Antigua Commercial Bank Ltd.
t/a ACB Caribbean

Consolidated Financial Statements
September 30, 2022
(Expressed in Eastern Caribbean dollars)

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

T +1 268 462 3000
F +1 268 462 1902

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Antigua Commercial Bank Ltd.

Opinion

We have audited the consolidated financial statements of Antigua Commercial Bank Ltd. t/a ACB Caribbean ("the Bank") and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as of **September 30, 2022**, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of **September 30, 2022**, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Grant Thornton

Chartered Accountants
January 5, 2024
St. John's, Antigua

Antigua Commercial Bank Ltd. t/a ACB Caribbean

Consolidated Statement of Financial Position

As of September 30, 2022

(expressed in Eastern Caribbean dollars)

	Notes	2022 $	2021 $
Assets			
Cash and balances with the Central Bank	8	**622,431,203**	488,442,651
Due from other banks	9	**212,204,752**	286,596,330
Treasury bills	10	**89,705,718**	99,234,435
Statutory Deposit		**7,247,111**	7,224,550
Loans and advances	11	**1,047,309,739**	1,012,986,370
Other assets	12	**37,451,463**	45,969,520
Investment securities	13	**253,977,351**	170,147,641
Goodwill		**14,539,983**	14,539,983
Property and equipment	14	**48,720,046**	47,380,928
Right-of-use assets	15	**1,888,131**	781,178
Core intangible assets	31	**12,496,517**	13,756,893
Pension asset	16	**5,110,172**	8,946,108
Total Assets		**2,353,082,186**	2,196,006,587
Liabilities and Equity			
Liabilities			
Income tax payable	20	**7,838,131**	3,717,034
Customers' deposits	17	**1,982,270,725**	1,819,203,598
Lease liabilities	15	**2,125,115**	785,082
Provisions and other liabilities	18	**33,689,568**	47,410,264
Deferred tax liability	20	**5,737,775**	10,063,249
Total Liabilities		**2,031,661,314**	1,881,179,227
Equity			
Stated capital	22	**36,000,000**	36,000,000
Statutory reserve	23	**30,832,845**	30,171,043
Other reserves	24	**74,265,497**	73,577,890
Retained earnings		**154,461,938**	149,888,302
Equity attributed to owners of the Bank		**295,560,280**	289,637,235
Non-controlling interest		**25,860,592**	25,190,125
Total Equity		**321,420,872**	314,827,360
Total Liabilities and Equity		**2,353,082,186**	2,196,006,587

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

Approved for issue by the Board of Directors on January 2, 2024 and signed on its behalf by:

______________ **Chairman** Sharon A Parker-Edwards ______________ **Director**

Cassandra ______________ **Director**

Antigua Commercial Bank Ltd. t/a ACB Caribbean

Consolidated Statement of Comprehensive Income

For the year ended September 30, 2022

(expressed in Eastern Caribbean dollars)

	Notes	2022 $	2021 $
Interest income			
Income from loans and advances		**63,329,761**	58,267,100
Income from deposits with other banks and investments		**14,265,305**	9,828,249
		77,595,066	68,095,349
Interest expense			
Savings accounts		**18,919,085**	14,743,883
Time deposits and current accounts		**4,441,189**	5,696,568
Lease liabilities		**24,203**	13,225
Investment Expenses		**36,748**	36,062
		23,421,225	20,489,738
Net interest income		**54,173,841**	47,605,611
Other operating income	25	**15,512,479**	25,578,693
Total income		**69,686,320**	73,184,304
Operating expenses			
General and administrative expenses	29	**54,306,742**	48,959,139
Provision for impairment of other financial assets		**3,507,420**	2,106,493
Recovery of credit losses	11	**(3,605,673)**	(15,888,895)
Amortization of intangible assets	32	**1,260,375**	650,307
Depreciation of property and equipment	14	**3,097,053**	2,204,565
Depreciation of right-of-use assets	15	**694,856**	539,453
Directors' fees and expenses	21	**1,177,577**	1,032,319
Gain on bargain purchases		**–**	(23,467,104)
Total expenses		**60,438,350**	16,136,277
Net Income before taxation		**9,247,970**	57,048,027
Taxation charge			
Current tax expense		**4,358,186**	4,736,257
Deferred tax (credit)/expense		**(3,415,612)**	2,939,297
Total taxation charge	20	**942,574**	7,675,554
Net income after taxation		**8,305,396**	49,372,473

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

(expressed in Eastern Caribbean dollars)

	Notes	2022 $	2021 $
Profit attributed to:			
Owners of the Bank		**7,369,722**	48,577,555
Non-controlling interest	32	**935,674**	794,918
		8,305,396	49,372,473
Earnings per share	26	**0.74**	4.86
Net income after taxation		**8,305,396**	49,372,473
Other comprehensive income:			
Items net of tax that will never be reclassified subsequently to profit or loss:			
Increase in market value of FVOCI equity securities net of taxes of $Nil (2021: $180,271)	24	**2,436,057**	2,167,067
Property revaluation adjustment		**–**	220,413
Actuarial (loss)/gain for the year, net of taxes of $873,500 (2021: $44,891)	16	**(3,512,307)**	1,816,862
Other comprehensive (loss)/income for the year, net of taxes		**(1,076,250)**	4,204,342
Total comprehensive income for the year		**7,229,146**	53,576,815
Total comprehensive income attributed to:			
Owners of the Bank		**6,558,680**	52,060,430
Non-controlling interest		**670,466**	1,516,385
		7,229,146	53,576,815

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

Antigua Commercial Bank Ltd. t/a ACB Caribbean

Consolidated Statement of Cash flows

For the year ended September 30, 2022

(expressed in Eastern Caribbean dollars)

	Notes	2022 $	2021 $
Cash flows from operating activities			
Operating income before taxation		**8,305,396**	57,048,027
Items not affecting cash:			
Depreciation of property and equipment and right-of-use assets		**3,791,909**	3,394,325
Amortization of intangible assets		**1,260,376**	–
Recovery of credit losses		**(3,605,673)**	(12,867,743)
Provision/(recovery of) for impairment of other financial assets		**3,507,420**	(914,659)
(Gain)/loss on disposal of fixed assets		**(1,913)**	178,299
Gain on bargain purchase		**–**	(23,467,104)
Pension income		**(162,748)**	(383,188)
Interest expense		**23,421,225**	20,489,738
Interest income		**(77,595,066)**	(68,095,349)
Cash flows used in operating activities before changes in operating assets and liabilities		**(41,079,074)**	(24,617,654)
Change in statutory deposit		**(1,791,835)**	(355,491)
Change in other receivables and other assets		**(20,247,745)**	(43,979,399)
Change in loans and advances		**(41,690,291)**	(32,429,062)
Change in customers' deposits		**164,654,477**	75,705,595
Change in provisions and other liabilities		**4,323,993**	11,716,039
Cash flows generated from operating activities before interest, taxes and pension contributions		**64,169,525**	16,385,488
Interest received		**84,961,989**	67,119,148
Interest paid		**(25,008,575)**	(19,148,894)
Principal payments of lease liabilities		**(823,975)**	(727,758
Pension contributions paid	16	**(412,423)**	(430,396)
Net cash flows from operating activities		**122,886,541**	32,882,128
Cash flows from investing activities			
Acquisitions, net of cash received	32	–	307,240,451
Net movement in investment securities		**(140,754,801)**	82,546,748
(Additions to)/disposals of property and equipment		**(4,934,984)**	5,096,660
Proceeds from disposal of property and equipment		**500,728**	–
Net cash flows (used in)/generated from investing activities		**(145,189,057)**	394,883,859

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

(expressed in Eastern Caribbean dollars)

	Notes	2022 $	2021 $
Cash flows from financing activities			
Dividends paid during the year	19	–	(850,000)
Net cash flows generated from/ (used in) financing activities		–	(850,000)
Net (decrease)/increase in cash and cash equivalents		**(9,802,516)**	426,915,987
Cash and cash equivalents, beginning of year		**657,345,487**	230,429,500
Cash and cash equivalents, end of year	28	**647,542,971**	657,345,487

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

Antigua Commercial Bank Ltd. t/a ACB Caribbean

Consolidated Statement of Changes in Equity…*continued*

For the year ended September 30, 2022

(expressed in Eastern Caribbean dollars)

	Notes	Stated Capital $	Statutory Reserve $	Revaluation Reserve: FVOCI $	Capital & Revaluation – PPE & Pension $	Regulatory Loan Loss Reserve $	Retained Earnings $	Attributable to equity holders $	Non-controlling interest $	Total $
Balance as of September 30, 2020		36,000,000	26,059,962	22,572,436	20,493,775	27,912,286	**105,550,590**	238,589,049	–	**238,589,049**
Non-controlling interest arising on business combination		–	–	–	–	–	**–**	–	23,579,099	**23,579,099**
Net income after taxation for the year		–	–	–	–	–	**48,577,555**	48,577,555	794,918	**49,372,473**
Property valuation		–	–	–	136,832	–	**–**	136,832	83,581	**220,413**
Actuarial gain		–	–	–	–	–	**1,178,976**	1,178,976	637,886	**1,816,862**
Increase in Fair value-FVOCI		–	–	2,167,067	–	–	**–**	2,167,067	–	**2,167,067**
Total comprehensive income for the year		–	–	2,167,067	136,832	–	**49,756,531**	52,060,430	1,516,385	**53,576,815**
Transfer to statutory reserve	23	–	4,111,081	–	–	–	**(4,111,081)**	–	–	**–**
Decrease in reserve for loan loss		–	–	–	–	–	**154,941**	154,941	94,641	**249,582**
Reserve for interest on impaired loans		–	–	–	–	(317,185)	**–**	(317,185)	–	**(317,185)**
Increase in pension reserve	24	–	–	–	612,679	–	**(612,679)**	–	–	**–**
Transaction with owners										
Dividends paid during the year	19	–	–	–	–	–	**(850,000)**	(850,000)	–	**(850,000)**
Balance as of September 30, 2021		36,000,000	30,171,043	24,739,503	21,243,286	27,595,101	**149,888,302**	289,637,235	25,190,125	**314,827,360**

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

Antigua Commercial Bank Ltd. t/a ACB Caribbean

Consolidated Statement of Changes in Equity…*continued*

For the year ended September 30, 2022

(expressed in Eastern Caribbean dollars)

	Notes	Stated Capital $	Statutory Reserve $	Revaluation Reserve: FVOCI Investments $	Capital & Revaluation Reserve: PPE & Pension $	Regulatory Loan Loss Reserve $	Retained Earnings $	Attributable to equity holders $	Non-controlling interest $	Total $
Balance as of September 30, 2021		36,000,000	30,171,043	24,739,503	21,243,286	27,595,101	**149,888,302**	289,637,235	25,190,125	**314,827,360**
Net income after taxation for the year		–	–	–	–	–	**7,369,722**	7,369,722	935,674	**8,305,396**
Other comprehensive income for the year										
- Actuarial loss on pension		–	–	–	–	–	**(3,174,134)**	(3,174,134)	(338,173)	**(3,512,307)**
- Increase in FVOCI securities		–	–	2,363,092	–	–	**–**	2,363,092	72,965	**2,436,057**
Total comprehensive income for the year		–	–	2,363,092	–	–	**4,195,588**	6,558,680	670,466	**7,229,146**
Transfer to statutory reserve		–	661,802	–	–	–	**(661,802)**	–	–	**–**
Reserve for interest on impaired loans		–	–	–	–	1,243,344	**(1,878,979)**	(635,635)	–	**(635,635)**
Decrease in pension reserve		–	–	–	(2,781,997)	–	**2,781,997**	–	–	**–**
Decrease in revaluation reserve-property		–	–	–	(136,832)	–	**136,832**	–	–	**–**
Balance as of September 30, 2022		**36,000,000**	**30,832,845**	**27,102,595**	**18,324,457**	**28,838,445**	**154,461,938**	**295,560,280**	**25,860,591**	**321,420,871**

The accompanying notes 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. t/a ACB Caribbean ("the Bank") and its subsidiaries (together "the Group") is the provision of commercial banking services. The Bank is licensed to carry on banking business in Antigua and Barbuda and is regulated by the Eastern Caribbean Central Bank (ECCB) in accordance with the Banking Act No. 10 of 2015 (the "Banking Act") and the Eastern Caribbean Central Bank Act No. 10 of 1983.

On August 17th 2020, the Bank completed its registration to trade under the business name of ACB Caribbean.

Further to the December 12, 2020 announcement that the Bank, as part of a Consortium of Banks, had entered into a definitive agreement to purchase identified assets from the Royal Bank of Canada (RBC), the Bank received regulatory approval from the Eastern Caribbean Central Bank (ECCB) on December 22, 2020 to, inter alia:

- Acquire the assets and banking business of the RBC Antigua Branch; and
- Acquire 62.08% shareholding of RBTT Bank Grenada Limited

The closing date of the above transactions was April 1, 2021. Effective on this date, the RBC Antigua Branch was rebranded as ACB Market Street and the name of the entity in Grenada was amended to ACB Grenada Bank Ltd.

These consolidated financial statements therefore reflect the results of:

- ACB Mortgage and Trust Company Limited – 100% interest
- ACB Grenada Bank Ltd – 62.08% interest
- ACB's recently acquired branch now rebranded ACB Market Street

2 General information and statement of compliance with IFRS

Antigua Commercial Bank Ltd. t/a ACB Caribbean, 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 of Antigua and Barbuda, 1995. The Group's registered office is located at St. Mary's and Thames Streets, St. John's, Antigua.

Statement of compliance

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as of September 30, 2022 (the reporting date).

Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention, except for the following material items that are measured at fair value in the statement of financial position, and in accordance with the going concern assumption:

- Financial assets measured at fair value through profit or loss
- Financial assets designated at fair value through profit or loss
- Equity instruments designated at fair value through other comprehensive income
- Debt instruments measured at fair value through other comprehensive income
- Certain classes of property and equipment are measured at market value less accumulated depreciation.

(expressed in Eastern Caribbean dollars)

3 Changes in accounting policies

Changes in accounting policies

Basis of preparation…*continued*

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 7.

New standards and amendments effective for the financial year beginning October 1, 2021

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

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

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

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

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

Management anticipates that all relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. These standards are not expected to have a material impact on the Group's consolidated financial statements in future reporting periods and on foreseeable future transactions.

4 Summary of significant accounting policies

4.1 Overall considerations

The financial statements have been prepared using the significant accounting policies and measurement bases summarised below. These policies have been consistently applied to all years presented, unless otherwise stated.

4.2 Cash and cash equivalents

Cash and cash equivalents comprise cash and demand deposits with banks together with short-term highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of change in value. Such investments are normally those with original maturities up to three months from the date of acquisition.

(expressed in Eastern Caribbean dollars)

4 Summary of significant accounting policies…*continued*

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 plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. 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 substantially all risks and rewards are transferred, or when the Group neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control, over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a consolidated asset or liability.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss. Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

Financial assets are measured at initial recognition at fair value and are classified and subsequently measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at initial recognition at fair value and is classified and subsequently measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(expressed in Eastern Caribbean dollars)

4 Summary of significant accounting policies…*continued*

4.3 Financial instruments…*continued*

Classification and subsequent measurement of financial assets…*continued*

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. All other equity investments are classified as measured at FVTPL. In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is classified into one of these categories on initial recognition. However, for financial assets held at initial application, the business model assessment is based on facts and circumstances at that date. Also, IFRS 9 permits new elective designations at FVTPL or FVOCI to be made on the date of initial application and permits or requires revocation of previous FVTPL elections at the date of initial application depending on the facts and circumstances at that date.

Business model assessment

IFRS 9 requires that financial assets are classified on the basis of the Group's business model for managing such assets unless it makes an irrevocable election to designate the asset at fair value through profit or loss. The business model refers to how financial assets are managed in order to generate cash flows. The Group determines its business model at the level that best reflects how it manages its portfolios of financial assets to achieve its business objectives. Judgement is used in determining the Group's business models that is supported by relevant, objective evidence including:

- The stated policies and objectives for the portfolio and the operation of those policies in practice;
- How performance of the business model and the financial assets held within the model are evaluated and reported to key management personnel;
- How managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected);
- The frequency and significance of past sales activity, the reason for those sales as well as expectations about future sales; and
- The significant risks affecting the performance of the business model for example, market risk and credit risk and the activities undertaken to manage those risks.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

The business model assessment is forward looking in that if cash flows are realized in a manner that is different from expectations the classification of the remaining assets in the business model is not changed but instead that information is used to assess new instruments acquired.

(expressed in Eastern Caribbean dollars)

4 Summary of significant accounting policies…*continued*

4.3 Financial instruments…*continued*

Classification and subsequent measurement of financial assets…*continued*

Business models - Applicability to the Group

The Group's business models fall into two main categories, which are indicative of the key strategies used to generate returns as follows:

– Hold to collect contractual cash flows (HTC) - the objective of this business model is to hold assets in order to collect contractual cash flows. Under this model, the Group holds loans and investment securities to collect contractual principal and interest cash flows. Sales are expected to be insignificant or infrequent; and

– Other business model - the objective of this business model is neither to hold assets in order to collect contractual cash flows, nor both collect contractual cash flows and to sell. Under this model collecting contractual cash flows is incidental to the objective of the model and sales may be significant in value and frequent. The Group holds certain debt and equity investments under this model.

Assessment of whether contractual cash flows are solely payments of principal and interest – SPPI assessment

For classification purposes the Group first reviews the terms of the instruments to determine whether they give rise on specified dates to cash flows that meet the SPPI test.

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

(expressed in Eastern Caribbean dollars)

4 Summary of significant accounting policies…*continued*

4.3 Financial instruments…*continued*

Classification and subsequent measurement of financial assets…*continued*

Debt instruments measured at amortised cost

Debt instruments are measured at amortised cost if they are held within a business model whose objective is to hold for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. After initial measurement, debt instruments in this category are carried at amortised cost. Interest income on these instruments is recognised in interest income using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. Amortised cost is calculated by taking into account any discount or premium on acquisition, transaction costs and fees that are an integral part of the effective interest rate.

Impairment on debt instruments measured at amortised cost is calculated using the expected credit loss approach. The Group has loans and certain debt securities in this category, which are measured at amortised cost. These are presented net of the allowance for expected credit losses in the statement of financial position.

Debt instruments measured at Fair Value through Other Comprehensive Income (FVOCI)

Investments in debt instruments are measured at fair value through other comprehensive income where they meet the following two conditions and they have not been designated at FVTPL:

– Contractual terms that give rise to cash flows on specified dates, that represent solely payments of principal and interest on the principal amount outstanding; and

– Are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

These debt instruments are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a consolidated component of equity. Impairment losses or reversals, interest revenue and foreign exchange gains and losses are recognised in profit or loss. Upon disposal, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

Impairment on debt instruments measured at FVOCI is calculated using the expected credit loss (ECL) approach. The ECL on debt instruments measured at FVOCI does not reduce the carrying amount of the asset in the statement of financial position, which remains at its fair value.

The Group does not have any financial assets in this category.

(expressed in Eastern Caribbean dollars)

4 Summary of significant accounting policies…*continued*

4.3 Financial instruments…*continued*

Classification and subsequent measurement of financial assets…*continued*

Debt instruments measured at FVTPL

Debt instruments are measured at FVTPL if assets:

i) Are held for trading purposes;

ii) Are held as part of a portfolio managed on a fair value basis; or

iii) Whose cash flows do not represent payments that are solely payments of principal and interest.

These instruments are measured at fair value in the statement of financial position, with transaction costs recognised immediately in profit or loss. Realised and unrealised gains and losses are recognised in profit or loss.

The Group has certain investments in this category.

Equity instruments measured at FVTPL

Equity instruments are measured at FVTPL, unless an election is made to designate them at FVOCI upon purchase, with transaction costs recognised immediately in profit or loss. Subsequent to initial recognition the changes in fair value are recognised in profit or loss. Equity instruments at FVTPL are primarily assets held for trading.

The Group has certain equity investments in this category.

Equity instruments measured at FVOCI (designated)

At initial recognition, there is an irrevocable option for the Group to classify non-trading equity instruments at FVOCI. This election is used for certain equity investments for strategic or longer-term investment purposes. This election is made on an instrument-by-instrument basis and is not available to equity instruments that are held for trading purposes.

Gains and losses on these instruments including when derecognised/sold are recorded in OCI and are not subsequently reclassified to profit or loss. As such, there is no specific impairment requirement. Dividends received are recorded in profit or loss. Any transaction costs incurred upon purchase of the security are added to the cost basis of the security and are not reclassified to profit or loss on sale of the security.

The Group has certain equity investments in this category.

(expressed in Eastern Caribbean dollars)

4 Summary of significant accounting policies…*continued*

4.3 Financial instruments…*continued*

Significant increase in credit risk (SICR)

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers both quantitative and qualitative information and analysis based on the Group's historical experience and credit risk assessment.

The determination of whether there has been a significant increase in credit risk is critical to the staging process. Factors that the Group may consider include:

- Changes in market or general economic conditions;
- Actual and/or expected potential breaches to contract terms and conditions;
- Actual and/or expected delays in payment;
- Deterioration in credit ratings; or
- Significant changes in operating results or financial position of the borrower.

Backstop

The Group considers as a backstop that significant increase in credit risk occurs when an asset is more than 30 days past due and also maintains a loan watch list to assist in the assessment.

The Group considers that significant increase in credit risk occurs for debt investments when investments with investment grade rating at acquisition moves to a non-investment grade but above a default grade. For debt investments with a non-investment grade at acquisition, a significant increase in credit risk occurs when there is an unfavorable movement in the ratings relative to the rating at initial recognition, including movement to a lower end of non-investment grade.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the provision for doubtful debts reverts from lifetime ECL to 12-months.

(expressed in Eastern Caribbean dollars)

4 Summary of significant accounting policies…*continued*

4.3 Financial instruments…*continued*

Impairment of financial assets

The Group recognises loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- Financial assets that are debt instruments;
- Lease receivables;
- Financial guarantee contracts issued; and
- Loan commitments issued.

No impairment loss is recognised on equity investments.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

– Debt investment securities that are determined to have low credit risk at the reporting date; and
– Other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1' financial instruments. Stage 1 loans also include facilities where the credit risk has improved, and the loan has been reclassified from Stage 2.

Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2' financial instruments.

Credit impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

– Significant financial difficulty of the borrower or issuer, including an inability to satisfy the debt because of decreased or no cash flow (negative debt service ratio), inability to work or where the customer is unemployed in excess of 6 months;

– A breach of contract such as a default or past due event, including a history of chronic arrears;

(expressed in Eastern Caribbean dollars)

4 Summary of significant accounting policies…*continued*

4.3 Financial instruments…*continued*

Impairment of financial assets…*continued*

- The restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise, or if a loan has been restructured more than three times in five years;
- Measurable decrease in the estimated future cash flows from the underlying assets that secure the loan;
- Default or delinquency in interest or principal payments;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- The disappearance of an active market for a security because of financial difficulties.

A loan that has been re-negotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

Default

In addition, the Group considers that default has occurred and classifies a retail loan as credit impaired when it is more than 90 days past due.

Loans classified as 'doubtful' or 'loss' based on the regulatory definition and those placed on a watch list are also considered to be in default and hence are classified as credit impaired.

(expressed in Eastern Caribbean dollars)

4 Summary of significant accounting policies…*continued*

4.3 Financial instruments…*continued*

Impairment of financial assets…*continued*

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

– Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);

– Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;

– Undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and

– Financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

The inputs used to estimate the expected credit losses are as follows:

– Probability of Default (PD) - This is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the remaining estimated life, if the facility has not been previously derecognised and is still in the portfolio.

– Exposure At Default (EAD) - This is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

– Loss Given Default (LGD) - This is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

– Forward looking information (FLI) – The standard requires the incorporation of forward-looking information in the estimation of expected credit losses for each stage and the assessment of significant increases in credit risk consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgement.

– Discount rate – The standard requires the ECL to be discounted using the effective interest rate (EIR).

(expressed in Eastern Caribbean dollars)

4 Summary of significant accounting policies…*continued*

4.3 Financial instruments…*continued*

Impairment of financial assets…*continued*

Measurement of ECL…*continued*

The above five parameters are modelled and estimated independently and combined to obtain the ECL of loans.

To incorporate forward-looking macroeconomic sensitivity as required per the IFRS 9 guidance, the Group developed an economic scorecard model based on qualitative rationale and management judgement to calculate a “Forward-Looking Factor” (FLF).

The Group applied experienced judgement in selecting macroeconomic factors that would most likely impact credit risk and leveraged various third-party macroeconomic forecasts when determining the forward-looking factors. The macro-economic projections considered by the Group were:

- Gross Domestic Product (GDP)
- Inflation
- Unemployment rate
- Lending rates

The Group then employed a Forward-Looking Factor Scorecard approach to compute adjustment factors applied to the final PD estimates used to calculate the ECLs. This approach also considered various economic scenarios (negative, neutral, positive) and their estimated impacts to the ECL.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:

– If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

– If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

(expressed in Eastern Caribbean dollars)

4 Summary of significant accounting policies…*continued*

4.3 Financial instruments…*continued*

Impairment of financial assets…*continued*

Restructured financial assets…continued

In assessing whether the modified terms are "substantially" different from the original terms, the following factors are considered:

– Introduction of significant new terms and conditions;
– Significant change in loan's interest rate;
– Significant extension in loan's term; and
– Significant change in credit risk from inclusion of collateral or other credit enhancements.

Expected life

For instruments in Stage 2 or Stage 3, loss allowances reflect expected credit losses over the expected remaining lifetime of the instrument. For most instruments, the expected life is limited to the remaining contractual life. For certain revolving facilities such as credit cards and overdrafts, the expected credit life is estimated based on the period over which the Group's exposure to credit losses is not mitigated by normal credit risk management actions.

Presentation of allowance for ECL

Loss allowances for ECL are presented in the statement of financial position as follows:

– Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;

– Loan commitments and financial guarantee contracts: generally, as a provision; and

– Where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: The Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss.

(expressed in Eastern Caribbean dollars)

4 Summary of significant accounting policies…*continued*

4.3 Financial instruments…*continued*

Derecognition of financial assets

Financial assets are derecognised when the right to receive cash flows from the financial assets has expired or where the Group has transferred substantially all risks and rewards of ownership. Financial assets that are transferred to a third party but do not qualify for derecognition are presented in the statement of financial position as 'Pledged assets', if the transferee has the right to sell or repledge them. Financial assets that are transferred to a third party but do not qualify for derecognition are presented in the consolidated statement of financial position as 'Pledged assets', if the transferee has the right to sell or repledge them.

Financial liabilities

Financial liabilities are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest rate method. Financial liabilities include customers' deposits, borrowings, acceptances, guarantees and letters of credit, provisions, creditors and accruals and lease liabilities.

Derecognition of financial liabilities

The Group derecognises a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss. Consideration paid includes non- financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

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.

(expressed in Eastern Caribbean dollars)

4 Summary of significant accounting policies…*continued*

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 is virtually certain to collect from a third party with respect to the obligation is recognised as a consolidated 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.

4.5 Financial guarantees and loan commitments

'Financial guarantees' are contracts that require the Group to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument.

'Loan commitments' are firm commitments to provide credit under pre-specified terms and conditions. Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value. Subsequently, they are measured at the higher of the loss allowance determined in accordance with IFRS 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15. Other loan commitments issued are measured at the sum of (i) the loss allowance determined in accordance with IFRS 9 and (ii) the amount of any fees received, less, if the commitment is unlikely to result in a specific lending arrangement, the cumulative amount of income recognised. Derecognition policies for financial assets (see Note 4.3) are applied to loan commitments issued and held.

The Group has issued no loan commitments that are measured at FVTPL.

Liabilities arising from financial guarantees and loan commitments are included within "provisions and other liabilities" on the statement of financial position.

(expressed in Eastern Caribbean dollars)

4 Summary of significant accounting policies…*continued*

4.6 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 ⅔ years
Equipment	10 years
Motor vehicles	5 years
Computer hardware	5 years
Computer software	3 years
Leasehold improvements	Shorter of the lease term or useful life

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 or losses arising from the disposal of property and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets 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.

Any revaluation increase arising on the revaluation of such land and buildings is credited in equity to revaluation reserve, except to the extent that is reverses a revaluation decrease for the same asset previously recognised in income, in which case the increase is credited to income to the extent of the decrease previously charged. A decrease in the carrying amount arising from the revaluation of such land and buildings is charged to income to the extent that is exceeds the balance, if any, held in the fixed asset revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to the consolidated statement of income. On the subsequent sale or retirement of a revalued property, any revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings. No transfer is made from the fixed asset revaluation reserve to retained earnings except when an asset is derecognised.

(expressed in Eastern Caribbean dollars)

4 Summary of significant accounting policies…*continued*

4.7 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.

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 discount 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.

4.8 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 a subsequent event (note 19).

Dividend income is recognised in "other operating income" in the statement of comprehensive income when the entity's right to receive payment is established.

4.9 Interest income and expense

Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

– the gross carrying amount of the financial asset; or
– the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit-impaired financial assets, a credit- adjusted effective interest rate is calculated using estimated future cash flows including ECL.

(expressed in Eastern Caribbean dollars)

4 Summary of significant accounting policies…*continued*

4.9 Interest income and expense…*continued*

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance. The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating-rate instruments to reflect movements in market rates of interest.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

For information on when financial assets are credit-impaired, see Note 4.3.

Presentation

Interest income calculated using the effective interest method presented in the statement of profit or loss and OCI includes:

– interest on financial assets and financial liabilities measured at amortised cost

Interest expense presented in the statement of profit or loss and OCI includes:

– financial liabilities measured at amortised cost; and
– interest expense on lease liabilities.

(expressed in Eastern Caribbean dollars)

4 Summary of significant accounting policies…*continued*

4.10 Fee and commission income and revenue recognition

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate.

If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

Other fee and commission income – including account servicing fees and syndication fees – is recognised as the related services are performed, on an accrual basis.

A contract with a customer that results in a recognised financial instrument in the Group's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Group first applies IFRS 9 to consolidated and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

4.11 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.

(expressed in Eastern Caribbean dollars)

4 Summary of significant accounting policies…*continued*

4.12 Post-employment benefits

The Group provides post-employment benefits through two defined benefit plans. Under these plans, 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 legal obligation for any benefits remains with the Group, even if the plans 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. The cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out every three (3) years.

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 high quality corporate 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.

Service cost on the Group's defined benefit plans 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 included in salaries and related costs in profit or loss. Actuarial gains and losses resulting from re-measurements of the net defined benefit liability are included in other comprehensive income.

The administration of the plans are conducted by a Board of Trustees which comprises of seven (7) members, four (4) of whom represent the Group and three (3) represent the employees.

(expressed in Eastern Caribbean dollars)

4 Summary of significant accounting policies…*continued*

4.13 Leased assets

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term.

In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

(expressed in Eastern Caribbean dollars)

4 Summary of significant accounting policies…*continued*

4.13 Leased assets…*continued*

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

– fixed payments, including in-substance fixed payments;

– variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

– amounts expected to be payable under a residual value guarantee; and

– the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets and lease liabilities separately in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

4.14 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.

(expressed in Eastern Caribbean dollars)

4 Summary of significant accounting policies…*continued*

4.15 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. The 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.

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 Group'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 Group has a right and intention to set off current tax assets and liabilities from the same taxation authority.

4.16 Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or as incurred.

(expressed in Eastern Caribbean dollars)

4 Summary of significant accounting policies…*continued*

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 FVOCI financial assets – comprises unrealised gains and losses relating to these types of financial instruments; and
- 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)

4 Summary of significant accounting policies…*continued*

4.18 Business combinations

Subsidiaries
Subsidiaries are entities controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in profit or loss from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non- controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Loss of control
A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

(expressed in Eastern Caribbean dollars)

4 Summary of significant accounting policies…*continued*

4.18 Business combinations…*continued*

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Transactions eliminated on consolidation
Inter-company transactions, balances and unrealised gains on transactions between group companies have been eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

Non-controlling interests
NCI are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes to the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions and are recognised in the statement of changes in equity.

Business combinations and goodwill
In accordance with IFRS 3, business combinations are accounted for using the acquisition method which requires acquired assets and liabilities, including identifiable assets that satisfy the recognition criteria within IFRS 3, as appropriate, to be included in the Group consolidated balance sheet at fair value as at the acquisition date. The cost of the acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value. Acquisition costs are expensed as incurred.

Goodwill is initially measured as being the excess of the aggregate of the value of consideration transferred and the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed and is reported in the consolidated statement of financial position as an intangible asset.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Impairment losses are recognised in profit or loss.

(expressed in Eastern Caribbean dollars)

4 Summary of significant accounting policies…*continued*

4.19 Events after the financial reporting date

Post year-end events that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting (non-adjusting events) are disclosed in the notes to the consolidated financial statements when material.

5 Financial risk management

Risk management framework

The Group's Board of Directors has overall responsibility for the establishment and oversight of its risk management framework. 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 risks is core to retail banking, and operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Group's financial performance.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set apprsopriate risk limits and controls, and to monitor risks and adherence to limits. The risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit and Risk Management Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. Management identifies and evaluates financial risks in close co-operation with the Group's operating units. The Board provides oversight for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk. The Audit and Risk Management Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Management Committee.

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.

(expressed in Eastern Caribbean dollars)

5 Financial risk management…*continued*

5.1 Credit risk…*continued*

5.1.1 Credit risk management…*continued*

Credit risk is the single largest risk for the Group's business; management therefore carefully manages its exposure to credit risk including risk on debt securities, cash, loans and advances, credit cards and loan commitments. The Board of Directors created the Credit Committee for the oversight of credit risk. A consolidated Credit department reports to the Credit Committee, which is responsible for managing the Group's credit risk, including the following:

– *Formulating credit policies* covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.

– *Establishing the authorisation structure* for the approval and renewal of credit facilities. Authorisation limits are allocated, with larger facilities requiring approval by the Credit Committee or the Board of Directors, as appropriate.

– *Reviewing and assessing credit risk*: all credit exposures in excess of designated limits are assessed, before facilities are committed to customers. Renewals and reviews of facilities are subject to the same review process.

– *Limiting concentrations of exposure* to counterparties, geographies and industries (for loans and advances, financial guarantees and similar exposures), and by issuer, credit rating band, market liquidity and country (for investment securities).

– *Developing and maintaining the* Group*'s processes for measuring EC*L: This includes processes for:

  - initial approval, regular validation and back-testing of the models used;
  - determining and monitoring significant increase in credit risk; and
  - incorporation of forward-looking information.

– *Reviewing compliance* with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports on the credit quality of portfolios are provided to the Credit Committee, which may require appropriate corrective action to be taken. These include reports containing estimates of ECL allowances.

– *Providing advice, guidance and specialist skills* to promote best practice throughout the Group in the management of credit risk.

Regular audits of credit processes are undertaken by Internal Audit.

(expressed in Eastern Caribbean dollars)

5 Financial risk management…*continued*

5.1 Credit risk…*continued*

5.1.1 Credit risk management…*continued*

(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.

Bank'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 and Antigua and Barbuda Government ninety-one day 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.

(expressed in Eastern Caribbean dollars)

5 Financial risk management…*continued*

5.1 Credit risk…*continued*

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. Cash deposits with other banks and short-term investments are placed with reputable regional and international financial institutions and Governments.

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.

(expressed in Eastern Caribbean dollars)

5 Financial risk management…*continued*

5.1 Credit risk…*continued*

5.1.2 Risk limit control and mitigation policies …*continued*

(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.

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 for financial reporting purposes are provided for losses based on an expected credit loss model using a three-stage approach across the various loan categories.

Financial instruments that are not already credit impaired are originated into stage 1 and a 12-month expected credit loss provision is recognised.

Instruments will remain in stage 1 until they are repaid, unless they experience significant credit deterioration (stage 2) or they become credit impaired (stage 3).

Instruments will transfer to stage 2 and a lifetime expected credit loss provision recognised when there has been a significant increase in credit risk compared with what was expected at origination. An overview of this is provided below:

Stage 1	Stage 2	Stage 3
12 month expected credit loss – performing	Lifetime expected credit loss - performing but significant increase in credit risk (SICR)	Lifetime expected credit loss - credit impaired/non-performing

(expressed in Eastern Caribbean dollars)

5 Financial risk management…*continued*

5.1 Credit risk…*continued*

5.1.3 Impairment and provisioning policies…*continued*

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 internal rating tool assists management to determine whether objective evidence indicates that a facility has become credit impaired, 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 (e.g. 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. Expected credit losses are determined for these accounts based on a combination of the probability of default, loss given default and the exposure at default. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account.

The ECL methodology, model inputs, significant increase in credit risk (SICR) thresholds, and definition of default remain consistent with those used as of September 30, 2022.

IFRS 9 requires the consideration of past events, current conditions and reasonable and supportable forward-looking information over the life of the exposure to measure expected credit losses. Furthermore, to assess significant increase in credit risk, the Standard requires that entities assess changes in the risk of a default occurring over the expected life of a financial instrument when determining staging.

The Group's models are calibrated to consider past performance and macroeconomic forward-looking variables as inputs. Expert credit judgement is applied to consider the exceptional circumstances this period, including consideration of government assistance programs, in the assessment of underlying credit deterioration and migration of balances to progressive stage.

(expressed in Eastern Caribbean dollars)

5 Financial risk management…*continued*

5.1 Credit risk …*continued*

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

	Maximum Exposure	
	2022	**2021**
	$	**$**
Credit risk exposures relating to on-balance sheet assets		
Cash and balances with the Central Bank	**622,431,203**	488,442,651
Due from other banks	**212,204,752**	286,596,330
Treasury bills	**89,705,718**	99,234,435
Statutory deposit	**7,247,111**	7,224,550
Loans and advances to customers	**1,047,309,739**	1,012,986,370
Investment securities		
Amortised cost	**103,581,806**	64,814,699
FVTPL	**68,591,832**	48,313,030
Other assets	**35,114,243**	44,483,617
	2,186,186,404	2,052,095,682
Credit risk exposures relating to off-balance sheet assets		
Loan commitments and other credit related obligations	**107,945,486**	92,371,549
As of September 30	**2,294,131,890**	2,144,467,231

The above table represents a worse-case scenario of credit risk exposure to the Group as of September 30, 2022 and 2021, 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.

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 portfolios and debt securities based on the fact that business loans, which represents the biggest group in the portfolio, are backed by collateral.

(expressed in Eastern Caribbean dollars)

5 Financial risk management…*continued*

5.1 Credit risk…*continued*

5.1.5 Debt securities, treasury bills and other eligible bills

	Treasury Bills $	Amortised Cost $	FVTPL $	Total $
As of September 30, 2022				
Rated	**10,460,616**	**36,447,848**	**57,918,168**	**104,826,632**
Unrated	**79,245,102**	**67,133,958**	**10,673,664**	**157,052,724**
	89,705,718	**103,581,806**	**68,591,832**	**261,879,356**

	Treasury Bills $	Amortised Cost $	FVTPL $	Total $
As of September 30, 2021				
Rated	–	18,254,899	37,023,955	55,278,854
Unrated	99,234,435	46,559,800	11,289,075	157,083,310
	99,234,435	64,814,699	48,313,030	212,362,164

(expressed in Eastern Caribbean dollars)

5 Financial risk management…*continued*

5.1 Credit risk…*continued*

5.1.6 Concentration of risks of financial assets with credit risk exposure

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

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 Bank 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 $**
2022:				
Credit risk exposures relating to on-balance sheet assets:				
Cash and balances with the Central Bank	14,611,260	607,819,943	–	622,431,203
Due from other banks	6,192,715	100,639,923	105,372,114	212,204,752
Statutory deposit	7,247,111	–	–	7,247,111
Treasury bills	27,096,982	62,608,736	–	89,705,718
Investment securities:				
- Amortised cost	9,586,642	93,995,164	–	103,581,806
- FVTPL – Bonds	10,673,664	–	57,918,168	68,591,832
Loans and advances to customers	923,714,164	123,234,703	360,872	1,047,309,739
Other assets	35,114,243	–	–	35,114,243
	1,034,236,781	988,298,469	163,651,154	2,186,186,404
Credit risk exposures relating to off-balance sheet assets:				
Loan commitments and other credit related facilities	101,276,044	6,669,442	–	107,945,486
September 30, 2022	**1,135,512,825**	**994,967,911**	**163,651,154**	**2,294,131,890**

(expressed in Eastern Caribbean dollars)

5 Financial risk management...*continued*

5.1 Credit risk...*continued*

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

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

	Antigua and Barbuda $	Other Caribbean $	Non-Caribbean $	Total $
2021:				
Credit risk exposures relating to on-balance sheet assets:				
Cash and balances with the Central Bank	–	488,442,651	–	488,442,651
Due from other banks	68,548,787	(780,180)	218,827,723	286,596,330
Statutory deposit	7,224,550	–	–	7,224,550
Treasury bills	31,098,574	68,135,861	–	99,234,435
Investment securities:				
- Amortised cost	1,552,397	52,437,005	10,825,297	64,814,699
- FVTPL - Bonds	–	11,289,075	37,023,955	48,313,030
Loans and advances to customers	923,742,002	88,705,303	539,065	1,012,986,370
Other assets	38,388,460	6,095,157	–	44,483,617
	1,070,554,770	714,324,872	267,216,040	2,052,095,682
Credit risk exposures relating to off-balance sheet assets:				
Loan commitments and other credit related facilities	83,208,230	9,163,319	–	92,371,549
September 30, 2021	1,153,763,000	723,488,191	267,216,040	2,144,467,231

(expressed in Eastern Caribbean dollars)

5 Financial risk management…*continued*

5.1 Credit risk…*continued*

5.1.6 Concentration of risks of financial assets with credit risk exposure…*continued*

(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
Cash and balances with the Central Bank	622,431	–	–	–	–	–	–	622,431
Due from other banks	212,205	–	–	–	–	–	–	212,205
Treasury bills	–	–	–	–	89,706	–	–	89,706
Statutory Deposit	–	–	–	–	7,247	–	–	7,247
Loans and advances to customers	2,661	89,541	131,665	119,429	240,944	151,322	311,748	1,047,310
Investment securities:								
- Amortised cost	47,068	–	–	–	56,514	–	–	103,582
- FVTPL – Bonds	57,918	–	–	–	10,674	–	–	68,592
Other assets	–	–	–	–	–	35,114	–	35,114
As of September 30, 2022	**942,283**	**89,541**	**131,665**	**119,429**	**405,085**	**186,436**	**311,748**	**2,186,187**
Loan commitments and other credit related obligations	–	22,671	1,368	16,994	23,092	25,266	18,555	107,946
As of September 30, 2022	**942,283**	**112,212**	**133,033**	**136,423**	**428,177**	**211,702**	**330,303**	**2,294,133**

(expressed in Eastern Caribbean dollars)

5 Financial risk management…*continued*

5.1 Credit risk…*continued*

5.1.6 Concentration of risks of financial assets with credit risk exposure…*continued*

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

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
Cash and balances with the Central Bank	488,443	–	–	–	–	–	–	488,443
Due from other banks	286,596	–	–	–	–	–	–	286,596
Statutory deposit	–	–	–	–	7,225	–	–	7,225
Treasury bills	–	–	–	–	99,235	–	–	99,235
Loans and advances to customers	2,661	93,115	154,518	128,452	201,880	100,987	331,372	1,012,985
Investment securities:								
- Amortised cost	33,943	–	–	–	30,872	–	–	64,815
- FVTPL - Bonds	37,024	–	–	–	11,289	–	–	48,313
Other assets	–	–	–	–	–	42,948	1,536	44,484
As of September 30, 2021	**848,667**	**93,115**	**154,518**	**128,452**	**350,501**	**143,935**	**332,908**	**2,052,096**
Loan commitments and other credit related obligations	–	5,410	–	27,390	8,132	29,322	22,117	92,371
As of September 30, 2021	**848,667**	**98,525**	**154,518**	**155,842**	**358,633**	**173,257**	**355,025**	**2,144,467**

(expressed in Eastern Caribbean dollars)

5 Financial risk management…*continued*

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 include foreign exchange risks and risks associated with the change in equity prices arising from the Group's FVOCI investment securities.

5.2.1 Price risk

The Group's investment portfolio includes securities that are quoted on the Eastern Caribbean Securities Exchange. The Bank is exposed to equities price risk because of investments held and classified on the statement of financial position as FVOCI. 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

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Bank takes on exposure to the effects of fluctuations in the prevailing level of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event unexpected movements arise. The Board of Directors sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored by the ALCO Committee.

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

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and financial liabilities to various standard and non-standard interest rate scenarios.

(expressed in Eastern Caribbean dollars)

5 Financial risk management…*continued*

5.2 Market risk…*continued*

5.2.2 Interest rate risk…*continued*

	Up to 1 year $	1-5 years $	Over 5 years $	Non-interest bearing $	Total $
As of September 30, 2022					
Assets					
Cash and balances with Central Bank	–	–	–	622,431,203	622,431,203
Statutory deposit	–	–	–	7,247,111	7,247,111
Due from other banks	78,549,082	–	–	133,655,670	212,204,752
Treasury bills	90,377,227	–	–	(671,509)	89,705,718
Investment securities:					
- Amortised cost	52,103,261	32,855,975	18,531,384	91,186	103,581,806
- FVTPL – Bonds	34,244,365	23,673,803	10,673,664	–	68,591,832
Loans and advances to customers	171,142,768	143,734,161	731,966,551	466,259	1,047,309,739
Other assets	–	1,074,614	–	34,039,629	35,114,243
Total financial assets	**426,416,703**	**201,338,553**	**761,171,599**	**797,259,549**	**2,186,186,404**
Liabilities					
Customers' deposits	1,805,991,235	94,905,697	70,287,773	11,086,020	1,982,270,725
Provisions and other liabilities	628,074	1,581,174	–	31,480,320	33,689,568
Total financial liabilities	**1,806,619,309**	**96,486,871**	**70,287,773**	**42,566,340**	**2,015,960,293**
Total interest repricing gap	**(1,380,202,606)**	**104,851,682**	**690,883,826**	**754,693,209**	**170,226,111**

(expressed in Eastern Caribbean dollars)

5 Financial risk management…*continued*

5.2 Market risk…*continued*

5.2.2 Interest rate risk…*continued*

	Up to 1 Year $	1 – 5 Years $	Over 5 Years $	Non-Interest Bearing $	Total $
As of September 30, 2021					
Assets					
Cash and balances with Central	–	–	–	488,442,651	488,442,651
Due from other banks	77,603,495	801,900	–	208,190,935	286,596,330
Treasury bills	96,747,962	2,000,000	–	486,473	99,234,435
Statutory deposit	–	–	–	7,224,550	7,224,550
Investment securities:					
- Amortised cost	46,124,888	18,317,043	372,768	–	64,814,699
- FVTPL – Bonds	40,624,421	7,688,609	–	–	48,313,030
Loans and advances to customers	70,650,259	111,170,979	829,774,942	1,390,190	1,012,986,370
Other assets	–	2,144,368	–	42,339,249	44,483,617
Total financial assets	331,751,025	142,122,899	830,147,710	748,074,048	2,052,095,682
Liabilities					
Customers' deposits	1,400,838,671	95,831,497	66,123,709	256,409,721	1,819,203,598
Provisions and other liabilities	588,157	1,557,796	–	45,264,311	47,410,264
Total financial liabilities	1,401,426,828	97,389,293	66,123,709	301,674,032	1,866,613,862
Total interest repricing gap	(1,069,675,803)	44,733,606	764,024,001	446,400,016	185,481,820

(expressed in Eastern Caribbean dollars)

5 Financial risk management…*continued*

5.2 Market risk…*continued*

5.2.3 Foreign exchange risk

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

The Group's exposure to currency risk is minimal since most of its assets and liabilities in foreign currencies are held in United States dollars. The exchange rate of the Eastern Caribbean dollar (EC$) to the United States dollar (US$) has been formally pegged at EC$2.70 = US$1.00 since 1974. The following table summarises the Group's exposure to foreign currency exchange rate risk.

(expressed in Eastern Caribbean dollars)

5 Financial risk management…*continued*

5.2 Market risk…*continued*

5.2.3 Foreign exchange risk…*continued*

	XCD $	USD $	EUR $	GBP $	Others $	Total $
As of September 30, 2022						
Assets						
Cash and balances with the Central Bank	620,800,847	1,324,391	184,048	64,016	57,901	622,431,203
Due from other banks	80,066,813	131,768,424	123,829	(111,022)	356,708	212,204,752
Statutory deposit	7,247,111	–	–	–	–	7,247,111
Treasury bills	89,705,718	–	–	–	–	89,705,718
Investment securities:						
- Amortised cost	54,465,107	49,116,699	–	–	–	103,581,806
- FVTPL	10,673,665	57,918,167	–	–	–	68,591,832
Loans and advances to customers	1,004,718,197	42,591,542	–	–	–	1,047,309,739
Other assets	35,114,243	–	–	–	–	35,114,243
Total financial assets	**1,902,791,701**	**282,719,223**	**307,877**	**(47,006)**	**414,609**	**2,186,186,404**
Liabilities						
Customers' deposits	1,855,883,533	126,387,192	–	–	–	1,982,270,725
Provisions and other liabilities	33,689,568	–	–	–	–	33,689,568
Total financial liabilities	**1,889,573,101**	**126,387,192**	–	–	–	**2,015,960,293**
Net on-balance sheet position	**13,218,600**	**156,332,031**	**307,877**	**(47,006)**	**414,609**	**170,226,111**
Credit commitments	**107,945,486**	–	–	–	–	**107,945,486**

(expressed in Eastern Caribbean dollars)

5 Financial risk management…*continued*

5.2 Market risk…*continued*

5.2.3 Foreign exchange risk…*continued*

	XCD $	USD $	EUR $	GBP $	Others $	Total $
As of September 30, 2021						
Assets						
Cash and balances with the Central Bank	487,445,237	799,187	94,313	50,818	53,096	488,442,651
Due from other banks	47,241,726	239,028,383	99,708	65,796	160,717	286,596,330
Statutory deposit	7,224,550	–	–	–	–	7,224,550
Treasury bills	99,234,435	–	–	–	–	99,234,435
Investment securities:						
- Amortised cost	26,011,917	38,802,782	–	–	–	64,814,699
- FVTPL	11,289,075	37,023,955	–	–	–	48,313,030
Loans and advances to customers	971,582,375	41,403,995	–	–	–	1,012,986,370
Other assets	44,483,617	–	–	–	–	44,483,617
Total financial assets	1,694,512,932	357,058,302	194,021	116,614	213,813	2,052,095,682
Liabilities						
Customers' deposits	1,740,449,474	78,754,124	–	–	–	1,819,203,598
Provisions and other liabilities	47,410,264	–	–	–	–	47,410,264
Total financial liabilities	**1,787,859,738**	**78,754,124**	–	–	–	**1,866,613,862**
Net on-balance sheet position	**(93,346,806)**	**278,304,178**	**194,021**	**116,614**	**213,813**	**185,481,820**
Credit commitments	**92,371,549**	–	–	–	–	**92,371,549**

(expressed in Eastern Caribbean dollars)

5 Financial risk management…*continued*

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 Bank 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.

5.3.1 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 and include the following:

- Day-to-day funding managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers. 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 take the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

(expressed in Eastern Caribbean dollars)

5 Financial risk management…*continued*

5.3 Liquidity risk…*continued*

5.3.2 Funding approach

Sources of liquidity are regularly reviewed by management and the Board of Directors in order to maintain a wide diversification by currency, geography, provider, product and term. The Bank holds a diversified portfolio of cash, loans and investment securities to support payment obligations and contingent funding in a stressed market environment.

The Group's assets held for managing liquidity risk include the following:

- Cash and balances with the Central bank;
- Due from other banks;
- Loans and advances to customers;
- Treasury bill;
- Investment securities;
- Acceptances, guarantees and letters or credit; and
- Other assets.

In the normal course of business, a proportion of customers' loans contractually repayable in one (1) 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, line of credit with international banks and repurchase agreements.

(expressed in Eastern Caribbean dollars)

5 Financial risk management…*continued*

5.3 Liquidity risk…*continued*

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

The table below presents the cash flows payable by and payable to the Bank with respect to non-derivative financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the reporting date.

	0 – 3 Months $	3 – 6 Months $	6 – 12 Months $	1 – 5 Years $	Over 5 Years	Total $
As of September 30, 2022						
Liabilities						
Customers' deposits	1,608,122,237	63,893,106	144,010,149	96,830,929	70,287,888	1,983,144,309
Total Liabilities (contractual maturity dates)	**1,608,122,237**	**63,893,106**	**144,010,149**	**96,830,929**	**70,287,888**	**1,983,144,309**
Assets held for managing liquidity risk	**239,283,088**	**29,839,803**	**115,583,237**	**1,259,211,761**	**216,945,718**	**1,860,863,607**
As of September 30, 2021						
Liabilities						
Customers' deposits	1,461,791,643	97,989,542	97,036,985	99,000,564	66,123,809	1,821,942,543
Total Liabilities (contractual maturity dates)	1,461,791,643	97,989,542	97,036,985	99,000,564	66,123,809	1,821,942,543
Assets held for managing liquidity risk	321,655,219	103,310,213	140,853,563	1,956,622,804	250,903,763	2,773,345,562

(expressed in Eastern Caribbean dollars)

5 Financial risk management…*continued*

5.4 Off-balance sheet items

(a) Loan commitments, financial guarantees and other financial facilities

The contractual amounts of the Group's off-balance sheet financial instruments that it commits to extend to customers and other facilities are summarised in note 28.

	Up to 1 year $	1 to 5 years $	Total $
As of September 30, 2022			
Loan commitments and other credit related obligations	**107,945,486**	–	**107,945,486**
Financial guarantee contracts	**7,231,982**	–	**7,231,982**
As of September 30, 2021			
Loan commitments and other credit related obligations	92,371,549	–	92,371,549
Financial guarantee contracts	11,128,871	–	11,128,871

(b) Capital commitments

There were no capital commitments for the acquisition of buildings and equipment at the financial year end (2021: $Nil).

(expressed in Eastern Caribbean dollars)

5 Financial risk management…*continued*

5.5 Fair value of financial assets and liabilities

Fair value amounts represent estimates of the consideration that would currently be agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market value, if one exists.

The Group's financial instruments include cash resources, securities, loans, other assets, customer deposits and other liabilities. The fair values of financial instruments are considered to approximate their book values with the exception of loans. The following comments are relevant to their fair value.

Assets

Cash on hand and due from banks and balances with Eastern Caribbean Central Bank

Since these assets are short-term in nature, i.e., with original maturity periods under 90 days, the carrying values are estimated to approximate their realisable value.

Investment securities

Fair value is based on quoted market values. The fair value of securities that do not have a quoted market price in an active market is determined by management using an appropriate valuation method.

Loans and advances

Loans are stated net of specific provision for impairment. These assets result from transactions conducted under typical market conditions and their values are not adversely affected by unusual terms. The estimated fair value of loans represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine initial loans values are taken as indicative of fair values; and where observed values are different adjustments would be made.

Due to banks, customers' deposits, due to associates and affiliated companies and other liabilities

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand.

Deposits with fixed rate characteristics are at rates that are not significantly different from current rates and are assumed to have discounted cash flow values that approximate the carrying value.

(expressed in Eastern Caribbean dollars)

5 Financial risk management…*continued*

5.5 Fair value of financial assets and liabilities…*continued*

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

	Carrying value		Fair value	
	2022	**2021**	**2022**	**2021**
	$	**$**	**$**	**$**
Financial assets				
Cash and balances with the Central Bank	**622,431,203**	488,442,651	**622,431,203**	488,442,651
Statutory deposits	**7,247,111**	7,224,550	**7,247,111**	7,224,550
Treasury bills	**89,705,718**	99,234,435	**89,705,718**	99,234,435
Due from other banks	**212,204,752**	286,596,330	**212,204,752**	286,596,330
Loans and advances	**1,047,309,739**	1,012,986,370	**1,093,452,440**	1,054,643,976
Investment securities	**253,977,351**	170,147,641	**253,665,338**	169,846,877
Other assets	**35,114,243**	44,483,617	**35,114,563**	44,483,937
	2,267,990,117	2,109,115,594	**2,313,821,125**	2,150,472,756
Financial liabilities				
Customers' deposits	**1,982,270,725**	1,819,203,598	**1,981,397,424**	1,818,514,053
Provisions and other liabilities	**33,689,568**	47,410,264	**33,689,568**	47,410,264
	2,015,960,293	1,866,613,862	**2,015,086,992**	1,865,924,317

(expressed in Eastern Caribbean dollars)

5 Financial risk management…*continued*

5.5 Fair value of financial assets and liabilities…*continued*

5.5.1 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 - Inputs that are quoted market prices (unadjusted) in active markets for identical instruments. This level includes listed equity securities and debt instruments on exchanges.

- Level 2 - Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

- Level 3 - Inputs that are unobservable (not based on observable market data). This category includes all instruments for which the valuation technique includes inputs that are not observable, and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between instruments.

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

(expressed in Eastern Caribbean dollars)

5 Financial risk management…*continued*

5.5 Fair value of financial assets and liabilties…*continued*

5.5.1 Fair value hierarchy…*continued*

	Level 1 $	Level 2 $	Level 3 $	Total $
As of September 30, 2022				
Financial assets				
Investment securities				
FVTPL	**96,643,792**	**10,673,664**	**–**	**107,317,456**
FVOCI – quoted	**–**	**9,757,921**	**–**	**11,296,907**
FVOCI – unquoted	**–**	**–**	**33,320,168**	**31,781,182**
Total assets	**96,643,792**	**20,431,585**	**33,320,168**	**150,395,545**
As of September 30, 2021				
Financial assets				
Investment securities				
FVTPL	53,476,666	11,289,075	–	64,765,741
FVOCI – quoted	–	9,048,545	–	9,048,545
FVOCI – unquoted	–	–	31,518,656	31,518,656
Total assets	53,476,666	20,337,620	31,518,656	105,332,942

If the market price on the FVOCI Level 2 investments were to change by +/- 10%, the impact on other comprehensive income would be an increase/decrease of $975,792 (2021: $904,854).

There were no movements in or out of Level 3 during the year (2021: $Nil).

(expressed in Eastern Caribbean dollars)

5 Financial risk management…*continued*

5.5 Fair value of financial assets and liabilities…*continued*

5.5.1 Fair value hierarchy…*continued*

Level 3 fair value measurements

Unobservable inputs used in measuring fair values

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Asset based approach with discounts applied where prudent, with subsequent consideration of the Group's shareholding	Net assets Shareholding percentage	The estimated fair value would increase/(decrease) of: Net assets were higher/(lower) Shareholding increases/(decreases)

5.5.2 Financial instruments not measured at fair value

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

	Level 2 $'000	Total fair values $'000	Total carrying amount $'000
September 30, 2022			
Assets			
Cash and balances with the Central Bank	622,431	622,431	622,431
Due from other banks	212,205	212,205	212,205
Treasury bills	89,706	89,706	89,706
Loans and advances	1,093,453	1,093,453	1,047,310
Investment securities - Amortised cost	96,237	96,237	82,752
	2,114,032	**2,114,032**	**2,054,404**
Liabilities			
Customers' deposits	**1,981,397**	**1,981,397**	**1,982,270**

(expressed in Eastern Caribbean dollars)

5 Financial risk management…*continued*

5.5 Fair value of financial assets and liabilities…*continued*

5.5.2 Financial instruments not measured at fair value…*continued*

	Level 2 $'000	Total fair values $'000	Total carrying amount $'000
September 30, 2021			
Assets			
Cash and balances with the Central Bank	488,443	488,443	488,443
Due from other banks	286,597	286,597	286,597
Treasury bills	99,234	99,234	99,234
Loans and advances	1,054,644	1,054,644	1,012,986
Investment securities - Amortised cost	115,794	115,794	64,815
	2,044,712	2,044,712	1,952,075
Liabilities			
Customers' deposits	1,818,514	1,818,514	1,819,203

(expressed in Eastern Caribbean dollars)

5 Financial risk management…*continued*

5.6 Financial assets and liabilities by category

The table below analyses the Bank's financial assets and liabilities by category. For financial assets carried at amortised cost, the values below exclude accrued interest receivable where relevant.

	Amortised Cost $	FVTPL $	FVOCI $	Total $
As of September 30, 2022				
Assets				
Due from other banks	815,123,035	–	–	815,123,035
Investment securities	103,432,994	106,981,367	43,078,089	253,492,450
Loans and advances to customers	1,038,427,664	–	–	1,038,427,664
Other financial assets	35,114,563	–	–	35,114,563
Treasury bills	88,493,957	–	–	88,493,957
Total financial assets	**2,080,592,213**	**106,981,367**	**43,078,089**	**2,230,651,669**

	Financial liabilities at amortised cost $	Total $
Liabilities		
Customers' deposits	2,089,224,868	2,089,224,868
Other liabilities and accrued expenses	33,689,568	33,689,568
Total financial liabilities	**2,122,914,436**	**2,122,914,436**

(expressed in Eastern Caribbean dollars)

5 Financial risk management…*continued*

5.6 Financial assets and liabilities by category…*continued*

	Amortised Cost $	FVTPL $	FVOCI $	Total $
As of September 30, 2021				
Assets				
Due from other banks	774,048,556	–	–	774,048,556
Investment securities	63,789,646	64,765,741	41,069,434	169,624,821
Loans and advances	997,772,162	–	–	997,772,162
Other financial assets	39,812,231	–	–	39,812,231
Treasury bills	98,062,082	–	–	98,062,082
Total financial assets	1,973,484,677	64,765,741	41,069,434	2,079,319,852

	Financial liabilities at amortised cost $	Total $
Liabilities		
Customers' deposits	1,813,808,294	1,813,808,294
Other liabilities and accrued expenses	47,410,264	47,410,264
Total financial liabilities	1,861,218,558	1,861,218,558

(expressed in Eastern Caribbean dollars)

5 Financial risk management…*continued*

5.7 Operational risk

'Operational risk' is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks – e.g. those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and innovation. In all cases, Group policy requires compliance with all applicable legal and regulatory requirements.

The Board of Directors has created a Governance and Executive Committee, which is responsible for the development and implementation of controls to address operational risk. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards;
- information technology and cyber risks; and
- risk mitigation, including insurance where this is cost-effective.

Compliance with Group standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the Audit Committee.

(expressed in Eastern Caribbean dollars)

6 Capital management policies and procedures

Capital management is a proactive process that ensures that the Group has and remains able to generate or raise sufficient capital on a timely and cost-effective basis to underpin its risks and ultimately protect depositors and other creditors from unexpected losses.

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 the Eastern Caribbean Central Bank (ECCB);
– 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.

In accordance with the Banking Act, the Bank is required to maintain a minimum paid up share capital of $20 million and a total regulatory capital to adjusted risk-weighted assets ratio of 8%.

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 management for supervisory purposes. The required information is filed with the ECCB quarterly.

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

- Tier 1 capital: share capital (net of any book values of treasury shares), general bank reserves, 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 FVOCI.

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

(expressed in Eastern Caribbean dollars)

6 Capital management policies and procedures…*continued*

The table below summarises the composition of regulatory capital and the ratios of the Parent Bank for the years ended September 30, 2022 and 2021. During those two years, the Bank complied with all of the externally imposed capital requirements to which they are subject.

	2022 $	2021 $
Tier 1 Capital		
Stated capital (net of treasury shares)	**36,000,000**	36,000,000
Statutory reserve	**30,832,846**	30,171,043
Capital reserve	**7,461,949**	7,461,949
Retained earnings	**154,461,937**	149,888,302
Total qualifying Tier 1 Capital	**228,756,732**	223,521,294
Tier 2 capital		
Revaluation reserve: FVOCI investments	**27,102,595**	24,739,503
Reserves for loan loss	**19,491,787**	22,761,965
Total qualifying Tier 2 Capital	**46,594,382**	47,501,468
Total regulatory capital	**275,351,114**	271,022,762
Risk-weighted assets:		
On-balance sheet	**830,630,000**	1,174,864,000
Off-balance sheet	**107,945,486**	92,371,549
Total risk-weighted assets	**938,575,486**	1,267,235,549
Basel ratio	**29.3%**	21.39%

(expressed in Eastern Caribbean dollars)

7 Significant management judgement in applying accounting policies and estimation uncertainty

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

Judgements made by management in the application of IFRS and information about estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses, and estimation uncertainties that have a significant risk of resulting in a material adjustment in these financial statements is provided below. Actual results may be substantially different.

(a) *Impairment losses on loans and advances*

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is detailed in note 4.

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

- The Group’s criteria for determining if there has been a significant increase in credit risk and hence whether impairment allowances for financial assets should be measured on a lifetime expected credit loss (ECL) basis
- Choosing appropriate models and assumptions for the measurement of expected credit losses, including post model adjustments
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs
- Establishing the number and relative weightings of forward-looking macroeconomic scenarios for each type of product or market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

(expressed in Eastern Caribbean dollars)

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

(a) <u>Impairment losses on loans and advances</u>…continued

Incorporation of forward-looking information

The Group incorporates forward-looking information into the measurement of expected credit losses (ECL) through a scorecard model. The model is applied for each segment of the portfolio: Personal Loans, Commercial Loans, Mortgages, Overdrafts and Credit Cards. The adjustment for forward looking information is determined based on the Group's outlook related to multiple economic factors. For each segment, the Group assigned weightings to macroeconomic factors to indicate their relative significance to the portfolio segment.

The Group applied experienced judgement to select macroeconomic factors that would most likely impact credit risk. The Group leveraged the 2020 IMF's country report on the Eastern Caribbean Currency Union and Caribbean Development Bank's 2020 economic outlook on Antigua and Barbuda to provide macroeconomic projections on the following factors:

- GDP
- Inflation
- Unemployment Rate
- Lending rates

The adjustment of forward-looking information is estimated after considering various outlooks on the macro-economic factors (negative, positive, neutral), expressed as a percentage from 0 to 100, representing the impact of the outlook on credit risk. For a neutral or stable outlook, the factor is 0%. Negative outlooks will have a factor of 20% (increase to the ECL estimate, reflecting an adverse economic outlook) and positive outlooks will have a factor of -20% (decrease to the ECL estimate, reflecting a more favorable economic environment).

The Group estimates the macroeconomic outlook over a twelve-month forecast period. Where forecasts were not available, a zero change was applied. The table below lists the macroeconomic assumptions used (NA* – forecast data was not available at the reporting date):

	2022				2021			
	GDP Change	**Inflation Rate**	**Lending Rates**	**Unemployment Rate**	**GDP Change**	**Inflation Rate**	**Lending Rates**	**Unemployment Rate**
As of September 30								
Economic assumptions	7.02%	7.50%	7.60%	14.10%	0.97%	2.045%	8.62%	14.1%

The forward-looking information factor is applied to the historical PD ranges, in order to ensure that final point in time PD estimates are within the range of the historical PD distribution for the segment. The Group monitors the relevance of the model assumptions and data including macroeconomic factor weights and expected trends on an on-going basis.

(expressed in Eastern Caribbean dollars)

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

(b) *Classification of financial assets*

Assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.

(c) *Estimate of pension benefits*

Management's estimate of the defined benefit obligation is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the defined benefit obligation amount and the annual defined benefit expenses.

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. Any changes in these assumptions will impact the carrying amount of the pension obligation.

Other key assumptions for pension obligations are based in part on current market conditions.
Additional information is disclosed in note 16.

(d) *Impairment of non-financial assets*

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal is based on available data from binding sales transactions, conducted at arm's length for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the future cash inflows.

(e) *Fair value of financial instruments*

Financial instruments where recorded current market transactions or observable market data are not available, are recorded at fair value using valuation techniques. Fair value is determined using a valuation model that has been tested against prices or inputs to actual market transactions and using the Group's best estimates of the most appropriate model assumptions.

(f) *Revaluation of land and buildings*

The Group measures its land and buildings at revalued amounts with changes in fair value being recognised in other comprehensive income. The Group engages independent valuation specialists to determine fair value of its land and buildings. The valuer uses judgement in the application of valuation techniques such as replacement cost and the market price of comparable properties, as applicable in each case.

(expressed in Eastern Caribbean dollars)

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

(g) Current and deferred taxes

Significant judgement is required in determining the provision for income taxes including any liabilities for tax audit issues. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

In calculating the deferred tax balance, management uses judgement to determine the possibility that future taxable profits will be available to facilitate utilization of temporary tax differences which may arise.

8 Cash and balances with the Central Bank

	Note	2022 $	2021 $
Cash on hand		**22,342,832**	26,906,979
Balances with the ECCB other than mandatory reserve deposits		**449,726,298**	321,133,304
Included in cash and cash equivalents	28	**472,069,130**	348,040,283
Mandatory reserve deposits with the ECCB		**150,362,073**	140,402,368
Total cash and balances with the Central Bank		**622,431,203**	488,442,651
Current		**622,431,203**	488,442,651

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. As of September 30, 2022 the balance was $108,274,599 (2021: $99,410,094).

In accordance with sections 28 and 29 of the Payment Systems Act, the Group entered into a Participant Collateral and Settlement Agreement and is required to maintain collateral with the ECCB to use the Eastern Caribbean Automatic Clearing House ("ECACH"). The collateral is calculated annually by ECCB based on a multiple of the average daily gross obligations over a period predetermined by the ECCB, in consultation with the ECACH and the Group. The Group is required to maintain the collateral with the ECCB. As of September 30, 2022 and 2021, the balance was $40,992,274.

(expressed in Eastern Caribbean dollars)

9 Due from other banks

	Note	2022 $	2021 $
Term deposits and operating accounts with other banks with original maturities of 3 months or less		**126,662,108**	262,103,021
Items in the course of collection from other banks		**18,549,634**	11,983,339
Included in cash and cash equivalents	28	**145,211,742**	274,086,360
Term deposits and operating accounts with other banks with original maturities greater than 3 months		**66,054,950**	11,692,478
Add: Interest receivable		**1,259,589**	991,845
Less: Provision for expected credit losses (ECL)		**(321,529)**	(174,353)
Total due from other banks		**212,204,752**	286,596,330
Current		**212,204,752**	286,596,330

	2022 $	2021 $
The movement in expected credit losses is as follows:		
Balance, beginning of the year	**172,934**	174,353
Increase in expected credit losses	**148,595**	–
Balance, end of the year	**321,529**	174,353

(expressed in Eastern Caribbean dollars)

10 Treasury bills

	Note	Nominal value 2022 $	Cost 2022 $	Nominal value 2021 $	Cost 2021 $
Treasury bills at amortised cost – OECS Governments with original maturities of 3 months or less and interest rates ranging from 3.75% to 7.0%		**30,676,000**	**30,262,099**	30,676,000	35,218,844
Included in cash and cash equivalents	28	**30,676,000**	**30,262,099**	35,676,000	35,218,844
Treasury bills at amortised cost – OECS Governments with original maturities greater than 3 months and interest rates ranging from 3.50% to 5.75%		**61,143,978**	**61,143,978**	63,749,617	63,324,451
Interest receivable		–	**1,211,761**	–	1,172,352
Less: Provision for expected credit losses (ECL)		–	**(2,912,120)**	–	(481,212)
Total treasury bills		**91,819,978**	**89,705,718**	99,425,617	99,234,435

The movement in expected credit losses is as follows:

	2022 $	2021 $
Balance, beginning of the year	**481,212**	468,957
Increase in expected credit losses	**2,430,908**	12,255
Balance, end of the year	**2,912,120**	481,212

(expressed in Eastern Caribbean dollars)

11 Loans and advances

	2022 $	2021 $
Commercial loans	**553,855,529**	458,900,144
Mortgages	**360,174,747**	366,020,903
Personal loans	**99,243,017**	175,199,821
Overdrafts	**63,692,784**	55,356,892
Credit card advances	**11,037,439**	108,550
	1,088,003,516	1,055,586,310
Gross loans		
Less: Provision for expected credit losses	**(49,575,851)**	(57,814,048)
	1,038,427,665	997,772,262
Add: Interest receivable	**11,901,315**	19,268,237
Less: Deferred interest income	**(190,037)**	(106,488)
Less: Deferred fees	**(2,829,204)**	(3,947,641)
Total loans and advances	**1,047,309,739**	1,012,986,370
Current	**171,678,568**	80,760,577
Non-current	**875,631,171**	932,225,793
	1,047,309,739	1,012,986,370

Interest rates
The weighted average effective interest rate on performing loans and advances excluding overdrafts as of September 30, 2022 was 7% (2021: 7%), and overdrafts were 9% (2021: 9%).

Loans write-off
There were no loans written off during the years ended September 30, 2022 and 2021.

(expressed in Eastern Caribbean dollars)

11 Loans and advances…*continued*

11.1 Provision for expected credit losses

The movement in the provision for expected credit losses is as follows:

	2022 $	2021 $
Balance, beginning of year	**57,814,048**	60,697,238
Provision for credit losses	**(3,719,757)**	(826,557)
Recoveries	**(7,133,445)**	(850,480)
Reclassification of off-balance sheet items	**2,615,005**	–
Write off of impaired loan balances	**–**	(1,206,153)
	49,575,851	57,814,048

The provision for/(recovery of) credit losses shown in the statement of income is comprised as follows:

	2022 $	2021 $
(Recovery)/provision on loans and advances	**(3,605,673)**	496,029
Recovery of loans acquired - no longer required	**–**	(16,384,924)
Balance, end of year	**(3,605,673)**	(15,888,895)

According to the ECCB loan provisioning guidelines, the calculated provision for expected credit losses amounts to $69,580,472 (2021: $36,439,270). The gross carrying value of impaired loans at the year-end was $46,055,998 (2021: $38,496,282). Interest receivable on loans that would not be recognised under ECCB guidelines amounted to $7,820,943 (2021: $4,883,136) and is included in the specific regulatory reserve (note 24).

(expressed in Eastern Caribbean dollars)

11 Loans and advances…*continued*

11.1 Provision for expected credit losses…*continued*

Reconciliation of the provision for expected credit losses on loans and advances by class is as follows:

September 30, 2021

Provision for Expected Credit Losses (ECL)

	Performance		Impaired	
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	$	**$**	**$**	**$**
Balance, beginning of year	7,878,616	14,322,340	38,496,282	60,697,238
Provision for/ (recovery of) credit losses	475,314	(10,918,219)	7,559,715	(2,883,190)
Balance, end of year	8,353,930	3,404,121	46,055,997	57,814,048

September 30, 2022

Provision for Expected Credit Losses (ECL)

	Performance		Impaired	
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	$	**$**	**$**	**$**
Balance, beginning of year	8,353,930	3,404,121	46,055,997	57,814,048
Provision for/ (recovery of) credit losses	1,706,915	(1,484,517)	(8,460,595)	(8,238,197)
Balance, end of year	**10,060,845**	**1,919,604**	**37,595,402**	**49,575,851**

(expressed in Eastern Caribbean dollars)

11 Loans and advances…*continued*

11.1 Provision for expected credit losses…*continued*

A breakdown of the staging of advances and the related ECLs for loans and advances is illustrated below:

	Personal $	Commercial $	Mortgages $	Overdrafts $	Credit Cards $	Total $
September 30, 2022						
Gross loans before ECL	**99,243,017**	**553,855,529**	**360,174,747**	**63,692,784**	**11,037,439**	**1,088,003,516**
Stage 1: 12 month ECL	**(2,832,901)**	**(2,200,986)**	**(679,162)**	**(2,048,987)**	**(2,298,809)**	**(10,060,845)**
Stage 2: Lifetime ECL	**(541,652)**	**(30,861)**	**(117,905)**	**(1,033,640)**	**(195,544)**	**(1,919,602)**
Stage 3: Credit Impaired financial assets – ECL	**(5,228,656)**	**(22,358,861)**	**(2,925,620)**	**(5,262,475)**	**(1,819,792)**	**(37,595,404)**
	90,639,808	**529,264,821**	**356,452,060**	**55,347,682**	**6,723,294**	**1,038,427,665**

	Personal $	Commercial $	Mortgages $	Overdrafts $	Credit Cards $	Total $
September 30, 2021						
Gross loans before ECL	175,199,821	458,900,144	366,020,903	55,356,892	108,550	1,055,586,310
Stage 1: 12 month ECL	(1,130,731)	(3,540,569)	(445,816)	(3,214,532)	–	(8,331,648)
Stage 2: Lifetime ECL	(132,909)	(984,479)	(129,677)	(2,179,337)	–	(3,426,402)
Stage 3: Credit Impaired financial assets – ECL	(16,368,948)	(19,015,157)	(5,703,161)	(4,968,731)	–	(46,055,997)
	157,567,233	435,359,939	359,742,249	44,994,292	108,550	997,772,263

(expressed in Eastern Caribbean dollars)

12 Other assets

	2022 $	2021 $
Merchant and card receivables	**28,817,753**	33,384,120
Depositor Protection Trust (DPT)	**5,774,514**	6,418,024
Miscellaneous receivables	**2,410,774**	6,957,660
Prepayments	**2,337,220**	1,485,903
Suspense assets	**163,569**	(36,722)
Total other assets - gross	**39,503,830**	48,208,985
Less: provision for expected credit losses on DPT	**(2,052,367)**	(2,239,465)
Total other assets – net	**37,451,463**	45,969,520

The amount classified as Depositor Protection Trust represents 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 should be repaid in line with an agreed payment schedule, scheduled to be completed by 2025 earning interest at a rate of 2% per annum.

	2022 $	2021 $
The movement in expected credit losses is as follows:		
Balance, beginning of the year	**2,239,465**	1,941,665
Increase in expected credit losses	**(187,098)**	297,800
Balance, end of the year	**2,052,367**	2,239,465

The amount classified as Merchant and card receivables represents funds due for merchants and card settlements from Caribbean Credit Card Corporation and Royal Bank of Canada. This amount is revolving on a constant basis based on the level of customer transactions and there are no specific payment terms, but the amounts are cleared on an ongoing basis.

(expressed in Eastern Caribbean dollars)

13 Investment securities

	2022 $	2021 $
Securities measured at amortised cost		
Debt securities at amortised cost		
- Unlisted	**60,984,467**	30,944,609
- Listed	**46,986,719**	36,970,509
Interest receivable	**1,328,412**	1,025,051
Less: provision for expected credit losses	**(5,717,792)**	(4,125,470)
Total securities at amortised cost	**103,581,806**	64,814,699
Securities measured at FVOCI		
Equity securities at fair value		
- Unlisted	**34,074,331**	31,518,656
- Listed	**9,003,758**	9,048,545
Total equity securities	**43,078,089**	40,567,201
Total securities at FVOCI	**43,078,089**	40,567,201
Securities measured at FVTPL		
Equity securities:		
- Listed	**38,725,624**	16,452,711
Total equity securities	**38,725,624**	16,452,711
Debt securities:		
- Listed	**68,255,743**	48,313,030
Interest receivable	**336,089**	–
Total debt securities	**68,591,832**	48,313,030
Total securities at FVTPL	**107,317,456**	64,765,741
Total investment securities	**253,977,351**	170,147,641

All debt securities have fixed interest rates.

For investments in equity securities that are designated at FVOCI, this designation was made because the investments are expected to be held for the long term for strategic purposes.

None of these strategic investments were disposed of during the year ended September 30, 2022 (2021: nil), and there were no transfers of any cumulative gain or loss within equity relating to these investments (2021: nil). The change in fair value on these investments was $2,288,428 (2021: $3,515,296) for the year ended September 30, 2022.

(expressed in Eastern Caribbean dollars)

13 Investment securities…*continued*

The movements in investment securities during the year are as follows:

	FVOCI $	FVTPL $	Amortised Cost $	Total $
As of October 1, 2020	36,370,181	53,059,972	64,382,962	153,813,115
Additions	2,210,225	31,444,040	81,330,298	114,984,563
Reclassification as cash	–	(13,175,903)	–	(13,175,903)
Disposals (sales and redemptions)	–	(8,120,169)	(80,998,456)	(89,118,625)
Movement in accrued interest	–	–	(380,613)	(380,613)
Change in fair value	1,986,795	1,557,801	434,778	3,979,374
Movement in Premium/Discount	–	–	90,015	90,015
Movement in provision for expected credit losses	–	–	(44,285)	(44,285)
As of September 30, 2021	40,567,201	64,765,741	64,814,699	170,147,641
As of October 1, 2021	**40,567,201**	**64,765,741**	**64,814,699**	**170,147,641**
Additions	**–**	**76,415,865**	**58,699,455**	**135,115,320**
Reclassification as cash	**–**	**(1,590,140)**	**(1,906,400)**	**(3,496,540)**
Disposal (sales and redemptions)	**–**	**(18,025,725)**	**(17,552,462)**	**(35,578,187)**
Movement in accrued interest	**–**	**(45,111)**	**684,563**	**639,452**
Change in fair value	**2,510,887**	**(14,203,173)**	**–**	**(11,692,286)**
Movement in Premium/Discount	**–**	**–**	**434,274**	**434,274**
Movement in provision for expected credit losses	**–**	**–**	**(1,592,323)**	**(1,592,323)**
As of September 30, 2022	**43,078,088**	**107,317,457**	**103,581,806**	**253,977,351**

(expressed in Eastern Caribbean dollars)

13 Investment securities…*continued*

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's credit rating system and year end stage classification for investments.

	Stage 1 12 Month ECL $	Stage 2 Lifetime ECL $	Stage 3 Credit Impaired Financial Assets Lifetime ECL $	Total $
		$		
September 30, 2022				
Gross exposure	105,299,598	–	4,000,000	109,299,598
Expected credit losses (ECL)	(1,717,792)	–	(4,000,000)	(5,717,792)
		–		
Net exposure	103,581,806	–	–	103,581,806
		–		
ECL provision as of October 1, 2021	125,470	–	4,000,000	4,125,470
ECL on new instruments issued during the year	1,592,322	–	–	1,592,322
Repayments and maturities	–	–	–	–
		–		
As of September 30, 2022	1,717,792	–	4,000,000	5,717,792

(expressed in Eastern Caribbean dollars)

13 Investment securities…*continued*

	Stage 1 12 Month ECL $	Stage 2 Lifetime ECL $	Stage 3 Credit Impaired Financial Assets Lifetime ECL	Total $
September 30, 2021				
Gross exposure	64,940,169	–	4,000,000	68,940,169
Expected credit losses	(125,470)	–	(4,000,000)	(4,125,470)
Net exposure	64,814,699	–	–	64,814,699
ECL provision as of October 1, 2020	619,337	–	4,000,000	4,619,337
ECL on new instruments issued during the year	288	–	–	288
Repayments and maturities	(494,155)	–	–	(494,155)
As of September 30, 2021	125,470	–	4,000,000	4,125,470

(expressed in Eastern Caribbean dollars)

14 Property and equipment

	Land $	Buildings & building Improve-ments $	Furniture and fixtures $	Equipment $	Motor Vehicles $	Computer Hardware $	Computer Software $	Leasehold Improve-ments $	Work in Progress $	Total $
As of September 30, 2020										
Cost or valuation	9,465,000	16,486,211	5,962,197	11,218,237	911,468	14,712,892	9,155,469	280,283	5,256,449	73,448,206
Accumulated depreciation	–	(470,200)	(5,663,153)	(9,274,146)	(682,131)	(13,715,406)	(8,754,320)	(149,547)	–	(38,708,903)
Net book amount	9,465,000	16,016,011	299,044	1,944,091	229,337	997,486	401,149	130,736	5,256,449	34,739,303
Year ended September 30, 2021										
Opening net book amount	14,763,710	16,099,102	980,666	1,944,092	316,288	993,947	400,818	130,738	5,264,879	40,894,240
Additions	3,066,498	3,220,722	17,338	250,369	74,933	467,665	124,588	–	1,857,447	9,079,560
Disposals	–	–	(747,731)	–	(351,566)	(31,413)	–	–	–	(1,130,710)
Accumulated depreciation - disposals/adjustment	–	–	595,509	–	351,566	5,336	–	–	–	952,411
Transfers	–	–	–	37,993	–	346,712	–	–	(384,705)	–
Revaluation gain/(loss)	213,823	–	–	–	–	–	–	–	–	213,823
Adjustment to cost	8,439	–	–	–	–	–	–	–	–	8,439
Depreciation charge	–	(819,362)	(271,665)	(396,557)	(110,273)	(734,163)	(288,468)	(16,347)	–	(2,636,835)
Closing net book amount	18,052,470	18,500,462	574,117	1,835,897	280,948	1,048,084	236,938	114,391	6,737,621	47,380,928
As of September 30, 2021										
Cost or valuation	18,052,470	20,106,631	16,685,982	11,484,249	701,083	15,495,860	9,280,069	280,284	6,737,621	98,824,249
Accumulated depreciation	–	(1,606,169)	(16,111,865)	(9,648,352)	(420,135)	(14,447,776)	(9,043,131)	(165,893)	–	(51,443,321)
Net book amount	**18,052,470**	**18,500,462**	**574,117**	**1,835,897**	**280,948**	**1,048,084**	**236,938**	**114,391**	**6,737,621**	**47,380,928**

(expressed in Eastern Caribbean dollars)

14 Property and equipment…*continued*

	Land & Buildings & building Improvements $	Furniture and fixtures $	Equipment $	Motor Vehicles $	Computer Hardware $	Computer Software $	Leasehold Improvements $	Work in Progress $	Total $
Year ended September 30, 2022									
Opening net book amount	36,552,932	574,117	1,835,897	280,948	1,048,084	236,938	114,391	6,737,621	47,380,928
Additions	1,435,973	19,076	96,788	143,375	97,214	43,739	–	3,098,818	4,934,983
Disposals/ adjustments	–	(3,667)	(2,220)	–	–	–	–	(500,740)	(506,627)
Transfers	1,408,276	208,380	298,335	–	1,603,339	1,007,442		(4,525,772)	–
Adjustment cost	33,038	1,494	(26,734)	–	–	–	–	17	7,815
Depreciation charge	(735,290)	(262,857)	(458,939)	(118,975)	(658,483)	(834,481)	(28,028)	–	(3,097,053)
Closing net book amount	**38,694,929**	**536,543**	**1,743,127**	**305,348**	**2,090,154**	**453,638**	**86,363**	**4,809,944**	**48,720,046**
As of September 30, 2022									
Cost or valuation	41,036,388	16,911,265	11,850,418	844,458	17,196,413	10,331,250	280,284	4,809,944	103,260,420
Accumulated depreciation	(2,341,459)	(16,374,722)	(10,107,291)	(539,110)	(15,106,259)	(9,877,612)	(193,921)	–	(54,540,374)
Net book amount	**38,694,929**	**536,543**	**1,743,127**	**305,348**	**2,090,154**	**453,638**	**86,363**	**4,809,944**	**48,720,046**

(expressed in Eastern Caribbean dollars)

14 Property and equipment…*continued*

Work in progress largely comprises of costs expended to improve on the Group's Information Technology infrastructure, as well as preparation for the conversion of the Royal Bank of Canada's core banking systems.

As of September 30, 2019, 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 a gain amounting to $1,300,392. The remaining revaluation surplus of $585,000 is within 'other reserves' within shareholders' equity (note 24).

The following is the historical cost carrying amount of land and buildings carried at revalued amounts as of September 30, 2022.

	Land $	Buildings $	Total $
Cost	3,562,078	31,608,727	35,170,805
Accumulated depreciation	–	(16,976,702)	(16,976,702)
Net book value	**3,562,078**	**14,632,025**	**18,194,103**

The following is the historical cost carrying amount of land and buildings carried at revalued amounts as of September 30, 2021.

	Land $	Buildings $	Total $
Cost	3,562,078	31,608,727	35,170,805
Accumulated depreciation	–	(16,241,412)	(16,241,412)
Net book value	3,562,078	15,367,315	18,929,393

(expressed in Eastern Caribbean dollars)

14 Property and equipment…*continued*

Valuation techniques	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Income based approach: This is a method of estimating the present worth of the rights to future benefits to be derived from the ownership of a specific interest in a specific property under given market conditions. In property valuation, the future rights can be expressed as the right to receive an income from the property. The net income must then be capitalised at an appropriate rate to reflect the security of income, expectations of rental growth etc. The income method of valuation is considered most appropriate for income producing properties such as commercial premises.	• Net cash flows • Capitalisation rate	The estimated fair value would increase/(decrease) if: • Net cash flows were higher/(lower) • Capitalisation rates were lower/(higher)

(expressed in Eastern Caribbean dollars)

15 Leases

The Group mainly leases office spaces used in its operations. Rental contracts for these leases are typically made for fixed periods but may have extension options.

With respect to any extension options, these are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

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

The Group also leases ATM space for fixed periods. These leases are short-term in nature. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the year:

	Right of Use Asset $	**Lease Liability $**
Balance as of October 1, 2021	781,178	785,082
Addition	1,982,421	2,602,064
Depreciation expense	(694,856)	–
Early Termination	(180,612)	(459,308)
Interest expense	–	21,252
Principal payments	–	(823,975)
As of September 30, 2022	**1,888,131**	**2,125,115**

Additions to the right-of-use asset during the year were $1,982,421 (2021: $Nil).

(expressed in Eastern Caribbean dollars)

16 Post-employment benefits

The Group sponsors pension and upon acquisition of RBTT Grenada Bank Ltd, other post-employment benefits to permanent employees. The defined benefit pension plan provides pension benefits based on years of service, contributions and earnings at retirement. The assets of the plans are held in trustee administered funds. The Board of Trustees comprises trustees appointed by the Board of Directors and 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.

The Plans are valued every three years by an independent qualified actuary.

In respect of the post-employment benefits offered by the Group, the amounts recognised in the statement of financial position are as follows:

	Pension	Other Post Employment benefit	2022 $	2021 $
Present value of funded obligations	(28,544,243)	(795,320)	**(29,339,563)**	(27,683,390)
Fair value of plan assets	34,449,735	–	**34,449,735**	36,629,498
Net asset – end of year	5,905,492	(795,320)	**5,110,172**	8,946,108

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

	Pension	Other Post employment benefit	2022 $	2021 $
Fair value of plan assets - beginning of year	36,629,498	–	**36,629,498**	36,369,417
Contributions – employer and employee	1,121,202	–	**1,121,202**	841,567
Benefits paid	(1,754,713)	–	**(1,754,713)**	(2,494,626)
Plan administration expenses:	(58,943)	–	**(58,943)**	(107,280)
Adjustment	–	–	**–**	(4,954)
Actuarial Gain (Loss)	(4,029,201)	–	**(4,029,201)**	(223,560)
Interest on plan assets	2,541,892	–	**2,541,892**	2,248,934
Fair value of plan assets - end of year	**34,449,735**	–	**34,449,735**	**36,629,498**

(expressed in Eastern Caribbean dollars)

16 Post-employment benefits…*continued*

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

	Pension	Other Post Employment benefit	2022 $	2021 $
Present value of funded obligations - beginning of year	(27,062,203)	(621,187)	**(27,683,390)**	(30,114,287)
Current service cost	(815,375)	(12,272)	**(827,647)**	(982,410)
Interest cost	(1,848,017)	(43,902)	**(1,891,919)**	(1,790,326)
Benefits paid	1,754,713	12,100	**1,766,813**	2,505,718
Remeasurement	(551,308)	–	**(551,308)**	(41,581)
Actuarial Gain (Loss)	(22,053)	(130,059)	**(152,112)**	2,739,496
Present value of funded obligations - end of year	**(28,544,243)**	**(795,320)**	**(29,339,563)**	**(27,683,390)**

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

	Pension	Other Post Employment benefit	2022	2021
Current service cost	400,141	12,272	**412,413**	(63,226)
Net interest on the net defined benefit liability/asset	(693,875)	43,902	**(649,972)**	492,044
Plan administration expenses	58,943	–	**58,943**	(45,630)
Net amount recognized in the statement of comprehensive income	(234,791)	56,174	**(178,616)**	383,188

(expressed in Eastern Caribbean dollars)

16 Post-employment benefits…*continued*

The amounts recognised in other comprehensive income are as follows:

	Pension	Other Post employment benefit	2022 $	2021 $
Actuarial (loss)/gain for the year – obligation	(573,361)	–	**(573,361)**	1,986,999
Actuarial loss for the year – plan assets	(4,029,201)	130,058	**(3,899,143)**	528,937
Actuarial loss recognised in other comprehensive income	(4,602,562)	130,058	**(4,472,504)**	2,515,936

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

	2022	2021 $	2020 $	2019 $	2018 $
Plan assets	34,449,735	36,629,498	26,302,191	25,706,542	25,749,002
Defined benefit obligation	(29,339,563)	(27,683,390)	(19,173,287)	(18,144,779)	(17,639,500)
Surplus	5,110,172	8,946,108	7,128,904	7,561,763	8,109,502

Principal actuarial assumptions used for accounting purposes were as follows:

	2022	2021 $
Discount rate	7.0%	7.0%
Future promotional salary increases	3.5-4.5%	3.5-4.5%
Health care costs trend	5.0%	5.0%
Salary increases – pension	2.25%	2.25%

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(expressed in Eastern Caribbean dollars)

17 Customers' deposits

	2022 $	2021 $
Savings accounts	**798,782,265**	893,039,355
Current accounts	**628,882,156**	435,017,394
Time deposits	**365,562,805**	374,714,742
Other deposits	**185,235,545**	111,036,803
	1,978,462,771	1,813,808,294
Add : Interest payable	**3,807,954**	5,395,304
Total deposits due to customers	**1,982,270,725**	1,819,203,598
Current	**1,817,077,255**	1,656,279,016
Non-current	**165,193,470**	162,924,582
	1,982,270,725	1,819,203,598

18 Provisions and other liabilities

	2022 $	2021 $
Trade payables and accrued expenses	**19,170,405**	27,214,058
Unpresented cheques	**7,582,389**	6,678,801
Manager's cheques	**3,144,429**	5,027,009
Provisions (1)	**1,819,465**	5,148,109
Escrow accounts	**1,581,175**	2,907,743
Statutory deductions payable	**236,920**	4,056
Miscellaneous payables	**154,785**	430,488
Total provisions and other liabilities	**33,689,568**	47,410,264
Current	**32,108,393**	45,852,468
Non-current	**1,581,175**	1,557,796
	33,689,568	47,410,264

(1) Provisions relate to expected credit losses on loan commitments and financial guarantee contracts.

(expressed in Eastern Caribbean dollars)

19 Dividends

No dividend was paid during the year ended September 30, 2022. A dividend in respect of the 2021 financial year end of $7,000,000 was recorded and paid in 2023. This represented $0.70 per share.

The dividend proposed subsequent to year end in respect of the 2022 financial year end is $0.21 for each unit of paid-up share capital, or EC$ 2,076,349. The consolidated financial statements for the year ended September 30, 2022 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, 2024.

20 Taxation

	2022 $	2021 $
Income tax payable		
Income tax payable, beginning of year	**3,717,034**	1,335,016
Current tax expense	**4,122,763**	2,812,375
Windfall tax	–	1,844,724
Under accrual in prior years	**(1,666)**	79,158
Payments made during the year	–	(2,354,239)
Income tax payable, end of year	**7,838,131**	3,717,034

In accordance with the laws of Antigua and Barbuda, the Parent Bank currently pays tax at a rate of 25%. In Grenada, tax is paid at a rate of 28%. ACB Mortgage and Trust Company Limited pays tax at a concessionary rate of 20%.

(expressed in Eastern Caribbean dollars)

20 Taxation…*continued*

A reconciliation of the income tax attributable to the operations for the year, using the statutory rate of 25% is as follows:

	2022 $	2021 $
Income tax expense		
Income before tax	**9,247,970**	57,048,027
Income tax expense at 25% statutory rate	**2,199,267**	7,006,311
Effect of interest income not subject to tax	**(2,334,302)**	(784,119)
Effect of dividend income not subject to tax	**(109,985)**	(1,047,681)
Effect of untaxable income	–	54,836
Effect of deferred taxes	–	83,864
Tax allowances	–	–
Effect of other permanent differences	**678,062**	438,461
Windfall tax	–	1,844,724
Loss utilized	**536,535**	–
Prior year (over)/under accrual	**(27,003)**	79,158
Actual income tax expense	**942,574**	7,675,554

(expressed in Eastern Caribbean dollars)

20 Taxation…*continued*

	2022 $	2021 $
Deferred tax liability		
Balance, beginning of year	**10,063,249**	3,589,557
(Credit)/charge for the year	**(3,415,612)**	2,939,297
Movement on revaluation of FVOCI	–	(180,271)
Deferred tax on gain on bargain purchase	–	2,166,696
Other	**(338,691)**	(469,921)
Actuarial gain (loss)	**(571,171)**	44,891
Balance due to acquisitions	–	1,973,000
Balance, end of year	**5,737,775**	10,063,249

The components of the deferred tax liability are as follows:

	2022 $	2021 $
Capital Allowance	-	(254,825)
Regulatory loan loss reserve	**5,582,598**	6,655,749
Pension asset	**361,870**	1,936,578
Revaluation of FVOCI	**542,296**	999,349
Expected credit losses – Stage 1 and 2	**(87,445)**	(2,667,398)
Deferred commission fees	**(458,605)**	(536,687)
Unrealised gains	**(3,253,600)**	656,013
Decelerated capital allowances	**(236,108)**	(508,472)
Acquisition related balance	**1,973,000**	1,973,000
Deferred tax on gain in bargain purchase	**2,166,696**	2,166,696
Other	**(854,638)**	(185,801)
Tax losses carried forward	**1,711**	(170,953)
	5,737,775	10,063,249

(expressed in Eastern Caribbean dollars)

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, or of a parent 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).

   viii) The entity, or any member of a group of which it is part, provides key management personnel services to the Group or its parent.

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

A number of banking transactions were entered into with related parties in the normal course of business. These include loans, deposits and other transactions. With the exception of the amounts due from/to parent company, these transactions were carried out on commercial terms and at market rates.

(expressed in Eastern Caribbean dollars)

21 Related party balances and transactions…*continued*

	2022 $	2021 $
Loans to directors and key members of management		
Loans outstanding at beginning of year	**2,558,212**	1,261,029
Change in status	**66,334**	586,581
Loans advanced during the year	**1,331,795**	1,555,828
Loan repayments during the year	**(864,493)**	(845,126)
Loans outstanding at end of year	**3,091,948**	2,558,312

Interest income earned on directors' and key members of management's loans and advances during the year is $146,403 (2021: $96,143) The interest rate on these loans ranges from 4% to 11% (2021: 4% to 11%) and they are granted on an arm's length basis.

	2022 $	2021 $
Deposits by directors and key members of management		
Deposits at beginning of year	**10,012,204**	8,641,295
Change in status	**265,309**	161,573
Deposits received during the year	**22,835,662**	14,010,882
Deposits repaid/reclassified during the year	**(30,004,635)**	(12,801,546)
Deposits at end of year	**3,108,540**	10,012,204

Interest expense paid on directors' and key members of management's deposits during the year amounted to $92,158 (2021: $41,684]). The average interest rate on these deposits is 2% (2021: 2%) and they are accepted on an arm's length basis.

(expressed in Eastern Caribbean dollars)

21 Related party balances and transactions…*continued*

Remuneration of key management personnel

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

	2022 $	2021 $
Salaries and wages	**1,268,412**	1,007,215
Directors' fees and expenses	**1,177,577**	1,032,319
Other staff costs	**418,094**	240,791
Pension costs	**36,573**	25,678
	2,900,656	2,306,003

22 Stated capital

	2022 $	2021 $
Authorised share capital:		
150,000,000 ordinary 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

	2022 $	2021 $
Balance, beginning of year	**30,171,043**	26,059,962
Transfer from profit after taxation	**661,802**	4,111,081
Balance, end of year	**30,832,845**	30,171,043

The statutory reserve is based on the following statutes:

- Section 45 of the Antigua and Barbuda Banking Act No. 10 of 2015 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 Bank's paid-up share capital.
- The Grenada Bank Act No. 20 of 2015 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 that the Bank's paid-up share capital.
- Under the Financial Institutions (Non-Banking) Act, at least 10% of the net income of each year should be transferred to a reserve fund whenever the fund is less that the Company's paid-up share capital.

(expressed in Eastern Caribbean dollars)

24 Other reserves

	2022 $	2021 $
Revaluation reserve – FVOCI equity investments	**27,102,595**	24,739,503
Regulatory reserve for loan loss and interest recognized	**28,838,445**	27,595,101
Capital reserve	**7,461,949**	7,461,949
Revaluation reserve – property	**5,902,922**	6,039,754
Pension reserve	**4,959,586**	7,741,583
Total other reserves	**74,265,497**	73,577,890

(a) *Capital reserve*
Included in this balance is an amount of $6,171,428 recorded in prior years for share premium recognised.

(b) *Regulatory reserve for loan loss and interest recognised.*

	2022 $	2021 $
Balance, beginning of year	**27,595,101**	27,912,286
Increase/(decrease) in reserve for regulatory purposes	**1,243,344**	(317,185)
Balance, end of year	**28,838,445**	27,595,101

This reserve represents the additional loan loss provision required by the Eastern Caribbean Central Bank's (ECCB) prudential guidelines as compared to the provision measured in accordance with International Financial Reporting Standards (IFRS), including interest on loans not recognised for regulatory purposes. As of September 2022, the provision under the ECCB guidelines is more than that as required under IFRS 9 by $19,274,949 while in the prior year the provision under ECCB guidelines was less than IFRS 9. In the prior year, the amount of loan loss reserve in excess of the required amount was voluntarily maintained by the Group. Interest on loans not recognised for regulatory purposes is $7,820,943 (2021: $4,833,130) and this has been set aside within the reserve. The amount of the loan loss reserve in excess of this required amount of $1,525,721 (2021: $20,800,670) has therefore been maintained by the Group voluntarily.

	2022 $	2021 $
The regulatory reserve is represented by:		
Reserve for loan impairment – ECCB	**19,491,781**	22,761,965
Reserve for interest on non-performing loans	**7,820,943**	4,833,136
Reserve for loan impairment – ECCB (voluntary)	**1,525,721**	–
Balance, end of year	**28,838,445**	27,595,101

(expressed in Eastern Caribbean dollars)

24 Other reserves…*continued*

(c) Revaluation reserve – FVOCI Investments

	2022 $	2021 $
Balance, beginning of year	**24,739,503**	22,572,436
Increase in market value of securities, net of tax of $nil (2021: $180,271)	**2,363,092**	2,167,067
Balance, end of year	**27,102,595**	24,739,503

This reserve reflects the unrealised gains or losses on FVOCI equity securities as at the reporting date as a result of changes in the fair value of the securities.

(d) Revaluation reserve - Property

	2022 $	2021 $
Balance, beginning of year	**6,039,754**	5,902,922
Change in revaluation reserve	**(136,832)**	136,832
Balance, end of year	**5,902,922**	6,039,754

This reserve represents the surplus on valuation of the Group's land (note 14).

(e) Pension reserve

	2022 $	2021 $
Balance, beginning of year	**7,741,583**	7,128,904
Change in pension reserve	**(2,781,997)**	612,679
Balance, end of year	**4,959,586**	7,741,583

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

(expressed in Eastern Caribbean dollars)

25 Other operating income

	2022 $	2021 $
Fees and commissions	**16,509,108**	13,116,983
Foreign exchange	**10,431,897**	7,456,488
Loan write-off recoveries	**1,724,172**	795,562
Miscellaneous income	**909,814**	856,709
Dividend income	**523,273**	258,610
Realised gains on FVTPL securities	**200,856**	1,188,526
Rental income	**–**	60,240
Unrealised (losses)/gains on FVTPL securities	**(14,786,641)**	1,845,575
Total other operating income	**15,512,479**	25,578,693

(expressed in Eastern Caribbean dollars)

25 Other operating income…*continued*

Performance obligations and revenue recognition policies

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

For the accounting policy for fees and commissions in the scope of IFRS 9, see Note 4.10; and for the accounting policy for onerous contracts, see Note 4.4.

Type of service	*Nature and timing of satisfaction of performance obligations, including significant payment terms*	*Revenue recognition policies under IFRS 15*
Retail and corporate banking service	The Group provides banking services to retail and corporate customers, including account management, provision of overdraft facilities, foreign currency transactions, credit card and servicing fees. Fees for ongoing account management are charged to the customer's account on a monthly basis. The Group sets the rates separately for retail and corporate banking customers on an annual basis. Transaction-based fees for interchange, foreign currency transactions and overdrafts are charged to the customer's account when the transaction takes place. Servicing fees are charged on a monthly basis and are based on fixed rates reviewed annually by the Group.	Revenue from account service and servicing fees is recognized over time as the services are provided. Revenue related to transactions is recognised at the point in time when the transaction takes place.

(expressed in Eastern Caribbean dollars)

26 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.

	2022 $	2021 $
Net profit attributable to shareholders	**7,369,722**	48,577,555
Weighted average number of ordinary shares in issue	**10,000,000**	10,000,000
Basic and diluted earnings per share (EPS)	**0.74**	4.86

27 Contingencies and commitments

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:

	Up to 1 year	Total
As of September 30, 2022		
Loan commitments (undrawn)	**107,945,486**	**107,945,486**
As of September 30, 2021		
Loan commitments (undrawn)	92,371,549	92,371,549
As of September 30, 2022		
Financial guarantee contracts	**7,231,982**	**7,231,982**
As of September 30, 2021		
Financial guarantee contracts	7,231,982	7,231,982

(expressed in Eastern Caribbean dollars)

28 Cash and cash equivalents

	Notes	2022 $	2021 $
Cash and balances with the Central Bank	8	**472,069,130**	348,040,283
Due from other banks	9	**145,211,742**	274,086,360
Treasury bills	10	**30,262,099**	35,218,844
Total cash and cash equivalents		**647,542,971**	657,345,487

(expressed in Eastern Caribbean dollars)

29 General and administrative expenses

	Notes	2022 $	2021 $
Salaries and related costs	30	**23,830,477**	19,098,493
Four C's operating expenses		**3,784,310**	373,360
Software operating expenses		**3,659,436**	2,846,942
Service charge correspondent banks		**3,328,717**	1,654,351
Acquisition costs		**1,772,819**	8,320,810
Legal and other professional fees		**1,738,489**	1,439,293
Telephone and data charges		**1,484,745**	1,377,173
Subscriptions and fees		**1,406,177**	871,750
Non-credit losses		**1,240,928**	2,276,100
Utilities		**1,239,282**	959,568
Audit fees and expenses		**1,021,996**	1,802,687
Insurance expense		**994,515**	753,925
Repairs and maintenance		**984,428**	726,043
Printing and stationery expenses		**936,522**	724,455
Security services		**867,510**	728,562
Cleaning expenses		**704,519**	583,330
Licenses and taxes		**702,157**	366,686
Advertising and promotion		**691,522**	457,843
Rent		**639,464**	188,855
Investment expenses		**602,534**	287,596
ECACH Charges		**496,926**	365,942
Miscellaneous expenses		**369,439**	181,041
ECCB foreign exchange and commission expenses		**369,304**	91,181
Night depository expenses		**303,211**	379,709
Agency expenses		**220,636**	165,225
Wire services expense		**198,004**	119,544
Shareholders' meeting expenses		**131,296**	161,051
Travel and entertainment		**130,584**	187,061
Vehicle expenses		**112,921**	93,936
Scholarship fund		**111,549**	82,303
Strategic planning expenses		**74,388**	709,100
Covid-19 expenses		**59,930**	41,634
Commission		**58,360**	42,079
Donations		**39,647**	118,200
Bank charges		**–**	4,706
Credit card expenses		**–**	378,605
Total general and administrative expenses		**54,306,742**	48,959,139

(expressed in Eastern Caribbean dollars)

30 Salaries and related costs

	Notes	2022 $	2021 $
Salaries, wages and allowances		**18,067,401**	15,596,628
Pension plan conversion cost (1)		**2,225,492**	–
Statutory deduction costs		**1,473,413**	1,239,015
Staff incentive scheme		**721,746**	748,331
Other benefits		**681,940**	528,570
Training and education		**527,854**	341,621
Group health and life insurance		**315,564**	344,171
Pension credit		**(182,933)**	300,157
Total salaries and related costs		**23,830,477**	19,098,493

(1) The Group's defined benefit pension scheme is underfunded and required Group contributions in excess of the current rate of 5%. This accrual represents projected pension expense to reduce the gap between assets and liabilities.

31 Core intangible assets

	Notes	2022 $	2021 $
Balance, beginning of year		**13,756,893**	–
Amount on acquisition	32	**–**	14,407,200
Amortisation		**(1,260,376)**	(650,307)
As of September 30		**12,496,517**	13,756,893

Core deposit intangibles were acquired through the acquisition of the assets and assumed liabilities of Royal Bank of Canada (Antigua) Branch on April 1, 2021. The remaining useful lives from the acquisition date of the term deposits have been determined to be three years and the current and savings deposits were determined to be 10 years.

(expressed in Eastern Caribbean dollars)

32 Business combinations

On December 11, 2019, the Royal Bank of Canada (RBC) entered into agreements to sell its banking operations in the Eastern Caribbean to a consortium of banks, which included Antigua Commercial Bank Ltd.

The transaction closed on April 1, 2021 with Antigua Commercial Bank Ltd. acquiring the operations of Royal Bank of Canada (Antigua) Branch and 62.08% shareholding in RBTT Bank Grenada Limited. The acquisition of the RBC Antigua operations was done via an Asset Purchase Agreement and the acquisition of the majority shareholding of RBTT Bank Grenada Limited was done via Share Purchase Agreement. The new subsidiary acquired was subsequently renamed ACB Grenada Bank Ltd.

The total consideration paid was $37,079,549 allocated as follows:
- Royal Bank of Canada (Antigua) Branch - $22,033,599
- RBTT Grenada Bank Ltd - $15,045,950

An overview of the details for both transactions follows.

(expressed in Eastern Caribbean dollars)

32 Business combinations…*continued*

Details	Acquisition of Subsidiary	Asset Purchase
Name and Description of Acquiree	ACB Grenada Bank Ltd. (formerly RBTT Bank Grenada Limited)	Royal Bank of Canada (Antigua) Branch Operations
Acquisition Date	April 1, 2021	April 1, 2021
% of Voting Interest Acquired	62.08% Share Transfer from RBTT Bank Caribbean Limited to ACB followed by a name change from RBTT Bank Grenada Limited to ACB Grenada Bank Ltd.	Amalgamation of assets and liabilities of RBC branch with ACB Net Assets
Financial year end	September 30	September 30
	The effect of the financial year end meant transactions for the first five (5) months from November 2020 to March 2021 belong to RBC Caribbean Limited. All transactions from April 1, 2021 belong to the Parent (transactions to September 30, 2021 reflected in the consolidated financial statements).	The effect of the financial year end meant transactions for the first five (5) months from November 2020 to March 2021 belong to RBC Caribbean Limited. All transactions from April 1, 2021 belong to the Parent (transactions to September 30, 2021 reflected in these consolidated financial statements).
Consideration paid	$15,045,950	$22,033,599
Basis used on acquisition	Investment recorded at cost	The asset purchase resulted in the amalgamation of the assets and liabilities of RBC branch (at fair value) with the net assets of the Parent - See table of amounts recognised as of acquisition date.

(expressed in Eastern Caribbean dollars)

32 Business combinations…*continued*

Details	Acquisition of Subsidiary	Asset Purchase
Valuation techniques relied on		**Intangible assets:** (i) Core deposit intangible - Management utilised a cost savings approach to value this intangible based on the assumption that the deposits being acquired have value because the cost of alternative funding is higher. Management then used the discounted cashflow method to derive the present value of the future operating cashflows generated by the net cost savings from the existing deposit accounts plus the present value of any residual value; (ii) Workforce in place valuation was based on the replacement cost method which relied on the savings in training costs and staff costs by inheriting teams in both locations already trained and experienced.
		Loans and advances to customers were valued based on an assessment of fair value of (i) Performing Loans based on the loan's cash flows, discounted at a market interest rate and (ii) Non-Performing Loans using a proxy
		Right-of-use assets were valued as if each lease commenced from the date of acquisition and taking account of the remaining lease liability under the contract and by applying the effective borrowing rate for the Group to each lease to arrive at the present value of lease payments
		Investment securities were valued at fair value using the market price at the acquisition date or last traded date in active markets
		Lease liability is measured as the present value of the lease payments that are not paid at the acquisition date discounted using the Group 's incremental borrowing rate
Goodwill or bargain purchase was calculated as follows:	The consideration paid plus the fair value of the intangible assets acquired minus the fair value of the net identifiable assets acquired.	The consideration paid plus the fair value of the intangible assets acquired minus the fair value of the net identifiable assets acquired.

(expressed in Eastern Caribbean dollars)

32 Business combinations…*continued*

Details	Acquisition of Subsidiary	Asset Purchase
Bargain purchase	Prior to recognising the bargain purchase in the consolidated profit or loss, management undertook a review to ensure the identification of assets and liabilities was complete and the measurements appropriately reflected consideration of all available information	
Acquired receivables		See 'additional details' note for the acquired receivables
Acquisition costs	$3,653,182 incurred and taken to profit or loss	$4,731,326 incurred and taken to profit or loss

(expressed in Eastern Caribbean dollars)

32 Business combinations – additional details

On April 1, 2021, Antigua Commercial Bank Ltd. acquired the Royal Bank of Canada Antigua Branch operations. The acquisition forms part of the Group's strategic plan which sets out an ambitious agenda for growth and profitability over the next three years by creating superior value for customers, shareholders and employees.

Purchase consideration:
Amount settled in cash: EC$22,033,599.

The fair value of the identifiable assets and liabilities of the RBC (Antigua) Branch operations as at the date of acquisition were:

	Asset Purchase $'000	Acquisition of Subsidiary $'000	Total $'000
Cash and cash equivalents	176,221	168,099	344,320
Balances at central bank	36,634	22,845	59,478
Due from associated or affiliated companies	1,080	7,916	8,996
Loans and advances to customers	194,036	128,509	322,545
Securities	722	15,503	16,225
Other assets	4,655	10,868	15,522
PPE	1,674	6,215	7,889
Fair Value adjustments on Financial Assets	4,874	1,240	6,114
Total Tangible Assets	**419,896**	**361,195**	**781,089**
Identifiable Intangible Assets			
Core Deposit Intangibles	6,672	7,738	14,410
Total Identifiable Intangible Assets	6,672	7,738	14,410
	–	–	–
Liabilities			
Due to banks	2,233	–	2,233
Due to associated or affiliated companies	–	340	340
Customer deposits	408,356	300,114	708,470
Taxation payable	30	–	30
Post-retirement benefit obligations	292	–	292
Other liabilities	4,111	6,299	10,411
Total Liabilities	**415,022**	**306,753**	**721,776**
Total Identifiable Net Assets	**11,544**	**62,181**	**73,725**

(expressed in Eastern Caribbean dollars)

32 Business combinations – additional details…*continued*

	Asset Purchase $'000	Acquisition of Subsidiary $'000	Total $'000
Non-Controlling Interest	–	23,578	23,578
Goodwill	(10,490)	(2,076)	(12,566)
Deferred Tax	(1,973)	–	(1,973)
Net Goodwill	**(12,463)**	**(2,076)**	**(14,539)**
Gain on Bargain Purchase	–	25,633	25,633
Deferred Tax	–	2,167	2,167
Net Gain on Bargain Purchase	**–**	**23,466**	**23,466**

The goodwill is attributable to the combined years of banking experience, technical knowledge in credit risk assessment and evaluation processes, established customer relationships and other synergies expected to be achieved from the acquisition. None of the goodwill recognised is expected to be tax deductible. The Group incurred approximately $1,772,819 in acquisition related costs in 2022 (2021: $8,384,508) ($3,653,182 for ACB Grenada Bank Ltd. and $4,731,326 for the RBC Antigua Branch) which have been included in "general and administrative expenses" in profit or loss.

	2022 $000	2021 $000
Goodwill on acquisition	14,539	14,539
Goodwill impairment expense	–	–

Goodwill arising from the April 1, 2021 acquisition of the assumed assets and liabilities of Royal Bank of Canada (Antigua) Branch was determined based on independent valuation of the fair value of the net assets. The carrying amount of goodwill will be reviewed annually for impairment and whenever there are events or changes in circumstances, which indicate that the carrying amount may not be recoverable. The goodwill impairment test will be performed by comparing the recoverable amount of the CGU to which goodwill has been allocated, with the carrying amount of the CGU including goodwill, with any deficiency recognised as impairment to goodwill.

Note 4.18 provides guidance on the basis for accounting for business combinations and measurement of goodwill. As of September 30, 2022 and 2021, goodwill was deemed to not be impaired.

For the six months ended September 30, 2021, the acquired Branch contributed $7,220,105 of interest and other income and $1,646,811 of profit before tax to the Group's results. Had the acquisition occurred on October 1, 2020, it is estimated that contributed interest and other income would have been $17,733,834 and profit before tax, $5,770,834.

(expressed in Eastern Caribbean dollars)

32 Business combinations – additional details…*continued*

Analysis of cash flows on acquisition	**Total $'000**
Net cash acquired – asset purchase	176,221
Net cash acquired-subsidiary acquisition	168,099
Consideration transferred – total	(37,079)
Net cash inflow	307,241

33 Investment in associate

As part of the acquisitions in 2021, the Bank acquired a 20% interest in RBTT Bank Caribbean Limited ('RBTT'). This interest was acquired for nil consideration and was obtained to facilitate the overall acquisitions by the consortium of banks that acquired the interests of Royal Bank of Canada in the Eastern Caribbean. The interest was intended to be held for a short period of time until certain regulatory requirements were satisfied at the level of RBTT Bank Caribbean Limited and another bank within the consortium.

The acquisition of the 20% interest enabled the Bank to have one appointee to the Board of Directors. Antigua Commercial Bank Ltd. was however not involved in the running of RBTT Bank Caribbean Limited and was not involved in the making of any policy decisions, there was no interchange of managerial personnel and ACB did not provide essential technical information to RBTT. As part of the process, an interim operating agreement was executed between RBTT and another bank within the consortium to provide that bank the full ability to operate and manage RBTT's banking business. ACB was indemnified under a consolidated agreement with the other bank from any loss related to this transaction and the operation of RBTT. By Business Vesting Order made on March 1, 2022 but with effect from July 30, 2021, RBTT's Banking Business was transferred and vested in another Bank, as was contemplated under the initial interim operating agreement. RBTT remains a registered company, pending the commencement of liquidation proceedings, subject to the conclusion of certain outstanding matters.

Further to an assessment performed by management, it was concluded that this interest did not provide the Bank with significant influence and additionally, it was determined that the fair value of this interest on initial recognition was nil as there was no economic benefit to be gained from the transaction. As such, no amounts have been recorded in these financial statements related to this transaction.

During the period, no financial or other support was provided to RBTT. The Group did not receive any financial information for RBTT Bank Caribbean as of September 30, 2022, and is therefore unable to disclose such.

34 Comparatives

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

(expressed in Eastern Caribbean dollars)

35 Events after the reporting date

No events have occurred subsequent to the balance sheet date and through the date of the auditor's report that would require adjustment to or disclosure in these financial statements or, although not affecting the financial statements or disclosures have causes or are likely to cause any material related change, adverse or otherwise, in the financial position or results of operations of the Group.