

Our future, Our bank



EASTERN CARIBBEAN AMALGAMATED BANK



# Annual Report 2013

A background collage of four photographs showing business professionals in various settings: a woman in a red blazer, a woman in a white top, a woman in a blue top, and a man in a white shirt. The images are semi-transparent and overlap each other.

## ***OUR VISION***

To be the leading provider of quality banking and financial services locally, regionally and beyond.

## ***OUR MISSION***

To understand and fully meet the needs of customers through product relevance, service excellence and the convenience of technologically-based delivery systems, while making valuable contributions to the development of Antigua and Barbuda and the wider Eastern Caribbean.

## ***STRATEGIC INTENT***

ECAB's strategic intent is Operational Efficiency.  
The Bank's mantra is: Get It Right The First Time, Every Time.

## ***CULTURAL PILLARS***

The operations of the Bank have been built on the pillars of Customer Intimacy and Service Excellence.

# Corporate Information

## **Registered Office and Postal Address**

1000 Airport Boulevard, Coolidge, St. Georges, Antigua  
P.O. Box 315, St. John's, Antigua

## **Branch Locations**

### **Head Office**

1000 Airport Boulevard Coolidge, St. George's, Antigua

### **High Street Branch**

High & Thames Streets, St. John's, Antigua

### **Dockyard Branch**

Nelson's Dockyard, English Harbour, St. Paul's, Antigua

## **ATM Locations**

1000 Airport Boulevard Coolidge, St. George's, Antigua

High & Thames Streets, St. John's, Antigua

Nelson's Dockyard, English Harbour, St. Paul's, Antigua

Jolly Harbour, St. Mary's, Antigua

Epicurean Fine Foods & Pharmacy, Friars Hill, St. John's, Antigua

## **Website**

[www.ecabank.com](http://www.ecabank.com)

## **Email Address**

[info@ecabank.com](mailto:info@ecabank.com)

## **Contact Number**

(268) 480-5300

## **Fax Number**

(268) 480-5433

## **Independent Auditors**

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

## **Correspondent Banking Relationships**

Antigua Commercial Bank Limited  
Bank of America  
Bank of Montserrat Limited  
Bank of Saint Lucia Limited  
Bank of Saint Vincent and Grenadines Limited  
Crown Agents Bank  
Eastern Caribbean Central Bank  
National Bank of Anguilla Limited  
National Bank of Dominica Limited  
RBC Royal Bank (Barbados) Limited  
Republic Bank (Grenada) Limited  
St. Kitts- Nevis – Anguilla National Bank Limited

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# Notice of Annual General Meeting

**NOTICE** is hereby given that the Third Annual General Meeting of the Eastern Caribbean Amalgamated Bank Limited will be held on **Monday, the 31<sup>st</sup> day of March, 2014** at its head office located at 1000 Airport Boulevard, Coolidge, in the parish of St. George's, in Antigua and Barbuda commencing at 5:30 p.m. in the Board Room.

## **AGENDA**

1. Call to Order
2. Prayers
3. Adoption of Agenda
4. Consideration and Confirmation of Minutes of Second Annual General Meeting
5. Chairman's Report
6. Directors' Report
7. Auditors' Report and Financial Statement for the year ending September 30, 2013
8. Appointment of Auditors
9. Increasing the number of Directors
10. Election of Directors and Confirmation of Remuneration
11. Any other Business

Dated this 28<sup>th</sup> day of February, 2014

## **BY ORDER OF THE BOARD OF DIRECTORS**



TRACY BENN-ROBERTS  
Corporate Secretary  
(Effective December 2, 2013)



# Chairman's Report

## **ECONOMIC OVERVIEW**

For the second year in a row, economic activity in Antigua & Barbuda was lethargic with the economy registering a marginal increase in Gross Domestic Product (GDP) of 1.2 percent, similar to that achieved in 2012. The vulnerability of the Antigua and Barbuda economy to external shocks and its dependence on tourism continues to be of concern as the global economic downturn has not fully receded. Additionally, the slower than projected economic recovery in our major source markets, that is, the United States of America (USA) and the United Kingdom (UK) has contributed to a decline in total visitor arrivals in 2013, a pattern that continued from previous years.

Within this economic context, the Bank has had to become even more innovative and competitive as it seeks out the sparse opportunities that are available to maximize revenues and minimize costs. As a result of these efforts, the Bank has not lost any ground but, rather, has stood firm by maintaining the size of the loan portfolio despite an intensification of competition in the local environment.

## **OUR PERFORMANCE**

Given these rough economic waters which financial institutions must navigate, we are pleased to announce that Eastern Caribbean Amalgamated Bank Limited (ECAB) has stayed the course and weathered the storm thereby realizing a net income of EC\$5.5 million for the year ended September 30, 2013, a 26.1 percent increase over the EC\$4.4 million achieved in 2012.

Given the paucity of good lending opportunities and the fiercely competitive environment that characterizes the local financial services market, we believe that the

Bank has performed creditably. Notwithstanding, the competitiveness of the market, the Bank was also able to grow its assets by 4 percent and cross the half-a-billion dollar mark to EC\$506 million through the deployment of growth in deposits to financially prudent investments. The Bank also continues to ensure that it properly manages the liquidity risk/profitability scenarios by ensuring that it has sufficient liquid assets to meet its demands. In this respect the Bank achieved a loans-deposits ratio of 79 percent as at September 30, 2013, which is comfortably within the Eastern Caribbean Central Bank (ECCB) Prudential benchmark of 75 – 85 percent.

## **OUR STRATEGY**

The year ended September 30, 2013 marked our third year of operation and can be considered seminal in many respects. In addition to holding our own in the lending market, we have continued a process of incrementally reducing our interest rates on deposits thereby reducing our cost of funds and improving our margins. Going into 2014, the Bank will build on this solid foundation that has been laid to continually create value for all stakeholders by pursuing the following strategies:

- Increased emphasis on providing superior customer service by pursuing customer service training initiatives at all levels within the Bank;
- Partnering with public and private sector entities to provide financing for residential mortgages;
- Exploration of opportunities for syndicated lending with shareholder banks and other partners in the market;
- Pursuit of a relationship banking paradigm which promotes a one-stop-shop approach geared towards meeting every banking need of our customers;

# Chairman's Report

- The expansion of our prepaid card programme to statutory bodies;
- Enhancement of the customer service experience by promoting banking convenience through technologically-based delivery systems;
- Continued thrust to improve operational efficiency via continued strengthening of policies and procedures;
- Continued social and community outreach initiatives by making valuable contributions to youth, sports, education and the overall development of Antigua and Barbuda and the Eastern Caribbean.

To our management and staff, heartfelt appreciation is expressed to each of you for your resolute dedication, hard work and contribution towards ensuring the sustained growth and development of ECAB.

Together we can and will achieve a Brighter Future.

Craig J. Walter



Chairman  
Board of Directors

We are confident that by continuing on the course we have already embarked upon to provide a level of customer service and standard of product that is unparalleled in the industry, ECAB will successfully build wealth for our stakeholders and become the financial partner of choice.

## **ACKNOWLEDGMENTS**

On behalf of the Board of Directors, I graciously thank our shareholders for their unwavering support and commitment to ECAB.

Sincerest gratitude is extended to our customers who have remained loyal through the test of times and continue each day to place their confidence in ECAB.



# Directors' Report

The Board of Directors of the Eastern Caribbean Amalgamated Bank Limited (ECAB) functions in both an advisory and oversight capacity. The Board of Directors' duties and responsibilities include the establishment and maintenance of a strong risk management culture and a system of accountability, integrity and transparency throughout the Bank. In the exercise of its fiduciary duty, the Board of Directors has a duty of care to ensure that decisions made are in the best interest and welfare of the company and its shareholders.

## BOARD COMPOSITION

The Board of Directors comprises seven (7) non-executive members. Each Director represents one of the six (6) shareholders (as shown in the table below) and is individually positioned to effectively advise on all matters and to challenge management to achieve the set strategic goals.

DIRECTORS	SHAREHOLDERS	NUMBER OF SHARES
Craig Walter and Gladston Joseph	Antigua Commercial Bank Ltd	37,200
Whitfield Harris	Government of Antigua and Barbuda	37,200
Derry Williams	Bank of St. Vincent and the Grenadines Ltd.	19,200
Bernard Thomas	National Bank of Dominica Ltd.	37,200
Robert Norstrom	Eastern Caribbean Financial Holding Company Ltd.	48,000
Sir Edmund Lawrence\ Lincoln Maynard	St. Kitts Nevis Anguilla National Bank Ltd.	38,400

Notes:

1. Director Craig Walter functioned as Interim Chairman for the period February – September 2013 following

the retirement of the Chairman Sir Edmund Lawrence on December 31, 2012.

2. Lincoln Maynard was appointed Director effective June, 2013.

## DIRECTORS' TENURE AND VOTING BY SHAREHOLDERS

All Directors will retire at the end of the year and be eligible for re-election pursuant to Clause 4.4 of the By-Laws which states that: ***“Unless his tenure is sooner determined, a director shall hold office from the date from which he is elected or appointed until the close of the annual meeting of the shareholders next following but shall be eligible for re-election if qualified.”***

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

In accordance with Clause 12.6 of the By-Laws, shareholders shall vote at the election ***‘in the first instance by a show of hands unless a person entitled to vote at the meeting has demanded a ballot’***. Each shareholder or proxy holder or individual authorized to represent a shareholder is entitled to one vote at every meeting at which he is entitled to vote based on Clause 12.6.1 of the By-Laws.

## MEETINGS

During the financial year ended September 30, 2013, there were twelve (12) Board of Directors meetings. The following table records the attendances of the Directors.

# Directors' Report

DIRECTORS	ATTENDANCE		PERCENTAGE
	Required	Actual	
Craig Walter	12	11	92%
Whitfield Harris	12	11	92%
Gladston Joseph	12	12	100%
Derry Williams	12	11	92%
Bernard Thomas	10	8	80%
Robert Norstrom	5	2	40%
Sir Edmund Lawrence	3	2	67%
Lincoln Maynard	4	1	25%

## Notes:

1. Director Bernard Thomas retired effective August 15, 2013. Alternate Director Michael Bird attended in August and September, 2013.
2. Director Robert Norstrom retired effective February 25, 2013. Alternate Director Joanna Charles attended meetings between December, 2012 and September, 2013.
3. Director Sir Edmund Lawrence retired effective December 31, 2012. Lincoln Maynard was appointed a Director in June, 2013 and attended in July, 2013. Alternate Director Mitchell Gumbs attended in June and September, 2013.

## BOARD COMMITTEES

There are three (3) subcommittees of the Board of Directors, namely, Credit Committee, Human Resource Committee and Audit & Risk Committee. The Credit Committee comprises all the Directors. The Human Resource Committee and the Audit & Risk Committee were chaired by Directors Derry Williams and Craig Walter respectively.

Each subcommittee meets to consider and assess

matters falling within its purview. The Chairman of each subcommittee reports to and puts before the full Board recommendations to be voted on and implemented.

## DIVIDEND

The Board of Directors does not recommend the payment of dividends for the year ended September, 2013 in accordance with its objectives and policies to further grow the capital base of the Bank.

## AUDITORS

The Auditors, Grant Thornton, retired at the financial year ended September, 2013. The Auditors are eligible for re-appointment and have offered themselves as External Auditors for the year ending September, 2014. The Board of Directors recommends their re-appointment.

Tracy Benn-Roberts



Corporate Secretary  
(Effective December 2, 2013)

# BOARD OF DIRECTORS



*From Left: Gladston Joseph, Derry Williams, Craig Walter (Chairman), Whitfield Harris Jr. (Deputy Chairman)*



*Retired Board members from left: Sir Edmund Lawrence (Chairman), Bernard Thomas, Robert Norstrom*

# EXECUTIVE MANAGEMENT



*From Left: Henry Hazel, General Manager; Donna Cort, Chief Financial Officer  
Peter Quinn, Internal Auditor; Sophie Thomas-Durand, Chief Information Systems Officer  
Norris Antonio, Senior Manager Credit Administration  
Gail Pero, General Counsel/Corporate Secretary (as at September 30, 2013)*



# General Manager's Report

## OVERVIEW

The financial year which ended September 30, 2013 was very significant. It was the final year in the bank's first strategic triennium and the level of profitability achieved during these 12 months was the highest to date. Despite the challenging economic milieu, Management and Staff were able to grow the asset base by \$19.2 million (3.9 percent) and skillfully manage the entire pool of resources to generate a net profit of \$5.5 million. This performance came on the heels of asset growth of \$69.3 million (16.6 percent) and a net profit of \$4.4 million achieved in respect of the previous fiscal period.

While the macroeconomics remained unfavourable, and market competition keen and heavily stacked against the Bank, there was a sharper focus on strengthening internal operations. The painful yet rewarding exercise of change (in policies, procedures, practices and persons) resulted in increased value for all customers and shareholders alike. The growth and profitability achieved were within the context of a significantly enhanced risk management framework which is a powerful indication of a remarkably effective corporate mission. Continued building on strengths coupled with the realization of identified opportunities weighed heavier than the debilitations of the known weaknesses and threats.

## STRATEGIC ACHIEVEMENTS

The level of growth and profitability achieved over the year surpassed the expectations particularized in the annual budget. This favourable outturn came about notwithstanding the insertion of tighter risk management procedures into the day to day operations and business development approaches of the Bank. The high standards of credit and investment underwriting that were maintained resulted in a stringent selection of bankable risks which inevitably limited revenue expansion. At the same time, however, continued process re-engineering in front, middle and back-office operations, coupled with more acute scrutiny and prioritization in the area of expenditure management, resulted in an overall reduction of cost.

Sustained good performance led to the repositioning of the

Bank in the marketplace. At the end of the fiscal period under review, ECAB's ranking moved from fifth to fourth place in terms of its market share of total assets which climbed to 9.0 percent compared to 7.5 percent from three years prior. The Bank remained fairly liquid and demonstrated overall financial strength with a Capital Adequacy Ratio of 53.0 percent that far exceeded the regulatory/prudential lower limit of 8.0 percent. The customer base expanded significantly as new relationships were constantly established, while the loyalty of existing customers deepened on account of effective delivery on the published customer service value proposition. Over the year, value was created for all stakeholders and, consequently, ECAB progressed in becoming customers' **bank of choice and financial partner for life**.

## FUTURE PROSPECTS

The future of the ECAB looks very promising. Good performance was achieved over the past three years against the overwhelming odds of a prolonged economic downturn, severe market competition and the challenges of the transition from the predecessor institution. Now that the prospect for improved economic performance is on the horizon, improved **policies, procedures and practices** combined with dedicated **people** render the Bank well poised to capitalize on opportunities, negotiate probable uncertainties and effectively manage any challenge that lies ahead.

## ACKNOWLEDGEMENTS

The outstanding achievements of the Bank over the past year would not have been possible without the unswerving loyalty of our valued customers of whom we are very appreciative and proud. The insightful guidance of the Board of Directors which continued to demonstrate a strong commitment to good corporate governance was also a key contributor. Management and Staff say "Thank You".

Henry J Hazel

General Manager

# MANAGEMENT



*From Left: Lauren Philip, Manager - Human Resources; Carol Martin, Manager - Support Services  
Tracy Edwards-Kentish, Manager - Card Services; Harold Barriteau, Manager - Information Systems*



*From Left: Sonya Roberts-Carter, Manager - Banking Services; Eleanor Mourillon, Manager - Banking Services  
V. Alicia Gardner, Manager - Lending; Debra Williams, Manager - Risk and Compliance  
Gevon Dash, Manager - Finance and Accounting*

# Management Discussion and Analysis

## OVERVIEW

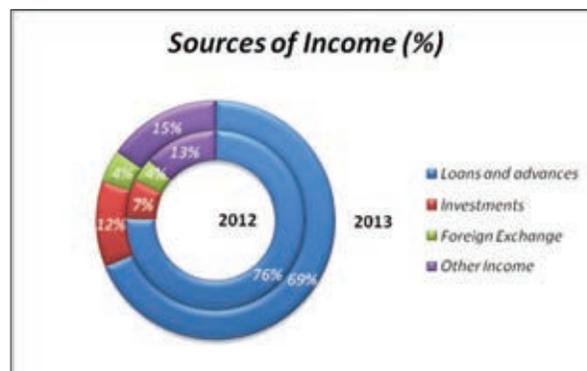
Although the local economy remained sluggish, the Bank continued to deliver a strong performance for fiscal year ended September 30, 2013 with a reported comprehensive income of \$5.5 million which is an increase of 26 percent in comparison to the 2012 results. This improvement was largely driven by an increase in fee and commission income and effectively controlling operating expenses.

## PERFORMANCE HIGHLIGHTS

Highlights of the bank's performance are presented below in thousands of Eastern Caribbean dollars:

For the year	2013	2012	2011
Interest Income	31,721	31,170	29,417
Interest Expense	13,740	13,330	11,488
Impairment Charges	946	939	3,651
Net Fee Income	4,840	4,227	2,660
Operating Expenses	16,384	16,756	18,714
Net Income (Loss)	5,507	4,369	(1,253)
Yield on Interest Earning Assets	7.4%	8.2%	9.1%
Cost of Funds	3.0%	3.6%	3.9%
Spread	4.4%	4.6%	5.2%
Efficiency Ratio	74.8%	79.3%	107.2%

At year end	2013	2012	2011	2010
Loans & Advances	309,770	309,080	313,134	340,059
Investments	121,650	86,829	47,016	4,489
Total Assets	506,476	487,233	417,880	385,758
Total Deposits	416,381	396,256	344,326	289,916
Total Shareholders' Equity	80,493	74,986	70,617	24,000
Return on Assets	1.1%	1.0%	(0.3%)	
Return on Equity	7.1%	6.0%	(1.8%)	
Tier 1 Capital Ratio	53%	52%	49%	



## INTEREST INCOME

Interest income increased by \$0.6 million or 1.8 percent. This growth was driven by an increase of \$2.0 million or 7.5 percent in interest income from investment securities. The investment portfolio grew by \$34.3 million or 39.8 percent which was funded by growth in customer deposits. The increase, however, was tempered by a decline of \$1.4 million or 4.9 percent in interest income from loans and advances due to downward pressure on rates and to the lack of viable lending opportunities.

## INTEREST EXPENSE

Interest expense increased by \$0.4 million or 3.1 percent. This increase was largely due to growth of \$19.3 million in customer deposits. In keeping with market conditions, interest rates were adjusted downwards in February 2013 from revisions made in January 2012 giving rise to an overall reduction of 60 basis points in the cost of funds.

## NET FEE INCOME

Net fee income increased by \$0.6 million or 14.5 percent. The main drivers in this area were the introduction of two card initiatives and the collection of fees from certain penalties.

## OPERATING EXPENSES

Operating expenses fell by \$0.4 million or 2.2 percent. Driving this decrease were reductions of \$0.2 million or 2 percent in

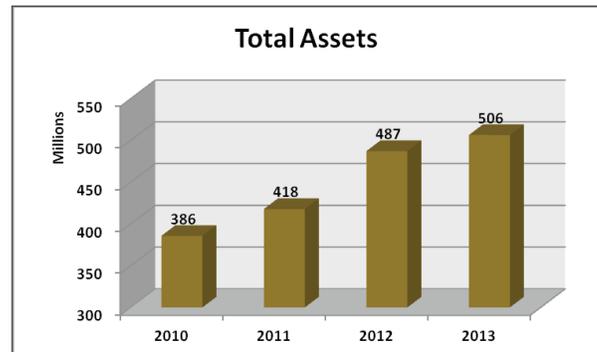
# Management Discussion and Analysis

personnel expenses and \$0.4 million or 6.5 percent in general and administrative expenses countered by an increase of \$0.2 million or 22 percent in depreciation of property, plant and equipment. The bank continued to seek opportunities to increase the efficiency of its operations. During the fiscal year, certain changes were made to the bank's organization structure which contributed to cost-savings in personnel expenses. The decrease in general and administrative expenses was primarily driven by the absence of rental expense for the Coolidge Branch building which was purchased in January 2012. Reductions were also realized in marketing and public relations, insurance and travel, conferences and meetings as various cost-saving measures were employed.

Effective December 1, 2012, the bank introduced a staff retirement savings plan which is mandatory for all staff hired after that date. Cost associated with that plan for the fiscal year was \$0.1 million.

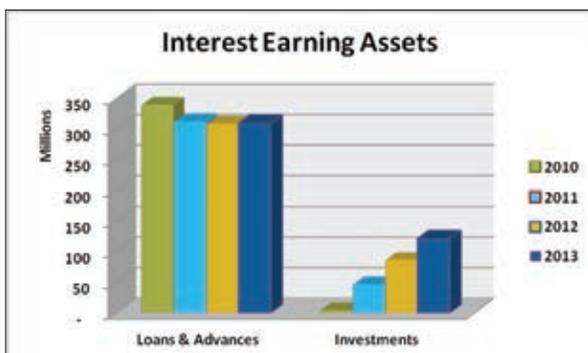
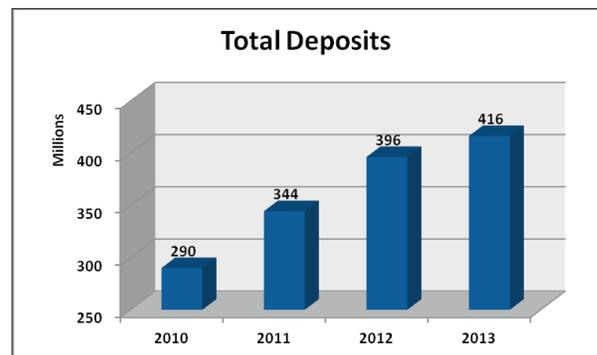
## ASSETS

During the 2013 fiscal year, total assets passed the \$0.5 billion mark and recorded growth of \$19.2 million or 3.9 percent. The largest increase in assets came from growth in investment securities which increased by \$34.8 million or 40.1 percent. Due from banks and other financial institutions decreased by \$13.7 million or 49.3 percent and other assets decreased by \$2.3 million or 67.4 percent. Majority of those funds were converted to investments.



## CUSTOMER DEPOSITS

Customer deposits grew by \$20.1 million or 5.1 percent which ensured that adequately liquidity was maintained. Surplus funds were invested in regional government securities and in placement with other financial institutions at rates in excess of the cost of funds.



# ECAB's Contribution to a Brighter Future



## ENVIRONMENT

### Camp Grow

With its 'go-green' concept in mind and while seeking to advance environmental awareness, ECAB partnered with the Gilbert Agricultural & Rural Development Center (GARD Center) and the Environmental Awareness Group (EAG) in August, 2013 to host 'Camp GROW'. The initiative assisted the children in gaining knowledge about the environment and basic agricultural techniques while also giving them the opportunity to discover and explore the local ecological system. This was achieved through the many activities such as farming, beekeeping and field trips to the outlying islands. ECAB also donated t-shirts, bags and caps for use by 150 participants.

### Greenbay Primary

As part of its drive to promote education, ECAB donated 330 school bags along with school supplies such as pens, pencils and exercise books to the Green Bay Primary School in September, 2013. ECAB's staff also spent time interacting with the students and speaking with them about the importance of education. The donation was geared towards improving the overall academic performance of each student and empowering them for a "Brighter Future".



## COMMUNITY OUTREACH

# ECAB's Contribution to a Brighter Future

## CULTURE

### Jennings Steel Pan

In keeping with its programme to promote culture amongst the youth, ECAB made a financial contribution towards the purchase of new steel pans for the Jennings Secondary School in August, 2013. Given that steel pan music forms an integral part of the school's music curriculum, the donation of the musical instruments enhanced the capacity of the school to effectively deliver on this programme by making more pans available per student for hands-on training. The acquisition of the steel pans was also timely as it enhanced the school's performance in the School Panorama Competition in 2013.



### Swalings Soccer

With a thrust to promote sports, ECAB became the platinum sponsor of the 3rd Swalings Antigua Limited Soccer Tournament in September, 2013. This annual tournament featured three (3) age groups, namely, Under 17, Under 14 and Under 10. ECAB's financial contribution enabled the three winning teams to receive medals, trophies and t-shirts. Tokens of ECAB's paraphernalia were also presented to the players. One of the primary functions of the Swalings tournament is to raise funds to allow for the future participation of more youths in soccer.



## SPORTS

# ECAB's Contribution to a Brighter Future



## EDUCATION

### Dig Into Reading

In its continued efforts to encourage literacy particularly among the youth, ECAB participated in the 'Dig into Reading' summer programme hosted by the Public Library of Antigua and Barbuda in July and August, 2013. The initiative focussed on the importance of literacy among children ages 5-14 years. Through the various activities which included visits by authors and other guest speakers, writing workshops, scheduled reading times and reading and writing competitions, the youth were encouraged to read more. Other activities included various field trips and arts and crafts projects. There was also an exhibition at the end of the programme featuring all the children's work. Prizes were awarded to the most outstanding participants.

As expressed in our Value Statements, all employees are regarded as critical to the success of the institution and continuous learning is promoted. Training initiatives are implemented for the purpose of human resource development and to achieve strategic goals. In light of this ECAB partnered with the University of the West Indies Open Campus to provide Supervisory Management Training for all supervisory staff. The programme enabled individuals to gain the necessary skills to effectively carry out their duties and responsibilities.

ECAB's competitive advantage is to provide exceptional customer service. Continuous training is therefore critical to the Bank's viability. Nibbs and Associates in conjunction with the Bank devised a training programme for all members of staff. The first phase of this transformative programme, completed this year, was favourably received.



## Staff Training and Development

# Go Green

## with ECAB Online Banking



**At ECAB**, we offer the convenience of secure Online Banking. Review all your accounts from the convenience of your home, office or anywhere in the world. Safe and secure, with a personal password of your choice, ECAB's E-Banking network is ready for you day or night. Click through today [www.ecabank.com](http://www.ecabank.com)

- View account balances for chequing, savings, CDs and loans.
- View historical account information.
- Download transaction data into personal finance programmes such as Quicken or Microsoft Money.
- Transfer funds between accounts.
- Pay utility bills directly from your account.
- Reorder cheques.
- Initiate stop payment requests.

**ecab**



# with ECAB e-Statements

Jack Henry and Associates, Inc. [US] https://cm.neteller.com/login2008/Views/Retail/AccountListing.aspx

Account Listing | eStatements | Options

Eastern Caribbean Amalgamated Bank  
1000 Airport Blvd. St John's, Antigua. (268)480-5300  
High & Thames Street, St John's, Antigua. (268)480-5300  
Nelson's Dockyard - English Harbour. (268)480-5300

If you would like to change either your Online Banking ID or Password, click the options tab above.

Welcome Jane Doe!

Deposit Accounts

Account Name (Click for Transaction Details)	Balance	Status	View
SAVINGS	\$2,500.00		Select Option
CHECKING	\$5,000.00		Select Option

Other Accounts

Account	Balance	Status	View
APUA ELECTRIC 01196	\$0.00		Select Option
APUA WATER 01196	\$0.00		Select Option
KELCOM INTERNA 412	\$0.00		Select Option

Customer Summary Information

- Deposit accounts with a total balance of \$7,500.00
- Other accounts with a total balance of \$0.00

You last accessed your User account on Monday, January 13, 2014 10:48:37 AM Eastern Time  
You have accessed User 049 time(s) since Monday, November 10, 2009 2:22:50 PM Eastern Time [Reset this counter](#)

**eStatement** affords you the opportunity to view, search, save and print electronic versions of your account statements, which include images of cleared cheques and debits. Now you have a faster and more convenient way of receiving your monthly statement and best of all, the service is free. Environmentally-conscious individuals are choosing to receive eStatements.

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- Save your account information from prying eyes. Only you can access your eStatement via ECAB Online!
- It's convenient. 24 hour access to statements, wherever you are . . . at home, at work or overseas!

# Go Green

## with ECAB Mobile Banking



**On the go?** Access our entire online banking service currently offered via traditional internet from any mobile device with an Internet browser. Simply enter [ecabank.mobi](http://ecabank.mobi) in your browser on any phone and login with your current E-banking user name and password.

As a mobile user, you can access any features associated with your accounts currently available via E-Banking such as the following:

- View your account balance
- View transaction history
- Pay bills from your device
- Transfer funds between accounts

**ecab**



**Bank Smarter** Our VISA Credit Cards provide easy access to funds, flexible payment terms and a wide choice of credit lines to match your needs whether personal or business. Choose from our Classic, Gold and Business cards. Be rewarded for every purchase with our Classic and Gold Cards with VISA Travel Rewards points. Accumulate points for travel, car rentals and hotels.

Here are some of the benefits available when using an ECAB Credit Card:

- Worldwide Acceptance
- Increased Control
- Increased Security
- Fast and convenient access to cash

Our future, Our bank



# FINANCIAL STATEMENTS

September 30, 2013  
(Expressed In Eastern Caribbean Dollars)





## INDEPENDENT AUDITORS' REPORT

To the Shareholders of  
Eastern Caribbean Amalgamated Bank Limited

**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  
www.grantthornton.ag

We have audited the accompanying financial statements of **Eastern Caribbean Amalgamated Bank Limited**, which comprise the statement of financial position as of September 30, 2013 and the statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Eastern Caribbean Amalgamated Bank Limited** as of September 30, 2013 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Chartered Accountants  
January 27, 2014  
St. John's, Antigua

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

**St. Kitts**  
Jefferson Hunte

**Audit • Tax • Advisory**  
Member of Grant Thornton International Ltd

# Eastern Caribbean Amalgamated Bank Limited

Statement of Financial Position

As of September 30, 2013

(expressed in Eastern Caribbean dollars)

	Notes	2013 \$	2012 \$
<b>Assets</b>			
Cash and balances with the Central Bank	8	38,718,263	38,042,946
Due from banks and other financial institutions	9	14,091,475	27,775,263
Investment securities	10	121,650,251	86,828,735
Loans and advances to customers	11	309,770,300	309,080,108
Other assets	12	1,124,852	3,448,821
Property, plant and equipment	13	18,118,523	18,405,144
Intangible assets	14	3,002,365	3,652,363
<b>Total assets</b>		<b>506,476,029</b>	<b>487,233,380</b>
<b>Liabilities</b>			
Customers' deposits	15	416,380,799	396,256,342
Other liabilities and accrued expenses	16	4,052,756	4,262,737
Borrowings	17	5,549,928	11,728,696
<b>Total liabilities</b>		<b>425,983,483</b>	<b>412,247,775</b>
<b>Equity</b>			
Preference shares	19	47,869,339	47,869,339
Common shares	18	24,000,000	24,000,000
Other reserves	20	5,983,572	4,781,499
Retained earnings/(deficit)		2,639,635	(1,665,233)
<b>Total equity</b>		<b>80,492,546</b>	<b>74,985,605</b>
<b>Total liabilities and equity</b>		<b>506,476,029</b>	<b>487,233,380</b>

The notes on pages 30 to 93 are an integral part of this financial statement.

Approved by the Board of Directors on January 27, 2014



Director



Director

# Eastern Caribbean Amalgamated Bank Limited

## Statement of Comprehensive Income For the year ended September 30, 2013

(expressed in Eastern Caribbean dollars)

	Notes	2013 \$	2012 \$
<b>Operating income</b>			
Interest income	24	31,720,748	31,170,091
Interest expense	24	(13,740,135)	(13,329,632)
Net interest income		17,980,613	17,840,459
Loan impairment charges	11	(945,928)	(938,672)
Net interest income after loan impairment charges		17,034,685	16,901,787
Fee and commission income	25	7,821,463	6,717,817
Fee and commission expense	25	(2,981,608)	(2,490,862)
Net fee income		4,839,855	4,226,955
Other income/(expenses)	26	16,770	(3,396)
<b>Net interest, fee, commission and other income</b>		21,891,310	21,125,346
<b>Expenses</b>			
Personnel expenses	27	8,602,227	8,777,980
General and administrative expenses	28	5,762,796	6,161,202
Amortization of intangible assets	14	857,598	866,261
Depreciation of property, plant and equipment	13	1,161,748	950,924
<b>Total operating expenses</b>		16,384,369	16,756,367
<b>Profit for the year</b>		5,506,941	4,368,979
Other comprehensive income		—	—
<b>Comprehensive income for the year</b>		5,506,941	4,368,979

The notes on pages 30 to 93 are an integral part of this financial statement.

# Eastern Caribbean Amalgamated Bank Limited

## Statement of Cash Flows

For the year ended September 30, 2013

(expressed in Eastern Caribbean dollars)

	Notes	2013 \$	2012 \$
<b>Cash flows from operating activities</b>			
Operating profit for the year		5,506,941	4,368,979
Adjustments for items not affecting cash:			
Interest income		(31,720,748)	(31,170,091)
Interest expense		13,740,135	13,329,632
Depreciation		1,161,748	950,924
Amortization of intangible assets		857,598	866,261
Provision for loan impairment charges		945,928	938,672
Loss on disposal of fixed asset		–	4,010
Provision for impairment of other assets	28	17,820	–
Other non-cash items		1,815	(29,333)
<b>Cash flows used in operating activities</b>		<b>(9,488,763)</b>	<b>(10,740,946)</b>
<b>Net (increase)/decrease in operating assets</b>			
Loans and advances to customers		(936,820)	4,611,340
Mandatory deposits with the Central Bank		(2,251,320)	(2,217,809)
Other assets		2,306,149	(2,363,433)
Restricted deposits		(500,000)	(4,022,326)
<b>Net increase/(decrease) in operating liabilities</b>			
Deposits from customers		19,274,711	52,584,280
Other liabilities and accrued expenses		(209,981)	1,324,988
<b>Cash generated from operations</b>		<b>8,193,976</b>	<b>39,176,094</b>
Interest received		30,457,512	29,361,159
Interest paid		(12,890,389)	(13,983,526)
<b>Net cash from operating activities</b>		<b>25,761,099</b>	<b>54,553,727</b>
<b>Cash flows from investing activities</b>			
Purchase of plant and equipment		(875,127)	(13,234,021)
Proceeds from disposal of fixed asset		–	3,220
Purchase of investment securities, net of disposals		(19,905,972)	(16,831,536)
Purchase of intangible assets		(207,600)	(175,748)
<b>Net cash used in investing activities</b>		<b>(20,988,699)</b>	<b>(30,238,085)</b>
<b>Cash flows from financing activities</b>			
Proceeds from long term borrowings	17	–	12,250,000
Repayment of long term borrowings		(6,178,768)	(521,304)
<b>Net cash (used in) from financing activities</b>		<b>(6,178,768)</b>	<b>11,728,696</b>

**Eastern Caribbean Amalgamated Bank Limited**

## Statement of Cash Flows

For the year ended September 30, 2013

(expressed in Eastern Caribbean dollars)

	Notes	2013 \$	2012 \$
Net (decrease)/increase in cash and cash equivalents		(1,406,368)	36,044,338
Exchange gains on cash and cash equivalents		(1,815)	29,333
Cash and equivalents at beginning of year		<u>95,842,526</u>	<u>59,768,855</u>
Cash and cash equivalents at end of year	23	<u>94,434,343</u>	<u>95,842,526</u>

The notes on pages 30 to 93 are an integral part of this financial statement.

## Eastern Caribbean Amalgamated Bank Limited

Statement of Changes in Equity  
For the year ended September 30, 2013

(expressed in Eastern Caribbean dollars)

	Notes	Preference shares \$	Common shares \$	Other reserves \$	Retained earnings \$	Total \$
<b>Balance at September 30, 2011</b>		47,869,339	24,000,000	2,643,705	(3,896,418)	70,616,626
Net profit and comprehensive income for the year		-	-	-	4,368,979	4,368,979
Reserve for loan loss provision	11	-	-	(212,673)	212,673	-
Reserve for interest recognised on impaired loans	11	-	-	1,417,151	(1,417,151)	-
Statutory reserve	20	-	-	933,316	(933,316)	-
<b>Balance at September 30, 2012</b>		47,869,339	24,000,000	4,781,499	(1,665,233)	74,985,605
Net profit and comprehensive income for the year		-	-	-	5,506,941	5,506,941
Reserve for loan loss provision	11	-	-	(1,035,067)	1,035,067	-
Reserve for interest recognised on impaired loans	11	-	-	1,071,825	(1,071,825)	-
Statutory reserve	20	-	-	1,165,315	(1,165,315)	-
<b>Balance at September 30, 2013</b>		<b>47,869,339</b>	<b>24,000,000</b>	<b>5,983,572</b>	<b>2,639,635</b>	<b>80,492,546</b>

The notes on pages 30 to 93 are an integral part of this financial statement.

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2013

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(expressed in Eastern Caribbean dollars)

## 1 Nature of operations

The principal activities of Eastern Caribbean Amalgamated Bank Limited (the “Bank”) is the provision of commercial banking services. The Bank is licensed to carry on banking business in Antigua and Barbuda and is regulated by the Eastern Caribbean Central Bank in accordance with the Banking Act No. 14 of 2005 and the Eastern Caribbean Central Bank Act No. 10 of 1983.

## 2 General information and statement of compliance with IFRS

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

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

## 3 Changes in accounting policies

### 3.1 New and revised standards that are effective for annual periods beginning on or after October 1, 2012

There are no IFRSs or IFRIC interpretations that are effective for the financial period beginning on or after October 1, 2012 that would be expected to have a material impact on the Bank.

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

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

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

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2013

(expressed in Eastern Caribbean dollars)

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

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

#### **IFRS 9 ‘Financial instruments’**

IFRS 9 ‘Financial instruments’ (IFRS 9), aims to replace IAS 39 ‘Financial Instruments: Recognition and Measurement (IAS 39)’ in its entirety. To date, the chapters dealing with recognition, classification, measurement and de-recognition of financial assets and liabilities and hedge accounting have been issued. The IASB is still considering limited amendments to the classification and measurement requirements already included in IFRS 9 and are working on finalising the new expected credit loss impairment model. It also has a separate active project on accounting for macro hedging which it continues to work on. The January 1, 2015 mandatory effective date of IFRS 9 has been removed to provide sufficient time for entities to make the transition to the new requirements. However, early adoption is permitted. The IASB will decide upon a new effective date when the entire IFRS 9 project is closer to completion. The Bank’s management has yet to assess the impact of this new standard on the Bank’s financial statements. However, management does not expect to implement IFRS 9 until all of its chapters have been published and its overall impact can be assessed.

#### **IFRS 13 ‘Fair value measurements’**

IFRS 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect which items are required to be fair-valued. The scope of IFRS 13 is broad and it applies for both financial and non-financial items for which other IFRSs require or permit fair value measurements or disclosures about fair value measurements except in certain circumstances. IFRS 13 applies prospectively for annual periods beginning on or after January 1, 2013. Its disclosure requirements need not be applied to comparative information in the first year of application. Management is in the process of reviewing its valuation methodologies for conformity with the new requirements and has yet to complete its assessment of their impact on the Bank’s financial statements.

#### **Offsetting financial assets and financial liabilities (Amendments to IAS 32)**

The Amendments to IAS 32 add application guidance to address inconsistencies in applying IAS 32’s criteria for offsetting financial assets and financial liabilities in the following two areas:

- the meaning of ‘currently has a legally enforceable right of set-off’;
- that some gross settlement systems may be considered equivalent to net settlement.

The Amendments are effective for annual periods beginning on or after January 1, 2014 and are required to be applied retrospectively. Management does not anticipate a material impact on the Bank’s financial statements from these Amendments.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Bank.

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2013

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(expressed in Eastern Caribbean dollars)

## 4 Summary of accounting policies

### 4.1 Overall considerations

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

### 4.2 Cash and cash equivalents

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

### 4.3 Financial instruments

#### Recognition, initial measurement and derecognition

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

#### Classification and subsequent measurement of financial assets

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

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

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

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

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

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2013

(expressed in Eastern Caribbean dollars)

## 4 Summary of accounting policies ... continued

### 4.3 Financial instruments ... continued

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

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturities other than loans and receivables. Investments are classified as HTM if the Bank has the intention and ability to hold them until maturity. The Bank currently holds Government of Antigua and Barbuda bonds designated into this category. HTM investments are measured subsequently at amortised cost using the effective interest method.

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

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

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

### Impairment of financial assets

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

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

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

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

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2013

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(expressed in Eastern Caribbean dollars)

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

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

#### Impairment of financial assets ... *continued*

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

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

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

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

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

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

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

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

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2013

(expressed in Eastern Caribbean dollars)

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

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

#### Impairment of financial assets ... *continued*

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

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

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

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

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

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

##### (c) *Renegotiated Loans*

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

#### **Classification and subsequent measurement of financial liabilities**

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

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2013

(expressed in Eastern Caribbean dollars)

## 4 Summary of accounting policies ... continued

### 4.3 Financial instruments....continued

#### Classes of financial instruments

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

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

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2013

(expressed in Eastern Caribbean dollars)

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

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

#### Offsetting financial instruments

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

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

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

Provisions are not recognised for future operating losses. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

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

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

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

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

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

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

## Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2013

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(expressed in Eastern Caribbean dollars)

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

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

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

#### 4.6 Intangible assets

##### Computer software

Acquired computer software licences in a business combination are recorded at their fair values. Other acquired computer software licences are capitalised on the basis of the costs incurred to acquire and install the specific software.

##### Customer list intangible

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

##### Subsequent measurement

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

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

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

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

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2013

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(expressed in Eastern Caribbean dollars)

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

### 4.7 Foreign currency translation

#### *Functional and presentation currency*

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

#### *Foreign currency transactions and balances*

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

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

### 4.8 Equity and reserves

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

Other components of equity include the following:

- Other reserves – comprises statutory and regulatory reserves as stipulated by the Banking Act and the Eastern Caribbean Central Bank close gap (see note 20); and
- Retained earnings, which includes all current and prior period retained profits.

### 4.9 Operating expenses

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

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2013

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(expressed in Eastern Caribbean dollars)

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

### 4.10 Impairment of non-financial assets

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

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

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

### 4.11 Leases

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

### 4.12 Interest income and expense

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

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

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

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2013

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(expressed in Eastern Caribbean dollars)

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

### 4.13 Fee and commission income

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

### 4.14 Employee Benefits

#### *Post-employment benefit plan*

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

#### *Prepaid employee short term benefit*

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

### 4.15 Financial guarantee contracts

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

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

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2013

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(expressed in Eastern Caribbean dollars)

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

### 4.16 Current and deferred income taxes

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

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

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

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

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

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

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

### 4.17 Borrowings

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

### 4.18 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in interest expense (see note 17).

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2013

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(expressed in Eastern Caribbean dollars)

## 5 Financial instruments risk

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

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

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

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

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

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2013

(expressed in Eastern Caribbean dollars)

## 5 Financial instruments risk...continued

### 5.1 Credit risk

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

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

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

#### 5.1.1 Credit risk measurement

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

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

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

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

##### (b) Debt and equity securities

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

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2013

(expressed in Eastern Caribbean dollars)

## 5 Financial instruments risk...continued

### 5.1.2 Risk limit control and mitigation policies

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

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

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

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

Some other specific control and mitigation measures are outlined below:

#### (a) Collateral

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

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

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

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

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

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

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

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2013

(expressed in Eastern Caribbean dollars)

## 5 Financial instruments risk ... continued

### 5.1.3 Impairment and provisioning policies

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

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

	Loans and advances		Impairment provision		Net total
	\$	%	\$	%	\$
<b>At September 30, 2013</b>					
Pass	164,006,534	53	–	–	164,006,534
Special Mention	115,760,779	38	(10,343)	–	115,750,436
Substandard	28,524,829	9	(2,227,998)	81	26,296,831
Doubtful	428,760	–	(145,145)	5	283,615
Loss	389,268	–	(372,089)	14	17,179
Gross loans and advances	309,110,170	100	(2,755,575)	100	306,354,595
Interest receivable	4,140,818	–	–	–	4,140,818
Deferred loan origination fees	(178,075)	–	–	–	(178,075)
Inherent risk provision	–	–	(547,038)	–	(547,038)
	<b>313,072,913</b>	<b>100</b>	<b>(3,302,613)</b>	<b>100</b>	<b>309,770,300</b>
<b>At September 30, 2012</b>					
Pass	81,025,698	26	–	–	81,025,698
Special Mention	196,664,678	63	(235,443)	6	196,429,235
Substandard	29,791,724	10	(1,631,998)	39	28,159,726
Doubtful	562,177	–	(137,976)	3	424,201
Loss	2,188,836	1	(2,137,568)	52	51,268
Gross loans and advances	310,233,113	100	(4,142,985)	100	306,090,128
Interest receivable	3,441,517	–	–	–	3,441,517
Deferred loan origination fees	(112,305)	–	–	–	(112,305)
Inherent risk provision	–	–	(339,232)	–	(339,232)
	<b>313,562,325</b>	<b>100</b>	<b>(4,482,217)</b>	<b>100</b>	<b>309,080,108</b>

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2013

(expressed in Eastern Caribbean dollars)

## 5 Financial instruments risk ... continued

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

	2013	2012
	\$	\$
<b>Credit risk exposures relating to on-balance sheet assets:</b>		
Due from banks and other financial institutions	14,091,475	27,775,263
<i>Investment securities:</i>		
- Loans and receivables	108,647,997	82,053,635
- Held-to-maturity investments	3,037,600	3,237,500
- Available-for-sale investments – debit securities (quoted)	9,858,794	1,431,740
Loans and advances to customers	309,770,300	309,080,108
Other financial assets	89,726	2,124,709
	<u>445,495,892</u>	<u>425,702,955</u>
	2013	2012
	\$	\$
<b>Credit risk exposures relating to off-balance sheet items:</b>		
Financial guarantees	6,103,000	5,832,000
Loan commitments and other credit related facilities	16,593,894	8,951,666
	<u>22,696,894</u>	<u>14,783,666</u>
<b>Total credit exposure</b>	<u>468,192,786</u>	<u>440,486,621</u>

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2013

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(expressed in Eastern Caribbean dollars)

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

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

The previous table represents a worst case scenario of credit risk exposures to the Bank as of September 30, 2013, without taking account of any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

As shown above 66% (2012: 73%) of the total maximum exposure is derived from loans and advances to customers and 26% (2012: 20%) is derived from investment securities.

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

- 91% (2012: 90%) of the loans and advances portfolio are categorised in the top two grades of the internal rating system;
- 86% (2012: 86%) of the loans and advances portfolio are considered to be neither past due nor impaired; and
- 10% (2012: 12%) of loans and advances are considered impaired.

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

#### *(a) Geographical sectors*

The following table analyses the Bank's main credit exposure at their carrying amounts, (without taking into account any collateral held or other credit support) as categorised by geographical region as at September 30, 2013. For all classes of assets, the Bank has allocated exposures to regions based on the country of domicile of the counterparties.

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements  
September 30, 2013

(expressed in Eastern Caribbean dollars)

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

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

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

As of September 30, 2013

	Antigua & Barbuda \$	Other Caribbean \$	North America \$	Europe \$	Total \$
<b>Credit risk exposures relating to on-balance sheet assets:</b>					
Due from banks and other financial institutions	118,429	491,718	9,396,611	4,084,717	14,091,475
<i>Investment securities:</i>					
– Loans and receivables investments	4,913,857	97,804,090	5,930,050	–	108,647,997
– Held-to-maturity investments	3,037,600	–	–	–	3,037,600
– Available-for-sale investments – debt securities (quoted)	–	9,858,794	–	–	9,858,794
Loans and advances to customers	309,770,300	–	–	–	309,770,300
Other financial assets	89,726	–	–	–	89,726
	<b>317,929,912</b>	<b>108,154,602</b>	<b>15,326,661</b>	<b>4,084,717</b>	<b>445,495,892</b>

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

– Financial guarantees	6,103,000	–	–	–	6,103,000
– Loan commitments and other credit related facilities	16,593,894	–	–	–	16,593,894
<b>Total</b>	<b>340,626,806</b>	<b>108,154,602</b>	<b>15,326,661</b>	<b>4,084,717</b>	<b>468,192,786</b>

## Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements  
September 30, 2013

(expressed in Eastern Caribbean dollars)

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

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

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

As of September 30, 2012

	Antigua & Barbuda \$	Other Caribbean \$	North America \$	Europe \$	Total \$
<b>Credit risk exposures relating to on-balance sheet assets:</b>					
Due from banks and other financial institutions	1,925,619	301,855	24,182,594	1,365,195	27,775,263
<i>Investment securities:</i>					
– Loans and receivables investment	4,046,109	72,070,826	5,936,700	–	82,053,635
– Held-to-maturity investments	3,037,500	200,000	–	–	3,237,500
– Available-for-sale investments – debit securities (quoted)	–	1,431,740	–	–	1,431,740
Loans and advances to customers	309,080,108	–	–	–	309,080,108
Other financial assets	124,709	2,000,000	–	–	2,124,709
	<b>318,214,045</b>	<b>76,004,421</b>	<b>30,119,294</b>	<b>1,365,195</b>	<b>425,702,955</b>
<b>Credit exposures relating to off-balance sheet items:</b>					
– Financial guarantees	5,832,000	–	–	–	5,832,000
– Loan commitments and other credit related facilities	8,951,666	–	–	–	8,951,666
<b>Total</b>	<b>332,997,711</b>	<b>76,004,421</b>	<b>30,119,294</b>	<b>1,365,195</b>	<b>440,486,621</b>

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2013

(expressed in Eastern Caribbean dollars)

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

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

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

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

	2013		2012	
	\$	%	\$	%
Public sector	175,214,756	56.7%	174,577,311	56.2%
Personal	116,029,731	37.5%	115,769,815	37.3%
Construction/Real Estate	7,503,904	2.4%	8,340,059	2.7%
Credit card advances	3,148,405	1.0%	3,691,680	1.2%
Professional	3,271,446	1.1%	4,235,673	1.4%
Other Industries	1,640,277	0.5%	1,716,855	0.6%
Manufacturing	1,930,661	0.6%	1,473,272	0.5%
Tourism	370,990	0.1%	428,448	0.1%
<b>Total</b>	<b>309,110,170</b>	<b>100%</b>	<b>310,233,113</b>	<b>100%</b>

### 5.1.6 Loans and advances

Loans and advances are summarised as follows:

	Loans and advances to customers 2013 \$	Loans and advances to customers 2012 \$
Neither past due nor impaired	264,542,712	265,103,392
Past due but not impaired	12,923,614	9,286,319
Impaired	31,643,844	35,843,402
<b>Gross</b>	<b>309,110,170</b>	<b>310,233,113</b>
Interest receivable	4,140,818	3,441,517
Deferred loan origination fees	(178,075)	(112,305)
Less: allowance for impairment	(3,302,613)	(4,482,217)
<b>Net loans and advances</b>	<b>309,770,300</b>	<b>309,080,108</b>

## Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2013

(expressed in Eastern Caribbean dollars)

5 Financial instruments risk... *continued*5.1.6 Loans and advances ... *continued*

	Loans and advances to customers 2013 \$	Loans and advances to customers 2012 \$
<b>Allocation of allowance for impairment:</b>		
Individually impaired	(2,755,575)	(4,142,985)
Portfolio allowance	(547,038)	(339,232)
	<u>(3,302,613)</u>	<u>(4,482,217)</u>

The total impairment charge for loans and advances is \$3,302,613 of which \$2,755,575 relates to individually impaired loans and the remaining amount of \$547,038 represents the portfolio allowance. Further information on the impairment allowance for loans and advances to customers is provided in note 11.

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2013

(expressed in Eastern Caribbean dollars)

## 5 Financial instruments risk... continued

### 5.1.6 Loans and advances ... continued

(a) Loans and advances neither past due nor impaired

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

#### September 30, 2013

	Credit cards \$	Overdrafts \$	Personal \$	Commercial \$	Public sector \$	Total \$
Pass	2,886,326	2,842,065	71,584,913	6,822,005	79,871,225	164,006,534
Special mention	—	1,937,667	3,429,269	887,007	94,282,235	100,536,178
	<b>2,886,326</b>	<b>4,779,732</b>	<b>75,014,182</b>	<b>7,709,012</b>	<b>174,153,460</b>	<b>264,542,712</b>

#### September 30, 2012

	Credit cards \$	Overdrafts \$	Personal \$	Commercial \$	Public sector \$	Total \$
Pass	3,440,401	3,299,973	66,505,155	7,780,170	—	81,025,699
Special mention	—	1,813,048	6,176,080	2,250,711	173,837,854	184,077,693
	<b>3,440,401</b>	<b>5,113,021</b>	<b>72,681,235</b>	<b>10,030,881</b>	<b>173,837,854</b>	<b>265,103,392</b>

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2013

(expressed in Eastern Caribbean dollars)

## 5 Financial instruments risk... continued

### 5.1.6 Loans and advances ... continued

(b) Loans and advances past due but not impaired

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

#### As of September 30, 2013

	Credit cards \$	Personal \$	Commercial \$	Total \$
Past due up to 30 days	144,486	4,209,312	3,141,884	7,495,682
Past due 31 – 60 days	71,531	2,225,900	714,458	3,011,889
Past due 61 – 90 days	37,006	2,379,037	–	2,416,043
	<b>253,023</b>	<b>8,814,249</b>	<b>3,856,342</b>	<b>12,923,614</b>

#### As of September 30, 2012

	Credit cards \$	Personal \$	Commercial \$	Total \$
Past due up to 30 days	189,884	3,420,898	2,061,963	5,672,745
Past due 31 – 60 days	29,815	2,500,801	–	2,530,616
Past due 61 – 90 days	25,626	1,029,505	27,827	1,082,958
	<b>245,325</b>	<b>6,951,204</b>	<b>2,089,790</b>	<b>9,286,319</b>

**Eastern Caribbean Amalgamated Bank Limited**

Notes to Financial Statements

**September 30, 2013**

(expressed in Eastern Caribbean dollars)

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

**5.1.6 Loans and advances ... continued**

*(c) Loans and advances individually impaired*

The individually impaired loans and advances to customers before taking into consideration the cash flows from collateral held is \$31,643,844 (2012: \$35,843,402).

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

**As of September 30, 2013**

	Credit cards \$	Over drafts \$	Personal \$	Commercial \$	Total \$
Individual impaired loans and advances	9,056	1,039,595	26,200,260	4,394,933	<u>31,643,844</u>

## Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2013

(expressed in Eastern Caribbean dollars)

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

#### 5.1.6 Loans and advances ... *continued*

September 30, 2012

	Credit cards \$	Over drafts \$	Personal \$	Commercial \$	Total \$
Individually impaired loans and advances	5,954	1,682,986	28,397,104	5,757,358	35,843,402

#### (d) *Loans and advances renegotiated*

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

Renegotiated loans and advances to customers – individuals:

- Continuing to be impaired after restructuring

Loans to individuals:

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

	2013 \$	2012 \$
- Continuing to be impaired after restructuring	3,675,260	9,855,830
- Non-impaired after restructuring – would otherwise not have been impaired	100,468,237	7,422,656
	<u>104,143,497</u>	<u>17,278,486</u>

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2013

(expressed in Eastern Caribbean dollars)

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

### 5.1.7 Debt securities

There is no formal rating of the credit quality of bonds, treasury bills and equity investments. A number of qualitative and quantitative factors are considered in assessing the risk associated with each investment. However, there is no hierarchy of ranking. There are no external ratings of securities at the year end. The table below presents an analysis of debt securities, treasury bills and other eligible bills by rating agency designation at September 30, 2013.

As of September 30, 2013

	Loans and receivables \$	Available for sale \$	Held to maturity \$	Total \$
Unrated	108,647,997	9,858,794	3,037,600	121,544,391
<b>Total</b>	<b>108,647,997</b>	<b>9,858,794</b>	<b>3,037,600</b>	<b>121,544,391</b>

As of September 30, 2012

	Loans and receivables \$	Available for sale \$	Held to maturity \$	Total \$
Unrated	82,053,635	1,431,740	3,237,500	86,722,875
<b>Total</b>	<b>82,053,635</b>	<b>1,431,740</b>	<b>3,237,500</b>	<b>86,722,875</b>

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2013

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(expressed in Eastern Caribbean dollars)

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

### 5.2 Market risk

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

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

#### 5.2.1 Price risk

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

#### 5.2.2 Foreign exchange risk

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

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

The following table summarises the Bank's exposure to foreign currency exchange risk as of September 30, 2013. Included in the table are the Bank's financial instruments at carrying amounts, categorised by currency.

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2013

(expressed in Eastern Caribbean dollars)

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

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

#### As at September 30, 2013

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

*Investment securities:*

- Held to maturity securities
  - Loans and receivables
  - Available-for-sale equity investments – unquoted
  - Available-for-sale debt investment government securities – quoted
  - Available-for-sale equity investments – quoted
- Loans and advances to customers  
Other financial assets

#### Total financial assets

#### Liabilities

- Customer's deposits
- Borrowings
- Other liabilities and accrued expenses

#### Total financial liabilities

#### Net on-balance sheet position

#### Credit commitments

	XCD \$	USD \$	EUR \$	GBP \$	Other \$	Total \$
Cash and balances with the Central Bank	38,243,752	270,721	81,502	69,251	53,037	38,718,263
Due from banks and financial institutions	366,407	13,351,849	115,848	175,065	82,306	14,091,475
<i>Investment securities:</i>						
– Held to maturity securities	3,037,600	–	–	–	–	3,037,600
– Loans and receivables	75,846,062	32,801,935	–	–	–	108,647,997
– Available-for-sale equity investments – unquoted	25,000	–	–	–	–	25,000
– Available-for-sale debt investment government securities – quoted	9,858,794	–	–	–	–	9,858,794
– Available-for-sale equity investments – quoted	80,860	–	–	–	–	80,860
Loans and advances to customers	243,711,044	66,059,256	–	–	–	309,770,300
Other financial assets	89,726	–	–	–	–	89,726
<b>Total financial assets</b>	<b>371,259,245</b>	<b>112,483,761</b>	<b>197,350</b>	<b>244,316</b>	<b>135,343</b>	<b>484,320,015</b>
<b>Liabilities</b>						
Customer's deposits	335,670,993	80,709,806	–	–	–	416,380,799
Borrowings	5,549,928	–	–	–	–	5,549,928
Other liabilities and accrued expenses	3,351,464	701,292	–	–	–	4,052,756
<b>Total financial liabilities</b>	<b>344,572,385</b>	<b>81,411,098</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>425,983,483</b>
<b>Net on-balance sheet position</b>	<b>26,686,860</b>	<b>31,072,663</b>	<b>197,350</b>	<b>244,316</b>	<b>135,343</b>	<b>58,336,532</b>
<b>Credit commitments</b>	<b>16,593,894</b>	<b>6,103,000</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>22,696,894</b>

## Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements  
September 30, 2013

(expressed in Eastern Caribbean dollars)

5 Financial instruments risk... <i>continued</i>	XCD \$	USD \$	EUR \$	GBP \$	Other \$	Total \$
<b>5.2.2 Foreign exchange risk ... <i>continued</i></b>						
<b>As at September 30, 2012</b>						
Cash and balances with the Central Bank	37,160,410	605,321	98,438	50,924	127,853	38,042,946
Due from banks and financial institutions	2,175,605	24,182,566	336,370	1,001,825	78,897	27,775,263
<i>Investment securities:</i>						
– Held to maturity securities	3,237,500	–	–	–	–	3,237,500
– Loans and receivables	49,498,744	32,554,891	–	–	–	82,053,635
– Available-for-sale equity investments – – unquoted	25,000	–	–	–	–	25,000
– Available-for-sale debt investment – government securities – quoted	1,431,740	–	–	–	–	1,431,740
– Available-for-sale equity investments – – quoted	80,860	–	–	–	–	80,860
Loans and advances to customers	241,782,549	67,297,559	–	–	–	309,080,108
Other financial assets	2,124,709	–	–	–	–	2,124,709
<b>Total financial assets</b>	<b>337,517,117</b>	<b>124,640,337</b>	<b>434,808</b>	<b>1,052,749</b>	<b>206,750</b>	<b>463,851,761</b>
<b>Liabilities</b>						
Customer's deposits	319,439,335	76,817,007	–	–	–	396,256,342
Borrowings	11,728,696	–	–	–	–	11,728,696
Other liabilities and accrued expenses	2,877,877	1,384,860	–	–	–	4,262,737
<b>Total financial liabilities</b>	<b>334,045,908</b>	<b>78,201,867</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>412,247,775</b>
<b>Net on-balance sheet position</b>	<b>3,471,209</b>	<b>46,438,470</b>	<b>434,808</b>	<b>1,052,749</b>	<b>206,750</b>	<b>51,603,986</b>
<b>Credit commitments</b>	<b>14,783,666</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>14,783,666</b>

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2013

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(expressed in Eastern Caribbean dollars)

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

### 5.2.3 Interest rate risk

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

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

## Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements  
September 30, 2013

(expressed in Eastern Caribbean dollars)

### 5 Financial instruments risk... continued

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

At September 30, 2013

Assets	Under 1 Month \$	1 to 3 Months \$	3 to 12 Months \$	1 to 5 Years \$	Over 5 Years \$	Non-interest Bearing \$	Total \$
Cash and balances with the Central bank	—	—	—	—	—	38,718,263	38,718,263
Due from banks and other financial institutions	—	—	—	—	—	14,091,475	14,091,475
<i>Investment securities:</i>							
– Held to maturity investments	—	—	37,600	3,000,000	—	—	3,037,600
– Loans and receivables	46,847,881	30,533,518	29,258,520	2,008,078	—	—	108,647,997
– Available-for-sale equity securities – unquoted	—	—	—	—	—	25,000	25,000
– Available-for-sale debt investments – government securities – quoted	126,700	88,050	3,000	4,500,000	5,141,044	—	9,858,794
– Available-for-sale equity securities – quoted	—	—	—	—	—	80,860	80,860
Loans and advances to customers	15,213,501	836,435	3,335,373	15,113,447	275,271,544	—	309,770,300
Other financial assets	—	—	—	—	—	89,726	89,726
<b>Total financial assets</b>	<b>62,188,082</b>	<b>31,458,003</b>	<b>32,634,493</b>	<b>24,621,525</b>	<b>280,412,588</b>	<b>53,005,324</b>	<b>484,320,015</b>
<b>Liabilities</b>							
Customers' deposits	163,146,268	49,756,479	197,123,040	5,949,755	405,257	—	416,380,799
Borrowings	111,629	225,496	1,052,652	4,160,151	—	—	5,549,928
Other liabilities and accrued expenses	—	—	—	—	—	4,052,756	4,052,756
<b>Total financial liabilities</b>	<b>163,257,897</b>	<b>49,981,975</b>	<b>198,175,692</b>	<b>10,109,906</b>	<b>405,257</b>	<b>4,052,756</b>	<b>425,983,483</b>
<b>Total interest repricing gap</b>	<b>(101,069,815)</b>	<b>(18,523,972)</b>	<b>(165,541,199)</b>	<b>14,511,619</b>	<b>280,007,331</b>	<b>48,952,568</b>	<b>58,336,532</b>

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2013

(expressed in Eastern Caribbean dollars)

## 5 Financial instruments risk... continued

### 5.2.3 Interest rate risk ... continued

	Under 1 Month \$	1 to 3 Months \$	3 to 12 Months \$	1 to 5 Years \$	Over 5 Years \$	Non-interest Bearing \$	Total \$
<b>At September 30, 2012</b>							
<b>Assets</b>							
Cash and balances with the Central bank	–	–	–	–	–	38,042,946	38,042,946
Due from banks and other financial institutions	–	–	–	–	–	27,775,263	27,775,263
<i>Investment securities:</i>							
– Held to maturity investments	–	–	237,500	3,000,000	–	–	3,237,500
– Loans and receivables	34,472,404	24,197,515	23,383,716	–	–	–	82,053,635
– Available-for-sale equity securities – unquoted	–	–	–	–	–	25,000	25,000
– Available-for-sale debt investments – government securities – quoted	–	–	–	–	1,431,740	–	1,431,740
– Available-for-sale equity securities – quoted	–	–	–	–	–	80,860	80,860
Loans and advances to customers	15,354,952	1,965,551	1,247,887	17,199,103	273,312,615	–	309,080,108
Other financial assets	–	–	–	–	–	2,124,709	2,124,709
<b>Total financial assets</b>	<b>49,827,356</b>	<b>26,163,066</b>	<b>24,869,103</b>	<b>20,199,103</b>	<b>274,744,355</b>	<b>68,048,778</b>	<b>463,851,761</b>
<b>Liabilities</b>							
Customers' deposits	140,840,701	39,390,562	159,582,395	56,312,753	129,931	–	396,256,342
Borrowings	68,935	141,852	666,140	4,296,395	6,555,374	–	11,728,696
Other liabilities and accrued expenses	–	–	–	–	–	4,262,737	4,262,737
<b>Total financial liabilities</b>	<b>140,909,636</b>	<b>39,532,414</b>	<b>160,248,535</b>	<b>60,609,148</b>	<b>6,685,305</b>	<b>4,262,737</b>	<b>412,247,775</b>
<b>Total interest repricing gap</b>	<b>(91,082,280)</b>	<b>(13,369,348)</b>	<b>(135,379,432)</b>	<b>(40,410,045)</b>	<b>268,059,050</b>	<b>63,786,041</b>	<b>51,603,986</b>

## Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2013

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(expressed in Eastern Caribbean dollars)

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

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

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

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

### 5.3 Liquidity risk

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

#### 5.3.1 Liquidity risk management process

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

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

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

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

#### 5.3.2 Funding approach

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

## Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements  
September 30, 2013

(expressed in Eastern Caribbean dollars)

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

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

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

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

	Under 1 month \$	1-3 months \$	3-12 months \$	1-5 years \$	Over 5 years \$	Total \$
<b>As at September 30, 2013</b>						
Customers' deposits	163,180,089	50,048,174	201,260,686	6,248,379	397,901	421,135,229
Borrowings	148,626	297,253	1,337,637	4,619,817	—	6,403,333
Other liabilities and accrued expenses	4,052,756	—	—	—	—	4,052,756
<b>Total financial liabilities (contractual maturity dates)</b>	<b>167,381,471</b>	<b>50,345,427</b>	<b>202,598,323</b>	<b>10,868,196</b>	<b>397,901</b>	<b>431,591,318</b>
<b>Assets held for managing liquidity risk (contractual maturity dates)</b>	<b>111,814,922</b>	<b>36,646,466</b>	<b>56,751,385</b>	<b>132,867,563</b>	<b>347,506,838</b>	<b>685,587,174</b>

## Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements  
September 30, 2013

(expressed in Eastern Caribbean dollars)

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

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

	Under 1 month \$	1-3 months \$	3-12 months \$	1-5 years \$	Over 5 years \$	Total \$
<b>As at September 30, 2012</b>						
Customers' deposits	140,865,562	39,663,125	163,517,677	58,502,015	128,169	402,676,548
Borrowings	148,626	297,253	1,337,637	7,134,062	7,789,596	16,707,174
Other liabilities and accrued expenses	4,262,737	—	—	—	—	4,262,737
<b>Total financial liabilities (contractual maturity dates)</b>	<b>145,276,925</b>	<b>39,960,378</b>	<b>164,855,314</b>	<b>65,636,077</b>	<b>7,917,765</b>	<b>423,646,459</b>
<b>Assets held for managing liquidity risk (contractual maturity dates)</b>	<b>95,494,266</b>	<b>30,616,491</b>	<b>52,102,701</b>	<b>133,200,714</b>	<b>351,195,418</b>	<b>662,609,590</b>

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2013

(expressed in Eastern Caribbean dollars)

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

### 5.3.4 Assets held for managing liquidity risk

The Bank holds a diversified portfolio of cash and high-quality financial assets to support payment obligations and contingent funding in a stressed market environment. The Bank's assets held for managing liquidity risk comprise of the following:

- Unrestricted cash and balances due from banks;
- Loans and receivables investment securities; and
- Unimpaired loans and advances.

### 5.3.5 Off balance sheet items

#### (a) Credit commitments

The dates of the contractual amounts of the Bank's off-balance sheet financial instruments that commit to extend credit to customers and other facilities are summarised in the table below.

#### (b) Financial guarantees

The Bank's financial guarantees are also included in the table below based on the earliest contractual maturity date.

	Up to 1 year \$	1 to 5 years \$	Total \$
<b>As at September 30, 2013</b>			
Financial guarantees	6,103,000	–	6,103,000
Credit commitments	16,593,894	–	16,593,894
	<b>22,696,894</b>	<b>–</b>	<b>22,696,894</b>
<b>As at September 30, 2012</b>			
Financial guarantees	5,832,000	–	5,832,000
Credit commitments	8,951,666	–	8,951,666
	<b>14,783,666</b>	<b>–</b>	<b>14,783,666</b>

#### (c) Operating Lease Commitments

The bank had no contractual operating lease commitments as of September 30, 2013.

#### (d) Capital commitments

The Bank had no contractual capital commitments as of September 30, 2013.

## Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements  
September 30, 2013

(expressed in Eastern Caribbean dollars)

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

#### 5.4 Fair value of financial assets and liabilities

*Financial instruments not measured at fair value.*

The table below summarises the carrying amounts and fair values of the Bank's financial assets and liabilities not presented on the statement of financial position at their fair values.

	Carrying Value		Fair Value	
	2013 \$	2012 \$	2013 \$	2012 \$
<b>Financial assets</b>				
Due from other banks and financial institutions	14,091,475	27,775,263	14,091,475	27,775,263
<i>Investment securities:</i>				
– Held-to-maturity investments	3,037,600	3,237,500	3,023,900	3,218,188
– Loans and receivables	108,647,997	82,053,634	108,647,997	82,053,634
Loans and advances to customers	309,770,300	309,080,108	308,171,437	309,325,014
Other financial assets	89,726	2,124,709	89,726	2,124,709
	<b>435,637,098</b>	<b>424,271,214</b>	<b>434,024,535</b>	<b>424,496,808</b>
<b>Financial liabilities</b>				
Customers' deposits	416,380,799	396,256,342	416,136,661	357,127,006
Borrowings	5,549,928	11,728,696	5,549,928	11,728,696
Other liabilities and accrued expenses	4,052,756	4,262,737	4,052,756	4,262,737
	<b>425,983,483</b>	<b>412,247,775</b>	<b>425,739,345</b>	<b>373,118,439</b>

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2013

(expressed in Eastern Caribbean dollars)

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

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

#### (a) *Financial instruments measured at fair value ... continued*

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

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

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

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

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

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

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

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

#### 5.4.1 Fair value 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 Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices in active markets for identical assets or liabilities. This level includes listed debt instruments listed on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

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

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2013

(expressed in Eastern Caribbean dollars)

## 5 Financial instruments risk ... continued

### 5.4.2 Assets and liabilities measured at fair value

	Level 2 \$	Level 3 \$	Total \$
<b>Financial assets</b>			
<i>Investment securities:</i>			
– Available-for-sale equity investments – unquoted	–	25,000	25,000
– Available-for-sale debt investments – quoted	–	9,641,044	9,641,044
– Available-for-sale equity investments – quoted	80,860	–	80,860
<b>Total assets</b>	<b>80,860</b>	<b>9,666,044</b>	<b>9,746,904</b>

### Reconciliation of level 3 items

The following table presents changes in level 3 instruments for the year ended September 30, 2013.

	Available- for-sale financial assets		Total \$
	Debt securities \$	Equity securities \$	
<b>Opening balance as of September 30, 2012</b>	1,431,740	25,000	1,456,740
Additions	8,500,000	–	8,500,000
Settlements	(290,696)	–	(290,696)
<b>At September 30, 2013</b>	<b>9,641,044</b>	<b>25,000</b>	<b>9,666,044</b>

If the market interest rate on the available-for-sale bond investment were to change by +/- 10%, the impact on other comprehensive income would be an increase of \$231,791 or a decrease of \$355,254.

The following table presents the changes in level 3 instruments for the period ended September 30, 2012.

	Available- for-sale financial assets		Total \$
	Debt securities \$	Equity securities \$	
<b>Opening balance as of September 30, 2011</b>	1,737,258	25,000	1,762,258
Settlements	(305,518)	–	(305,518)
<b>At September 30, 2012</b>	<b>1,431,740</b>	<b>25,000</b>	<b>1,456,740</b>

If the market interest rate on the available-for-sale bond investment were to change by +/- 10%, the impact on other comprehensive income would be an increase of \$66,136 or a decrease of \$70,642.

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2013

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(expressed in Eastern Caribbean dollars)

## 6 Capital management policies and procedures

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

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

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

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

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

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

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

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2013

(expressed in Eastern Caribbean dollars)

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

The following table summarises the composition of the regulatory capital and the ratios of the Bank as at September 30, 2013. At this date the Bank complied with all the externally imposed capital requirements to which they are subject.

	2013	2012
	\$	\$
<b>Tier 1 capital</b>		
Common share capital	24,000,000	24,000,000
Preference share capital	47,869,339	47,869,339
Retained earnings	2,639,635	(1,665,233)
Reserve for loan loss impairment	139,045	1,174,112
Reserve for interest on non-performing loans	3,745,896	2,674,071
Statutory reserve	2,098,631	933,316
Customer lists intangible asset	(1,477,092)	(1,661,728)
<b>Total qualifying Tier 1 capital</b>	<b>79,015,454</b>	<b>73,323,877</b>
<b>Tier 2 capital</b>		
General loan loss provisions	547,038	339,232
<b>Total qualifying Tier 2 capital</b>	<b>547,038</b>	<b>339,232</b>
<b>Total regulatory capital</b>	<b>79,562,492</b>	<b>73,663,109</b>
<b>Risk weighted assets</b>		
On-balance sheet	146,805,000	140,606,000
Off-balance sheet	3,319,000	1,790,400
<b>Total risk weighted assets</b>	<b>150,124,000</b>	<b>142,396,400</b>
<b>Basel ratio</b>	<b>53%</b>	<b>52%</b>

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2013

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(expressed in Eastern Caribbean dollars)

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

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

### Estimation uncertainty

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

#### *Impairment losses on loans and advances*

The Bank reviews its loan portfolios to assess impairment at least on a quarterly basis for the regulatory prudential reporting purposes and annually in preparing its IFRS financial statements. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Bank makes judgements as to whether there is any observable data indicating an impairment trigger followed by a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or local economic conditions that correlate with defaults on assets in the Bank. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Were the net present value of estimated cash flows to differ by +/-10% the impairment loss is estimated to be \$987,941 higher or \$563,926 lower. Were the discount period used in calculation of the present value of the future cash flows to differ by +/- 1 year, the impairment loss is estimated to be \$584,473 higher or \$556,267 lower.

## Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2013

(expressed in Eastern Caribbean dollars)

### 8 Cash and balances with the Central Bank

	Note	2013 \$	2012 \$
Cash on hand		4,856,094	4,520,414
Balances with ECCB other than mandatory reserves		<u>14,686,263</u>	<u>16,597,946</u>
Included in cash and cash equivalents	23	19,542,357	21,118,360
Mandatory reserve deposits with the ECCB		<u>19,175,906</u>	<u>16,924,586</u>
<b>Total cash and balances with the Central Bank</b>		<b><u>38,718,263</u></b>	<b><u>38,042,946</u></b>

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

### 9 Due from banks and other financial institutions

	Note	2013 \$	2012 \$
Operating accounts with other banks		14,055,320	25,910,831
Items in the course of collection from other banks		<u>36,155</u>	<u>1,864,432</u>
<b>Total due from banks and other financial institutions</b>	23	<b><u>14,091,475</u></b>	<b><u>27,775,263</u></b>

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

Balances held with shareholder banks as of September 30, 2013 amounted to \$197,120 (2012: \$267,303).

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2013

(expressed in Eastern Caribbean dollars)

## 10 Investment securities

### Loans and receivables investment securities

	Notes	Nominal value 2013 \$	Cost 2013 \$	Nominal value 2012 \$	Cost 2012 \$
<b>Treasury bills</b>					
Treasury bills at amortized cost – OECS Governments with original maturities of three (3) months or less and interest rates ranging from 2.50% to 8%		<b>23,869,500</b>	<b>23,606,677</b>	16,109,500	15,921,366
Included in cash and cash equivalents	23	<b>23,869,500</b>	<b>23,606,677</b>	16,109,500	15,921,366
Treasury bills at amortized cost - OECS Governments with original maturities greater than three (3) months ranging from 5.0% to 6.5%		<b>11,942,000</b>	<b>11,557,822</b>	9,518,000	9,339,515
Interest receivable		–	<b>442,600</b>	–	352,650
<b>Total treasury bills</b>		<b>35,811,500</b>	<b>35,607,099</b>	25,627,500	25,613,531

Included in the treasury bills are amounts held with a shareholder, the Government of Antigua and Barbuda, totalling \$4,733,357 (2012: \$5,423,625).

Interest income earned from treasury bills held with the Government of Antigua and Barbuda amounted to \$271,489 (2012: \$32,260).

## Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2013

(expressed in Eastern Caribbean dollars)

**10 Investment securities ... continued****Loans and receivables investment securities ... continued**

	Notes	2013 \$	2012 \$
<b>Term Deposits</b>			
St. Kitts Nevis Anguilla National Bank, with original maturities of three (3) months or less at interest rates ranging from 0.5% to 3.5%.		8,554,686	3,026,250
Bank of St. Vincent & the Grenadines, maturing on October 2, 2013 with an interest rate of 4.0%		4,275,754	4,089,883
National Bank of Dominica, maturing on October 19, 2012 with an interest rate of 4.0%		—	5,100,223
Bank of Saint Lucia, with original maturities of three (3) months or less at interest rates ranging from 3% to 4.75%		<u>14,859,002</u>	18,811,181
Included in cash and cash equivalents	23	27,689,442	31,027,537
Term deposits with other OECS banks with original maturities greater than three (3) months up to one year at interest rates ranging from 3.5% to 5%		21,516,236	11,797,539
Restricted term deposits with Bank of America with original maturities of one year at interest rates of 0.45% to 0.50%.		6,413,000	5,913,000
Interest receivable		<u>406,450</u>	230,450
		<u>56,025,128</u>	48,968,526
<b>Fixed rate notes</b>			
Government of Saint Lucia:			
- Maturing on March 16, 2015 with an interest rate of 6.0%		2,008,078	2,008,078
- Maturing on July 18, 2014 with an interest rate of 4.75%		5,400,000	5,400,000
Interest receivable		<u>61,000</u>	63,500
		<u>7,469,078</u>	7,471,578

Included in the term deposits are amounts held with the shareholder banks totalling \$49,205,677 (2012: \$43,031,825). Interest income earned during the year on term deposits held with the shareholder banks amounted to \$1,682,824 (2012: \$904,004).

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2013

(expressed in Eastern Caribbean dollars)

**10 Investment securities ... continued****Loans and receivables investment securities ... continued**

	Notes	2013 \$	2012 \$
<b>Fixed income paper</b>			
First Citizens Investments Services Limited:			
- Maturing on October 16, 2013 with an interest rate of 1.75%		5,447,230	—
- Maturing on October 28, 2013 with an interest rate of 2.75%		<u>4,057,162</u>	—
<b>Include in cash and cash equivalents</b>	23	9,504,392	—
Interest receivable		<u>42,300</u>	—
		<u>9,546,692</u>	—
<b>Total loans and receivables investment securities</b>		<u>108,647,997</u>	82,053,635
<b>Total principal</b>		107,695,647	81,407,035
<b>Interest receivable</b>		<u>952,350</u>	646,600
		<u>108,647,997</u>	82,053,635
<b>Current portion</b>		106,639,919	82,053,635
<b>Non-current portion</b>		<u>2,008,078</u>	—
		<u>108,647,997</u>	82,053,635
<b>Available-for-sale – unquoted</b>			
Eastern Caribbean Securities Exchange Limited			
2,500 Class 'C' shares (2,500 shares at cost of \$10 each)		25,000	25,000
<b>Available-for-sale – quoted</b>			
Eastern Caribbean Home Mortgage Bank			
622 shares with market value of \$160 per share		<u>80,860</u>	80,860
Available-for-sale equity investments		<u>105,860</u>	105,860

## Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2013

(expressed in Eastern Caribbean dollars)

**10 Investment securities ... continued**

	2013	2012
	\$	\$
<b>Available-for-sale- quoted</b>		
Eastern Caribbean Home Mortgage Bank bonds with original maturities ranging from two (2) to four (4) years at an interest rate of 3.75%	1,500,000	–
OECS Government bonds with original maturities ranging from five (5) to ten (10) years at interest rates ranging from 6% to 7.5%	8,141,044	1,431,740
Interest receivable	217,750	–
Available-for-sale debt investments	<u>9,858,794</u>	1,431,740
<b>Total available-for-sale investment securities</b>	<u>9,964,654</u>	1,537,600
<b>Held-to-maturity investments</b>		
Eastern Caribbean Home Mortgage Bank Bonds, maturing on July 1, 2013, with an interest rate of 6%	–	200,000
Government of Antigua and Barbuda Bonds, maturing on July 28, 2016 with an interest rate of 7.5%	3,000,000	3,000,000
Interest receivable	37,600	37,500
<b>Total held to maturity investment securities</b>	<u>3,037,600</u>	3,237,500
<b>Summary of investment securities</b>		
Total principal	120,442,551	86,144,635
Total interest receivable	<u>1,207,700</u>	684,100
<b>Total investment securities</b>	<u>121,650,251</u>	86,828,735
Current	106,895,268	82,291,135
Non-current	<u>14,754,983</u>	4,537,600
<b>Total investments</b>	<u>121,650,251</u>	86,828,735

Included in the held to maturity investments are amounts held with a shareholder, the Government of Antigua and Barbuda, totalling \$3,000,000 (2012: \$3,000,000).

Interest income earned from bonds held with the Government of Antigua and Barbuda amounted to \$225,100 (2012: \$224,900).

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements  
September 30, 2013

(expressed in Eastern Caribbean dollars)

## 10 Investment securities ... continued

The movement in investment securities is summarised as follows:

	Available- for-sale- (unquoted) \$	Available- for-sale- (quoted) \$	Held-to- maturity \$	Loans and receivables \$	Total \$
Opening balance as at September 30, 2011	25,000	1,818,118	3,237,600	41,935,276	47,015,994
Purchase of investments	—	—	—	95,595,801	95,595,801
Disposal of investments	—	(305,518)	—	(55,790,647)	(56,096,165)
(Decrease)/increase in interest receivable, net	—	—	(100)	313,205	313,105
<b>Balance as at September 30, 2012</b>	<b>25,000</b>	<b>1,512,600</b>	<b>3,237,500</b>	<b>82,053,635</b>	<b>86,828,735</b>
Opening balance as at September 30, 2012	25,000	1,512,600	3,237,500	82,053,635	86,828,735
Purchase of investments	—	8,500,000	—	113,099,192	121,599,192
Disposal of investments	—	(290,696)	(200,000)	(86,810,580)	(87,301,276)
(Decrease)/increase in interest receivable, net	—	217,750	100	305,750	523,600
<b>Balance as at September 30, 2013</b>	<b>25,000</b>	<b>9,939,654</b>	<b>3,037,600</b>	<b>108,647,997</b>	<b>121,650,251</b>

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2013

(expressed in Eastern Caribbean dollars)

## 11 Loans and advances to customers

	2013 \$	2012 \$
Demand loans	208,983,788	209,423,675
Mortgage loans	59,436,250	53,437,042
Non-performing loans and advances	31,643,844	35,843,402
Rebate loans	1,127,207	2,730,247
Overdrafts	4,779,732	5,113,021
Credit card advances	3,139,349	3,685,726
	<b>309,110,170</b>	<b>310,233,113</b>
Deferred loan origination fees	(178,075)	(112,305)
Interest receivable	4,140,818	3,441,517
Less: Provision for losses on loans and advances	(3,302,613)	(4,482,217)
<b>Total loans and advances to customers</b>	<b>309,770,300</b>	<b>309,080,108</b>
<b>Current</b>	<b>19,385,309</b>	<b>18,568,391</b>
<b>Non-current</b>	<b>290,384,991</b>	<b>290,511,717</b>
	<b>309,770,300</b>	<b>309,080,108</b>

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

	2013 \$	2012 \$
Balance at beginning of year	4,482,217	3,543,545
Provision for loan impairment	945,928	938,672
Loans written-off during the year as uncollectible	(2,125,532)	—
<b>Balance at end of period</b>	<b>3,302,613</b>	<b>4,482,217</b>

According to the ECCB loan provisioning guidelines, the calculated allowance for loan impairment amounts to \$3,441,658 (2012: \$5,656,329) and the difference of \$139,045 (2012: \$1,174,112) between this figure and the provision for loan impairment calculated under IAS 39 has been set aside as a specific reserve in equity, see note 20.

According to the ECCB prudential guidelines, interest income is not accrued for loans that are non-performing. The accrued interest of \$3,745,896 (2012: \$2,674,071) on non-performing loans has been set aside as a specific reserve in equity, see note 20.

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2013

(expressed in Eastern Caribbean dollars)

**12 Other assets**

	2013 \$	2012 \$
<i>Financial assets</i>		
Trade receivables	107,546	124,709
Other receivables	–	2,000,000
Provision for doubtful debts	<u>(17,820)</u>	–
	<u>89,726</u>	<u>2,124,709</u>
<i>Non financial assets</i>		
Prepayments	717,659	878,724
Prepaid purchases	<u>317,467</u>	<u>445,388</u>
	<u>1,035,126</u>	<u>1,324,112</u>
<b>Total other assets</b>	<u>1,124,852</u>	<u>3,448,821</u>
<b>Current</b>	<u>1,124,852</u>	<u>3,448,821</u>

## Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements  
September 30, 2013

(expressed in Eastern Caribbean dollars)

### 13 Property, plant and equipment

	Artwork \$	Land \$	Buildings \$	Furniture fixtures & equipment \$	Computer equipment \$	Motor vehicles \$	Total \$
<b>At September 30, 2011</b>							
Cost	51,740	2,153,500	1,048,273	707,359	2,608,182	255,000	6,824,054
Accumulated depreciation	—	—	(60,085)	(108,847)	(476,970)	(48,875)	(694,777)
<b>Net book amount</b>	<b>51,740</b>	<b>2,153,500</b>	<b>988,188</b>	<b>598,512</b>	<b>2,131,212</b>	<b>206,125</b>	<b>6,129,277</b>
<b>Year ended September 30, 2012</b>							
Opening net book amount at October 1, 2011	51,740	2,153,500	988,188	598,512	2,131,212	206,125	6,129,277
Additions	—	2,615,700	9,696,713	285,680	635,928	—	13,234,021
Depreciation charge	—	—	(186,523)	(126,931)	(586,470)	(51,000)	(950,924)
Disposal	—	—	—	(7,230)	—	—	(7,230)
<b>Net book amount</b>	<b>51,740</b>	<b>4,769,200</b>	<b>10,498,378</b>	<b>750,031</b>	<b>2,180,670</b>	<b>155,125</b>	<b>18,405,144</b>
<b>At September 30, 2012</b>							
Cost	51,740	4,769,200	10,744,986	985,809	3,244,110	255,000	20,050,845
Accumulated depreciation	—	—	(246,608)	(235,778)	(1,063,440)	(99,875)	(1,645,701)
<b>Net book amount</b>	<b>51,740</b>	<b>4,769,200</b>	<b>10,498,378</b>	<b>750,031</b>	<b>2,180,670</b>	<b>155,125</b>	<b>18,405,144</b>
<b>Year ended September 30, 2013</b>							
Opening net book amount at October 1, 2012	51,740	4,769,200	10,498,378	750,031	2,180,670	155,125	18,405,144
Additions	—	—	—	240,030	635,097	—	875,127
Depreciation charge	—	—	(251,616)	(166,297)	(692,127)	(51,708)	(1,161,748)
<b>Net book amount</b>	<b>51,740</b>	<b>4,769,200</b>	<b>10,246,762</b>	<b>823,764</b>	<b>2,123,640</b>	<b>103,417</b>	<b>18,118,523</b>

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2013

(expressed in Eastern Caribbean dollars)

## 13 Property, plant and equipment

	Artwork \$	Land \$	Buildings \$	Furniture fixtures & equipment \$	Computer equipment \$	Motor vehicles \$	Total \$
At September 30, 2013							
Cost	51,740	4,769,200	10,744,986	1,225,839	3,879,207	255,000	20,925,972
Accumulated depreciation	—	—	(498,224)	(402,075)	(1,755,567)	(151,583)	(2,807,449)
Net book amount	51,740	4,769,200	10,246,762	823,764	2,123,640	103,417	18,118,523

## Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2013

(expressed in Eastern Caribbean dollars)

## 14 Intangible assets

	Computer software \$	Customer lists \$	Total \$
<b>Year ended September 30, 2012</b>			
Net book value at October 1, 2011	2,496,512	1,846,364	4,342,876
Additions	175,748	–	175,748
Amortisation charge	(681,625)	(184,636)	(866,261)
<b>Net book amount</b>	<b>1,990,635</b>	<b>1,661,728</b>	<b>3,652,363</b>
<b>At September 30, 2012</b>			
Cost	3,265,976	2,031,000	5,296,976
Accumulated amortisation	(1,275,341)	(369,272)	(1,644,613)
	<b>1,990,635</b>	<b>1,661,728</b>	<b>3,652,363</b>
<b>Year ended September 30, 2013</b>			
Net book value at October 1, 2012	1,990,635	1,661,728	3,652,363
Additions	207,600	–	207,600
Amortisation charge	(672,962)	(184,636)	(857,598)
<b>Net book amount</b>	<b>1,525,273</b>	<b>1,477,092</b>	<b>3,002,365</b>
<b>At September 30, 2013</b>			
Cost	3,473,576	2,031,000	5,504,576
Accumulated amortisation	(1,948,303)	(553,908)	(2,502,211)
	<b>1,525,273</b>	<b>1,477,092</b>	<b>3,002,365</b>

## 15 Customers' deposits

	2013 \$	2012 \$
Time deposits	277,608,170	271,800,456
Savings accounts	76,052,531	73,775,128
Current accounts	57,447,968	46,258,374
	<b>411,108,669</b>	<b>391,833,958</b>
Interest payable	5,272,130	4,422,384
<b>Total customers' deposits</b>	<b>416,380,799</b>	<b>396,256,342</b>
<b>Current</b>	<b>410,025,787</b>	<b>339,813,659</b>
<b>Non-current</b>	<b>6,355,012</b>	<b>56,442,683</b>
	<b>416,380,799</b>	<b>396,256,342</b>

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2013

(expressed in Eastern Caribbean dollars)

## 15 Customers' deposits...continued

Included in the customers' deposits at year end are deposits from related parties amounting to \$18,118,852 (2012: \$17,581,769) as disclosed in note 22.

Included in the customers' deposits at year end are deposits from other financial institutions, excluding shareholder banks amounting to \$11,623,985 (2012: \$10,795,477).

Deposits held as collateral for loans and advances amounted to \$7,601,314 (2012: \$11,133,823).

## 16 Other liabilities and accrued expenses

	2013 \$	2012 \$
Trade payables and accrued expenses	1,468,805	1,620,070
Manager's cheques	1,341,176	1,539,643
Transfers payable	499,258	901,165
Other payables	743,517	201,859
	<hr/>	<hr/>
<b>Total other liabilities and accrued expenses</b>	<b>4,052,756</b>	<b>4,262,737</b>
<b>Current</b>	<b>4,052,756</b>	<b>4,262,737</b>

## 17 Borrowings

	2013 \$	2012 \$
Consortium loan payable over ten (10) years in blended monthly instalments of \$148,627 commencing on March 8, 2012 with final payment of principal due at the end of the 120 <sup>th</sup> month together with all outstanding interest. Interest is charged at 8% per annum.	5,549,928	11,728,696
	<hr/>	<hr/>
Current portion of loan	1,390,178	5,876,928
Non current portion of loan	4,159,750	5,851,768
	<hr/>	<hr/>
<b>Balance at end of year</b>	<b>5,549,928</b>	<b>11,728,696</b>

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

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2013

(expressed in Eastern Caribbean dollars)

## 17 Borrowings...continued

The loan is secured as follows:

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

The Bank's Board of Directors approved a lump sum payment of EC\$5,000,000 which was paid in January 2013.

## 18 Share capital

	2013	2012
	\$	\$
<b>Authorised share capital:</b>		
710,000 common shares at no par value	—	—
100,000 preference shares at no par value	—	—
	<hr/>	<hr/>
<b>Issued and fully paid:</b>		
240,000 common shares issued at \$100 each	<b>24,000,000</b>	24,000,000
	<hr/>	<hr/>
100,000 preference shares issued at \$478.69 each	<b>47,869,339</b>	47,869,339
	<hr/>	<hr/>

## 19 Preference shares

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

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

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2013

(expressed in Eastern Caribbean dollars)

## 20 Other reserves

	2013 \$	2012 \$
Regulatory reserve for loan impairment	139,045	1,174,112
Regulatory reserve for interest on non-performing loans	3,745,896	2,674,071
Statutory reserve	2,098,631	933,316
<b>Total</b>	<b>5,983,572</b>	<b>4,781,499</b>

(a) *Reserve for loan impairment*

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

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

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

(c) *Statutory Reserve*

Under the Banking Act 2005, at least 20% of the net income of each year should be transferred to a reserve fund, if the amount of such reserve is less than 100% of the paid up capital.

## 21 Commitments

a) *Credit commitments and others*

	2013 \$	2012 \$
Guarantees	6,103,000	5,832,000
Undrawn Commitments – Loans and overdrafts	11,770,853	4,476,104
Undrawn Commitments – Credits cards	4,823,041	4,475,561
	<b>22,696,894</b>	<b>14,783,665</b>

b) *Operating lease commitments*

The bank had no contractual operating lease commitments as of September 30, 2013.

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2013

(expressed in Eastern Caribbean dollars)

## 22 Related parties

	Interest rate	2013 \$	2012 \$
Loans to Government of Antigua and Barbuda	8.0 – 9.8%	174,879,632	174,577,236
Loans to key management personnel	6.0-7.0%	1,933,142	883,744
		<u>176,812,774</u>	<u>175,460,980</u>

The loans to shareholders and key management personnel are secured by assets including cash and property. Interest income earned on shareholders', directors' and key members of management's loans and advances during the year amounted to \$15,758,185 (2012: \$15,898,457). The average interest rate on these loans is 8.76% (2012: 8.1%).

### Deposits from related parties

	Interest rate	2013 \$	2012 \$
Deposits from shareholders	3.25 – 4.5%	17,007,910	16,142,208
Deposits from key management personnel	0 – 4.5%	810,937	1,280,117
Deposits from staff retirement savings fund	5%	280,106	–
Deposits from directors	3.0%	19,899	159,444
		<u>18,118,852</u>	<u>17,581,769</u>

Interest expense paid on shareholders', directors' key members of management's and the staff retirement savings fund deposits during the year amounted to \$648,443 (2012: \$746,281). The average interest rate on these deposits is 3.67% (2012: 4.6%).

### Remuneration of key management personnel

	2013 \$	2012 \$
Salaries and allowances	1,470,341	1,107,070
Directors' fees	239,716	233,400
Social Security and Medical Benefits costs	58,792	44,936
Other staff costs	14,668	11,300
	<u>1,783,517</u>	<u>1,396,706</u>

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

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2013

(expressed in Eastern Caribbean dollars)

## 23 Cash and cash equivalents

Cash and cash equivalents are comprised of the following:

	Notes	2013 \$	2012 \$
Term deposits with original maturities of ninety days or less	10	27,689,442	31,027,537
Operating accounts due from local banks	9	14,091,475	27,775,263
Cash and balances with the Central Bank	8	19,542,357	21,118,360
Treasury bills	10	23,606,677	15,921,366
Fixed income paper with original maturities of ninety days or less	10	9,504,392	—
		<u>94,434,343</u>	<u>95,842,526</u>

## 24 Interest income and interest expense

	2013 \$	2012 \$
<b>Interest income</b>		
Loans and advances	27,178,183	28,577,125
Investment securities	4,541,618	2,590,831
Short term deposits	947	2,135
<b>Total interest income</b>	<u>31,720,748</u>	<u>31,170,091</u>
<b>Interest expense</b>		
Demand accounts	188,243	160,343
Savings accounts	2,092,848	1,897,220
Fixed deposits	10,850,574	10,604,362
Borrowings	608,470	667,707
<b>Total interest expense</b>	<u>13,740,135</u>	<u>13,329,632</u>
<b>Net interest income</b>	<u>17,980,613</u>	<u>17,840,459</u>

## Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2013

(expressed in Eastern Caribbean dollars)

**25 Net fee income**

	2013 \$	2012 \$
<b>Fee income</b>		
Credit card fees	2,992,635	2,341,647
Other fees and commission	1,983,580	1,287,228
Foreign exchange gain/losses	1,757,701	1,666,512
Service charge – deposits	769,666	998,633
Credit related fees	317,881	423,797
	<hr/>	<hr/>
<b>Total fee income</b>	7,821,463	6,717,817
<b>Fee expense</b>		
Credit card expenses	2,448,973	1,977,396
Bank charges	447,778	510,309
Other fees – expenses	84,857	3,157
	<hr/>	<hr/>
<b>Total fee expense</b>	2,981,608	2,490,862
<b>Net fee income</b>	<hr/> <b>4,839,855</b>	<hr/> <b>4,226,955</b>

**26 Other income/expenses**

	2013 \$	2012 \$
Recovery of loan items written-off	16,445	–
Recovery of credit card items written-off	325	614
Loss on disposal of fixed assets	–	(4,010)
	<hr/>	<hr/>
<b>Total other income (expense)</b>	16,770	(3,396)

**27 Personnel expenses**

	2013 \$	2012 \$
Salaries and allowances	7,205,601	7,640,088
Other personnel expenses	705,336	492,570
Statutory contributions	521,032	476,125
Insurance contributions	170,258	169,197
	<hr/>	<hr/>
<b>Total personnel expenses</b>	8,602,227	8,777,980

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2013

(expressed in Eastern Caribbean dollars)

## 28 General and administrative expenses

	2013	2012
	\$	\$
Administration costs	1,368,558	1,434,317
Rent	173,263	527,023
Marketing and public relations	408,888	504,294
Professional fees	887,228	900,352
Information technology	990,910	860,834
Repairs and maintenance	605,339	559,906
Telecommunications and postage	578,352	526,977
Insurance	336,395	393,269
Directors' fees	239,716	233,400
Impairment expense – other assets	17,820	–
Travel, conferences and meetings	156,327	220,830
<b>Total general and administrative expenses</b>	<b>5,762,796</b>	<b>6,161,202</b>

## 29 Income tax

Effective from November 25, 2011, the Bank was granted an exemption from the payment of corporate income tax for a period of fifteen (15) years, with the ability to carry forward tax losses incurred in respect of that period for periods of five (5) years for each tax year.

The applicable income tax rate for the year is 25% (2012: 25%). However, the effective tax rate is nil (2012: 3.77%) as a result of the income tax exemption.

	2013	2012
	\$	\$
<b>Tax charge</b>		
Net income for the period before taxation	5,506,941	4,368,979
Tax charge at the applicable tax rate	1,376,735	164,585
Movement in deferred taxes not recognised	52,256	(48,724)
Effect of permanent differences	(562,115)	(107,745)
Effect of income tax exemption	(866,876)	(11,407)
Tax losses carried forward	–	3,291
<b>Tax charge for the year</b>	<b>–</b>	<b>–</b>

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2013

(expressed in Eastern Caribbean dollars)

**29 Income tax ... continued****Deferred tax liability**

At the year end, the Bank had a net deferred tax liability of \$352,266 (2012: \$404,522) at the future tax rate of 25% which was not recognised in the financial statements as the Bank currently has an exemption from the payment of income taxes for a period of 15 years from November 25, 2011. The unrecorded net deferred tax liability is comprised as follows:

	2013 \$	2012 \$
Tax losses	780,412	780,412
Deferred commissions on loans	44,519	28,076
Regulatory loan loss reserve	(971,235)	(962,046)
Depreciation on property, plant and equipment	(205,962)	(250,964)
<b>Balance, end of year</b>	<b>(352,266)</b>	<b>(404,522)</b>

**Tax losses**

The Bank has a loss for tax purposes of \$3,121,647 (2012: \$3,161,247). \$3,034,293 of the losses were incurred prior to the exemption period and can only be carried forward for six years. However, given the Bank's current corporate tax exemption period, these amounts will likely never be recovered. \$87,354 of the losses were incurred during the period of tax exemption of fifteen years and can be carried forward for five years after the end of the tax exemption period. The losses have not been agreed with the Commissioner of Inland Revenue nor have they been disputed.

The tax losses expire as follows.

	\$
2017	3,034,293
2032	87,354
	<u>3,121,647</u>

# Eastern Caribbean Amalgamated Bank Limited

Notes to Financial Statements

September 30, 2013

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(expressed in Eastern Caribbean dollars)

## 30 Employee benefits

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

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

An employee is not entitled to the Bank's contribution if terminated for just cause. An employee whose employment ceases due to medical reasons of a terminable nature is entitled to 100% of contributions made on their behalf by the Bank. The trustees of the fund is a committee comprising of the General Manager, the Senior Manager of Human Resources and three employees from staff nominated, voted and determined by the employees. The retirement savings plan expense for the year was \$135,092 (2012: nil).

## 31 Contingent liabilities

### Pending litigation

A legal claim was filed against the Bank in February 2011 by a former employee of Bank of Antigua Limited for \$430,312 relating to unpaid pension fund. The Court has provided a judgement on the case that was in favour of the Bank. However, this has subsequently been appealed by the former employee. No significant loss is expected to arise from this pending claim; however the outcome of the appeal is currently unknown.

# Notes





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