ANTIGUA COMMERCIAL BANK LTD.

Consolidated Financial Statements

September 30, 2016

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
ANTIGUA COMMERCIAL BANK LTD.

We have audited the accompanying consolidated financial statements of Antigua Commercial Bank Ltd. and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at September 30, 2016, the consolidated statements of income, profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error.

INDEPENDENT AUDITORS' REPORT *(cont'd)*

To the Shareholders of
ANTIGUA COMMERCIAL BANK LTD.

Auditors' Responsibility *(cont'd)*

In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at September 30, 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG

Chartered Accountants
January 3, 2017

Antigua and Barbuda

ANTIGUA COMMERCIAL BANK LTD.

Consolidated Statement of Financial Position

As of September 30, 2016

(Expressed in Eastern Caribbean Dollars)

	Notes		2016	2015
Assets				
Cash and balances with the Central Bank	8	$	193,344,086	164,384,498
Due from other banks	9		125,832,168	168,637,158
Treasury bills	10		82,384,881	75,458,701
Statutory deposit	11		5,764,514	5,451,569
Loans and advances	12		629,994,653	605,999,610
Other assets	13		17,624,897	5,681,564
Investment securities	14		54,900,038	59,056,560
Property and equipment	15		30,679,799	29,575,902
Pension asset	16		7,922,682	9,322,844
Total assets		$	1,148,447,718	1,123,568,406
Liabilities				
Income tax payable	20	$	5,525,059	3,128,713
Deposits due to customers	17		937,036,500	931,192,891
Other liabilities and accrued expenses	18		15,230,919	12,059,783
Deferred tax liability	20		4,222,690	5,616,790
Total liabilities			962,015,168	951,998,177
Equity				
Stated capital	22		36,000,000	36,000,000
Statutory reserve	23		18,013,557	14,727,544
Other reserves	24		36,843,494	41,799,207
Retained earnings			95,575,499	79,043,478
Total equity			186,432,550	171,570,229
Total liabilities and equity		$	1,148,447,718	1,123,568,406

Approved for issue by the Board of Directors on January 3, 2017 and signed on its behalf by:

Headley _______________ Chairman

_______________ Director

M. George _______________ Director

The notes on pages 9 to 77 are an integral part of these consolidated financial statements.

ANTIGUA COMMERCIAL BANK LTD.

Consolidated Statement of Income

For the year ended September 30, 2016

(Expressed in Eastern Caribbean Dollars)

	Notes		2016	2015
Interest income				
Income from loans and advances		$	46,711,577	47,380,511
Income from deposits with other banks and investments			9,165,311	10,874,673
			55,876,888	58,255,184
Interest expense				
Savings accounts			9,336,890	11,042,616
Time deposits and current accounts			8,829,960	10,606,404
Investment expenses			22,007	16,967
			18,188,857	21,665,987
Net interest income			37,688,031	36,589,197
Other operating income	25		10,205,444	9,014,598
Total income			47,893,475	45,603,795
Operating expenses				
General and administrative expenses	26		20,804,128	21,204,418
Gain on disposal of investments	14		(2,484,000)	–
Depreciation	15		1,915,528	1,744,682
Directors' fees and expenses	21		939,612	902,237
(Recovery of)/Provision for loan impairment	12		(1,087,280)	544,804
Provision for impairment of investments	14		252,419	–
			20,340,407	24,396,141
Profit before tax			27,553,068	21,207,654
Taxation				
Current tax expense			5,561,537	3,162,333
Deferred tax (credit)/expense			(272,140)	403,791
Prior year tax under accrual			–	58,620
	20		5,289,397	3,624,744
Profit for the year		$	22,263,671	17,582,910
Earnings per share	27	$	2.23	1.76

The notes on pages 9 to 77 are an integral part of these consolidated financial statements.

ANTIGUA COMMERCIAL BANK LTD.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended September 30, 2016

(Expressed in Eastern Caribbean Dollars)

	Notes		2016	2015
Profit for the year		$	22,263,671	17,582,910
Other comprehensive income:				
Items net of tax that are or may be reclassified to profit or loss in the future:				
Transfer of revaluation reserve on available-for-sale investments to profit or loss on disposal of security	24		(1,863,000)	-
(Decline)/increase in fair value of investment securities	24		(14,216)	95,140
			(1,877,216)	95,140
Items net of tax that will never be reclassified subsequently to profit or loss:				
Actuarial (loss)/gain for the year, net of taxes of $508,045 (2015: $1,207)	16		(1,524,134)	3,621
Other comprehensive (loss)/income for the year			(3,401,350)	98,761
Total comprehensive income for the year		$	18,862,321	17,681,671

The notes on pages 9 to 77 are an integral part of these consolidated financial statements.

ANTIGUA COMMERCIAL BANK LTD.

Consolidated Statement of Cash Flows

For the year ended September 30, 2016

(Expressed in Eastern Caribbean Dollars)

	Notes		2016	2015
Cash flows from operating activities				
Profit before tax		$	27,553,068	21,207,654
(Recovery of)/provision for loan loss impairment	12		(1,087,280)	544,804
Provision for impairment of investment securities			252,419	–
Depreciation	15		1,915,528	1,744,682
Loss on disposal of property and equipment			41,162	–
Gain on disposal of investments	14		(2,484,000)	–
Pension income			(263,709)	(243,475)
Interest income			(55,876,888)	(58,255,184)
Interest expense			18,188,857	21,665,987
Cash flows used in operating activities before changes in operating assets and liabilities			(11,760,843)	(13,335,532)
Change in statutory deposit			(312,945)	–
Change in other receivables and other assets			(10,386,218)	(6,836,993)
Change in loans and advances			(22,563,075)	3,083,065
Change in deposits due to customers			6,272,722	98,104,850
Change in other liabilities and accrued expenses			3,171,136	(235,535)
Cash flows (used in)/provided by operating activities before interest, taxes and pension contributions			(35,579,223)	80,779,855
Interest received			55,571,519	59,054,121
Interest paid			(18,617,970)	(22,084,703)
Tax paid			(3,165,191)	(2,045,995)
Pension contributions paid			(368,307)	(374,359)
Net cash flows (used in)/from operating activities			(2,159,172)	115,328,919
Cash flows from investing activities				
Redemption of investment securities			77,633	29,850,293
Purchase of investment securities			(29,019,406)	(12,700,000)
Purchase of property and equipment	15		(3,060,587)	(3,555,306)
Disposal of equity securities			2,794,500	–
Net cash flows (used in)/from investing activities			(29,207,860)	13,594,987
Cash flows from financing activities				
Dividends paid	19		(4,000,000)	(2,000,000)
Net cash flows used in financing activities			(4,000,000)	(2,000,000)
Net (decrease)/increase in cash and cash equivalents			(35,367,032)	126,923,906
Cash and cash equivalents, beginning of year			299,354,103	172,430,197
Cash and cash equivalents, end of year	28	$	263,987,071	299,354,103

The notes on pages 9 to 77 are an integral part of these consolidated financial statements.

ANTIGUA COMMERCIAL BANK LTD.

Consolidated Statement of Changes in Equity

For the year ended September 30, 2016

(Expressed in Eastern Caribbean Dollars)

	Notes		Stated capital	Statutory reserve	Revaluation reserve: available for sale investments	Capital reserve	Revaluation reserve: property	Pension reserve	Loan loss reserve	Retained earnings	Total
Balance, September 30, 2015		$	36,000,000	14,727,544	3,989,718	7,461,949	5,317,922	9,322,844	15,706,774	79,043,478	171,570,229
Profit for the year			–	–	–	–	–	–	–	22,263,671	22,263,671
Other comprehensive income			–	–	(1,877,216)	–	–	–	–	(1,524,134)	(3,401,350)
Total comprehensive income			–	–	(1,877,216)	–	–	–	–	20,739,537	18,862,321
Transfer to reserve fund	23		–	3,286,013	–	–	–	–	–	(3,286,013)	–
Decrease in reserve for loan loss	24		–	–	–	–	–	–	(1,678,335)	1,678,335	–
Decrease in pension reserve	24		–	–	–	–	–	(1,400,162)	–	1,400,162	–
Transactions with owners											
Dividends paid	19		–	–	–	–	–	–	–	(4,000,000)	(4,000,000)
Balance, September 30, 2016		$	36,000,000	18,013,557	2,112,502	7,461,949	5,317,922	7,922,682	14,028,439	95,575,499	186,432,550

The notes on pages 9 to 77 are an integral part of these consolidated financial statements

ANTIGUA COMMERCIAL BANK LTD.

Consolidated Statement of Changes in Equity *(cont'd)*

For the year ended September 30, 2016

(Expressed in Eastern Caribbean Dollars)

	Notes		Stated capital	Statutory reserve	Revaluation reserve: available for sale investments	Capital reserve	Revaluation reserve: property	Pension reserve	Loan loss reserve	Retained earnings	Total
Balance, September 30, 2014		$	36,000,000	11,813,411	3,894,578	7,461,949	5,317,922	8,700,182	15,020,021	67,680,495	155,888,558
Profit for the year			–	–	–	–	–	–	–	17,582,910	17,582,910
Other comprehensive income			–	–	95,140	–	–	–	–	3,621	98,761
Total comprehensive income			–	–	95,140	–	–	–	–	17,586,531	17,681,671
Transfer to reserve fund	23		–	2,914,133	–	–	–	–	–	(2,914,133)	–
Increase in reserve for loan loss	24		–	–	–	–	–		686,753	(686,753)	–
Increase in pension reserve	24		–	–	–	–	–	622,662	–	(622,662)	–
Transactions with owners											
Dividends paid	19		–	–	–	–	–	–	–	(2,000,000)	(2,000,000)
Balance, September 30, 2015		$	36,000,000	14,727,544	3,989,718	7,461,949	5,317,922	9,322,844	15,706,774	79,043,478	171,570,229

The notes on pages 9 to 77 are an integral part of these consolidated financial statements.

(Expressed in Eastern Caribbean Dollars)

1. Nature of operations

The principal activity of Antigua Commercial Bank Ltd. and its subsidiaries ("the Group"), is the provision of commercial banking services. The Group 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

Antigua Commercial Bank Ltd., the Group's ultimate parent company, is a limited liability company incorporated on October 19, 1955 in Antigua and Barbuda and continued under the provisions of the Companies Act 1995 of Antigua and Barbuda. The Group's registered office is located at St. Mary's and Thames Streets, St. John's, Antigua.

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS).

These consolidated financial statements were approved for issuance on January 3, 2017.

These consolidated financial statements are prepared on the historical cost basis except for available-for-sale quoted securities, land and buildings and investment property which are stated at fair value, and pension asset, which is stated at the fair value of plan assets less the present value of the defined benefit obligation.

3. Changes in accounting policies

3.1 Adoption of New or Revised Standards, Amendments to Standards and Interpretations

The Group has adopted the following amendments to standards and new interpretations effective from October 1, 2015. Except as otherwise indicated, the adoption of these amendments to standards and interpretations did not have any significant impact on the Group's financial statements.

- IAS 24*, Related Party Disclosures* has been amended to extend the definition of 'related party' to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity. For related party transactions that arise when key management personnel services are provided to a reporting entity, the reporting entity is required to separately disclose the amounts that it has recognized as an expense for those services that are provided by a management entity; however, it is not required to 'look through' the management entity and disclose compensation paid by the management entity to the individuals providing the key management personnel services.

3.2 Standards Issued But Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning after October 1, 2015. The Group has not early adopted the following new or amended standards in preparing these financial statements.

3. Changes in accounting policies *(cont'd)*

3.2 Standards Issued But Not Yet Adopted *(cont'd)*

Effective January 1, 2016

- IAS 1, *Presentation of Financial Statements,* has been amended to clarify or state the following:
  - specific single disclosures that are not material do not have to be presented even if they are minimum requirements of a standard;
  - the order of notes to the financial statements is not prescribed;
  - line items on the statement of financial position and the statement of profit or loss and other comprehensive income (OCI) should be disaggregated if this provides helpful information to users. Line items can be aggregated if they are not material;
  - specific criteria are now provided for presenting subtotals on the statement of financial position and in the statement of profit or loss and OCI, with additional reconciliation requirements for the statement of profit or loss and OCI; and
  - the presentation in the statement of OCI of items of OCI arising from joint ventures and associates accounted for using the equity method follows the IAS 1 approach of splitting items that may, or that will never, be reclassified to profit or loss.

  The Group does not expect there to be a significant impact on the financial statements resulting from the application of the amendments to IAS 1.

- *Improvements to* IFRS *2012-2014* cycle, contain amendments to certain standards and interpretations. Below is the main amendment applicable to the Group:

  IFRS 7, *Financial Instruments: Disclosures,* has been amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred assets in cases when they are derecognized in their entirety. A servicer is deemed to have continuing involvement if it has an interest in the future performance of the transferred asset - e.g. if the servicing fee is dependent on the amount or timing of the cash flows collected from the transferred financial asset; however, the collection and remittance of cash flows from the transferred asset to the transferee is not, in itself, sufficient to be considered 'continuing involvement'.

  The Group does not expect there to be a significant impact on the financial statements resulting from the application of the amendments to IFRS 7.

Effective January 1, 2018

- IFRS 15, *Revenue from Contracts with Customers*, replaces IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes,* IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfer of Assets from Customers,* and SIC-31, *Revenue – Barter Transactions Involving Advertising Services.* It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties.

(Expressed in Eastern Caribbean Dollars)

3. Changes in accounting policies *(cont'd)*

3.2 Standards Issued But Not Yet Adopted *(cont'd)*

Effective January 1, 2018 *(cont'd)*

The Group will apply a five-step model to determine when to recognise revenue, and at what amount. The model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised at a point in time, when control of goods or services is transferred to the customer; or over time, in a manner that best reflects the entity's performance.

There will be new qualitative and quantitative disclosure requirements to describe the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The new standard is to be applied retrospectively for annual periods beginning on or after January 1, 2018, with early adoption permitted.

The Group is assessing the potential impact on its financial statements resulting from the application of IFRS 15.

- IFRS 9*, Financial Instruments,* replaces the existing guidance in IAS 39, *Financial Instruments: Recognition and Measurement.* IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment on financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value though profit or loss (FVTPL) - are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognized.

  The new standard is to be applied retrospectively for annual periods beginning on or after January 1, 2018, with early adoption permitted.

  The Group is assessing the potential impact on its financial statements resulting from the application of IFRS 9.

  Given the nature of the Group's operations, this standard is expected to have a pervasive impact on the Group's financial statements. In particular, calculation of impairment of financial instruments on an expected credit loss basis is expected to result in an increase in the overall level of impairment allowances.

(Expressed in Eastern Caribbean Dollars)

3. Changes in accounting policies *(cont'd)*

3.2 Standards Issued But Not Yet Adopted *(cont'd)*

Effective January 1, 2019

- IFRS 16, *Leases,* eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Companies will be required to bring all major leases on-balance sheet, recognising new assets and liabilities. The on-balance sheet liability will attract interest; the total lease expense will be higher in the early years of a lease even if a lease has fixed regular cash rentals. Optional lessee exemption will apply to short-term leases and for low-value items with a value of US$5,000 or less.

  Lessor accounting remains similar to current practice as the lessor will continue to classify leases as finance and operating leases. Finance lease accounting will be based on IAS 17 lease accounting, with recognition of net investment in lease comprising lease receivable and residual asset. Operating lease accounting will be based on IAS 17 operating lease accounting.

  Early adoption is permitted if IFRS 15, *Revenue from Contracts with Customers,* is also adopted.

  The Group is assessing the potential impact on its financial statements resulting from the application of IFRS 16.

4. Summary of significant accounting policies

4.1 Overall considerations

The consolidated 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 consist of cash on hand, non-mandatory deposits with the ECCB and other banks, treasury bills, and other short-term highly liquid investments with original maturities of three months or less.

(Expressed in Eastern Caribbean Dollars)

4. Summary of significant accounting policies *(cont'd)*

4.3 Financial instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group 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 expires.

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); and
- available-for-sale (AFS).

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 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 Group's cash and cash equivalents, loans and advances, and some investment securities fall into this category of financial instruments.

(b) Held-to-maturity investments

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as HTM if the Group has the intention and ability to hold them until maturity. HTM investments are measured subsequently at amortised cost using the effective interest method. The Group currently does not have investments designated into this category.

4. Summary of significant accounting policies *(cont'd)*

4.3 Financial instruments *(cont'd)*

Classification and subsequent measurement of financial assets *(cont'd)*

(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 Group's AFS financial assets include listed securities and debentures, and equity investments in various entities that are measured at cost less any impairment charges, where their fair value cannot currently be estimated reliably. Impairment charges are recognised in profit or loss.

All other AFS financial assets are measured at fair value. Gains and losses are recognised in other comprehensive income and reported within the AFS reserve within equity, except for interest and dividend income, impairment losses and foreign exchange differences on monetary assets, which are recognised in profit or loss. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss is reclassified from the equity reserve to profit or loss. Interest is calculated using the effective interest method and dividends are recognised in profit or loss under "other operating income".

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 Group 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 Group 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 Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
(iv) it is becoming 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

(Expressed in Eastern Caribbean Dollars)

4. Summary of significant accounting policies *(cont'd)*

4.3 Financial instruments *(cont'd)*

Impairment of financial assets *(cont'd)*

(a) Assets carried at amortised cost (cont'd)

(vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
- –.adverse changes in the payment status of borrowers in the group; or
- – national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group 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 Group 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.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of 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 Group 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 Group'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.

(Expressed in Eastern Caribbean Dollars)

4. Summary of significant accounting policies *(cont'd)*

4.3 Financial instruments *(cont'd)*

Impairment of financial assets *(cont'd)*

(a) Assets carried at amortised cost (cont'd)

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 Group 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 "provision for impairment of investment securities" in profit or loss.

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 profit or loss.

(b) Assets classified as available-for-sale

The Group 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 profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through operating profit within the statement of income. Any subsequent changes in fair value are recognised in other comprehensive income.

4. Summary of significant accounting policies *(cont'd)*

4.3 Financial instruments *(cont'd)*

Impairment of financial assets *(cont'd)*

(b) Assets classified as available-for-sale (cont'd)

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 income.

(c) Renegotiated Loans

Loans that are either subject to collective impairment assessment or are individually significant and whose terms have been renegotiated are no longer considered to be are 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 Group's financial liabilities include deposits due to customers, 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 income.

(Expressed in Eastern Caribbean Dollars)

4. Summary of significant accounting policies *(cont'd)*

4.3 Financial instruments *(cont'd)*

Classes of financial instruments

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

<table>
<tr><td rowspan="27">Financial assets</td><td rowspan="23">Loans and receivables</td><td rowspan="3" colspan="2">Due from banks and other financial institutions</td><td>Deposits with the Central Bank</td></tr>
<tr><td>Correspondent bank accounts</td></tr>
<tr><td>Fixed deposits</td></tr>
<tr><td rowspan="16">Loans and advances to customers</td><td rowspan="8">Loans and advances to individuals</td><td>Demand loans</td></tr>
<tr><td>Mortgage loans</td></tr>
<tr><td>Bridging Loans</td></tr>
<tr><td>CHAPA Loans</td></tr>
<tr><td>Non-performing loans and advances</td></tr>
<tr><td>Rebate Loans</td></tr>
<tr><td>Overdrafts</td></tr>
<tr><td>Credit Card advances</td></tr>
<tr><td rowspan="5">Loans and advances to corporate entities</td><td>Demand Loans</td></tr>
<tr><td>Mortgage loans</td></tr>
<tr><td>Bridging Loans</td></tr>
<tr><td>Non -performing loans and advances</td></tr>
<tr><td>Overdrafts</td></tr>
<tr><td rowspan="3">Loans and advances to government and statutory bodies</td><td>Demand Loans</td></tr>
<tr><td>Mortgage loans</td></tr>
<tr><td>Overdrafts</td></tr>
<tr><td rowspan="3">Investment securities</td><td>Treasury bills</td><td>Local treasury bills</td></tr>
<tr><td rowspan="2">Debt instruments</td><td>Quoted</td></tr>
<tr><td>Unquoted</td></tr>
<tr><td colspan="3">Other assets</td></tr>
<tr><td rowspan="4">Available-for-sale financial assets</td><td rowspan="4">Investment securities</td><td rowspan="2">Debt instruments</td><td>Quoted</td></tr>
<tr><td>Unquoted</td></tr>
<tr><td rowspan="2">Equity securities</td><td>Quoted</td></tr>
<tr><td>Unquoted</td></tr>
<tr><td rowspan="2">Financial liabilities</td><td rowspan="2">Other financial liabilities</td><td colspan="3">Deposits due to customers</td></tr>
<tr><td colspan="3">Other liabilities and accrued expenses</td></tr>
</table>

4. Summary of significant accounting policies *(cont'd)*

4.3 Financial instruments *(cont'd)*

Offsetting financial instruments

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

Income and expenses are presented on a net basis only when permitted under IFRS or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

4.4 Provisions, contingent assets and contingent liabilities

Provisions for legal disputes or other claims are recognised when the Group 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 Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

A provision for bank levies is recognised when the condition that triggers the payment of the levy is met. If a levy obligation is subject to a minimum activity threshold so that the obligating event is reaching a minimum activity, then a provision is recognised when that minimum activity threshold is reached.

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.

Any reimbursement that the Group 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. 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. Such situations are disclosed as contingent liabilities unless the outflow of resource is remote.

4. Summary of significant accounting policies *(cont'd)*

4.5 Property and equipment and depreciation

Property and equipment are stated at historical cost or revalued amount, less accumulated depreciation and accumulated impairment losses, if any. Depreciation is calculated on the straight-line method at rates estimated to write down the cost or valuation of such assets to their residual values over their estimated useful lives, as follows:

Buildings	40 years
ATM buildings and building improvements	10 years
Car park	10 years
Furniture and fixtures	6 $^{2/3}$ years
Equipment	10 years
Motor vehicles	5 years
Computer hardware	5 years
Computer software	3 years

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 Group and the cost of the item can be measured reliably. Repairs and maintenance are charged to profit or loss when the expenditure is incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Property and equipment are periodically reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on the disposal of property and equipment are determined by reference to their carrying amount and are recognised within "other operating income" in profit or loss.

Revaluations of property and equipment are carried out every 3 to 5 years based on independent valuations.

4.6 Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

4. Summary of significant accounting policies *(cont'd)*

4.6 Impairment of non-financial assets *(cont'd)*

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. 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 risk factors. Impairment losses are recognised in profit or loss.

All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

4.7 Dividends on ordinary shares and dividend income

Dividends on ordinary shares are recognised in equity in the period in which they are approved by shareholders. Dividends for the year which are approved after the reporting date are disclosed as an event after the reporting date (note 19).

Dividend income is recognised in "other operating income" in profit or loss when the entity's right to receive payment is established.

4.8 Interest income and expense and revenue recognition

Interest income and expense for all interest-bearing financial instruments are recognised within "interest income" and "interest expense" in the statement of 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 Group 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.

4. Summary of significant accounting policies *(cont'd)*

4.9 Fee and commission income and revenue recognition

Fees and commissions are generally recognised on the accrual basis when the service has been provided. Loan origination fees are deferred (together with related direct costs) and recognised using the effective interest method over the term of the loan.

Commissions and fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the acquisition of shares or other securities, are recognised on completion of the underlying transaction.

4.10 Foreign currency translation

Functional and presentation currency
The financial statements are presented in Eastern Caribbean Dollars, which is also the functional currency of the Group.

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 income.

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

4.11 Post-employment benefits

The Group provides post-employment benefits through a defined benefit plan. Under this plan, the amount of pension benefit that an employee will receive on retirement is defined by reference to the employee's length of service and final salary. The obligation for any benefits remains with the Group, even if plan assets for funding the defined benefit plan have been set aside. Plan assets may include assets specifically designated to a long-term benefit fund as well as qualifying insurance policies.

The liability recognised in the statement of financial position for a defined benefit plan is the present value of the defined benefit obligation (DBO) at the reporting date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. Management estimates the DBO annually with the assistance of independent actuaries. This is based on assumed rates of inflation, medical cost trends and mortality. It also takes into account the Group's specific anticipation of future salary increases. Discount factors are determined close to each year-end by reference to government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

4. Summary of significant accounting policies *(cont'd)*

4.11 Post-employment benefits *(cont'd)*

Service cost on the Bank's defined benefit plan is included in employee benefits expense. Employee contributions, all of which are independent of the number of years of service, are treated as a reduction of service cost. Net interest expense on the net defined benefit liability is presented in the statement of income within the "salaries and related costs" under the 'general and administrative expenses'. Actuarial gains and losses resulting from re-measurements of the net defined benefit liability are included in other comprehensive income.

4.12 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 Group's leases are treated as operating leases and the Group 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.

4.13 Repurchase agreements

Securities sold subject to repurchase agreements are included in loans and receivables. These securities are not secured by collateral. The counterparty liability is included in 'due under repurchase agreements' and is recorded at amortised cost. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

4.14 Current and deferred income taxes

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

Current tax
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 tax
Deferred income taxes are calculated 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.

(Expressed in Eastern Caribbean Dollars)

4. Summary of significant accounting policies *(cont'd)*

4.14 Current and deferred income taxes *(cont'd)*

Deferred tax (cont'd)
Deferred tax assets are recognised to the extent that it is probable that the underlying tax loss or deductible temporary difference will 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 are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

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.

4.15 Other liabilities

Other liabilities are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Other liabilities are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Other liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

4.16 Operating expenses

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

4.17 Equity and reserves

Stated capital represents the issue price multiplied by the number 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.

Other components of equity include the following:
- Regulatory reserve for loan loss – additional provision as required by the Eastern Caribbean Central Bank and interest on loans not recognised for regulatory purposes
- Pension reserve – comprises a reserve equivalent to the calculated pension plan asset
- Revaluation reserve: property – comprises unrealised gains and losses from the revaluation of land and buildings
- Revaluation reserve for AFS financial assets – comprises unrealised gains and losses relating to these types of financial instruments
- Retained earnings – includes all current and prior period retained profits or losses

See note 24 for details on each component of other reserves.

(Expressed in Eastern Caribbean Dollars)

5. Financial instrument risk

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Risk management is carried out by the Group's Asset and Liability Management Committee (ALCO) and Investment Committee under policies approved by the Board of Directors. The ALCO and Investment Committee identify, evaluate and manage financial risks in close co-operation with the Group's operating departments. The Board provides guidance for overall risk management, as well as written 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 Group is exposed are credit risk, liquidity risk, market risk (which are discussed below) and other operational risk.

5.1 Credit risk

Credit risk is the risk of suffering financial loss, should any of the Group's customers, clients or market counterparties fail to fulfil their contractual obligations to the Group. 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 enhancements provided, such as financial guarantees and letters of credit. The Group is also exposed to other credit risks arising from investments in debt securities.

Credit risk is the single largest risk for the Group'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 Investment Committees, which report to the Board of Directors regularly. Cash deposits with other banks and short-term investments are placed with reputable regional and international financial institutions and Governments.

5.1.1 Credit risk management

(a) Loans and advances

The Group assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of the counterparty. These have been developed based on the Eastern Caribbean Central Bank guidelines. Customers of the Group are segmented into five rating classes. The Group'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 rating tools are reviewed and upgraded as necessary.

(Expressed in Eastern Caribbean Dollars)

5. Financial instrument risk *(cont'd)*

5.1 Credit risk *(cont'd)*

5.1.1 Credit risk management *(cont'd)*

(a) Loans and advances (cont'd)

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

(b) Debt securities and other bills

The Group's portfolio of debt securities and other bills consists of St. Kitts and Nevis Government, St. Lucia Government, Grenada Government and Antigua and Barbuda Government treasury bills, and other debt obligations by regional banking and non-banking financial institutions, all of which are unrated. The Group assesses the risk of default on these obligations by regularly monitoring the performance of the 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.

(c) Credit card receivables

The risk related to the Group's credit card portfolio is significantly covered by the interest charged to customers at a rate of 19.5% per annum. Historically, the risk of loss has been on average less than 1% per annum over the past seven years. The portfolio is closely monitored by a third party and the Group on a daily basis to minimize the risk of default.

5.1.2 Risk limit control and mitigation policies

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

The Group 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 an annual or more frequent 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 exposure. Actual exposures against limits are monitored on an ongoing basis.

(Expressed in Eastern Caribbean Dollars)

5. Financial instrument risk *(cont'd)*

5.1 Credit risk *(cont'd)*

5.1.2 Risk limit control and mitigation policies *(cont'd)*

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees. Lending limits are reviewed in light of changing market and economic conditions and periodic credit reviews and assessments of probability of default.

The following specific control and mitigation measures are also utilised:

(a) *Collateral*

The Group 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 common practice. The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over residential and commercial properties.
- Charges over business assets such as equipment, inventory and accounts receivable.
- Charges over financial instruments such as cash and short-term deposits.
- Government and personal guarantees.

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities may be secured or unsecured. In addition, the Group seeks to proactively minimize credit loss by taking pledges of collateral from the counterparty as part of its general risk mitigation strategy.

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

(b) *Financial guarantees (for credit related commitments and loan books)*

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 Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions – are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

(Expressed in Eastern Caribbean Dollars)

5. Financial instrument risk *(cont'd)*

5.1 Credit risk *(cont'd)*

5.1.2 Risk limit control and mitigation policies *(cont'd)*

(b) Financial guarantees (for credit related commitments and loan books) (cont'd)

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 Group 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 (often referred to as financial covenants).

The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

5.1.3 Impairment and provisioning policies

The internal rating systems described in Note 5.1.1 focus more on credit quality mapping from the inception of the lending and investment activities. In contrast, impairment provisions are recognised for financial reporting purposes only for losses that have been incurred at the reporting date based on 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 loan impairment provision shown in the statement of financial position at year end is derived from each of the five rating grades. However, the majority of the impairment provision comes from the substandard, doubtful and loss grades. The table below shows the percentage of the Group's on and off-balance sheet items relating to loans and advances and the associated impairment provision for each of the Group's internal rating categories:

	2016		2015	
Group's rating	**Credit risk exposure (%)**	**Impairment allowance (%)**	**Credit risk exposure (%)**	**Impairment allowance (%)**
Pass	20	5	10	2
Special mention	60	16	69	15
Sub-standard	18	47	17	38
Doubtful	2	23	4	37
Loss	0	9	−	8
	100	100	100	100

(Expressed in Eastern Caribbean Dollars)

5. Financial instrument risk *(cont'd)*

5.1 Credit risk *(cont'd)*

5.1.3 Impairment and provisioning policies *(cont'd)*

The mortgage subsidiary company had, on average, 85% of its loan portfolio at a pass rating for the financial year ended September 30, 2016 (2015: 80%).

The internal rating tool assists management to determine whether objective evidence of impairment exists under IAS 39, based on the following criteria set out by the Group:

- Delinquency in contractual payments of principal or interest
- Cash flow difficulties experienced by the borrower (eg. Equity ratio, net income percentage of sales)
- Breach of loan covenants or conditions
- Initiation of bankruptcy proceedings
- Deterioration of the borrower's competitive position
- Deterioration in the value of collateral

The Group's policy requires the review of individual financial assets that are above materiality thresholds at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at the reporting date on a case by case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account.

(Expressed in Eastern Caribbean Dollars)

5. Financial instrument risk *(cont'd)*

5.1 Credit risk *(cont'd)*

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

	Maximum exposure	
	2016	**2015**
Credit risk exposures relating to on-balance sheet assets		
Due from other banks	$ 125,832,168	168,637,158
Treasury bills	82,384,881	75,458,701
Statutory deposits	5,764,514	5,451,569
Loans and advances		
Loans and advances to individuals:		
Overdrafts	5,521,063	5,195,862
Term loans	34,556,541	31,207,460
Mortgages	206,418,703	188,087,937
Loans and advances to corporate entities	383,498,346	381,508,351
Investment securities		
Loans and receivables – debt securities	39,687,518	40,789,987
Other assets	16,607,678	4,651,553
	$ 900,271,412	900,988,578
Credit risk exposures relating to off-balance sheet assets		
Financial guarantees	$ -	6,389,627
Loan commitments and other credit related obligations	18,198,064	17,380,779
	$ 18,198,064	23,770,406
At September 30	$ 918,469,476	924,758,984

The above table represents a worse-case scenario of credit risk exposure to the Group at September 30, 2016 and 2015, without taking account of any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the consolidated statement of financial position.

As shown above, 70% of the total maximum exposure is derived from loans and advances to customers (2015: 67%); and 5% represents investments in debt securities (2015: 5%).

(Expressed in Eastern Caribbean Dollars)

5. Financial instrument risk *(cont'd)*

5.1 Credit risk *(cont'd)*

5.1.4 Maximum exposure to credit risk before collateral held or other credit enhancements *(cont'd)*

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

- Business loans, which represents the biggest group in the portfolio, are backed by collateral; and
- 71% of loans and advances portfolio are considered to be neither past due nor impaired (2015: 64%)

5.1.5 Loans and advances

Loans and advances are summarised as follows:

	2016 Loans and advances to customers	2015 Loans and advances to customers
Neither past due nor impaired	$ 449,846,478	390,419,488
Past due but not impaired	123,100,644	166,746,680
Individually impaired	63,637,703	56,333,719
Gross	636,584,825	613,499,887
Interest receivable	15,680,934	15,336,246
Deferred interest income	(3,501,861)	(3,496,952)
Deferred fees	(2,288,840)	(1,771,886)
Less: allowance for impairment	(16,480,405)	(17,567,685)
Net	$ 629,994,653	605,999,610
Allowance for impairment:		
Individually impaired	$ 13,180,362	12,838,591
Portfolio allowance	3,300,043	4,729,094
	$ 16,480,405	17,567,685

The total impairment provision for loans and advances is $16,480,405 (2015: $17,567,685) of which $13,180,362 (2015: $12,838,591) represents the individually impaired loans and the remaining amount of $3,300,043 (2015: $4,729,094) represents the portfolio allowance. Further information about the impairment allowance for loans and advances to customers is provided in note 12.

(Expressed in Eastern Caribbean Dollars)

5. Financial instrument risk *(cont'd)*

5.1 Credit risk *(cont'd)*

5.1.5 Loans and advances *(cont'd)*

(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 Group.

		Loans and advances to customers					
		Individual (retail customers)			Corporate entities		
		Overdrafts	Term Loans	Mortgages	Large corporate customers	SMEs	Total loans and advances to customers
September 30, 2016							
Grades							
Standard monitoring	$	35,160,417	29,015,969	153,165,247	174,173,446	8,533,415	400,048,494
Special monitoring		18,711,164	681,796	–	29,548,921	856,103	49,797,984
	$	53,871,581	29,697,765	153,165,247	203,722,367	9,389,518	449,846,478
September 30, 2015							
Grades							
Standard monitoring	$	38,356,117	23,950,348	125,051,948	169,209,918	6,788,499	363,356,830
Special monitoring		12,916,135	17,721	–	14,128,802	–	27,062,658
	$	51,272,252	23,968,069	125,051,948	183,338,720	6,788,499	390,419,488

(Expressed in Eastern Caribbean Dollars)

5. Financial instrument risk *(cont'd)*

5.1 Credit risk *(cont'd)*

5.1.5 Loans and advances *(cont'd)*

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

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

September 30, 2016		Individual (retail customers)			Corporate entities			
		Overdrafts	Term loans	Mortgages	Large corporate customers	SMEs	Other	Total
Past due up to 30 days	$	–	2,109,026	20,531,750	2,816,709	2,254,945	–	27,712,430
Past due 31 – 60 days		–	616,926	3,945,990	10,096,629	1,303,135	–	15,962,680
Past due 61 – 90 days		–	549,093	14,606,684	17,609,114	3,333,856	–	36,098,747
Past due 90 days and over		–	2,075,306	11,889,266	21,335,487	8,026,728	–	43,326,787
Total	$	–	5,350,351	50,973,690	51,857,939	14,918,664	–	123,100,644

September 30, 2015		Individual (retail customers)			Corporate entities			
		Overdrafts	Term loans	Mortgages	Large corporate customers	SMEs	Other	Total
Past due up to 30 days	$	–	2,361,032	25,676,363	5,566,522	324,171	–	33,928,088
Past due 31 – 60 days		–	820,735	15,850,176	23,344,549	1,010,120	–	41,025,580
Past due 61 – 90 days		–	314,827	11,724,509	23,284,927	564,058	–	35,888,321
Past due 90 days and over		132	2,553,139	10,515,827	36,626,952	6,208,641	–	55,904,691
Total	$	132	6,049,733	63,766,875	88,822,950	8,106,990	–	166,746,680

(Expressed in Eastern Caribbean Dollars)

5. Financial instrument risk *(cont'd)*

5.1 Credit risk *(cont'd)*

5.1.5 Loans and advances *(cont'd)*

(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 $63,637,703 (2015: $56,333,719).

The breakdown of the gross amount of individually impaired loans and advances by class is as follows:

		Individual (retail customers)				Corporate entities		
		Overdrafts	Credit cards	Term loans	Mortgages	Large corporate customers	SMEs	Total
September 30, 2016								
Gross amount	$	46,382	1,579,705	1,654,325	537,927	50,148,217	9,671,147	63,637,703
Amount provided	$	45,795	1,223,039	616,153	101,833	9,650,315	1,543,227	13,180,362
September 30, 2015								
Gross amount	$	2,321,314	1,576,968	969,615	1,340,908	44,017,728	6,107,186	56,333,719
Amount provided	$	438,898	1,223,039	512,415	250,893	9,100,410	1,312,936	12,838,591

(Expressed in Eastern Caribbean Dollars)

5. Financial instrument risk *(cont'd)*

5.1 Credit risk *(cont'd)*

5.1.5 Loans and advances *(cont'd)*

(d) Loans and advances renegotiated

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Following restructuring, a previously overdue account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue. These policies are kept under continuous review.

		2016	2015
Renegotiated loans to corporations	$	2,030,681	19,560,355
Renegotiated loans and advances to individuals		-	8,247,720
	$	2,030,681	27,808,075

5.1.6 Debt securities, treasury bills and other eligible bills

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 tables below presents an analysis of debt securities, treasury bills and other eligible bills at September 30, 2016 and 2015:

		Treasury bills	Available-for-sale	Loans and receivables	Total
At September 30, 2016					
Unrated	$	82,384,881	15,212,520	39,687,518	137,284,919
At September 30, 2015					
Unrated	$	75,458,701	18,266,573	40,789,987	134,515,261

See note 14 for provision for impairment of investment securities.

(Expressed in Eastern Caribbean Dollars)

5. Financial instrument risk *(cont'd)*

5.1 Credit risk *(cont'd)*

5.1.7 Concentration of risks of financial assets with credit risk exposure

(a) Geographical concentration of assets and off-balance sheet items

The Group's exposure to credit risk is concentrated as detailed below. Antigua and Barbuda is the home country of the Group where the predominant activity is commercial banking services.

As a major indigenous bank in Antigua and Barbuda, the Group accounts for a significant share of credit exposure to many sectors of the economy. However, credit risk is spread over a diversity of personal and commercial customers.

The following table analyses the Group's main credit exposures at their carrying amounts, without taking into account any collateral held or other credit support as categorised by geographical region. For all classes of assets, the Group has allocated exposure to regions based on the country of domicile of the counterparties.

		Antigua and Barbuda	Other Caribbean	Non-Caribbean	Total
2016:					
Credit risk exposures relating to on-balance sheet assets:					
Due from other banks	$	5,337,186	88,396,925	32,098,057	125,832,168
Statutory deposits		5,764,514	-	-	5,764,514
Treasury bills		14,421,089	67,963,792	-	82,384,881
Loans and receivables – Debt securities		39,418,125	-	269,393	39,687,518
Loans and advances		625,826,840	2,952,936	1,214,877	629,994,653
Other assets		16,607,678	-	-	16,607,678
		707,375,432	159,313,653	33,582,327	900,271,412
Credit risk exposures relating to off-balance sheet assets:					
Loan commitments and other credit related facilities		18,198,064	-	-	18,198,064
September 30, 2016	$	725,573,496	159,313,653	33,582,327	918,469,476

(Expressed in Eastern Caribbean Dollars)

5. Financial instrument risk *(cont'd)*

5.1 Credit risk *(cont'd)*

5.1.7 Concentration of risks of financial assets with credit risk exposure *(cont'd)*

(a) Geographical concentration of assets and off-balance sheet items (cont'd)

		Antigua and Barbuda	Other Caribbean	Non-Caribbean	Total
2015:					
Credit risk exposures relating to on-balance sheet assets:					
Due from other banks	$	8,192,246	92,245,547	68,199,365	168,637,158
Statutory deposits		5,451,569	–	–	5,451,569
Treasury bills		14,607,451	60,851,250	–	75,458,701
Loans and receivables – Debt securities		40,520,594	–	269,393	40,789,987
Loans and advances		601,415,457	2,968,617	1,615,536	605,999,610
Other assets		4,651,553	–	–	4,651,553
		674,838,870	156,065,414	70,084,294	900,988,578
Credit risk exposures relating to off-balance sheet assets:					
Loan commitments and other credit related facilities		23,770,406	–	–	23,770,406
September 30, 2015	$	698,609,276	156,065,414	70,084,294	924,758,984

(Expressed in Eastern Caribbean Dollars)

5. Financial instrument risk *(cont'd)*

5.1 Credit risk *(cont'd)*

5.1.7 Concentration of risks of financial assets with credit risk exposure *(cont'd)*

(b) Industry risk concentration of assets and off-balance sheet items

The following table breaks down the Group's credit exposure at carrying amounts (without taking into account any collateral held or other credit support), as categorised by the industry sectors of the Group's counterparties.

		Financial institutions $'000	Tourism $'000	Real estate $'000	Wholesale and retail trade $'000	Public sector $'000	Other industries $'000	Individuals $'000	Total $'000
Due from other banks	$	125,832	-	-	-	-	-	-	125,832
Statutory deposits		-	-	-	-	5,765	-	-	5,765
Treasury bills		-	-	-	-	82,385	-	-	82,385
Loans and advances to customers:									
Loans to individuals:									
- Overdrafts		-	-	-	-	-	-	5,521	5,521
- Term loans		-	-	-	-	-	-	34,557	34,557
- Mortgages		-	-	-	-	10,363	41,428	154,628	206,419
Loans to corporate entities:									
- Large corporate customers		356	41,810	42,275	119,128	110,281	69,648	-	383,498
Investment securities:									
- Debt securities		-	-	-	-	-	39,687	-	39,687
Other assets		-	-	-	-	-	16,608	-	16,608
As of September 30, 2016	$	126,188	41,810	42,275	119,128	208,794	167,371	194,706	900,272

(Expressed in Eastern Caribbean Dollars)

5. Financial instrument risk *(cont'd)*

5.1 Credit risk *(cont'd)*

5.1.7 Concentration of risks of financial assets with credit risk exposure *(cont'd)*

(b) Industry risk concentration of assets and off-balance sheet items (cont'd)

		Financial institutions $'000	Tourism $'000	Real estate $'000	Wholesale and retail trade $'000	Public sector $'000	Other industries $'000	Individuals $'000	Total $'000
Due from other banks	$	168,637	–	–	–	–	–	–	168,637
Statutory deposits		–	–	–	–	5,452	–	–	5,452
Treasury bills		–	–	–	–	75,459	–	–	75,459
Loans and advances to customers:									
Loans to individuals:									
- Overdrafts		–	–	–	–	–	–	5,196	5,196
- Term loans		–	–	–	–	–	–	31,207	31,207
- Mortgages		–	–	–	–	11,312	33,212	143,564	188,088
Loans to corporate entities:									
- Large corporate customers		2,714	19,071	45,933	117,836	109,795	86,159	–	381,508
Investment securities:									
- Debt securities		–	–	–	–	–	40,790	–	40,790
Other assets		–	–	–	–	–	4,652	–	4,652
As of September 30, 2015	$	171,351	19,071	45,933	117,836	202,018	164,813	179,967	900,989

(Expressed in Eastern Caribbean Dollars)

5. Financial instrument risk *(cont'd)*

5.1 Credit risk *(cont'd)*

5.1.7 Concentration of risks of financial assets with credit risk exposure *(cont'd)*

(b) Industry risk concentration of assets and off-balance sheet items (cont'd)

		Financial institutions $'000	Tourism $'000	Real estate $'000	Wholesale and retail trade $'000	Public sector $'000	Other industries $'000	Individuals $'000	Total $'000
Financial guarantees	$	–	–	–	–	–	–	–	–
Loan commitments and other credit related obligations		–	–	–	–	3,742	3,282	11,174	18,198
As of September 30, 2016	$	–	–	–	–	3,742	3,282	11,174	18,198
Financial guarantees	$	5,117	–	–	–	–	1,273	–	6,390
Loan commitments and other credit related obligations		–	–	–	–	6,742	9,984	655	17,381
As of September 30, 2015	$	5,117	–	–	–	6,742	11,257	655	23,771

(Expressed in Eastern Caribbean Dollars)

5. Financial instrument risk *(cont'd)*

5.2 Market risk

The Group takes on exposure to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk arises 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, credit spreads, foreign exchange rates and equity prices.

Non trading portfolio market risks primarily arise from the interest rate management of the entity's retail and commercial banking assets and liabilities. Non trading portfolio market risks also consist of foreign exchange risks and risks associated with the change in equity prices arising from the Group's available-for-sale investment securities.

5.2.1 Price risk

The Group's investment portfolio includes securities that are quoted on the Eastern Caribbean Securities Exchange. The Group is exposed to equities price risk because of investments held and classified on the statement of financial position as available-for-sale. To manage this price risk arising from investments in equity securities, the Group diversifies its portfolio. The Group does not hold securities that are quoted on the world's major securities markets.

5.2.2 Interest rate risk

The Group advances loans and receives deposits as a part of its normal course of business from both related and third parties. The interest rates on loans generally reflect interest based on market rates. Investment securities and customer deposits generally attract fixed interest rates. The Group mitigates its interest rate risk by matching the maturity periods of its assets and liabilities. The following table below analyses the effective interest rates of each class of financial asset and financial liability:

	2016	2015
Loans and advances		
Demand loans	8-13%	8-13%
Discount loans	11-22%	11-22%
Mortgage loans	8-12%	8-12%
Advances and overdrafts	8-12%	8-12%
Other	19.5%	19.5%
Investment securities		
Government treasury bills	3.8-6.3%	4.8-6.5%
Other securities	6.5%	6.5%

(Expressed in Eastern Caribbean Dollars)

5. Financial instrument risk *(cont'd)*

5.2 Market risk *(cont'd)*

5.2.2 Interest rate risk *(cont'd)*

	2016	**2015**
Deposits due to customers		
Demand deposits	0.0%	0.0%
Savings deposits	2.0-3.5%	2.0-3.5%
Time deposits	2.0-2.5%	2.0-3.5%
Other – thrift, pension	2.0-5.5%	2.0-5.5%
Debenture stock	n/a	n/a

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 the financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels 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 that unexpected movements arise.

The table below summarises the Group's exposure to interest rate risks. It includes the Group's financial instruments at carrying amounts categorised by the earlier of contractual re-pricing or maturity dates.

(Expressed in Eastern Caribbean Dollars)

5. Financial instrument risk *(cont'd)*

5.2 Market risk *(cont'd)*

5.2.2 Interest rate risk *(cont'd)*

		0 - 3 months	3 - 6 months	6 months – 1 year	1 - 3 years	3 - 5 years	Over 6 years	Non-interest bearing	Total
As of September 30, 2016									
Assets									
Cash and balances with the Central Bank	$	–	–	–	–	–	–	193,344,086	193,344,086
Statutory deposits		–	–	–	–	–	–	5,764,514	5,764,514
Due from other banks		59,582,644	15,157,562	50,644,031	–	–	–	447,931	125,832,168
Treasury bills		63,326,114	–	19,058,767	–	–	–	–	82,384,881
Investment securities:									
– Debt securities		2,348,978	–	–	–	–	37,338,540	–	39,687,518
– Equity securities		–	–	–	–	–	–	15,212,520	15,212,520
Loans and advances		101,731,259	4,943,558	27,399,652	34,363,958	76,392,295	383,976,911	1,187,020	629,994,653
Other assets		–	–	–	–	–	–	16,607,678	16,607,678
Total financial assets	$	226,988,995	20,101,120	97,102,450	34,363,958	76,392,295	421,315,451	232,563,749	1,108,828,018
Liabilities									
Deposits due to customers	$	633,712,576	64,168,088	76,809,995	96,383,727	–	64,338,958	1,623,156	937,036,500
Other liabilities and accrued expenses		357,602	–	–	–	1,131,583	–	13,741,734	15,230,919
Total financial liabilities	$	634,070,178	64,168,088	76,809,995	96,383,727	1,131,583	64,338,958	15,364,890	952,267,419
Total interest repricing gap	$	(407,081,183)	(44,066,968)	20,292,455	(62,019,769)	75,260,712	356,976,493	217,198,859	156,560,599

(Expressed in Eastern Caribbean Dollars)

5. Financial instrument risk *(cont'd)*

5.2 Market risk *(cont'd)*

5.2.2 Interest rate risk *(cont'd)*

		0 - 3 months	3 - 6 months	6 months – 1 year	1 - 3 years	3 - 5 years	Over 6 years	Non-interest bearing	Total
As of September 30, 2015									
Assets									
Cash and balances with the Central Bank	$	–	–	–	–	–	–	164,384,498	164,384,498
Statutory deposits		–	–	–	–	–	–	5,451,569	5,451,569
Due from other banks		115,428,444	4,000,000	48,713,437	–	–	–	495,277	168,637,158
Treasury bills		58,414,317	–	17,044,384	–	–	–	–	75,458,701
Investment securities:									
– Debt securities		2,348,670	–	–	–	–	38,441,317	–	40,789,987
– Equity securities		–	–	–	–	–	–	18,266,573	18,266,573
Loans and advances		105,033,317	1,361,694	4,522,692	40,151,217	44,320,826	410,609,864	–	605,999,610
Other assets		–	–	–	–	–	–	4,651,553	4,651,553
Total financial assets	$	281,224,748	5,361,694	70,280,513	40,151,217	44,320,826	449,051,181	193,249,470	1,083,639,649
Liabilities									
Deposits due to customers	$	633,083,376	45,954,245	71,904,498	113,931,322	–	66,319,450	–	931,192,891
Other liabilities and accrued expenses		–	–	–	–	1,206,508	–	10,853,275	12,059,783
Total financial liabilities	$	633,083,376	45,954,245	71,904,498	113,931,322	1,206,508	66,319,450	10,853,275	943,252,674
Total interest repricing gap	$	(351,858,628)	(40,592,551)	(1,623,985)	(73,780,105)	43,114,318	382,731,731	182,396,195	140,386,975

(Expressed in Eastern Caribbean Dollars)

5. Financial instrument risk *(cont'd)*

5.2 Market risk *(cont'd)*

5.2.3 Foreign exchange risk

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

Substantially all of the Group's transactions and assets and liabilities are denominated in Eastern Caribbean dollars or United States dollars. Therefore, the Group has no significant exposure to currency risk. 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. The table below summarises the Group's exposure to foreign currency exchange risk of September 30, 2016. Included in the table are the Group's financial instruments at carrying amounts, categorised by currency. Because all significant assets and liabilities are denominated either in United States dollars or in Eastern Caribbean dollars, which is pegged to the US dollar, there would have been no impact or equity, if at September 30, 2016 the EC dollar had weakened against other currencies.

		XCD	USD	EUR	GBP	Others	Total
As of September 30, 2016							
Assets							
Cash and balances with the Central Bank	$	193,009,464	289,151	12,170	16,514	16,787	193,344,086
Statutory deposits		5,764,514	–	–	–	–	5,764,514
Deposits from other banks		93,716,458	31,668,130	21,917	186,914	238,749	125,832,168
Treasury bills		82,384,881	–	–	–	–	82,384,881
Investment securities:							
Available-for-sale – equity securities		15,212,520	–	–	–	–	15,212,520
Loans and receivables – debt securities		39,418,125	269,393	–	–	–	39,687,518
Loans and advances		629,992,715	1,938	–	–	–	629,994,653
Other assets		16,607,678	–	–	–	–	16,607,678
Total financial assets	$	1,076,106,355	32,228,612	34,087	203,428	255,536	1,108,828,018
Liabilities							
Deposits due to customers	$	835,340,367	101,696,133	–	–	–	937,036,500
Other liabilities and accrued expenses		15,230,919	–	–	–	–	15,230,919
Total financial liabilities	$	850,571,286	101,696,133	–	–	–	952,267,419
Net on-balance sheet position	$	225,535,069	(69,467,521)	34,087	203,428	255,536	156,560,599

(Expressed in Eastern Caribbean Dollars)

5. Financial instrument risk *(cont'd)*

5.2 Market risk *(cont'd)*

5.2.3 Foreign exchange risk *(cont'd)*

		XCD	USD	EUR	GBP	Others	Total
As of September 30, 2015							
Assets							
Cash and balances with the Central Bank	$	164,026,779	316,513	8,958	14,533	17,715	164,384,498
Statutory deposits		5,451,569	–	–	–	–	5,451,569
Deposits from other banks		100,420,139	68,036,579	12,340	85,821	82,279	168,637,158
Treasury bills		75,458,701	–	–	–	–	75,458,701
Investment securities:							
Available-for-sale – equity securities		18,266,573	–	–	–	–	18,266,573
Loans and receivables – debt securities		40,520,594	269,393	–	–	–	40,789,987
Loans and advances		605,997,672	1,938	–	–	–	605,999,610
Other assets		4,651,553	–	–	–	–	4,651,553
Total financial assets	$	1,014,793,580	68,624,423	21,298	100,354	99,994	1,083,639,649
Liabilities							
Deposits due to customers	$	829,496,758	101,696,133	–	–	–	931,192,891
Other liabilities and accrued expenses		12,059,783	–	–	–	–	12,059,783
Total financial liabilities	$	841,556,541	101,696,133	–	–	–	943,252,674
Net on-balance sheet position	$	173,237,039	(33,071,710)	21,298	100,354	99,994	140,386,975

5. Financial instrument risk *(cont'd)*

5.3 Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its obligations associated with its financial liabilities 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 Group 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.

The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts and maturing deposits. Management sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of inter-bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates and exchange rates.

Liquidity risk management process

The Group's liquidity risk management processes are carried out by the Group's senior management and monitored by the finance team including:

- 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. The Group maintains an active presence in regional markets to enable this to happen;

- Maintaining 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 takes 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 those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

5. Financial instrument risk *(cont'd)*

5.3 Liquidity risk *(cont'd)*

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.

Assets held for management of liquidity risk

The Group's assets held for managing liquidity risk comprise:

- Cash and balances with other banks;
- Loans and advances;
- Certificates of deposit;
- Treasury and other eligible bills; and
- Government bonds and other securities that are readily acceptable in repurchase agreements with central banks.

In the normal course of business, a proportion of customers' loans contractually repayable in one year will be extended. In addition, debt securities and treasury and other eligible bills can be pledged to secure liabilities. The Group would also be able to meet unexpected net cash requirements by selling securities. The Group can also access alternative funds for short-term borrowing needs via the Inter-bank market, lines of credit with international banks and repurchase agreements.

(Expressed in Eastern Caribbean Dollars)

5. Financial instrument risk *(cont'd)*

5.3 Liquidity risk *(cont'd)*

Non-derivative financial liabilities and assets held for managing liquidity risk

The table below presents the cash flows payable by and payable to the Group with respect to non-derivative financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Group manages liquidity risk based on a different basis (see Liquidity risk management process), not resulting in a significantly different analysis.

		0 – 3 months	3 – 6 months	6 – 12 months	1 – 5 years	Over 5 years	Total
As of September 30, 2016							
Liabilities							
Deposits due to customers	$	634,890,805	65,253,893	78,015,778	97,338,914	64,338,958	939,838,348
Other liabilities and accrued expenses		13,625,836	–	473,500	1,131,583	–	15,230,919
Total liabilities (contractual maturity dates)	$	648,516,641	65,253,893	78,489,278	98,470,497	64,338,958	955,069,267
Assets held for managing liquidity risk (contractual maturity dates)	$	278,506,836	18,783,880	69,812,220	476,862,256	152,634,796	996,599,988
As of September 30, 2015							
Liabilities							
Deposits due to customers	$	629,598,527	48,534,748	73,820,124	115,945,705	67,525,658	935,424,762
Other liabilities and accrued expenses		10,379,776	–	473,499	1,206,508	–	12,059,783
Total liabilities (contractual maturity dates)	$	639,978,303	48,534,748	74,293,623	117,152,213	67,525,658	947,484,545
Assets held for managing liquidity risk (contractual maturity dates)	$	305,388,429	5,361,694	70,280,513	566,966,448	152,016,847	1,100,013,931

(Expressed in Eastern Caribbean Dollars)

5. Financial instrument risk *(cont'd)*

5.4.1Fair value

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

The table below summarises the carrying amounts and fair values of the Group's financial assets and liabilities:

		Carrying value		Fair value	
		2016	**2015**	**2016**	**2015**
Financial assets					
Statutory deposits	$	5,764,514	5,451,569	5,764,514	5,451,569
Treasury bills		82,384,881	75,458,701	82,384,881	75,458,701
Due from other banks		125,832,168	168,637,158	125,832,168	168,637,158
Loans and advances		629,994,653	605,999,610	608,070,687	599,099,063
Investment securities		54,900,038	59,056,560	54,900,038	59,056,560
Other assets		16,607,678	4,651,553	16,607,678	4,651,553
	$	915,483,932	919,255,151	893,559,966	912,354,604
Financial liabilities					
Deposits due to customers	$	937,036,500	931,192,891	937,512,701	930,746,369
Other liabilities and accrued expenses		15,230,919	12,059,783	15,230,919	12,059,783
	$	952,267,419	943,252,674	952,743,620	942,806,152

The following methods and assumptions have been used to estimate the fair value of each class of financial instrument for which it is practical to estimate a value:

- *Short-term financial assets and liabilities*
  The carrying value of these assets and liabilities is a reasonable estimate of their fair value because of the short maturity of these instruments. Short-term financial assets are comprised of cash resources and short term investments, fixed deposits, interest receivable, and other assets. Short-term financial liabilities are comprised of demand deposits, interest payable and certain other liabilities.

- *Loans and advances to customers*
  Loans and advances are net of allowance for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value. Except for the staff loans, the interest rates on all other loans reflect the market rates, hence the carrying values are considered to approximate the fair values.

(Expressed in Eastern Caribbean Dollars)

5. Financial instrument risk *(cont'd)*

5.4.1 Fair value *(cont'd)*

- *Deposits from banks and due to customers*
  The estimated fair value of deposits with no stated maturity, which include 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 debts with similar remaining maturity. The interest rates on the financial liabilities reflect the market interest rates, hence the carrying values are considered to approximate the fair values.

- *Investment securities*
  The fair value for loans and receivables and held-to-maturity assets are based on market prices or broker/dealer price quotations. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics.

  $54 million (2015: $58.1 million) of investment securities for which fair values cannot be reliably determined were stated at cost less impairment. All other available-for-sale assets are already measured and carried at fair value, less impairment, if any.

5.4.2 Fair value hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; and unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices in active markets for identical assets or liabilities. This level includes listed debt instruments listed on exchanges.

- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (that is, as prices) or indirectly (that is, derived from prices).

- Level 3 – Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

(Expressed in Eastern Caribbean Dollars)

5. Financial instrument risk *(cont'd)*

5.4.2 Fair value hierarchy *(cont'd)*

The hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

		Level 2	Level 3	Total
As of September 30, 2016				
Financial assets				
Investment securities				
- Available-for-sale investments – unquoted	$	–	5,753,030	5,753,030
- Available-for-sale investments – quoted		9,459,490	–	9,459,490
Total assets	$	9,459,490	5,753,030	15,212,520
As of September 30, 2015				
Financial assets				
Investment securities				
- Available-for-sale investments – unquoted	$	–	5,753,030	5,753,030
- Available-for-sale investments – quoted		12,513,543	–	12,513,543
Total assets	$	12,513,543	5,753,030	18,266,573

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

		Level 3
As of September 30, 2016		
Financial assets		
Investment securities		
- Available-for-sale investments – unquoted		
Opening balance	$	5,753,030
Additions		–
	$	5,753,030

If the market price on the available-for-sale bond investment were to change by +/- 10%, the impact on other comprehensive income would be an increase of $945,949 or a decrease of $945,949.

(Expressed in Eastern Caribbean Dollars)

5. Financial instrument risk *(cont'd)*

5.4.2 Fair value hierarchy *(cont'd)*

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

		Level 3
As of September 30, 2015		
Financial assets		
Investment securities		
- Available-for-sale investments - unquoted		
Opening balance	$	5,753,030
Additions		–
	$	5,753,030

5.5 Financial assets and liabilities by category

The table below analyses the Group's financial assets and liabilities by category:

		Loans and receivables	Available-for-sale	Total
As of September 30, 2016				
Assets				
Due from banks and other financial institutions	$	324,200,898	–	324,200,898
Treasury bills		81,475,280	–	81,475,280
Loans and advances		620,104,420	–	620,104,420
Investment securities		38,799,177	15,212,520	54,011,697
Other financial assets		16,607,678	–	16,607,678
Total financial assets	$	1,081,187,453	15,212,520	1,096,399,973

		Financial liabilities at amortised cost	Total
Liabilities			
Deposits due to customers	$	933,742,962	933,742,962
Other liabilities and accrued expenses		1,664,138	1,664,138
Total financial liabilities	$	935,407,100	935,407,100

(Expressed in Eastern Caribbean Dollars)

5. Financial instrument risk *(cont'd)*

5.5 Financial assets and liabilities by category *(cont'd)*

The table below analyses the Group's financial assets and liabilities by category:

	Loans and receivables	Available-for-sale	Total
As of September 30, 2015			
Assets			
Due from banks and other financial institutions	$ 337,811,280	-	337,811,280
Treasury bills	74,439,974	-	74,439,974
Loans and advances	595,932,202	-	595,932,202
Investment securities	39,878,349	18,266,573	58,144,922
Other financial assets	4,651,553	-	4,651,553
Total financial assets	$ 1,052,713,358	18,266,573	1,070,979,931

	Financial liabilities at amortised cost	Total
Liabilities		
Deposits due to customers	$ 927,470,240	927,470,240
Other liabilities and accrued expenses	1,936,252	1,936,252
Total financial liabilities	$ 929,406,492	929,406,492

6. Capital management policies and procedures

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

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

Capital adequacy and the use of regulatory capital are monitored quarterly by the Group's management, employing techniques based on the guidelines developed by the Basel Committee and as implemented by the Group's management for supervisory purposes. The required information is filed with the Eastern Caribbean Central Bank (ECCB) quarterly for the commercial bank.

(Expressed in Eastern Caribbean Dollars)

6. Capital management policies and procedures *(cont'd)*

The regulatory capital requirements are strictly observed when managing economic capital. The Subsidiary's regulatory capital is managed by senior management and comprises two tiers:

- Tier 1 capital: share capital (net of any book values of treasury shares), general bank reserve, statutory reserve, non-controlling interests arising on consolidation from interests in permanent shareholders' equity, retained earnings and reserves created by appropriations of retained earnings. The book value of goodwill (if applicable) is deducted in arriving at Tier 1 capital; and

- Tier 2 capital: qualifying subordinated loan capital, collective impairment allowances and unrealised gains arising on the fair valuation of equity instruments held as available-for-sale.

Investments in associates (of which there are none) are deducted from Tier 1 and Tier 2 capital to arrive at the regulatory capital.

The table below summarises the composition of regulatory capital and the ratios of the Group for the years ended September 30, 2016 and 2015. During those two years, the Group complied with all of the externally imposed capital requirements to which they are subject.

		2016	2015
Tier 1 capital			
Stated capital (net of treasury shares)	$	36,000,000	36,000,000
Statutory reserve		18,013,557	14,727,544
General banking and other reserves		7,461,949	7,461,949
Retained earnings		95,575,499	79,043,478
Total qualifying Tier 1 capital		157,051,005	137,232,971
Tier 2 capital			
Revaluation reserve: available-for-sale investments		2,112,502	3,989,718
Reserves for loan loss		14,028,439	15,706,774
Total qualifying Tier 2 capital		16,140,941	19,696,492
Total regulatory capital	$	173,191,946	156,929,463
Risk-weighted assets:			
On-balance sheet	$	611,075,000	592,002,000
Off-balance sheet		18,198,064	24,305,000
Total risk-weighted assets	$	629,273,064	616,307,000
Basel ratio		27.5%	25.5%
Mandatory minimum		8%	8%

Capital adequacy and the use of regulatory capital for the mortgage company are managed based on the following.

6. Capital management policies and procedures *(cont'd)*

The Financial Institutions (Non-Banking) Act requires a reserve fund into which no less than ten per cent of the net profit of the institution after deduction of taxes shall be transferred each year until the amount standing to the credit of the reserve fund is equal at least to the paid up capital of that institution. There are no further capital and reserve requirements by the regulators and no external monitoring of the capital base is conducted. The subsidiary was compliant with these requirements as of September 30, 2016 and September 30, 2015.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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

The Group's financial statements and its financial results are influenced by accounting policies, assumptions, estimates and management judgements, which necessarily have to be made in the course of preparation of the financial statements.

Accounting policies and management's judgements for certain items are especially critical for the Group's results and financial situation due to their materality.

Estimation uncertainty

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are addressed below:

(a) Impairment losses on loans and advances
The Group reviews its loan portfolios to assess impairment on an annual basis. In determining whether an impairment loss should be recorded in profit or loss, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan 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 national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with similar 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.

To the extent that the net present value of estimated cash flows differs by +/-10%, the provision would be estimated $3,520,828 lower or $6,037,953 higher.

(Expressed in Eastern Caribbean Dollars)

7. Significant management judgement in applying accounting policies and estimation uncertainty *(cont'd)*

Estimation uncertainty *(cont'd)*

(b) Impairment of investment securities

The Group determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Group evaluates among other factors, the normal volatility in share price. In addition, for unquoted available-for-sale equity investments, impairment may be appropriate when there is evidence of a deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows. Where observable impairment factors are identified, this may give rise to an uncertainty regarding the recoverability of the carrying value in the subsequent period and/or the eventual recoverability of the amounts invested in full. The Group recognized allowance for impairment of available-for-sale equity investments as at September 30, 2016 amounting to $990,000 (2015: $990,000).

(c) Estimate of pension benefits

The present value of the pension obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of Government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions.

Additional information is disclosed in Note 16.

8. Cash and balances with the Central Bank

	Notes	2016	2015
Cash on hand		$ 6,427,950	8,018,691
Balances with the ECCB other than mandatory reserve deposits		143,378,160	112,287,436
Included in cash and cash equivalents	28	149,806,110	120,306,127
Mandatory reserve deposits		43,537,976	44,078,371
Total cash and balances with the Central Bank		$ 193,344,086	164,384,498

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

(Expressed in Eastern Caribbean Dollars)

9. Due from other banks

	Notes		2016	2015
Term deposits and operating accounts with other banks with original maturities of 3 months or less		$	58,404,942	122,803,302
Items in the course of collection from other banks			3,967,950	4,471,911
Included in cash and cash equivalents	28		62,372,892	127,275,213
Term deposits and operating accounts with other banks with original maturities greater than 3 months			62,719,406	40,700,000
Interest receivable			739,870	661,945
Total due from other banks		$	125,832,168	168,637,158

10. Treasury bills

	Notes		Nominal Value 2016	Cost 2016	Nominal Value 2015	Cost 2015
Treasury bills at amortised cost – OECS Governments with original maturities of 3 months or less and interest rates ranging from 3.5% to 7%		$	52,200,000	51,538,676	52,200,000	51,503,370
Included in cash and cash equivalents	28		52,200,000	51,538,676	52,200,000	51,503,370
Treasury bills at amortised cost – OECS Governments with original maturities of 3 months or less and interest rates ranging from 5.0% to 6.34%			30,000,000	29,936,604	23,000,000	22,936,604
Interest receivable			–	909,601	–	1,018,727
Total treasury bills		$	82,200,000	82,384,881	75,200,000	75,458,701

11. Statutory deposit

		2016	2015
Statutory reserve deposit with the Government of Antigua and Barbuda	$	5,764,514	5,451,569

(Expressed in Eastern Caribbean Dollars)

11. Statutory deposit *(cont'd)*

A subsidiary company has placed a statutory deposit with the Government of Antigua and Barbuda equivalent to 2½% of its deposit liabilities. The statutory reserve deposit is a statutory requirement as per section 17(a) of the Financial Institutions (Non-Banking) Act, 1985. This reserve is non-interest bearing and is not available for the Group's day-to-day operations.

12. Loans and advances

		2016	**2015**
Mortgage loans	$	287,656,034	280,439,634
Business loans		267,720,616	262,185,526
Personal loans		43,579,466	39,840,198
Bridging loans		28,590,910	20,913,090
Staff loans		5,768,893	6,431,895
Credit card advances		1,579,705	1,576,968
Central Housing and Planning Authority (CHAPA) loans		1,054,832	1,094,402
Directors' loans		634,369	1,018,174
		636,584,825	613,499,887
Less: Allowance for loan impairment		(16,480,405)	(17,567,685)
		620,104,420	595,932,202
Add: Interest receivable		15,680,934	15,336,246
Deferred interest income		(3,501,861)	(3,496,952)
Deferred loan origination fees		(2,288,840)	(1,771,886)
Total loans and advances	$	629,994,653	605,999,610

Allowance for loan impairment

		2016	**2015**
The movement in allowance for loan impairment:			
Balance, beginning of year	$	17,567,685	17,020,247
Write-off of impaired loan balances		-	(6,186)
Other adjustment		-	8,820
(Recovery of)/provision for loan impairment		(1,087,280)	544,804
Balance, end of year	$	16,480,405	17,567,685

According to the ECCB loan provisioning guidelines, the calculated allowance for loan impairment amounts to $17,719,668 (2015: $20,998,490) and the difference between this figure and the loan loss provision under IAS 39 has been set aside as a specific reserve through equity. The gross carrying value of impaired loans at the year-end was $63,637,703 (2015: $56,333,719). Interest receivable on loans that would not be recognised under ECCB guidelines amounted to $12,789,176 (2015: $12,275,969), and is also included in the specific regulatory reserve (note 24).

(Expressed in Eastern Caribbean Dollars)

12. Loans and advances *(cont'd)*

		2016	2015
Current	$	135,893,682	110,917,704
Non-current		494,100,971	495,081,906
	$	629,994,653	605,999,610

13. Other assets

		2016	2015
Depositor Protection Trust	$	14,366,254	-
Credit card receivables		2,155,970	4,390,867
Prepayments		1,016,308	1,024,366
Miscellaneous receivables		48,051	92,693
Suspense accounts		38,314	38,638
Letter of credit receivables		-	135,000
Total other assets	$	17,624,897	5,681,564
Current	$	17,624,897	5,681,564

The amounts classified as Depositor Protection Trust represent amounts formerly held on deposit with ABI Bank Ltd. which were previously classified as Due from Banks. The amounts are now held in a trust and will be repaid in line with an agreed payment schedule, scheduled to be completed by 2025 earning interest at a rate of 2% per annum.

14. Investment securities

		2016	2015
Available-for-sale unquoted			
Equity securities (EC$)	$	6,743,030	6,743,030
Available-for-sale quoted			
Equity securities (EC$)	$	9,459,491	12,513,543
Loans and receivables			
Government securities	$	1,500,000	1,500,000
Corporate securities		41,299,176	42,378,349
Total loans and receivables	$	42,799,176	43,878,349
	$	59,001,697	63,134,922
Allowance for impairment – available-for-sale unquoted		(990,000)	(990,000)
Allowance for impairment – loans and receivables		(4,000,000)	(4,000,000)
Total allowance for impairment	$	(4,990,000)	(4,990,000)
	$	54,011,697	58,144,922
Interest receivable		888,341	911,638
Total investment securities	$	54,900,038	59,056,560

(Expressed in Eastern Caribbean Dollars)

14. Investment securities *(cont'd)*

The movement in investment securities may be summarised as follows:

		2016	2015
Available-for-sale			
Beginning of year	$	18,266,573	18,151,543
Additions		–	–
Disposals		(2,794,500)	–
Unrealised (loss)/gain from changes in fair value		(125,191)	115,030
Impairment loss		(134,362)	–
End of year	$	15,212,520	18,266,573

All available-for-sale securities are non-current.

		2016	2015
Loans and receivables			
Beginning of year	$	40,789,987	41,537,198
Disposals (sale and redemption)		(1,102,469)	(747,211)
	$	39,687,518	40,789,987

All loans and receivables, except for the cash and cash equivalents, are non-current.

Loans and receivables include $269,393 (2015: $269,393) classified under cash and cash equivalents (note 28).

During the year, quoted equity securities with an original cost of $310,500 were sold for $2,794,500. A gain on disposal of $2,484,000 was recorded.

The total impairment on investments for the year was $252,419 (2015: nil).

(Expressed in Eastern Caribbean Dollars)

15. Property and equipment

	Land	Buildings & Building improvements	Furniture and fixtures	Equipment	Motor vehicles	Computer hardware	Computer software	Leasehold improvements	Work in progress	Total
At September 30, 2015										
Cost or valuation	$ 8,880,000	14,078,093	5,395,418	9,170,959	677,444	10,763,037	8,076,288	174,460	3,476,682	60,692,381
Accumulated depreciation	-	(463,573)	(4,943,078)	(7,459,347)	(263,412)	(10,108,620)	(7,791,658)	(86,791)	-	(31,116,479)
Net book amount	$ 8,880,000	13,614,520	452,340	1,711,612	414,032	654,417	284,630	87,669	3,476,682	29,575,902
Year ended September 30, 2016										
Opening net book amount	$ 8,880,00	13,614,520	452,340	1,711,612	414,032	654,417	284,630	87,669	3,476,682	29,575,902
Additions		-	60,174	45,814	-	201,625	69,791	-	2,683,183	3,060,587
Disposals/adjustments		-	-	-	-	-	-	(53,207)	(16,232)	(69,439)
Accumulated depreciation – disposals/adjustments		-	-	-	-	-	-	28,277	-	28,277
Depreciation charge		(454,900)	(231,597)	(403,253)	(136,778)	(512,187)	(160,725)	(16,088)	-	(1,915,528)
Transfers		88,249	99,682	1,166,346	-	2,062,389	-	20,657	(3,437,323)	-
Closing net book amount	$ 8,880,00	13,247,869	380,599	2,520,519	277,254	2,406,244	193,696	67,308	2,706,310	30,679,799
At September 30, 2016										
Cost or valuation	$ 8,880,00	14,166,342	5,555,274	10,383,119	677,444	13,027,051	8,146,079	170,187	2,706,310	63,711,806
Accumulated depreciation		(918,473)	(5,174,675)	(7,862,600)	(400,190)	(10,620,807)	(7,952,383)	(102,879)	-	(33,032,007)
Net book amount	$ 8,880,000	13,247,869	380,599	2,520,519	277,254	2,406,244	193,696	67,308	2,706,310	30,679,799

(Expressed in Eastern Caribbean Dollars)

15. Property and equipment *(cont'd)*

		Land	Buildings & Building improvements	Furniture and fixtures	Equipment	Motor vehicles	Computer hardware	Computer software	Leasehold improvements	Work in progress	Total
At September 30, 2014											
Cost or valuation	$	8,880,000	14,049,998	5,320,575	8,222,964	623,944	10,456,753	7,696,783	174,460	1,876,363	57,301,840
Accumulated depreciation		–	–	(4,724,675)	(7,111,854)	(330,625)	(9,614,505)	(7,685,558)	(69,345)	–	(29,536,562)
Net book amount	$	8,880,000	14,049,998	595,900	1,111,110	293,319	842,248	11,225	105,115	1,876,363	27,765,278
Year ended September 30, 2015											
Opening net book amount	$	8,880,000	14,049,998	595,900	1,111,110	293,319	842,248	11,225	105,115	1,876,363	27,765,278
Additions		–	22,595	74,843	160,950	–	172,881	17,253	–	3,106,784	3,555,306
Disposals/adjustments		–	–	–	–	(164,765)	–	–	–	–	(164,765)
Accumulated depreciation – disposals/adjustments		–	–	–	–	164,765	–	–	–	–	164,765
Depreciation charge		–	(463,573)	(218,403)	(347,493)	(97,552)	(494,115)	(106,100)	(17,446)	–	(1,744,682)
Transfers		–	5,500	–	787,045	218,265	133,403	362,252	–	(1,506,465)	–
Closing net book amount	$	8,880,000	13,614,520	452,340	1,711,612	414,032	654,417	284,630	87,669	3,476,682	29,575,902
At September 30, 2015											
Cost or valuation	$	8,880,000	14,078,093	5,395,418	9,170,959	677,444	10,763,037	8,076,288	174,460	3,476,682	60,692,381
Accumulated depreciation		–	(463,573)	(4,943,078)	(7,459,347)	(263,412)	(10,108,620)	(7,791,658)	(86,791)	–	(31,116,479)
Net book amount	$	8,880,000	13,614,520	452,340	1,711,612	414,032	654,417	284,630	87,669	3,476,682	29,575,902

(Expressed in Eastern Caribbean Dollars)

15. Property and equipment *(cont'd)*

As of September 30, 2014 all of the Group's land and buildings and improvements were revalued based on the appraisal performed by an independent firm of professional appraisers. The revaluation resulted in an impairment loss amounting to $5,234,360. The remaining revaluation surplus net of applicable deferred income taxes, is within 'other reserves' in shareholders' equity (note 24).

The following is the historical cost carrying amount of land and buildings carried at revalued amounts as of September 30, 2016.

		Land	Buildings	Total
Cost	$	3,562,078	31,608,727	35,170,805
Accumulated depreciation		–	(13,705,667)	(13,705,667)
Net book values	$	3,562,078	17,903,060	21,465,138

The following is the historical cost carrying amount of land and buildings carried at revalued amounts as of September 30, 2015.

		Land	Buildings	Total
Cost	$	3,562,078	31,608,727	35,170,805
Accumulated depreciation		–	(13,015,017)	(13,015,017)
Net book values	$	3,562,078	18,593,710	22,155,788

The following is the analysis of property and equipment revaluation (surplus)/impairment loss as of September 30, 2014.

		Land	Buildings
Net book value	$	3,562,078	19,284,360
Market value per independent valuation		(8,880,000)	(14,050,000)
Revaluation (surplus)/impairment loss	$	(5,317,922)	5,234,360

16. Pension plan

Eligible group employees are enrolled in a defined benefit pension scheme which commenced October 1, 1991. The assets of the plan are held in a seven member trustee administered fund. The Board of Trustees comprises four trustees appointed by the Board of Directors, and three appointed by the employees. The funds of the scheme are invested solely under the control of the trustees and may be used only for the purposes of the scheme.

(Expressed in Eastern Caribbean Dollars)

16. Pension plan *(cont'd)*

The Plan is valued every three years by an independent qualified actuary. The latest available valuation was performed at September 30, 2014 using the projected unit credit method. At September 30, 2014, the actuarial valuation showed that the Plan is overfunded with net assets available for benefits representing 141% of accrued projected plan benefits, and indicated a required contribution rate by the Group, for the next three years, of less than 5% of pensionable salaries.

In respect of the defined benefit plan operated by the Group, the amounts recognized in the statement of financial position are as follows:

Pension plan assets

		2016	2015
Present value of funded obligations	$	15,667,965	13,651,036
Fair value of plan assets		(23,590,647)	(22,973,880)
Net asset – end of year	$	(7,922,682)	(9,322,844)

The movements in the fair value of plan assets over the year are as follows:

		2016	2015
Fair value of plan assets - beginning of year	$	22,973,880	22,244,699
Contributions – employer and employee		741,398	754,094
Benefits paid		(487,694)	(464,210)
Plan administration expenses		(59,577)	(49,203)
Actuarial loss		(1,194,411)	(1,078,775)
Interest on plan assets		1,617,051	1,567,275
Fair value of plan assets - end of year	$	23,590,647	22,973,880

The movements in the present value of funded obligations over the year are as follows:

		2016	2015
Present value of funded obligations - beginning of year	$	13,651,036	13,544,517
Current service cost		680,704	684,859
Interest cost		986,152	969,473
Benefits paid		(487,694)	(464,210)
Actuarial loss/(gain)		837,767	(1,083,603)
Present value of funded obligations - end of year	$	15,667,965	13,651,036

(Expressed in Eastern Caribbean Dollars)

16. Pension plan *(cont'd)*

The movements in the net asset recognized in the statement of financial position are as follows:

		2016	2015
Net asset - beginning of year	$	(9,322,844)	(8,700,182)
Net pension income included in the statement of income		(263,709)	(243,475)
Actuarial losses/(gains) included in other comprehensive income		2,032,178	(4,828)
Contributions paid		(368,307)	(374,359)
Net asset - end of year	$	(7,922,682)	(9,322,844)

The amounts recognized in the statement of income are as follows:

		2016	2015
Current service cost	$	307,612	305,124
Net interest income on the net defined benefit asset		(630,898)	(597,802)
Plan administration expenses		59,577	49,203
Net gain recognized in the statement of income	$	(263,709)	(243,475)

The amounts recognized in other comprehensive income are as follows:

		2016	2015
Actuarial loss/(gain) for the year – obligation	$	837,767	(1,083,603)
Actuarial loss for the year – plan assets		1,194,411	1,078,775
Actuarial loss/(gain) recognized in other comprehensive income	$	2,032,178	(4,828)

The major categories of plan assets as a percentage of total plan assets are as follows:

	2016	2015
Cash and cash equivalents	**44%**	37%
Debt securities	**15%**	22%
Equity securities	**23%**	22%
Property	**18%**	19%

The pension plan assets include ordinary shares issued by Antigua Commercial Bank with a value of $75,852 (2015: $75,852). Plan assets include deposits held with the Bank with a fair value of $6,300,488 (2015: $4,785,041).

(Expressed in Eastern Caribbean Dollars)

16. Pension plan *(cont'd)*

Amounts for the current period and previous four periods are as follows:

		2016	2015	2014	2013	2012
Defined benefit obligation	$	15,667,965	13,651,036	13,544,517	13,380,298	12,204,792
Plan assets		(23,590,647)	(22,973,880)	(22,244,699)	(20,830,425)	(19,618,725)
Surplus	$	(7,922,682)	(9,322,844)	(8,700,182)	(7,450,127)	(7,413,933)

Principal actuarial assumptions used for accounting purposes were as follows:

	2016 %	2015 %
Discount rate	7.0	7.0
Future promotional salary increases	4.0	4.0
Future pension increases	–	–
Future changes in Social Security ceiling	–	–

Contributions to the pension scheme for the year ended September 30, 2016 amounted to $368,307, being Antigua Commercial Bank Ltd.: $322,429; ACB Mortgage & Trust Limited: $45,878 (2015: $374,359, being Antigua Commercial Bank Ltd.: $329,854; ACB Mortgage & Trust Limited: $44,505). The Group's contributions are adjusted according to the actuary's recommendations. Contributions expected to be paid to the plan for the subsequent period are budgeted at $347,396, being Antigua Commercial Bank Ltd.: $300,896; ACB Mortgage & Trust Limited: $46,500.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

2016

	Impact on defined benefit obligation			
	Change in assumption		Increase in assumption	Decrease in assumption
Discount rate	1%	$	(2,042,183)	2,575,207
Salary growth rate	1%		952,961	(843,276)
Life expectancy	1 year		278,027	–

2015

	Impact on defined benefit obligation			
	Change in assumption		Increase in assumption	Decrease in assumption
Discount rate	1%	$	(1,866,406)	2,365,167
Salary growth rate	1%		941,790	(833,165)
Life expectancy	1 year		246,294	–

The duration of the benefit obligation is 14.6 years (2015: 15.3 years).

(Expressed in Eastern Caribbean Dollars)

16. Pension plan *(cont'd)*

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the year) has been applied as when calculating the pension plan liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

17. Deposits due to customers

		2016	2015
Savings accounts	$	418,222,212	391,755,034
Time deposits		279,545,657	249,953,885
Current accounts		200,171,776	218,587,775
Other deposits		35,803,317	67,173,546
		933,742,962	927,470,240
Interest payable		3,293,538	3,722,651
Total deposits due to customers	$	937,036,500	931,192,891
Current	$	776,313,815	750,942,419
Non-current		160,722,685	180,250,472
	$	937,036,500	931,192,891

(Expressed in Eastern Caribbean Dollars)

18. Other liabilities and accrued expenses

		2016	2015
Trade payables and accrued expenses	$	11,971,372	8,612,917
Manager's cheques		1,664,138	1,936,252
Escrow accounts		1,131,584	1,206,508
Other sundry payables		463,825	304,106
Total other liabilities and accrued expenses	$	15,230,919	12,059,783
Current	$	14,099,335	10,853,275
Non-current		1,131,584	1,206,508
	$	15,230,919	12,059,783

19. Dividends

During the year, a dividend in respect of the 2015 financial year end of $4,000,000 was recorded and paid (2015: $2,000,000 in respect of the 2014 financial year).

The dividend proposed in respect of the 2016 financial year end is $0.40 for each unit of paid up share capital, or EC$4,000,000 (2015: $0.40 or EC$4,000,000). The financial statements for the year ended September 30, 2016 do not reflect this proposed dividend which, if ratified, will be accounted for in equity as an appropriation of retained earnings in the year ending September 30, 2017.

(Expressed in Eastern Caribbean Dollars)

20. Taxation

		2016	2015
Income tax payable			
Income tax payable, beginning of year	$	3,128,713	1,953,755
Withholding tax		8,956	8,356
Current tax expense		5,552,581	3,153,977
Payments made during the year		(3,165,191)	(2,045,995)
Prior year tax under accrual		–	58,620
Income tax payable, end of year	$	5,525,059	3,128,713
Income tax expense			
Profit before tax	$	27,553,068	21,207,654
Income tax expense at statutory rates		6,940,047	6,012,105
Effect of permanent differences		68,499	82,091
Effect of dividend income not subject to tax		(569,765)	(1,202,731)
Effect of interest income not subject to tax		(1,154,092)	(1,266,721)
Others		4,708	–
Actual income tax expense	$	5,289,397	3,624,744

The statutory tax rate for Antigua Commercial Bank is 25% (2015: 25%) and for ACB Mortgage and Trust is 20% (2015: 20%).

		2016	2015
Deferred tax liability, net			
Balance, beginning of year	$	5,616,790	5,191,902
(Credit) charge for the year		(272,140)	403,791
Movement on revaluation of available-for-sale securities		7,085	19,890
Actuarial (loss)/gain		(508,045)	1,207
Movement on disposal of available-for-sale securities		(621,000)	–
Balance, end of year	$	4,222,690	5,616,790

The components of the deferred tax liability (net of deferred tax assets) are as follows:

		2016	2015
Statutory loan loss reserve	$	3,387,419	3,813,613
Deferred tax on revaluation of available-for-sale securities		1,980,671	1,318,083
Pension asset		704,168	2,330,711
Deferred commission		(534,819)	(408,828)
Decelerated capital allowances		(1,314,749)	(1,436,789)
Balance, end of year	$	4,222,690	5,616,790

(Expressed in Eastern Caribbean Dollars)

20. Taxation *(cont'd)*

The income tax payable does not represent amounts agreed with the Tax Authority. The amount is reflective of the Group's position concerning its tax balance with the Inland Revenue Department (IRD) on the basis of its records. However, as the Group's tax return for the year of assessment 2017 has not been finalised with the IRD, there is uncertainty as to the eventual liability. Additionally, the following still remains in dispute. A credit balance of $2,573,846 was available as per Inland Revenue Department correspondence dated September 14, 2006. However, the balance as per the Bank's separate audited financial statements as of September 30, 2004 was $3,708,771 resulting in a difference of $1,134,925, which to date has not been agreed with the Inland Revenue Department.

21. Related Party Balances and Transactions

Related party definition

A related party is a person or entity that is related to the Group.

a) A person or a close member of that person's family is related to the Group if that person:

- i) has control or joint control over the Group;
- ii) has significant influence over the Group; or
- iii) is a member of the key management personnel of the Group.

b) An entity is related to the Group if any of the following conditions applies:

- i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- iii) Both entities are joint ventures of the same third party.
- iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- vi) The entity is controlled, or jointly controlled by a person identified in (a).
- vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

(Expressed in Eastern Caribbean Dollars)

21. Related Party Balances and Transactions *(cont'd)*

A number of banking transactions were entered into with related parties in the normal course of business. These include loans, deposits and other transactions. These transactions were carried out on commercial terms and at market rates.

The volumes of related party transactions, outstanding balances at the year end and related expenses and income for the year are as follows:

		2016	2015
Loans to directors and key members of management			
Loans outstanding at beginning of year	$	2,737,100	3,631,477
Loans issued during the year		333,691	545,000
Loan repayments during the year		(1,013,908)	(1,439,377)
Loans outstanding at end of year	$	2,056,883	2,737,100

No provisions have been recognised in respect of loans given to related parties (2015: nil).

Interest income earned on directors' and key members of management's loans and advances during the year is $1,053,044 (2015: $277,538). The interest rates on these loans ranges from 7% to 11.5% (2015: 7% to 11.5%) and they are granted on an arms length basis.

		2016	2015
Deposits by directors and key members of management			
Deposits at beginning of year	$	5,900,518	5,639,150
Deposits received during the year		20,353,951	13,178,983
Deposits repaid during the year		(9,499,649)	(12,917,615)
Deposits at end of year	$	16,754,820	5,900,518

Interest expense paid on directors' and key members of management's deposits during the year is $161,777 (2015: $236,445). Interest rates on directors' deposits range from 2% to 4% (2015: 2% to 5.5%) and they are accepted on an arms length basis.

Remuneration of key management personnel

During the year, salaries and related benefits were paid to key members of management allocated as follows:

		2016	2015
Salaries and wages	$	824,734	1,098,605
Other staff costs		157,351	299,780
Pension costs		22,769	32,164
	$	1,004,854	1,430,549

The Group also incurred directors' fees and expenses amounting to $939,612 (2015: $902,237).

(Expressed in Eastern Caribbean Dollars)

22. Stated capital

		2016	2015
Authorised share capital			
150,000,000 shares at nil par value	$	150,000,000	150,000,000
Issued and fully paid:			
10,000,000 ordinary shares of no par value	$	36,000,000	36,000,000

23. Statutory reserve

		2016	2015
Balance at the beginning of the year	$	14,727,544	11,813,411
Transfer from profit after taxation		3,286,013	2,914,133
Balance at the end of the year	$	18,013,557	14,727,544

Section 14 (1) of the Antigua and Barbuda Banking Act of 2005 provides that not less than 20% of each year's net earnings shall be set aside to a reserve fund whenever the fund is less than the paid-up capital of the Group.

24. Other reserves

		2016	2015
Regulatory reserve for loan loss and interest recognised	$	14,028,439	15,706,774
Revaluation reserve – property		5,317,922	5,317,922
Pension reserve		7,922,682	9,322,844
Capital reserve		7,461,949	7,461,949
Revaluation reserve – available-for-sale securities		2,112,502	3,989,718
Total other reserves	$	36,843,494	41,799,207

		2016	2015
Regulatory reserve for loan loss and interest recognised			
Balance at the beginning of the year	$	15,706,774	15,020,021
(Decrease)/increase in reserves for regulatory purposes		(1,678,335)	686,753
Balance at the end of the year	$	14,028,439	15,706,774

This reserve represents the additional loan loss provision required by the Eastern Caribbean Central Bank's prudential guidelines as compared to the provision measured in accordance with International Financial Reporting Standards, together with a reserve for interest on loans not recognised for regulatory purposes.

(Expressed in Eastern Caribbean Dollars)

24. Other reserves *(cont'd)*

Revaluation reserve for available-for-sale securities		**2016**	**2015**
Balance at the beginning of the year	$	3,989,718	3,894,578
Transfer on disposal of securities, net of tax of $621,000		(1,863,000)	-
(Decrease)/increase in market value of investment securities, net of tax of $7,085 (2015: $19,890)		(14,216)	95,140
Balance at the end of the year	$	2,112,502	3,989,718

Certain available-for-sale securities are stated at market value with the unrealised gains (losses) reflected in equity until realised.

Revaluation reserve – property		**2016**	**2015**
Balance at the beginning of the year	$	5,317,922	5,317,922
Reversal of revaluation surplus due to decline in market value of property		–	–
Balance at the end of the year	$	5,317,922	5,317,922

		2016	**2015**
Pension reserve			
Balance at the beginning of the year	$	9,322,844	8,700,182
(Decrease)/increase in pension reserve		(1,400,162)	622,662
Balance at the end of the year	$	7,922,682	9,322,844

The Board of Directors has decided to appropriate annually out of net profits the amounts necessary to maintain a pension reserve equivalent to the pension asset.

Capital reserve

Included in this balance is an amount of $6,171,428 recorded in prior years for share premium recognised.

25. Other operating income

		2016	**2015**
Fees and commissions	$	5,186,573	4,629,043
Foreign exchange		4,279,461	3,670,044
Miscellaneous income		267,711	341,383
Dividend income		282,259	263,123
Rental income		101,100	101,100
Recovery of loans written off		88,340	9,905
Total other operating income	$	10,205,444	9,014,598

(Expressed in Eastern Caribbean Dollars)

26. General and administrative expenses

	Notes		2016	2015
Salaries and related costs	29	$	11,228,798	12,312,178
Software operating expenses			990,332	1,106,098
Utilities			891,329	1,065,304
Advertising and promotion			812,553	353,507
Subscriptions and fees			760,415	411,531
Security services			519,599	526,248
Printing and stationery expenses			517,821	590,186
Rent			505,324	526,462
Insurance expense			502,767	552,134
Legal and other professional fees			443,192	279,215
Cleaning			417,191	390,280
Audit fees and expenses			396,456	575,413
Telephone, postage, telegram expenses			368,418	356,008
Repairs and maintenance			341,195	376,568
Night depository			337,908	321,092
Licenses and taxes			308,662	330,112
Agency expenses			227,659	202,977
Shareholders' meeting expenses			205,085	89,243
Four C's operating expenses			191,706	149,952
ECACH Charges			126,286	43,692
Cash purchases expenses			116,300	52,120
Wire services expense			111,147	87,007
ECCB expenses			102,273	67,949
Scholarship fund			65,154	50,004
Vehicle expenses			61,788	84,204
Commission expenses			51,700	34,000
Travel and entertainment			43,094	13,702
Non-credit losses			35,412	74,120
Hospitality Suite			25,000	25,000
Amalgamation expenses			-	20,000
Miscellaneous expenses			99,564	138,112
Total general and administrative expenses		$	20,804,128	21,204,418

(Expressed in Eastern Caribbean Dollars)

27. Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

		2016	2015
Net profit attributable to shareholders	$	22,263,671	17,582,910
Weighted average number of ordinary shares in issue		10,000,000	10,000,000
Basic and diluted earnings per share		2.23	1.76

28. Cash and cash equivalents

	Notes		2016	2015
Due from other banks	9	$	62,372,892	127,275,213
Cash and balances with the Central Bank	8		149,806,110	120,306,127
Treasury bills	10		51,538,676	51,503,370
Investments	14		269,393	269,393
Total cash and cash equivalents		$	263,987,071	299,354,103

29. Salaries and related costs

	Notes		2016	2015
Salaries, wages and allowances		$	9,660,689	10,231,501
Other staff costs			881,068	938,490
Staff incentive scheme			218,224	715,405
Statutory deductions			732,526	670,257
Pension credit	16		(263,709)	(243,475)
Total salaries and related costs		$	11,228,798	12,312,178

(Expressed in Eastern Caribbean Dollars)

30. Commitments and contingencies

Pending litigation

Various actions and legal proceedings may arise against the Group during the normal course of business. The Group is currently involved in certain employee-related legal matters for which the outcome cannot be presently determined. The amount of the liability, if any, will be contingent on the eventual outcome of court proceedings and will be recognised at that time.

Credit related commitments

The contractual amounts of the Group's off-balance sheet financial instruments that commit it to extend credit to customers are listed below:

		2016	2015
Undrawn commitments to extend advances	$	18,198,064	17,380,779

Off-balance sheet items

The Group had letters of credit outstanding at the year end in the following amounts:

		2016	2015
Letters of credit	$	-	6,389,627

The maturity profile of off-balance sheet items is as follows:

		Up to 1 year	Total
As of September 30, 2016			
Loan commitments (undrawn)	$	18,198,064	18,198,064
Letters of credit	$	-	-
As of September 30, 2015			
Loan commitments (undrawn)	$	17,380,779	17,380,779
Letters of credit	$	6,389,627	6,389,627