company Limited (of which \$852,000 is restricted) with original maturities of eighteen (18) months maturing between December 2018 and March 2020 at interest rates ranging between 2% to 2.25%.		1,747,924	1,747,924
Restricted term deposits with Caribbean Credit Card Corporation with an original maturity of 180 days at an interest rate of 2.5% per annum.		500,000	500,000
		<b>59,181,049</b>	<b>58,683,415</b>
Interest receivable		<b>335,790</b>	<b>333,110</b>
		<b>59,516,839</b>	<b>59,016,525</b>
<b>Fixed rate notes</b>			
Antigua Pier Group			
- Maturing on September 30, 2025 with an interest rate of 9% per annum.		468,792	487,421
Government of Saint Lucia:			
- Maturing on March 16, 2019 with an interest rate of 5.0% per annum.		2,008,078	2,008,078
- Maturing on July 18, 2019 with an interest rate of 4.0% per annum.		5,400,000	5,400,000
		<b>7,876,870</b>	<b>7,895,499</b>
Interest receivable		<b>62,800</b>	<b>120,400</b>
		<b>7,939,670</b>	<b>8,015,899</b>

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2018

(expressed in Eastern Caribbean dollars)

## 10 Investment securities ... continued

### Loans and receivables investment securities ... continued

Included in the term deposits are amounts held with related parties totalling \$53,539,266 (2017: \$53,108,816).

Interest income earned during the year on term deposits held with related parties amounted to \$779,091 (2017: \$923,705).

#### Restricted term deposits

- The restricted deposits held with Bank of America ('BOA') and Caribbean Credit Card Corporation ('4Cs') are used as collateral for letters of credit existing at the year and the credit card operations respectively.
- The restricted deposits held with ACB Mortgage and Trust are securing the deposits placed by the staff pension fund of the Antigua Commercial Bank.

	2018 \$	2017 \$
<b>Fixed income paper</b>		
First Citizens Investment Services Limited with original maturities greater than three (3) months maturing between April 26, 2019 to July 13, 2019 at an interest rate of 2.50%.	12,399,479	12,097,304
Interest receivable	106,100	119,900
	<u>12,505,579</u>	<u>12,217,204</u>
<b>Total loans and receivables investment securities</b>	<u>113,436,704</u>	<u>112,708,764</u>
Total principal	112,476,614	111,664,384
Interest receivable	960,090	1,044,380
	<u>113,436,704</u>	<u>112,708,764</u>
Current portion	112,587,858	112,280,687
Non-current portion	848,846	428,077
	<u>113,436,704</u>	<u>112,708,764</u>
<b>Available-for-sale investment securities</b>		
<b>Available-for-sale – unquoted</b>		
Eastern Caribbean Securities Exchange Limited 2,500 Class 'C' shares (2,500 shares at cost of \$10 each)	288,600	227,100
4Cs (50 Shares at cost of \$1,000 per share)	420,204	420,204
ECACHSI (9,942 shares at cost of \$10 each)	99,420	–
ECHMB (622 shares at cost of \$160 per share)	443,834	427,913
	<u>1,252,058</u>	<u>1,075,217</u>

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2018

(expressed in Eastern Caribbean dollars)

## 10 Investment securities ... continued

	2018 \$	2017 \$
<b>Available-for-sale - quoted</b>		
<i>Debt investments</i>		
OECS Government bonds with original maturities ranging from two (2) to ten (10) years at interest rates ranging from 4.95% to 7.5%	13,809,167	12,231,666
Eastern Caribbean Home Mortgage Bank (ECHMB) bonds maturing on June 1, 2019 at an interest rate of 1.55%	2,000,000	2,000,000
Eastern Caribbean Home Mortgage Bank (ECHMB) bonds maturing on April 4, 2019 at an interest rate of 3.00%	1,000,000	1,000,000
	<b>16,809,167</b>	<b>15,231,666</b>
Interest receivable	336,400	353,500
	<b>17,145,567</b>	<b>15,585,166</b>
<i>Equity investments</i>		
Visa International	66,090,270	46,341,129
St Kitts Nevis Anguilla National Bank	1,849,998	1,541,665
MasterCard International	1,676,921	1,062,002
	<b>69,617,189</b>	<b>48,944,796</b>
Total available-for-sale investments (quoted)	<b>86,762,756</b>	<b>64,529,962</b>
<b>Total available-for-sale investment securities</b>	<b>88,014,814</b>	<b>65,605,179</b>
<b>Summary of investment securities</b>		
Total principal	200,155,028	176,916,063
Total interest receivable	1,296,490	1,397,880
<b>Total investment securities</b>	<b>201,451,518</b>	<b>178,313,943</b>
<b>Current</b>	<b>120,283,236</b>	<b>119,056,206</b>
<b>Non-current</b>	<b>81,168,282</b>	<b>59,257,737</b>
<b>Total investment securities</b>	<b>201,451,518</b>	<b>178,313,943</b>

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

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements  
September 30, 2018

(expressed in Eastern Caribbean dollars)

## 10 Investment securities ... continued

The available for sale OECS Government Bonds held with the Government of Antigua and Barbuda amount to \$2,000,000 in 2018 (2017: \$Nil). Interest income earned from bonds held with the Government of Antigua and Barbuda amounted to \$136,800 (2017: \$32,925).

### *Restricted investments*

Included in the OECS Government bonds are bonds issued by the Government of Dominica totaling \$2,000,000 (2017: \$5,000,000) that have been pledged as collateral for the Eastern Caribbean Automated Clearing House facility.

The movement in investment securities is summarised as follows:

	Notes	Available- for-sale- (unquoted)	Available- for-sale- (quoted)	Loans and receivables	Total
		\$	\$	\$	\$
Balance as of September 30, 2016		1,073,479	34,361,391	108,298,997	143,733,867
Purchase of investments		—	3,000,000	56,005,680	59,005,680
Disposal of investments		—	(3,920,465)	(51,781,645)	(55,702,110)
Gains from changes in fair value	20	1,737	31,025,586	—	31,027,323
(Decrease)/increase in interest receivable, net		—	63,450	185,733	249,183
<b>Balance as of September 30, 2017</b>		<b>1,075,216</b>	<b>64,529,962</b>	<b>112,708,765</b>	<b>178,313,943</b>
Balance as of September 30, 2017		1,075,216	64,529,962	112,708,765	178,313,943
Purchase of investments		99,420	8,000,000	54,740,498	62,839,918
Disposal of investments		—	(6,422,499)	(53,928,269)	(60,350,768)
Gains from changes in fair value	20	77,422	20,672,393	—	20,749,815
Increase/(decrease) in interest receivable, net		—	(17,100)	(84,290)	(101,390)
<b>Balance as of September 30, 2018</b>		<b>1,252,058</b>	<b>86,762,756</b>	<b>113,436,704</b>	<b>201,451,518</b>

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2018

(expressed in Eastern Caribbean dollars)

## 11 Loans and advances to customers

	2018 \$	2017 \$
Demand loans	318,387,515	324,466,168
Mortgage loans	157,400,775	131,992,138
Non-performing loans and advances	36,179,714	33,605,757
Overdrafts	12,322,871	12,182,400
Credit card advances	7,939,118	7,469,094
	<u>532,229,993</u>	<u>509,715,557</u>
Interest receivable	4,928,842	8,283,674
	<u>537,158,835</u>	<u>517,999,231</u>
<i>Less:</i>		
Deferred loan origination fees	(766,609)	(515,994)
Provision for losses on loans and advances	<u>(6,569,494)</u>	<u>(5,153,078)</u>
<b>Total loans and advances to customers</b>	<u>529,822,732</u>	<u>512,330,159</u>
<b>Current</b>	53,649,284	41,957,980
<b>Non-current</b>	<u>476,173,448</u>	<u>470,372,179</u>
	<u>529,822,732</u>	<u>512,330,159</u>

### Roll forward of allowance for losses on loans and advances

	2018 \$	2017 \$
Balance at beginning of year	5,153,078	3,995,321
Provision for loan impairment	2,000,004	1,534,239
<i>Less:</i> Loans written-off during the year as uncollectible	<u>(583,588)</u>	<u>(376,482)</u>
<b>Balance at end of year</b>	<u>6,569,494</u>	<u>5,153,078</u>

According to the ECCB credit prudential guidelines, the calculated allowance for loan impairment amounts to \$5,797,301 (2017: \$5,463,915). In 2017, the differences of \$310,837 between this figure and the provision for loan impairment calculated under IAS 39 was set aside as a specific reserve in equity, see note 20. It has been determined that this reserve is not required in the current financial year as the provision under IAS 39 exceeds the provision per the ECCB prudential guidelines.

According to the ECCB prudential guidelines, interest income is not accrued for loans that are non-performing. The accrued interest of \$3,835,140 (2017: \$3,551,675) on non-performing loans has been set aside as a specific reserve in equity, (see note 20).

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2018

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(expressed in Eastern Caribbean dollars)

## 12 Other assets

	2018	2017
	\$	\$
<i>Financial assets</i>		
Trade and other receivables	637,378	8,550,757
Provision for doubtful debts	<u>(17,818)</u>	<u>(17,820)</u>
	<u>619,560</u>	<u>8,532,937</u>
<i>Non-financial assets</i>		
Prepayments	1,073,523	1,107,790
Prepaid purchases	<u>705,794</u>	<u>878,246</u>
	<u>1,779,317</u>	<u>1,986,036</u>
<b>Total other assets</b>	<u><b>2,398,877</b></u>	<u><b>10,518,973</b></u>
Current	<u><b>2,398,877</b></u>	<u><b>10,518,973</b></u>

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements  
September 30, 2018

(expressed in Eastern Caribbean dollars)

## 13 Property, plant and equipment

	Artwork \$	Land \$	Buildings \$	Furniture, fixtures & equipment \$	Computer equipment \$	Motor vehicles \$	Total \$
<b>At September 30, 2016</b>							
Cost	51,740	5,914,200	10,800,488	2,131,640	6,021,635	453,676	25,373,379
Accumulated depreciation	—	—	(1,237,610)	(1,061,480)	(4,094,877)	(86,418)	(6,480,385)
<b>Net book amount</b>	51,740	5,914,200	9,562,878	1,070,160	1,926,758	367,258	18,892,994
<b>Year ended September 30, 2017</b>							
Opening net book amount at October 1, 2017	51,740	5,914,200	9,562,878	1,070,160	1,926,758	367,258	18,892,994
Additions	—	—	—	163,907	415,222	—	579,129
Disposals	—	—	—	—	(41,173)	—	(41,173)
Depreciation write back on disposals	—	—	—	—	10,975	—	10,975
Depreciation charge	—	—	(246,819)	(271,281)	(687,437)	(91,746)	(1,297,283)
<b>Net book amount</b>	51,740	5,914,200	9,316,059	962,786	1,624,345	275,512	18,144,642
<b>At September 30, 2017</b>							
Cost	51,740	5,914,200	10,800,488	2,295,547	6,395,684	453,676	25,911,335
Accumulated depreciation	—	—	(1,484,429)	(1,332,761)	(4,771,339)	(178,164)	(7,766,693)
<b>Net book amount</b>	51,740	5,914,200	9,316,059	962,786	1,624,345	275,512	18,144,642

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements  
September 30, 2018

(expressed in Eastern Caribbean dollars)

## 13 Property, plant and equipment ... continued

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

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2018

(expressed in Eastern Caribbean dollars)

## 14 Financial assets and liabilities

### Categories of financial assets and financial liabilities

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

As of September 30, 2018	Notes	Available for sale \$	Loans and receivables \$	Total \$
<b>Financial assets</b>				
Loans and advances to customers	11	—	529,822,732	529,822,732
Investment securities	10	88,014,814	113,436,704	201,451,518
Other financial assets	12	—	619,560	619,560
Due from banks and other financial institutions	9	—	99,361,144	99,361,144
		<b>88,014,814</b>	<b>743,240,140</b>	<b>831,254,954</b>
			<b>Other Liabilities (carried at Amortised cost) \$</b>	<b>Total \$</b>
<b>Financial liabilities</b>				
Customers' deposits	16	784,212,268	784,212,268	
Other liabilities and accrued expenses	17	10,210,715	10,210,715	
		<b>794,422,983</b>	<b>794,422,983</b>	
As of September 30, 2017	Notes	Available for sale \$	Loans and receivables \$	Total \$
<b>Financial assets</b>				
Loans and advances to customers	11	—	512,330,159	512,330,159
Investment securities	10	65,605,179	112,708,764	178,313,943
Other financial assets	12	—	8,532,937	8,532,937
Due from banks and other financial institutions	9	—	50,350,022	50,350,022
		<b>65,605,179</b>	<b>683,921,882</b>	<b>749,527,061</b>

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2018

(expressed in Eastern Caribbean dollars)

## 14 Financial assets and liabilities ... continued

		Other Liabilities (carried at Amortised cost) \$	Total \$
<b>Financial liabilities</b>			
Customers' deposits	16	667,813,695	667,813,695
Other liabilities and accrued expenses	17	14,926,579	14,926,579
		<u>682,740,274</u>	<u>682,740,274</u>

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

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

## 15 Intangible assets

	Notes	Computer software \$	Customer lists \$	Total \$
<b>September 30, 2016</b>				
Cost		4,916,307	2,031,000	6,947,307
Accumulated amortisation		(3,808,769)	(1,107,816)	(4,916,585)
		<u>1,107,538</u>	<u>923,184</u>	<u>2,030,722</u>
<b>Year ended September 30, 2017</b>				
Net book value at October 1, 2017		1,107,538	923,184	2,030,722
Additions		5,113	–	5,113
Amortisation charge		(404,416)	(184,636)	(589,052)
<b>Net book amount</b>		<u>708,235</u>	<u>738,548</u>	<u>1,446,783</u>
<b>September 30, 2017</b>				
Cost		4,921,420	2,031,000	6,952,420
Accumulated amortisation		(4,213,185)	(1,292,452)	(5,505,637)
		<u>708,235</u>	<u>738,548</u>	<u>1,446,783</u>

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2018

(expressed in Eastern Caribbean dollars)

## 15 Intangible assets ... continued

	Computer software \$	Customer lists \$	Total \$
<b>Year ended September 30, 2018</b>			
Net book value at October 1, 2018	708,235	738,548	1,446,783
Additions	383,055	–	383,055
Amortisation charge	(284,833)	(184,636)	(469,469)
<b>Net book amount</b>	<b>806,457</b>	<b>553,912</b>	<b>1,360,369</b>
<b>September 30, 2018</b>			
Cost	5,304,475	2,031,000	7,335,475
Accumulated amortisation	(4,498,018)	(1,477,088)	(5,975,106)
	<b>806,457</b>	<b>553,912</b>	<b>1,360,369</b>

## 16 Customers' deposits

	2018 \$	2017 \$
Savings accounts	285,515,596	232,020,643
Current accounts	229,394,818	154,482,385
Time deposits	266,904,483	278,839,544
	<b>781,814,897</b>	665,342,572
Interest payable	2,397,371	2,471,123
<b>Total customers' deposits</b>	<b>784,212,268</b>	667,813,695
<b>Current</b>	<b>772,379,439</b>	656,336,419
<b>Non-current</b>	<b>11,832,829</b>	11,477,276
	<b>784,212,268</b>	667,813,695

Included in the customers' deposits at year end are deposits from related parties amounting to \$42,418,706 (2017: \$41,733,445) as disclosed in note 22.

Included in the customers' deposits at year end are deposits from other financial institutions, excluding shareholder banks, amounting to \$22,355,559 (2017: \$28,264,856).

Deposits held as collateral for loans and advances amounted to \$14,240,485 (2017: \$12,158,449).

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2018

(expressed in Eastern Caribbean dollars)

## 17 Other liabilities and accrued expenses

	2018 \$	2017 \$
Trade payables and accrued expenses	5,699,998	4,746,774
Manager's cheques	3,378,373	3,196,187
Transfers payable	426,368	6,332,843
Other payables	705,976	650,775
<b>Total other liabilities and accrued expenses</b>	<b>10,210,715</b>	<b>14,926,579</b>
<b>Current</b>	<b>10,210,715</b>	<b>14,926,579</b>

## 18 Share capital

	Note	2018 \$	2017 \$
<b>Authorised share capital:</b>			
710,000 common shares at no par value		—	—
100,000 preference shares at no par value		—	—
<b>Issued and fully paid:</b>			
240,000 common shares issued at \$100 each		24,000,000	24,000,000
100,000 preference shares issued at \$478.69 each	19	47,869,339	47,869,339

## 19 Preference shares

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

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

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2018

(expressed in Eastern Caribbean dollars)

## 20 Reserves

### a) Other reserves

	2018	2017
	\$	\$
Regulatory reserve for loan impairment	—	310,837
Regulatory reserve for interest on non-performing loans	3,835,140	3,551,675
Statutory reserve	13,092,273	10,045,078
<b>Total other reserves</b>	<b>16,927,413</b>	<b>13,907,590</b>

#### (i) Reserve for loan impairment

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

#### (ii) Reserve for interest on non-performing loans

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

#### (iii) Statutory reserve

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

### a) Revaluation reserve

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

	Note	2018	2017
		\$	\$
Balance, beginning of year		23,807,142	536,648
Unrealised gains on investment securities	10	20,749,815	31,027,323
Deferred income tax on remeasurement of investment securities	10	(5,187,454)	(7,756,829)
<b>Balance, end of year</b>		<b>39,369,503</b>	<b>23,807,142</b>

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2018

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(expressed in Eastern Caribbean dollars)

## 21 Commitments

a) *Credit commitments and others*

	2018 \$	2017 \$
Financial guarantees	4,321,000	4,321,000
Undrawn Commitments – Loans and overdrafts	55,878,895	46,206,965
Undrawn Commitments – Credits cards	12,834,306	12,891,516
	<u>73,034,201</u>	<u>63,419,481</u>

b) *Operating lease commitments*

	Within 1 Year \$	1 to 5 years \$	After 5 years \$	Total \$
September 30, 2018	–	–	–	–
September 30, 2017	329,848	–	–	329,848

Lease expense during the year amounted to EC\$1,322,239 (2017: EC\$1,318,754), representing the minimum lease payments.

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2018

(expressed in Eastern Caribbean dollars)

## 22 Related parties' balances and transactions

	Interest rate	2018 \$	2017 \$
Loans to Government of Antigua and Barbuda	8.0 – 9.8%	254,062,561	263,134,494
Loan to directors	6.0 – 7.0%	775,620	714,332
Loans to key management personnel	6.0 – 8.5%	1,552,127	628,543
		<b>256,390,308</b>	<b>264,477,369</b>

The loans to shareholder and key management personnel are secured by assets including cash and property. Interest income earned on shareholders', directors', and key members of management's loans and advances during the year amounted to \$21,914,734 (2017: \$22,745,513). The average interest rate on these loans is 8.28% (2017: 8.47%).

### Deposits from related parties

	Interest rate	2018 \$	2017 \$
Deposits from shareholders	0 – 2.5%	38,660,286	38,800,422
Deposits from key management personnel	0 – 2.5%	779,671	644,505
Deposits from staff retirement savings fund	5%	2,832,283	2,204,213
Deposits from directors	0 – 2%	146,466	84,305
		<b>42,418,706</b>	<b>41,733,445</b>

Interest expense paid on shareholders', directors', key members of management's and the staff retirement savings fund deposits during the year amounted to \$710,801 (2017: \$595,628). The average interest rate on these deposits is 1.72% (2017: 1.63%).

### Remuneration of key management personnel

	2018 \$	2017 \$
Salaries and allowances	1,877,778	1,716,771
Directors' fees	418,658	298,808
Social Security and Medical Benefits costs	59,393	52,142
Other staff costs	15,600	15,679
	<b>2,371,429</b>	<b>2,083,400</b>

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, 2018

(expressed in Eastern Caribbean dollars)

## 23 Cash and cash equivalents

Cash and cash equivalents are comprised of the following:

	Notes	2018 \$	2017 \$
Term deposits with original maturities of ninety days or less	10	8,631,636	8,545,856
Due from banks and other financial institutions	9	99,361,144	43,442,055
Cash and non-mandatory balances with the Central Bank	8	84,859,522	32,150,057
Treasury bills	10	15,956,999	15,947,052
		<u>208,809,301</u>	<u>100,085,020</u>

## 24 Interest income and interest expense

	2018 \$	2017 \$
<b>Interest income</b>		
Loans and advances	42,762,569	42,405,316
Investment securities	4,137,246	4,476,518
Short term deposits	30,345	54,704
<b>Total interest income</b>	<u>46,930,160</u>	<u>46,936,538</u>
<b>Interest expense</b>		
Savings accounts	4,978,979	4,293,899
Fixed deposits	5,533,059	6,177,999
Borrowings	—	27,034
<b>Total interest expense</b>	<u>10,512,038</u>	<u>10,498,932</u>
<b>Net interest income</b>	<u>36,418,122</u>	<u>36,437,606</u>

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2018

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(expressed in Eastern Caribbean dollars)

## 25 Net fee income

	2018	2017
	\$	\$
<b>Fee income</b>		
Credit card fees	7,780,388	7,094,965
Other fees and commission	2,726,649	2,158,595
Foreign exchange gain/losses	3,919,142	3,636,639
Service charge – deposits	3,212,518	2,621,294
Credit related fees	653,119	499,316
	<hr/>	<hr/>
<b>Total fee income</b>	<b>18,291,816</b>	<b>16,010,809</b>
<b>Fee expense</b>		
Credit card expenses	5,761,744	5,427,135
Bank Charges	1,118,642	1,096,091
Other fees-expenses	3,802	9,306
	<hr/>	<hr/>
<b>Total fee expense</b>	<b>6,884,188</b>	<b>6,532,532</b>
<b>Net fee income</b>	<b>11,407,628</b>	<b>9,478,277</b>

## 26 Other income/(expenses)

	2018	2017
	\$	\$
Recovery of loan items written off	174,978	135,445
Recovery of credit card items written-off	615	3,988
Gain/(Loss) on disposal of fixed assets	950	(9,944)
	<hr/>	<hr/>
<b>Total other income</b>	<b>176,543</b>	<b>129,489</b>

## 27 Personnel expenses

	2018	2017
	\$	\$
Salaries and allowances	11,238,688	11,297,570
Other personnel expenses	1,707,379	2,114,219
Statutory contributions	949,939	894,987
Insurance contributions	228,112	186,311
	<hr/>	<hr/>
<b>Total personnel expenses</b>	<b>14,124,118</b>	<b>14,493,087</b>

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2018

(expressed in Eastern Caribbean dollars)

## 28 General and administrative expenses

	2018 \$	2017 \$
Information technology	2,186,052	1,553,960
Professional fees	1,781,783	1,353,736
Rent	1,322,239	1,318,754
Printing, stationery and office supplies	1,295,070	1,220,345
Telecommunications and postage	1,189,369	1,188,143
Utilities	1,096,504	1,099,642
Repairs and maintenance	544,567	542,699
Marketing and public relations	407,608	415,820
Insurance	385,316	411,367
Directors' fees	418,658	298,808
Licenses and taxes	181,887	176,436
Travel, conferences and meetings	111,344	153,053
Other administration costs	15,476	75,991
<b>Total general and administrative expenses</b>	<b>10,935,873</b>	<b>9,808,754</b>

## 29 Income tax

The legislative enacted corporate tax rate for the year is 25% (2017: 25%).

	2018 \$	2017 \$
<b>Tax charge</b>		
Profit for the year before tax	19,160,700	18,322,957
Tax charge at the applicable tax rate of 25%	4,790,175	4,580,739
Movement in deferred taxes	46,159	46,159
Effect of permanent differences	(645,256)	(641,933)
<b>Tax charge for the year</b>	<b>4,191,078</b>	<b>3,984,965</b>
<b>Represented as follows:</b>		
Current income tax expense	4,276,348	3,938,424
Deferred income tax (credit)/expense	(85,270)	46,541
	<b>4,191,078</b>	<b>3,984,965</b>

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2018

(expressed in Eastern Caribbean dollars)

## 29 Income tax ... continued

### Income tax payable

	2018	2017
	\$	\$
Balance recorded at beginning of year	3,938,424	1,861,447
Taxes paid during the year	(3,938,424)	(1,861,447)
Current charge for the year	4,276,348	3,938,424
<b>Balance, end of year</b>	<b>4,276,348</b>	<b>3,938,424</b>

### Deferred tax (liability)/asset

At the year end, the Bank had a net deferred tax liability of \$13,779,258 (2017: \$8,677,074) at the future tax rate of 25%. The Bank previously held an exemption from the payment of income taxes for a period of 15 years from November 25, 2011, however, this exemption was withdrawn effective December 31, 2015. The net deferred tax liability was recorded in 2016. The deferred tax liabilities are comprised as follows:

	2018	2017
	\$	\$
Deferred commissions on loans	191,653	128,999
Regulatory loan loss reserve	(958,785)	(965,628)
Depreciation on property, plant and equipment	111,041	95,269
Revaluation of available-for-sale investment securities	(13,123,167)	(7,935,714)
<b>Total deferred tax liability</b>	<b>(13,779,258)</b>	<b>(8,677,074)</b>

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

	2018	2017
	\$	\$
Balance, beginning of year	(8,677,074)	(873,702)
Current year charge	85,270	(46,541)
Unrealised gains on investment securities in other comprehensive income	(5,187,454)	(7,756,831)
<b>Balance, end of year</b>	<b>(13,779,258)</b>	<b>(8,677,074)</b>

### Tax losses

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

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2018

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(expressed in Eastern Caribbean dollars)

## 30 Employee benefits

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

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

An employee is not entitled to the Bank's contribution if terminated for just cause. An employee whose employment ceases due to medical reasons of a terminable nature is entitled to 100% of contributions made on their behalf by the Bank. The fund is administered by a committee of Trustees comprising the General Manager, the Manager of Human Resources and three employees who are staff nominated, voted and determined by the employees. The retirement savings plan expense for the year was \$251,496 (2017: \$239,044).

## 31 Contingencies

### Contingent asset

In 2011, an action for unfair dismissal was commenced by a former employee of Bank of Antigua Limited (In Liquidation) against the Bank in the Industrial Court. The said Court held that the Bank was not liable for the payment of severance to the former employee of Bank of Antigua Limited (In Liquidation). The employee appealed in 2012. The Court of Appeal held the Bank jointly and severally liable to the employee for the payment of \$449,813 as severance pay on redundancy. The Bank appealed in 2017 to the Privy Council. As a condition for the granting of leave to appeal, the Bank was ordered to pay the sum of \$449,813 to the Registrar of the High Court and for the monies to be placed into an escrow account pending the outcome of the Privy Council matter. The Bank awaits a hearing date from the Privy Council.

### Contingent liability

In 2018, an employee of the Bank was terminated on the ground of redundancy. The employee filed an unfair dismissal claim before the Labour Commissioner's Office. A decision was made in favour of the employee by the Labour Commissioner's Office. The Bank did not accept the decision. The matter was referred to the Minister of Labour for further hearing. The Bank awaits a hearing date.

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

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2018

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(expressed in Eastern Caribbean dollars)

## 32 Dividends

The financial statements reflect a dividend payment of \$2,995,427 (2017: \$2,995,427). This comprises \$5.50 per common share amounting to \$1,320,000 and 3.5% of the par value of the preferred shares amounting to \$1,675,427. Approval of these payments was given at the Seventh Annual General Meeting held on May 26, 2018.

## 33 Comparatives

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

# Notes

# Notes

“Culture is about performance and making people feel good about how they contribute to the whole.”

***– Tracy Streckenbach***



Our future, Our bank



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