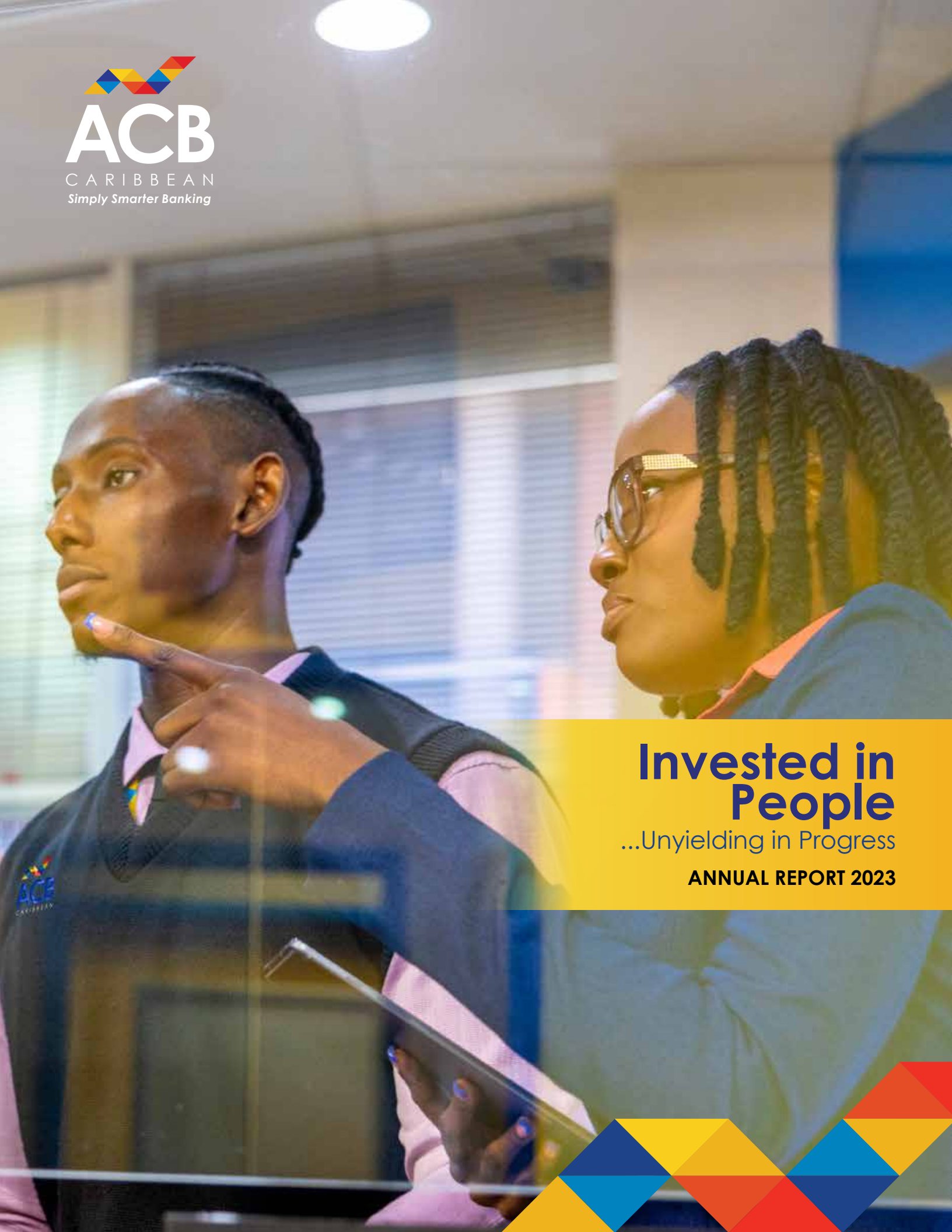




Invested in People

...Unyielding in Progress

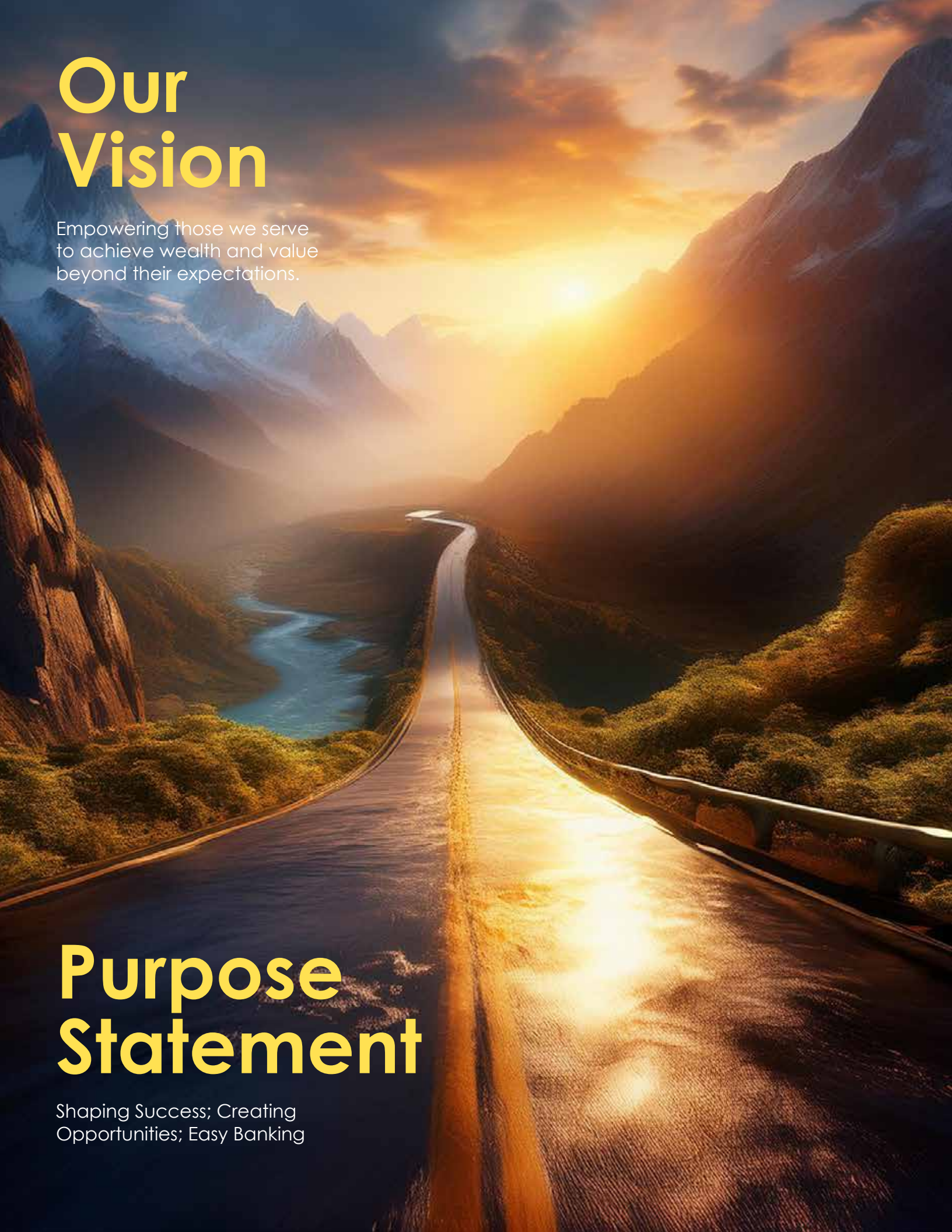
ANNUAL REPORT 2023



Invested in People *...Unyielding in Progress*

The ACB Caribbean Group is committed to not only foster a dynamic and supportive environment for our team, but also empowers our customers to thrive. We embody the spirit of being "Invested in People ... Unyielding in Progress." Together, we are not just navigating the future - we are shaping it with purpose and passion.





Our Vision

Empowering those we serve to achieve wealth and value beyond their expectations.

Purpose Statement

Shaping Success; Creating Opportunities; Easy Banking



Chairman's Report **08**



Driving Business Forward **15**

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Corporate INFORMATION

REGISTERED OFFICE AND POSTAL ADDRESS

Thames & St. Mary's Streets, P.O.
Box 95, St. John's, Antigua

SERVICE LOCATIONS

ACB Caribbean Headquarters:

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

ACB Caribbean Financial Centre:

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

Village Walk Branch: Village Walk
Commercial Centre Ltd., Friars
Hill Road, St. John's, Antigua

Market Street Branch: High &
Market Streets, St. John's, Antigua

Barbuda Branch: Codrington,
Barbuda

SUBSIDIARY LOCATIONS

ACB Mortgage & Trust Company Limited

ACB Caribbean Financial Centre
High & Temple Streets, St. John's,
Antigua

ACB Grenada Bank Ltd.

Grand Anse, St. George's,
Grenada

ATM LOCATIONS

ACB Caribbean Headquarters:

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

ACB Caribbean Financial Centre:

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

Village Walk Branch: Friars Hill
Road, St. John's, Antigua

V. C. Bird International Airport:

Coolidge, St. George, Antigua

Market Street Branch: High &
Market Streets, St. John's, Antigua

Barbuda Branch: Codrington,
Barbuda

Townhouse Mega Store Plaza: All
Saints and American Roads, St.
John's, Antigua

Perry Bay Supermarket: Perry Bay
Main Road, St. John's, Antigua

EMAIL ADDRESS

customerservice@acbonline.com

WEBSITE

www.acbonline.com

SWIFT CODE:

ANCBAGAG

CONTACT NUMBER

(268) 481-4200/1/2/3

FAX NUMBER

(268) 481-4229

INDEPENDENT AUDITORS

Grant Thornton, 11 Old Parham
Road, St. John's, Antigua

CORRESPONDENT BANKING RELATIONSHIPS

Bank of America

Bank of Montreal

Bank of Saint Lucia Limited

Bank of St. Vincent and the
Grenadines Limited

Crown Agents Bank

Eastern Caribbean Central Bank

1st National Bank of St. Lucia Ltd.

National Bank of Dominica Ltd.

National Commercial Bank of
Anguilla Limited

Republic Bank (Barbados) Ltd.

Republic Bank (Grenada) Limited

Sagicor Bank Jamaica Ltd.

St. Kitts – Nevis – Anguilla National
Bank Limited

Notice of Annual GENERAL MEETING

NOTICE IS HEREBY GIVEN that the SIXTY- EIGHTH (68th) ANNUAL GENERAL MEETING of ANTIGUA COMMERCIAL BANK LTD. TRADING AS ACB CARIBBEAN will be held via hybrid format (both online and in – person), on **Thursday December 19, 2024 at 2:00 pm**. The event will be hosted at the Sir John E. St. Luce Finance and Convention Centre on Factory Road, St. John's, Antigua. Online attendance will be facilitated through the Zoom Webinar Platform. Pre- registration to attend will be required.

Agenda

1. Call to Order
2. Prayers
3. Adoption of Agenda
4. Chairman's Remarks
5. (i) Confirm the Minutes of the Sixty- Seventh (67th) Annual General Meeting – March 21, 2024
(ii) Consider the Matters Arising from the Sixty- Seventh (67th) Annual General Meeting Minutes
6. Present the Chairman's and Directors' Reports
7. Consider the Financial Statements for the year ended September 30, 2023 and the report of the Auditors
8. Elect Directors and fix their remuneration
9. Declare a Dividend for the financial year ended September 30, 2023
10. Appoint the External Auditors for the year ended September 30, 2024 and authorize the Board to fix their remuneration
11. Transact any other business which may properly come before an Annual General Meeting of Shareholders

BY ORDER OF THE BOARD



RHODETTE PAIGE
LEGAL COUNSEL/ CORPORATE SECRETARY

November 22, 2024



Chairman's Report

Sandra Derrick

SECOND HIGHEST REPORTED PROFIT FOR ACB CARIBBEAN GROUP

The ACB Caribbean Group ("The Group") achieved exceptional financial performance in fiscal 2023, with total revenue increasing by an impressive 60%, culminating in a consolidated net profit of \$41.2 million. This remarkable result was driven primarily by the Parent Company, which reported its highest-ever net profit of \$35.9 million.

Both subsidiaries, ACB Mortgage & Trust Company Limited and ACB Grenada Bank Ltd., contributed significantly, each achieving an increase in net profit of over 30% during the same period. The Group's strong performance was attributed to a strategic shift in its investment approach and a rebound in the global economy, which helped recover unrealized losses in the investment portfolio from 2022.

Economic growth in Antigua & Barbuda (3.9%) and Grenada (3.6%) further bolstered the Group's performance. The banking sector benefited from increased economic activity in both territories despite continued geopolitical challenges and persistent inflationary pressures.

Additionally, global interest rate hikes aimed at controlling inflation in developed economies positively impacted the Bank's earnings, with interest income rising by nearly 20%.

While this robust performance is a cause for celebration, the Board remains committed to maintaining the Group's solvency and sustainability through three critical pillars: financial stability, capital adequacy, and strong liquidity.

Reflecting the Group's resilience and success, the Board is pleased to recommend a record dividend payment of \$1.00 per share, the highest in the Bank's nearly 70-year history.

FINANCIAL RESILIENCE IN ACB MORTGAGE & TRUST COMPANY LIMITED

Notwithstanding an increase in provisions for loan impairments, ACB Mortgage & Trust Company Limited maintained its prudent financial management strategy, achieving a 34.6% increase in net profit, rising from \$7.51 million to \$10.11 million.

ACB GRENADA BANK OPERATIONS

ACB Grenada Bank Ltd. recorded a 32% growth in profit after tax to \$4.37 million in fiscal 2023, driven by operational efficiencies, revenue growth, cost management, and favorable market conditions.

The Bank also capitalized on global interest rate hikes, which led to a substantial 75% increase in investment income.

In addition to its financial achievements, the subsidiary strengthened its community involvement, serving as a major sponsor for Spicemas, Grenada's Carnival. Internally, the Bank focused on enhancing employee engagement by launching a recognition program and conducting capacity-building training sessions.

TECHNOLOGY

The Group remains in transformation mode, adapting to new regulatory standards, keeping pace with rapid technological advancements, and addressing emerging risks in cybersecurity. Additionally, we have established protocols to mitigate potential business interruptions.

Our aging fleet of ATMs continues to pose challenges, with frequent disruptions affecting operations. However, we are pleased to announce plans to replace these machines with SMART Technology ATMs during the 2024/2025 fiscal year. While progress has been slower than anticipated due to numerous external dependencies required for operational readiness, we appreciate the patience of our customers and shareholders as we work diligently to upgrade our banking and mobile platforms. These enhancements aim to provide more seamless, user-friendly interactions while improving overall efficiency and customer satisfaction.

“Reflecting the Group's resilience and success, the Board is pleased to recommend a record dividend payment of \$1.00 per share, the highest in the Bank's nearly 70-year history.”

Sandra Derrick
Chairman



We are encouraged by the positive performance and growth across key functionalities on our mobile app and web platforms. Features such as “Buddy Payment,” Merchant Payments, Account-to-Account Transfers, Wire Transfers, and Electronic Funds Transfers have shown strong adoption, signaling significant progress in our digital transformation journey. We look forward to accelerating these efforts in the coming fiscal year.

TRAINING & DEVELOPMENT

We take great pride in recognizing and fostering the growth and development of our staff, with People & Culture being one of the Group’s key strategic priorities. In alignment with this objective, employees participated in webinars, conferences, and training workshops covering diverse topics such as leadership, customer service, credit techniques, sales, HR strategic data analytics, fraud prevention, anti-money laundering, cyber security, crisis communication management, and Environment, Social, and Governance (ESG)



\$41.2 M
Consolidated Net Profit

strategies. Over half a million dollars (\$500K+) was invested in training across the Group, enhancing the talent capacity and competency of ACB Caribbean's employees.

ACB CARIBBEAN IN THE COMMUNITY

ACB Caribbean Group upheld its legacy of community support through initiatives focused on education, sports, culture, youth engagement, and social transformation. These efforts, driven by the Parent Company and its subsidiaries, enabled consistent, meaningful stakeholder engagement and generated tangible impact.

A key highlight is the continuation and expansion of the Group's scholarship programmes. There was an inaugural awardee of the ACB Grenada Bank St. George's University Undergraduate Scholarship in Grenada, in addition to the awardees selected through the ACB Mortgage & Trust Secondary Schools Scholarship Programme and the ACB Caribbean Louis H. Lockhart Scholarship Programme.

Further details and highlights of these activities and more can be found in the Commitment to Community section of this Report.

APPRECIATION AND FORWARD FOCUS

In closing, I extend my gratitude to the team at ACB Caribbean Group, under the guidance and leadership of our General Manager, Ms. Joanna Charles, for delivering commendable results this financial year. Our investment in people continues to bear fruit, laying a strong foundation for sustained success.

As we advance the implementation of the Group's Strategic Plan in the coming years, our priorities will include upgrading our technology infrastructure and enabling more user-friendly digital access to our products and services. These initiatives are essential to enhancing customer service and experience while driving shareholder value.

We remain steadfast in our commitment to the communities we serve, investing in education, youth development, culture, and various charitable causes.

Our commitment to progress is unyielding, and we look forward to a bright and resilient future for the Group.



SANDRA DERRICK
CHAIRMAN





Commitment to Community

ACB Caribbean Group prides itself as an industry leader in social engagement and community development. Throughout the fiscal the Group was an active contributor to various projects in the community. This report features some highlights of the many activities the Group contributed to throughout the fiscal.



Social Welfare

The fiscal started off on a high note with lots of community engagement activities. The festive season included activities such as the annual ACB Caribbean Christmas Pantry Initiative, a donation to the GRACE Project and the ACB Caribbean Carols in the Park Christmas fundraiser.

The Christmas Pantry donation drive is driven by ACB Caribbean Employees, and the total value of their contributions is matched by the Bank. Each year a different department takes charge, and in 2023 the Internal Audit Department led the efforts. Nonperishable food items were procured, packaged by employee volunteers and distributed to families in need throughout Antigua & Barbuda.

The GRACE programme is an annual food package donation initiative targeting 400 elderly individuals throughout December and is led by the Ministry of Health, Wellness and Social Transformation. ACB Caribbean participates in this by making a cash donation annually, to offset procurement costs.

Carols in the Park raised funds and awareness for the Medical Ward at the Sir Lester Bird Medical Centre. This event featured a wide range of local talent, and employees from across the organization, volunteered to ensure patrons had a joyous experience.



Christmas Pantry 2023 Bag Packing



Christmas Pantry 2023 Packaging



Donation of Computers to the Antigua & Barbuda Fire and Rescue Department



Financial Information Month Hamper donation to Gender Affairs Division



Donation of fans to the Fiennes Institute



ACB Caribbean Autofest 2023



Intellectual Property Art Competition,
First place Awardee, Anushree Satpute



Cheque Presentation, ACB
Caribbean Parish League



ACB Caribbean Louis. H Lockhart Scholarship
Awardee, Karen - Ann Carter



Antigua & Barbuda Tourism Division Art Week, Prize
Giving Ceremony



ACB Caribbean CSEC Awards, entertainment



Education and youth empowerment

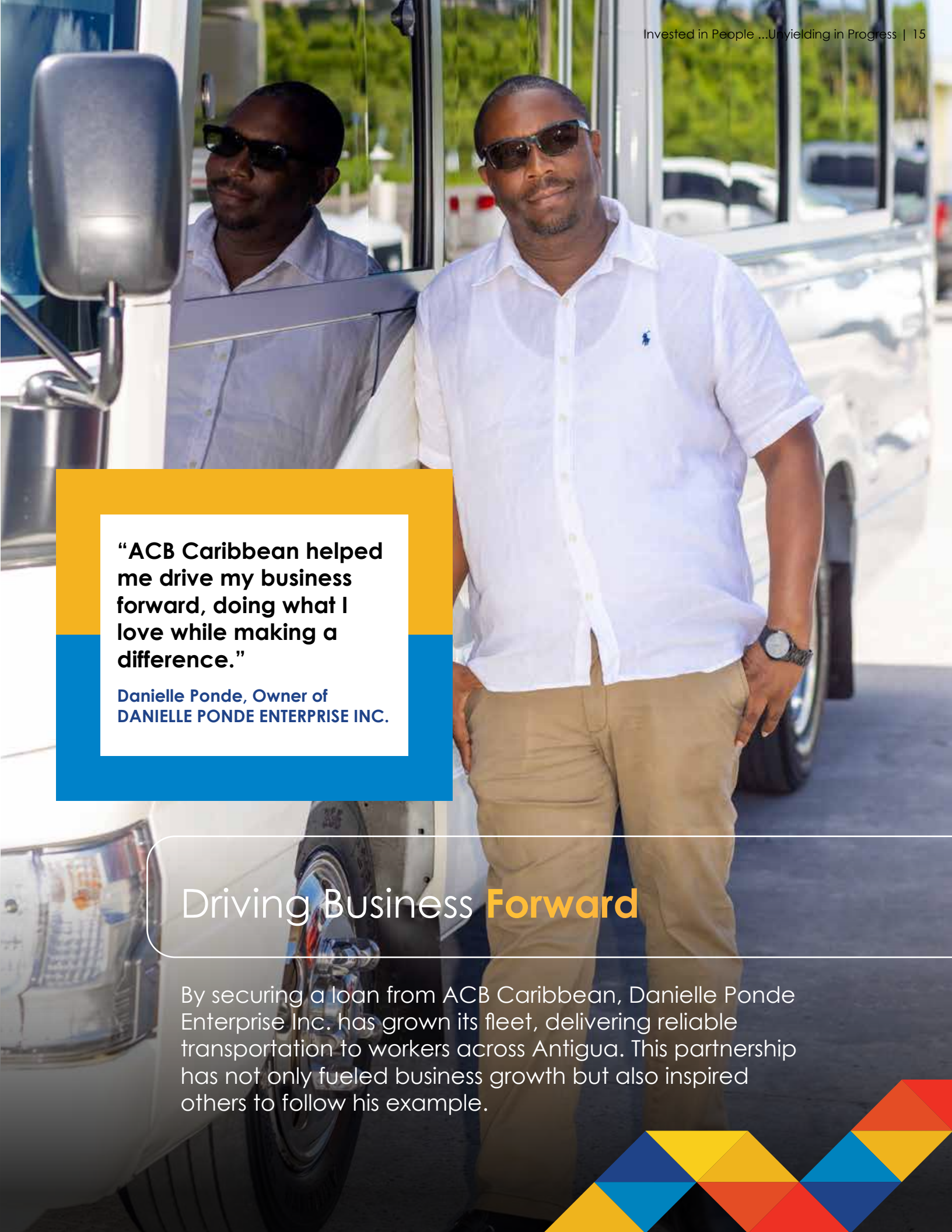
ACB Caribbean's Scholarship programmes; The ACB Caribbean Louis H. Lockhart Scholarship, The ACB Grenada Bank St. George's University Undergraduate Scholarship Award, and the ACB Grenada Bank St. George's University Undergraduate Scholarship Award continued to make impactful differences in the lives of the awardees by creating opportunities through education. 2023 was the inaugural year for the programme in Grenada.

In June of 2023, the ACB Caribbean National CSEC Awards recognized the successful CSEC Awardees with a spectacular Red Carpet Affair, and ACB worked closely with the Ministry of Education, Sport & Creative Industries to ensure the success of this event. The Bank's Senior Manager - Retail Banking, Efiyah Charlemagne-Norbert delivered the feature address and handed out awards.



Arts, Sport & Culture

ACB Caribbean Group was a primary sponsor of carnival in Antigua & Barbuda and in Grenada, with financial support given to the organisers of Antigua Carnival, Spice Mas and Barbuda Caribana. The ACB Caribbean National School Panorama took place during the independence celebrations in Antigua, and schools at both the primary and secondary levels participated in this highly anticipated event in the Calendar of Independence celebrations. The Group's support of the ACB Caribbean Parish League in Antigua & Barbuda continued, with 2023 being 46 plus years of this partnership.

A photograph of a man, Danielle Ponde, standing next to a white van. He is wearing a white short-sleeved button-down shirt with a small blue logo on the left chest, khaki pants, and sunglasses. He has his hands in his pockets and is smiling. Another man is visible in the background, also wearing sunglasses and a light blue shirt. The van is parked outdoors on a paved surface.

“ACB Caribbean helped me drive my business forward, doing what I love while making a difference.”

**Danielle Ponde, Owner of
DANIELLE PONDE ENTERPRISE INC.**

Driving Business **Forward**

By securing a loan from ACB Caribbean, Danielle Ponde Enterprise Inc. has grown its fleet, delivering reliable transportation to workers across Antigua. This partnership has not only fueled business growth but also inspired others to follow his example.

A decorative graphic in the bottom right corner consisting of several overlapping triangles in shades of blue, yellow, and red.

Directors' REPORT

OVERVIEW

Guided by the ACB Caribbean Group's Core Values: Innovation; Customer Care; Respect; Employee Focused; Accountability; Trust; Ethics and Integrity (iCreate), our Board of Directors oversees the development and execution of the Group's strategy. The Board has adopted standard governance best practices and processes suited to the Group's drive for responsible growth and has implemented several measures to enrich its composition, enhance independent oversight and increase its effectiveness. These measures facilitate the Board's oversight of the Group's culture of compliance and rigorous risk management.

Your Board is pleased to present its Directors' Report for the financial year ended September 30, 2023. Details covered include:

- a description of how governance works at ACB Caribbean,
- our Board and its priorities; and
- information on the Group's Shareholder Relations practices.

As the demands placed on Directors continue to evolve, their overarching responsibilities have not changed. Directors will continue to uphold strong and effective corporate governance principles in everything they do, recognizing that this commitment remains fundamental to the Group's long term success.

MAINTAINING AN EFFECTIVE GOVERNANCE STRUCTURE

The Board recognizes that maintaining effective oversight, accountability and communication practices are cornerstones of good governance and is far from simply "checking a box". Shareholders elect the Board to supervise the management of our business by setting the strategic agenda and delegating implementation to the Management Team. Having adopted a Shared Governance Model, certain practices have been established to foster a decision making process marked by openness, integrity and continuous improvement to further the overall best interests of the Group.

The Group's Governance & Executive Committee regularly reviews our corporate governance structure against changing legislative and regulatory requirements, industry developments and emerging best practices.

2023 HIGHLIGHTS OF BOARD OVERSIGHT ACTIVITIES

RESPONSIBILITY	ACTIVITIES
Conduct and culture	• Promoted standards of desired behaviors that apply to Directors, Managers and all Employees in accordance with the Group's Code of Business Conduct. • Approved the ACB Caribbean Culture Manifesto. • Reviewed the Fit & Proper and Conflict of Interest Policies to ensure they remain consistent with industry developments.

RESPONSIBILITY	ACTIVITIES
Strategic Direction	• Oversaw the Group's strategic direction, plans and priorities and ensured that they aligned with our risk appetite with quarterly reporting by Management. • Assessed the Group's performance against: * past performance * financial and other objectives established in budget projections * industry peers.
Governance	• Monitored best governance practices and developed principles and guidelines. • Updated the Charter of the Board of Directors. • Assessed the performance of the Board and individual Directors based on select parameters, addressing areas identified for improvement. During the financial year ended September 30, 2023, IT Security remained a main focus during the period, with the following new policies being approved: * Network Security Policy * Cloud Security Policy * Configuration Management Policy * Cryptography Policy * Data Breach Policy * Data Privacy Policy * Human Resources Security Policy * Mobile Device Policy * Physical & Environmental Policy * Vendor Management Policy * Bring Your Own Device (BYOD) Policy. Reviews of the Group's existing policies continued on a bi-annual basis, in accordance with best practice
Risk Oversight	• Promoted a strong risk management culture based on a clear understanding of applicable risks, disciplined risk assessment, measurement procedures and continuous monitoring. • Conducted a wholesale review of the Group's Credit Risk Policy.
Technological Enhancement	• Ensured that IT strategy was aligned with business strategy. • Reviewed IT risks and approved continued investment in the upgrade of the Group's Network Infrastructure.
Financial reporting and internal controls	• Oversaw compliance with applicable audit, accounting and financial reporting requirements. • Monitored Management's implementation and maintenance of effective internal control systems, including management information systems and assessed their adequacy and effectiveness.
Talent management and succession planning	• Reviewed strategies and programmes for assessment and development of talent. • Reviewed the Board Succession Plan Policy. • Updated the Relief in Higher Level Position Policy.
Expanded Involvement in Corporate Social Responsibility	• Approved the ACB Grenada Bank / St. George's University (SGU) Undergraduate Scholarship Programme Policy.

DIRECTOR INDEPENDENCE

The Board comprises all Independent Non-Executive Directors that do not participate in the day-to-day administration of the Group, nor engage in any business dealings or other relationships with the Group (other than circumstances permitted by applicable regulations). This ensures that Directors remain capable of exercising independent judgment and act in the best interests of the Group.

The Group ensures that Directors continue to satisfy the fit and proper requirements, as provided under the Banking Act, 2015 (as amended) and under the Group's Conflict of Interest Policy.

OUR BOARDS OF DIRECTORS

The Group's Boards of Directors (Antigua Commercial Bank Ltd., ACB Mortgage & Trust Company Limited and ACB Grenada Bank Ltd.) are comprised of diverse and skilled professionals. The profiles of our Directors can be viewed on our website under the Investor Relations section at: <https://ag.acbonline.com/acb-caribbean/who-we-are/> and <https://gd.acbonline.com/about-acb-grenada-bank-ltd/who-we-are-2/>.

BOARD OF DIRECTORS – ANTIGUA COMMERCIAL BANK LTD. TRADING AS ACB CARIBBEAN (ACB CARIBBEAN BOARD)

Article 4.2 of the Company's Bylaws provide that there shall be not less than seven (7) or more than fifteen (15) Directors. In accordance with this Article, as at September 30, 2023, the ACB Caribbean Board comprises nine (9) non-executive Directors, namely:

- Sandra Derrick – Chairman
- Sharon A. Matthew- Edwards – Vice Chairman
- Cassandra P. Simon – Vice Chairman
- C. Davidson Charles – Vice Chairman
- C. Kevin Silston
- C. Kamilah Roberts
- Desiree A. Zachariah
- Eric E. Joseph
- Mavis George.

Due to the resignation of former Director Dyna M. Harney- Barnes with effect from July 31, 2023, one (1) vacancy existed on the Board as at the fiscal year end. It is noteworthy that this Board vacancy was subsequently filled at ACB Caribbean's 67th Annual General Meeting held on March 21, 2024 by the election of Director Desirée Edwards.

BOARD OF DIRECTORS - ACB MORTGAGE & TRUST COMPANY LIMITED (TRUST COMPANY BOARD)

With respect to the composition of the Board of the Company's wholly owned subsidiary, ACB Mortgage & Trust Company Limited, Article 4.3 of the Company's Bylaws provides that the Board may comprise five (5) ACB Caribbean Directors and two (2) Directors selected by the ACB Caribbean Board from the Shareholders of ACB Caribbean.

As at September 30, 2023, Cassandra P. Simon, is the appointed Chairman, assisted by her Vice - Chairman, Sharon A. Matthew-Edwards and other ACB Caribbean Directors namely, Sandra Derrick, C. Davidson Charles and C. Kamilah Roberts and non-ACB Caribbean Directors, Craig J. Walter and Lorraine Raeburn.

BOARD OF DIRECTORS – ACB GRENADA BANK LTD. (ACB GRENADA BANK BOARD)

ACB Grenada Bank Ltd. is a majority owned subsidiary of ACB Caribbean, the latter owning 62.08% of the shares in the former. According to its Articles, the number of Directors shall not be less than five (5) nor more than nine (9). Nominations to the Office of Director are guided by the provisions of the Company's Bylaws (Article 4.4) that requires the nomination to be submitted by Shareholders who represent in the aggregate not less than five percent (5%) of the shares of the Company.

As at September 30, 2023, Sharon A. Matthew – Edwards is the appointed Chairman, assisted by her Deputy Chairman, Dorsett Cromwell and the remaining Members of the Board, Ron Antoine, Sandra Derrick, Cassandra P. Simon and C. Kamilah Roberts.

OUR RETIRING DIRECTORS

Article 4.4 (a) of the Company's Bylaws stipulates as follows:

“At every Ordinary General Meeting one- third of the Directors shall retire from office. The Directors to retire shall be those who have been longest in office since their last election. As between Directors of equal seniority in office, the Directors to retire shall be selected from among them by lot. A retiring Director shall be immediately, or at any future time, if still qualified, be eligible for re-election.”

Additionally, Article 4.5 of the Company's Bylaws provides as follows:

“Tenure: Unless his tenure is sooner determined, a Director shall hold office for a period not exceeding three years from the date from which he is elected or appointed or until the close of the third Annual Meeting of the Shareholders next following but he shall be eligible for re-election, if qualified.”

Further, section 3 of the Companies (Amendment) Act, 2009, limits the tenure of Directors of Public Companies to ten (10) consecutive years, at which point Directors would be ineligible to be re-elected to the Board. The Act also provides for two (2) years to elapse prior to that Director again becoming eligible to serve on the Board.

At this year's Annual General Meeting, the following three (3) Directors will retire upon rotation:

- **Sandra Derrick** (elected on April 23, 2015)
- **Sharon A. Matthew-Edwards** (elected on April 23, 2015)
- **C. Davidson Charles** (elected on December 28, 2017).

All three (3) Directors remain eligible and offer themselves for re-election.

The number of Directors to be elected at this year's Annual General Meeting is three (3).

As at the date of the publication of this Annual Report, no new nominations to the Office of Director were received by the Group.

OUR BOARD MEETINGS

The Boards of Directors meet at least once monthly, while Special Board Meetings are hosted as the need arises.

Technology continues to feature prominently in the Board's work and as such, to ensure timely access to information prior to each Board and Board Sub- Committee meeting, the Group utilizes a secure Board Portal.

With respect to Director Attendance at Board Meetings, the following information is provided as at September 30, 2023:

Board	Total Number of Monthly Board Meetings hosted	Total Number of Special Board Meetings hosted	Percentage Attendance
ACB Caribbean Board of Directors	12	5	80% to 100%
ACB Mortgage & Trust Company Limited Board of Directors	12	1	100%
ACB Grenada Bank Ltd. Board of Directors	12	5	88% to 100%

OUR BOARD SUB-COMMITTEES

Standing Sub-Committees of the Board have been established to supplement the performance of its functions and are governed by their respective Terms of Reference. See details below as at September 30, 2023:

Name of Board Sub- Committee	Board Sub- Committee Members	Total Number of Meetings Hosted	Percentage Attendance
Governance & Executive Committee	Sandra Derrick (Chairman); Sharon A. Matthew – Edwards; Cassandra P. Simon; C. Davidson Charles; C. Kevin Silston	6	75% to 100%
Credit Committee	Cassandra P. Simon (Chairman); Sharon A. Matthew – Edwards; C. Kevin Silston; C. Kamilah Roberts; Desiree A. Zachariah; Eric E. Joseph	12	83% to 100%
Audit & Risk Management Committee (ACB Caribbean)	Sharon A. Matthew – Edwards (Chairman); Cassandra P. Simon; Desiree A. Zachariah; Eric E. Joseph; Mavis George	5	80% to 100%
Human Resource & Compensation	C. Kevin Silston (Chairman); Sandra Derrick; C. Kamilah Roberts; Mavis George	8	75% to 100%
Technology Committee	Eric E. Joseph (Chairman); Sandra Derrick; C. Davidson Charles; C. Kevin Silston; Desiree A. Zachariah	4	75% to 100%
Scholarship & Education Committee	C. Kamilah Roberts (Chairman); C. Davidson Charles; Desiree A. Zachariah; Eric E. Joseph; Mavis George	10	70% to 100%
Audit & Risk Management Committee (ACB Grenada Bank)	Sandra Derrick (Chairman); Dorsett Cromwell; Ron Antoine; Sharon A. Matthew - Edwards	3	67% to 100%

The Board may from time to time, establish or maintain additional Sub- Committees as deemed necessary or appropriate.

OUR COMMITMENT TO HELPING OUR DIRECTORS SUCCEED IN THEIR ROLE

The Group recognizes its responsibility to continue to source training programmes for Directors that will enhance Directors' knowledge and improve effectiveness. New Directors receive a thorough induction to the role, with the process being guided by the Group's Director Recruitment and Orientation Programme.

Directors also have access to the resources they need to focus on continuous professional development to ensure that each Director is equipped with the right tools to perform their respective duties and responsibilities.

Training focus areas for the period under discussion, included (i) Credit Assessment; (ii) Compliance & AML Oversight; (iii) Board Conflict Management; (iv) Audit Committee Effectiveness; (v) Cybersecurity Awareness; (vi) Business Continuity and (vii) ESG and the Board.

During the financial year, Directors participated in the following professional development activities:

- Jamaica Institute of Financial Services – **Credit Assessment Techniques Workshop**
- Office of National Drug and Money Laundering Control Policy (ONDCP) – **Compliance Officers Forum**
- Compliance Aid – AMLFC Institute - ABITT – **Critical functions of a Risk – Based AML/CFT/CFP/FCP Program Seminar**
- Caribbean Corporate Governance Institute - **Managing Board Conflict Series- The Good, the Bad & the Ugly Board; Improving Audit Committee Effectiveness**
- Caribbean Association of Banks – **CEO & Director Forum**
- Eastern Caribbean Securities Exchange (ECSE) Governance CPD Webinar – **Cybersecurity – The Critical Questions for Boards to Ask.**

All current Directors are accredited and renew their respective designations on an annual basis.

OUR APPROACH TO DIRECTORS' REMUNERATION

The Governance & Executive Committee is responsible for all aspects of Directors' remuneration and conducts periodic reviews, taking into account industry trends in this area, the overall expertise and experience required to sit on the Board, and the expected time commitment required of Directors.

Shareholders are responsible for approving Directors' fees, upon the recommendation of the Board, at the Annual General Meeting. After due consideration, the Board has resolved to recommend that Directors' fees remain unchanged, that is to say:

- Chairman's fees - \$5,500 per month
- Directors' fees - \$4,500 per month.

Directors who are appointed to represent the Group at conferences, seminars or training courses, are entitled to be paid for their travelling and other expenses, as reasonably incurred, in accordance with the Group's Overseas Travel Policy.

DIRECTORS' SHAREHOLDINGS

Article 4.3 of the Bank's Bylaws requires each ACB Caribbean Director to be the holder of at least 1000 ordinary shares in the Bank.

As at September 30, 2023, Directors own the following shareholding interests in the Bank:

DIRECTORS	NO. OF ORDINARY SHARES HELD
Sandra Derrick - Chairman	14,980
Sharon A. Matthew - Edwards - Vice Chairman	2,000
Cassandra P. Simon -Vice Chairman	2,100
C. Davidson Charles – Vice Chairman	6,000
C. Kevin Silston	6,004
C. Kamilah Roberts	3,000
Desiree A. Zachariah	4,090
Eric E. Joseph	2,000
Mavis George	2,376

OUR SHAREHOLDING DISTRIBUTION

Both the Banking Act, 2015 and the Securities Act, 2020, define a Significant Shareholder or a Significant Security Holder as a person who beneficially owns, directly or indirectly or exercises control over voting or a combination of both, of more than ten percent (10%) of the total voting rights of the Company. As at September 30, 2023, no Shareholder satisfies this definition.

The Bank's shareholding distribution reflects 10,000,000 ordinary shares, having been issued out of the Company's maximum number of shares (150,000,000 ordinary shares), per its Articles of Continuance. The total number of individual Shareholder Accounts is 5,418 as at September 30, 2023.

OUR SHAREHOLDER ENGAGEMENT PRACTICES

Open Dialogue with Shareholders remains one of the Group's key priorities. The Board encourages Shareholders to provide timely and meaningful feedback and regularly reviews its engagement with Shareholders for alignment with best practices.

During the financial year, the Group continued to publish its quarterly Shareholders Education Newsletters, under titles:

- Shareholder Proposals
- Proxy Appointments
- Annual General Meeting (AGM) Frequently Asked Questions (FAQs)
- Listing on the Eastern Caribbean Securities Exchange (ECSE), Your Questions Answered.

These Newsletters are distributed digitally to Shareholders via email blast and can also be accessed under the Investor Relations section on the Group's corporate website via link, <https://ag.acbonline.com/shareholder-newsletters/>.

The Group also hosted its 3rd Shareholders Forum on September 21, 2023 to further discuss the option of listing on the Eastern Caribbean Securities Exchange (ECSE), one of the Group's identified Strategic Priorities. Shareholders were kept engaged over this two (2) hour event and had their questions answered by a panel of experts. The Group looks forward to hosting future similar events to ensure that its Shareholders are provided with the opportunity for continued dialogue on key developments impacting the Group.

In accordance with Article 12.4 of the Company's Bylaws, Annual General Meeting related information was uploaded under the Investor Relations, Shareholders' Packages section of the corporate website, <https://ag.acbonline.com/shareholder-packages/>. Hard copies of all documents distributed are available upon advance request addressed to the Legal/ Secretariat Department via email: ACBSecretariat@acbonline.com or at 268 - 481- 4330/1/4.

DIVIDEND

In accordance with Article 15.1 of the Company's Bylaws, the Board has resolved to recommend a dividend payment of \$10M or \$1.00 for each unit share on the existing shareholding distribution as at the record date, November 15, 2024, for the financial year ended September 30, 2023.

The Board remains guided by the relevant sections of the Companies Act, 1995, the Banking Act, 2015 (as amended) and the Group's Capital Management and Dividend Policy.

EXTERNAL AUDITORS

The Group's External Auditors, Grant Thornton, will retire at the 68th Annual General Meeting and offer themselves for re-appointment. The Board supports the re-appointment.

BY ORDER OF THE BOARD OF DIRECTORS



RHODETTE PAIGE

LEGAL COUNSEL/ CORPORATE SECRETARY

A woman with a large, dark afro hairstyle is smiling and posing in a boutique. She is wearing a long, flowing dress with bold horizontal stripes in blue and green. Her left hand is on her hip, and her right arm is resting on a metal clothing rack. The background shows shelves with various items and more clothing racks, creating a warm and professional retail environment.

“ACB Caribbean stepped up when it mattered most, helping my business not just survive, but thrive.”

Elizabeth “Liz” Fannis, Owner of ZEITGEIST

Products Designed for **Your Success**

Elizabeth “Liz” Fannis, owner of ZEITGEIST, found the essential support her boutique needed through ACB Caribbean. Their partnership exemplifies how local businesses can endure and grow with steadfast community backing.

A decorative graphic in the bottom right corner consisting of several overlapping triangles in shades of blue, yellow, and red, creating a modern, geometric design.

Board of Directors
ACB CARIBBEAN
as at September 30 2023



Sandra Derrick
Chairman



Sharon A. Matthew-Edwards
Vice Chairman



Cassandra P. Simon
Vice Chairman



C. Davidson Charles
Vice Chairman



C. Kevin Silston
Director



C. Kamilah Roberts
Director



Desiree A. Zachariah
Director



Eric E. Joseph
Director



Mavis George
Director

Board of Directors

ACB MORTGAGE & TRUST COMPANY LIMITED
as at September 30 2023



Cassandra P. Simon
Chairman



Sharon A. Matthew-Edwards
Vice Chairman



Sandra Derrick
Director



C. Davidson Charles
Director



Craig J. Walter
Director



Lorraine Raeburn
Director



C. Kamilah Roberts
Director

Board of Directors

ACB GRENADA BANK LTD.

as at September 30 2023



Sharon A. Matthew-Edwards
Chairman



Dorsett Cromwell
Deputy Chairman



Ron Antoine
Director



Sandra Derrick
Director



Cassandra P. Simon
Director



C. Kamilah Roberts
Director

“ACB Caribbean opened the gates for Ticketing Inc., enabling us to punch above our weight and take center stage in revolutionizing event access.”

Ashton Fearon, Owner of Ticketing Inc.

Innovating for **the Future**

With ACB Caribbean's support, Ticketing Inc. transformed challenges into opportunities, continuing to lead in eco-friendly event management. This partnership empowers them to deliver seamless experiences, from ticket purchase to event entry and beyond.

Senior Management

ACB CARIBBEAN
as at September 30 2023



Joanna Charles
General Manager



Peter N. Ashe
Manager -
ACB Mortgage & Trust
Company Limited



Narcisse Moise
Chief Credit &
Sales Officer



Vaughan Brathwaite
Chief Operations &
Strategy Officer



Joyanne Byers
Senior Manager -
Finance & Accounting



Rhodette Paige
Legal Counsel /
Corporate Secretary



Austen Gittens
Senior Manager -
Internal Audit



Sharon Nathaniel
Senior Manager -
Risk & Compliance



Sherene Bird
Senior Manager -
Human Resources

Senior Management

ACB CARIBBEAN
as of September 30 2023



Marita Laurent

Senior Manager - Marketing &
Corporate Communications



Heidi Weste

Senior Manager -
Corporate Banking



Jonathan Lindsay

Senior Manager -
Service Quality



Kara Warner

Country Manager - ACB
Grenada Bank Ltd.



**Effiah Charlemagne
-Norbert**

Senior Manager - Retail
Banking



Management's Discussion and Analysis

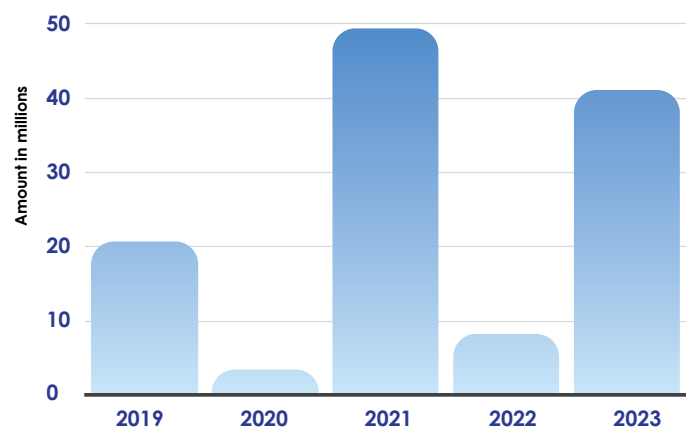
OVERVIEW

The year 2023 presented a challenging year for the global economy, characterized by persistent inflationary pressures, supply chain disruptions, geopolitical instability, and the ongoing consequences of the COVID-19 pandemic. Central Banks across the world implemented an aggressive monetary tightening policy by raising interest rates, among other measures, to curb inflation. These events produced significant shifts in the global investment landscape between 2022 and 2023, and while 2022 was marked by economic uncertainty, inflationary pressures and rising interest rates, 2023 saw markets attempting to stabilize amid a re-bounding investment climate.

ACB Caribbean ("The Group") saw opportunities in these changes and took full advantage by successfully embarking on a recovery strategy in fiscal 2023. This, along with other initiatives, resulted in the Group's second highest reported profit.

The Group's ability to adapt to market dynamics, leverage strategic investments and execute operational excellence, contributed to a highly successful year. Reported year - on - year increase in profits of \$33 million for the year ended September 30, 2023, was more favourable, when compared to \$8.3 million in the prior fiscal. The prevailing high interest-rate environment during the fiscal, elicited the highest net interest margin since the COVID-19 pandemic, translating to improved profitability and enhanced shareholder value.

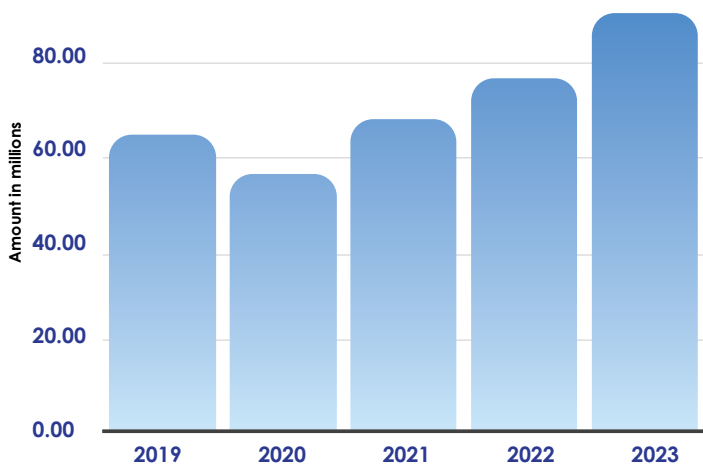
PROFIT PER YEAR



GROSS INTEREST INCOME

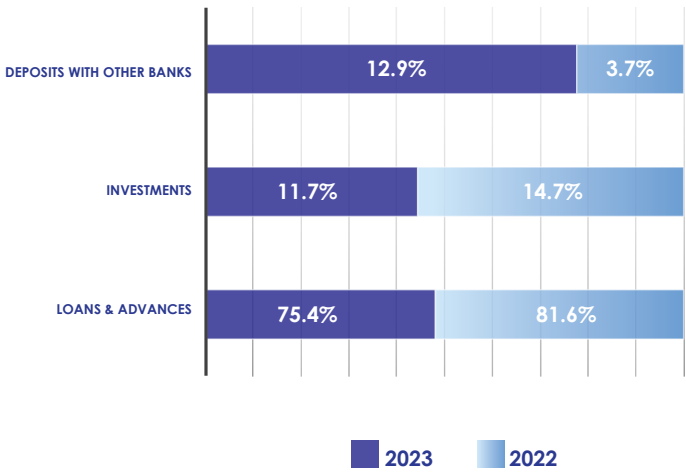
The 19% year-on-year increase in Gross Interest Income was fueled by the rise in global interest rates in 2023. The Bank's investment portfolio, which includes bank deposits, government securities and corporate bonds, benefited from higher yields, as the rising rates increased returns by 60%.

GROSS INTEREST INCOME



The Group adopted a more aggressive investment strategy in 2023, diversifying its holdings in higher-yielding fixed-income securities and short-term instruments, that adjusted quickly to rising rates. This resulted in a shift from interest income from loans and advances' dominant position of 81.6% in 2022, to 75.4% in 2023; as well as an increase in investment and bank deposits total contribution moving from 18.4% in 2022 to 24.6% in 2023.

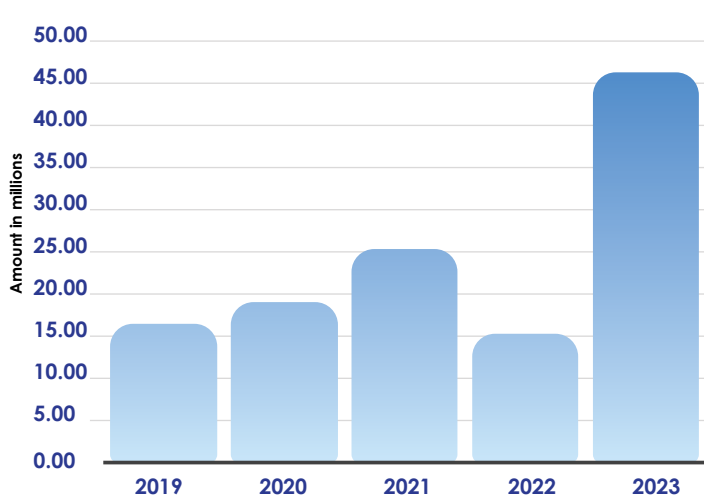
INTEREST INCOME MIX



OTHER OPERATING INCOME

In 2023, the Group experienced significant growth over 2022 in Other Operating Income, resulting from an increase in Fees and Commission Income of 56%, with significant contributions from electronic card transactions and merchant service revenues. Additionally, the rebound of the global investment markets resulted in an increase of \$21 million in Unrealized Gains in the year under review, when compared to the prior fiscal.

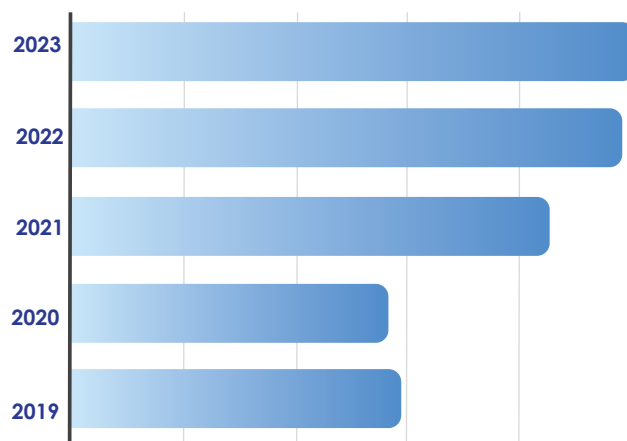
OTHER OPERATING INCOME



INTEREST EXPENSE

Interest Expense increased marginally by 2%, largely owing to an increase in interest-bearing deposits of 6% year-on-year.

INTEREST EXPENSE



OPERATING EXPENSES

There was a marked 21% increase in Operating Expenses in 2023, when compared to the previous fiscal. The major contributor to this growth was an increase in the loan loss provisioning of \$8.7 million, as we sought to ensure that our financial statements more accurately reflect the economic realities of the loans and advances portfolio, especially with the addition of the credit card portfolio.

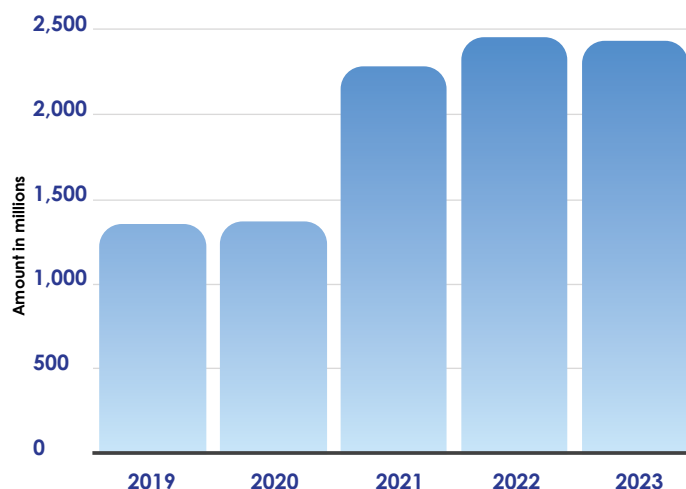
The \$3 million increase in General and Administrative Expenses was demonstrative of several offsetting increases and decreases across major categories. Salaries and Related Costs rose by \$6.2 million, due to an increase in Pension Costs as the Parent Company prepares for converting its Pension Plan from Defined Benefit to Defined Contribution. With 2023 being the first full year after the acquisition of the credit card portfolio from the Caribbean Credit Card Corporation (4Cs), related expenses increased by \$2.5 million. These increases were offset by reductions in (1) Acquisition Fees and related expenses of \$1.8 million which fell away in 2022, (2) Legal & Professional Fees of \$1 million as a number of projects undertaken in 2022 were not repeated in 2023 and (3) Correspondent Banks' Service Charges of \$1.6 million relating to the correction of the over-accrual of prior-years' acquisition related charges.

FINANCIAL POSITION

The marginal 1% decrease in ACB Caribbean's Asset Base is not indicative of stymied growth, but attributed to an unusually large deposit made at the end of fiscal 2022, which was just a pass-through

and withdrawn, in 2023. The unusually high levels of non-interest bearing funds, held with the Central Bank were invested in interest-bearing deposits and securities, during the year. The decrease in the Loans & Advances portfolio was as a result of the successful liquidation of large legacy non-performing loans, thus improving the quality of the portfolio.

ASSETS



LOANS & ADVANCES



DEPOSIT GROWTH



	2019	2020	2021	2022	2023
Return on Assets	1.62%	0.26%	2.25%	0.4%	1.8%
Return on Equity	8.50%	1.4%	15.68%	2.6%	11.6%
Dividend Payout Percentage of Income	24%	25%	14%	25.0%	24.3%
Book value of ordinary shares	24.46	23.84	31.48	32.14	35.44
Earnings per share	2.07	0.34	4.86	0.74	3.98
Dividends per ordinary Share	0.50	0.09	0.700	0.21	1.00
Provisions as a % of Loan Portfolio	4.12%	6.73%	5.48%	4.56%	4.96%
Provisions as a % of Non-performing Loan Portfolio	31.64%	51.57%	64.77%	49.84%	60.48%
Efficiency Ratio	57.15%	92.86%	60.64%	86.61%	68.67%
Net Interest Margin	4.10%	3.27%	3.03%	3.38%	3.89%
Total Capital Adequacy Ratio	26.01%	26.30%	21.39%	30.30%	31.20%

CONCLUSION

The year 2023 was a highly successful one for the ACB Caribbean Group, marked by strong financial performance, operational improvements, and strategic growth. The Group's ability to execute its goals while navigating an evolving market landscape, is a testament to its leadership and resilience. As we move into 2024, ACB Caribbean is well-positioned to capitalize on new opportunities and build upon the achievements of the past year.

I, once again, take this opportunity to thank all stakeholders including the ACB Caribbean Boards of Directors for their stellar stewardship and guidance, our loyal customers, my dedicated ACB Caribbean team for their continued support, and the ECCB for their patience and understanding, and for granting us the extension requested in submitting our 2023 Audited Financial Statements.



JOANNA CHARLES
GENERAL MANAGER

Antigua Commercial Bank Ltd. t/a ACB Caribbean

Consolidated Financial Statements

September 30, 2023

(Expressed in Eastern Caribbean dollars)





Grant Thornton

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

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F +1 268 462 1902

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Antigua Commercial Bank Ltd.

Opinion

We have audited the consolidated financial statements of **Antigua Commercial Bank Ltd. t/a ACB Caribbean** ("the Bank") and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as of **September 30, 2023**, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of **September 30, 2023**, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

Basis for Opinion

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

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

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

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

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

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

Partners:
Antigua
Charles Walwyn • Managing partner
Robert Wilkinson
Kathy David

St. Kitts
Jefferson Hunte
Lisa Roberts

Barbados
Jefferson Hunte

Audit | Tax | Advisory

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Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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


 Chartered Accountants
 St. John's, Antigua
 November 7, 2024

ANTIGUA COMMERCIAL BANK LTD. t/a ACB CARIBBEAN

Consolidated Statement of Financial Position

AS OF SEPTEMBER 30, 2023

(expressed in Eastern Caribbean dollars)

	Notes	2023 \$	2022 \$
Assets			
Cash and balances with the Central Bank	8	439,910,919	622,431,203
Due from other banks	9	345,462,205	212,204,752
Treasury bills	10	89,801,683	89,705,718
Statutory deposit		7,607,879	7,247,111
Loans and advances	11	1,040,924,394	1,047,309,739
Other assets	12	37,441,226	37,451,463
Investment securities	13	290,271,538	253,977,351
Goodwill		14,539,983	14,539,983
Property and equipment	14	49,831,895	48,720,046
Right-of-use assets	15	1,544,293	1,888,131
Core intangible assets	32	11,406,725	12,496,517
Deferred tax asset	20	4,261,229	—
Pension asset	16	—	5,110,172
Total Assets		2,333,003,969	2,353,082,186
Liabilities and Equity			
Liabilities			
Income tax payable	20	5,336,349	7,838,131
Customers' deposits	17	1,936,710,424	1,982,270,725
Lease liabilities	15	1,491,183	2,125,115
Provisions and other liabilities	18	30,028,306	33,689,569
Pension liability	16	5,006,402	—
Deferred tax liability	20	—	5,737,775
Total Liabilities		1,978,572,664	2,031,661,315
Equity			
Stated capital	22	36,000,000	36,000,000
Statutory reserve	23	37,321,270	30,832,845
Other reserves	24	89,311,836	82,061,846
Retained earnings		165,147,776	146,665,589
Equity attributed to owners of the Bank		327,780,882	295,560,280
Non-controlling interest		26,650,423	25,860,591
Total Equity		354,431,305	321,420,871
Total Liabilities and Equity		2,333,003,969	2,353,082,186

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

Approved for issue by the Board of Directors on November 7, 2024 and signed on its behalf by:



Chairman



Director



Director

ANTIGUA COMMERCIAL BANK LTD. t/a ACB CARIBBEAN

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED SEPTEMBER 30, 2023

(expressed in Eastern Caribbean dollars)

	Notes	2023 \$	2022 \$
Interest income			
Income from loans and advances		69,845,844	63,329,761
Income from deposits with other banks and investments		22,755,880	14,265,305
		<u>92,601,724</u>	<u>77,595,066</u>
Interest expense			
Savings accounts		19,799,719	18,919,085
Time deposits and current accounts		4,000,429	4,441,189
Lease liabilities	15	26,945	24,203
Investment Expenses		104,128	36,748
		<u>23,931,221</u>	<u>23,421,225</u>
Net interest income		68,670,503	54,173,841
Other operating income	25	47,011,916	15,512,479
Total income		<u>115,682,419</u>	<u>69,686,320</u>
Operating expenses			
General and administrative expenses	29	57,287,157	54,306,741
Provision for impairment of other financial assets	31	4,430,958	3,507,420
Provision for/ (recovery of) loan impairment	11	5,064,244	(3,605,673)
Amortization of intangible assets	32	1,089,792	1,260,376
Depreciation of property and equipment	14	3,296,221	3,097,053
Depreciation of right-of-use assets	15	654,311	694,856
Directors' fees and expenses	21	1,098,722	1,177,577
Total expenses		<u>72,921,405</u>	<u>60,438,350</u>
Income before taxation		<u>42,761,014</u>	<u>9,247,970</u>
Taxation charge	20	1,577,046	942,574
Net income after taxation		<u>41,183,968</u>	<u>8,305,396</u>

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

ANTIGUA COMMERCIAL BANK LTD. t/a ACB CARIBBEAN

Consolidated Statement of Comprehensive Income...continued

FOR THE YEAR ENDED SEPTEMBER 30, 2023

(expressed in Eastern Caribbean dollars)

	Notes	2023 \$	2022 \$
Profit attributed to:			
Owners of the Bank		39,777,345	7,369,722
Non-controlling interest		1,406,623	935,674
		<u>41,183,968</u>	<u>8,305,396</u>
Earnings per share	26	<u>3.98</u>	<u>0.74</u>
Net income after taxation		<u>41,183,968</u>	<u>8,305,396</u>
Other comprehensive income:			
<i>Items net of tax that will never be reclassified subsequently to profit or loss:</i>			
Increase in market value of FVOCI equity securities net of taxes of \$343,519 (2022: \$65,872)	24	1,353,022	2,436,057
Actuarial loss for the year, net of taxes of \$481,762 (2022: \$960,197)	16	<u>(1,425,825)</u>	<u>(3,512,307)</u>
Other comprehensive (loss) for the year, net of taxes		<u>(72,803)</u>	<u>(1,076,250)</u>
Total comprehensive income for the year		<u>41,111,165</u>	<u>7,229,146</u>
Total comprehensive income attributed to:			
Owners of the Bank		39,743,645	6,558,680
Non-controlling interest		1,367,520	670,466
		<u>41,111,165</u>	<u>7,229,146</u>

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

ANTIGUA COMMERCIAL BANK LTD. t/a ACB CARIBBEAN
Consolidated Statement of Cash flows
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

(expressed in Eastern Caribbean dollars)

	Notes	2023 \$	2022 \$
Cash flows from operating activities			
Operating income before taxation		42,761,014	9,247,970
<i>Items not affecting cash:</i>			
Depreciation of property and equipment	14	3,296,221	3,097,053
Depreciation of right-of-use assets	15	654,311	694,856
Amortization of intangible assets	32	1,089,792	1,260,376
Provision/(recovery of) credit losses	11	5,064,244	(3,605,673)
Provision for impairment of other financial assets	31	4,430,958	3,507,420
Adjustment to cost of property and equipment	14	8,988	—
Adjustment to cost of right-of-use assets	15	(310,473)	—
Loss/(gain) on disposal of property and equipment		89,086	(1,913)
Unrealised (gain)/loss on FVTPL investments	25	(6,173,152)	14,786,641
Realised loss/(gain) on FVTPL investments	25	1,158,919	(200,856)
Pension income/(expense)		232,531	(162,748)
Interest expense		23,931,221	23,421,225
Interest income		(92,601,724)	(77,595,066)
Cash flows used in operating activities before changes in operating assets and liabilities		(16,368,064)	(25,550,715)
Change in statutory deposit		(360,768)	(1,791,835)
Change in mandatory deposit with Central Bank		3,481,196	—
Change in other receivables and other assets		349,900	(7,747,745)
Change in pension liability		8,505,376	—
Change in loans and advances		1,131,060	(41,690,291)
Change in customers' deposits		(45,653,129)	164,654,477
Change in provisions and other liabilities		(7,509,431)	3,381,419
Cash flows (used in)/generated from operating activities before interest, taxes and pension contributions		(56,423,860)	91,255,310
Interest received		83,739,954	84,961,989
Interest paid		(23,865,338)	(25,008,575)
Principal payments of lease liabilities	15	(606,987)	(823,975)
Income taxes paid during the year	20	(13,617,846)	—
Pension contributions paid during the year		(380,560)	(412,423)
Net cash flows (used in)/generated from operating activities		(11,154,637)	149,972,326

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

ANTIGUA COMMERCIAL BANK LTD. t/a ACB CARIBBEAN

Consolidated Statement of Cash flows...continued

FOR THE YEAR ENDED SEPTEMBER 30, 2023

(expressed in Eastern Caribbean dollars)

	Notes	2023 \$	2022 \$
Cash flows from investing activities			
Purchase of investment securities and term deposits		(323,834,885)	(155,340,586)
Proceeds from disposals of investment securities		107,707,780	—
Purchase of property and equipment	14	(4,506,144)	(4,934,984)
Proceeds from disposal of property and equipment		—	500,728
Net cash flows used in investing activities		(220,633,249)	(159,774,842)
Cash flows from financing activities			
Dividends paid during the year to non-controlling interest	19	(577,688)	—
Dividends paid during the year to owners	19	(7,000,000)	—
Net cash flows used in financing activities		(7,577,688)	—
Net decrease in cash and cash equivalents		(239,365,574)	(9,802,516)
Cash and cash equivalents, beginning of year		647,542,971	657,345,487
Cash and cash equivalents, end of year	28	408,177,397	647,542,971

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

ANTIGUA COMMERCIAL BANK LTD. †/a ACB CARIBBEAN

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED SEPTEMBER 30, 2023

(expressed in Eastern Caribbean dollars)

	Notes	Stated Capital \$	Statutory Reserve \$	Revaluation Reserve: FVOCI \$	Capital & Revaluation – PPE & Pension \$	Regulatory Loan Loss Reserve \$	Retained Earnings \$	Attributable to equity holders \$	Non- controlling interest \$	Total \$
Balance as of September 30, 2021		36,000,000	30,171,043	24,739,503	21,243,286	27,595,101	149,888,302	289,637,235	25,190,125	314,827,360
Net income after taxation for the year		–	–	–	–	–	7,369,722	7,369,722	935,674	8,305,396
Other comprehensive income for the year		–	–	–	–	–	(3,174,134)	(3,174,134)	(338,173)	(3,512,307)
- Actuarial loss on pension		–	–	–	–	–	–	–	72,965	2,436,057
- Increase in FVOCI securities		–	–	2,363,092	–	–	–	2,363,092	–	–
Total comprehensive income for the year		–	–	2,363,092	–	–	4,195,588	6,558,680	670,466	7,229,146
Transfer to statutory reserve		–	661,802	–	–	–	(661,802)	–	–	–
Reserve for interest on impaired loans		–	–	–	–	9,039,693	(9,675,328)	(635,635)	–	(635,635)
Decrease in pension reserve		–	–	–	(2,918,829)	–	2,918,829	–	–	–
Decrease in revaluation reserve-property		–	–	–	–	–	–	–	–	–
Balance as of September 30, 2022		36,000,000	30,832,845	27,102,595	18,324,457	36,634,794	146,665,589	295,560,280	25,860,591	321,420,871

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

ANTIGUA COMMERCIAL BANK LTD. t/a ACB CARIBBEAN

Consolidated Statement of Changes in Equity ...continued

FOR THE YEAR ENDED SEPTEMBER 30, 2023

(expressed in Eastern Caribbean dollars)

	Notes	Stated Capital \$	Statutory Reserve \$	Revaluation Reserve: FVOCI Investments \$	Capital & Revaluation Reserve: PPE & Pension \$	Regulatory Loan Loss Reserve \$	Retained Earnings \$	Attribut- able to equity holders \$	Non- controlling interest \$	Total \$
Balance as of September 30, 2022		36,000,000	30,832,845	27,102,595	18,324,457	36,634,794	146,665,589	295,560,280	25,860,591	321,420,871
Net income after taxation for the year		–	–	–	–	–	39,777,345	39,777,345	1,406,623	41,183,968
Other comprehensive income for the year		–	–	–	–	–	–	–	–	–
- Actuarial losses on pension		–	–	–	–	–	(1,381,556)	(1,381,556)	(44,269)	(1,425,825)
- Increase in FVOCI securities		–	–	1,347,856	–	–	–	1,347,856	5,166	1,353,022
Total comprehensive income		–	–	1,347,856	–	–	38,395,789	39,743,645	1,367,520	41,111,165
Transfer to statutory reserve		–	6,488,425	–	–	–	(6,488,425)	–	–	–
Reserve for interest on impaired loans		–	–	–	–	7,349,171	(7,872,214)	(523,043)	–	(523,043)
Decrease in pension reserve		–	–	–	(1,447,037)	–	1,447,037	–	–	–
Decrease in revaluation reserve-property		–	–	–	–	–	–	–	–	–
<i>Transactions with owners</i>										
Dividends paid during the year	20	–	–	–	–	–	(7,000,000)	(7,000,000)	(577,688)	(7,577,688)
Balance as of September 30, 2023		36,000,000	37,321,270	28,450,451	16,877,420	43,983,965	165,147,776	327,780,882	26,650,423	354,431,305

ANTIGUA COMMERCIAL BANK LTD. t/a ACB CARIBBEAN

Notes to Consolidated Financial Statements

FOR THE YEAR ENDED SEPTEMBER 30, 2023

(expressed in Eastern Caribbean dollars)

1 Nature of operations

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

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

These consolidated financial statements therefore reflect the results of:

- Antigua Commercial Bank Ltd t/a ACB Caribbean – Parent Company
- ACB Mortgage and Trust Company Limited – 100% interest
- ACB Grenada Bank Ltd – 62.08% interest

2 General information and statement of compliance with IFRS Accounting Standards

Antigua Commercial Bank Ltd. t/a ACB Caribbean, the Group’s ultimate parent company, is a limited liability company incorporated on October 19, 1955 in Antigua and Barbuda and continued under the provisions of the Companies Act of Antigua and Barbuda, 1995. The Group’s registered office is located at St. Mary’s and Thames Streets, St. John’s, Antigua.

Statement of compliance

The Group’s consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as of September 30, 2023 (the reporting date).

Basis of preparation

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

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

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

ANTIGUA COMMERCIAL BANK LTD. t/a ACB CARIBBEAN

Notes to Consolidated Financial Statements

FOR THE YEAR ENDED SEPTEMBER 30, 2023

(expressed in Eastern Caribbean dollars)

3 Changes in material accounting policies***New standards and amendments effective for the financial year beginning October 1, 2022***

Standards and amendments that are effective for the first time on October 1, 2022 are as follows:

- IFRS 12-Deferred Tax related to Assets and Liabilities arising from a single transaction (Amendments to IAS 12)
- Definition of Accounting Estimates (Amendments to IAS 8)
- Disclosure of Accounting Policies (Amendments to IAS 1 and Practice Statement 2)

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

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

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

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

4 Material account policy information**4.1 Overall considerations**

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

4.2 Cash and cash equivalents

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

ANTIGUA COMMERCIAL BANK LTD. t/a ACB CARIBBEAN
Notes to Consolidated Financial Statements
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

(expressed in Eastern Caribbean dollars)

4 Material accounting policy information...continued

4.3 Financial instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. Subsequent measurement of financial assets and financial liabilities is described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all risks and rewards are transferred, or when the Group neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control, over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a consolidated asset or liability.

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

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

Classification and subsequent measurement of financial assets

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

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

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

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

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

ANTIGUA COMMERCIAL BANK LTD. t/a ACB CARIBBEAN

Notes to Consolidated Financial Statements

FOR THE YEAR ENDED SEPTEMBER 30, 2023

(expressed in Eastern Caribbean dollars)

4 Material accounting policy information...continued**4.3 Financial instruments...continued****Classification and subsequent measurement of financial assets...continued**

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

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

Business model assessment

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

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

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

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

ANTIGUA COMMERCIAL BANK LTD. t/a ACB CARIBBEAN
Notes to Consolidated Financial Statements
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

(expressed in Eastern Caribbean dollars)

4 Material accounting policy information...continued

4.3 Financial instruments...continued

Classification and subsequent measurement of financial assets...continued

Business models - Applicability to the Group

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

- Hold to collect contractual cash flows (HTC) - the objective of this business model is to hold assets in order to collect contractual cash flows. Under this model, the Group holds loans and investment securities to collect contractual principal and interest cash flows. Sales are expected to be insignificant or infrequent; and
- Other business model - the objective of this business model is neither to hold assets in order to collect contractual cash flows, nor both collect contractual cash flows and to sell. Under this model collecting contractual cash flows is incidental to the objective of the model and sales may be significant in value and frequent. The Group holds certain debt and equity investments under this model.

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

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

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

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

Reclassifications

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

ANTIGUA COMMERCIAL BANK LTD. t/a ACB CARIBBEAN

Notes to Consolidated Financial Statements

FOR THE YEAR ENDED SEPTEMBER 30, 2023

(expressed in Eastern Caribbean dollars)

4 Material accounting policy information...continued**4.3 Financial instruments...continued****Classification and subsequent measurement of financial assets...continued****Debt instruments measured at amortised cost**

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

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

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

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

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

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

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

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

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Notes to Consolidated Financial Statements

FOR THE YEAR ENDED SEPTEMBER 30, 2023

(expressed in Eastern Caribbean dollars)

4 Material accounting policy information...continued

4.3 Financial instruments...continued

Classification and subsequent measurement of financial assets...continued

Debt instruments measured at FVTPL

Debt instruments are measured at FVTPL if assets:

- i) Are held for trading purposes;
- ii) Are held as part of a portfolio managed on a fair value basis; or
- iii) Whose cash flows do not represent payments that are solely payments of principal and interest.

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

The Group has certain investments in this category.

Equity instruments measured at FVTPL

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

The Group has certain equity investments in this category.

Equity instruments measured at FVOCI (designated)

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

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

The Group has certain equity investments in this category.

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Notes to Consolidated Financial Statements

FOR THE YEAR ENDED SEPTEMBER 30, 2023

(expressed in Eastern Caribbean dollars)

4 Material accounting policy information...continued**4.3 Financial instruments...continued*****Significant increase in credit risk (SICR)***

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

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

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

Backstop

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

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

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

ANTIGUA COMMERCIAL BANK LTD. t/a ACB CARIBBEAN

Notes to Consolidated Financial Statements

FOR THE YEAR ENDED SEPTEMBER 30, 2023

(expressed in Eastern Caribbean dollars)

4 Material accounting policy information...continued

4.3 Financial instruments...continued

Impairment of financial assets

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

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

No impairment loss is recognised on equity investments.

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

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

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

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

Credit impaired financial assets

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

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

- Significant financial difficulty of the borrower or issuer, including an inability to satisfy the debt because of decreased or no cash flow (negative debt service ratio), inability to work or where the customer is unemployed in excess of 6 months;
- A breach of contract such as a default or past due event, including a history of chronic arrears;

ANTIGUA COMMERCIAL BANK LTD. t/a ACB CARIBBEAN

Notes to Consolidated Financial Statements

FOR THE YEAR ENDED SEPTEMBER 30, 2023

(expressed in Eastern Caribbean dollars)

4 Material accounting policy information...continued**4.3 Financial instruments...continued****Impairment of financial assets...continued**

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

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

Default

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

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

ANTIGUA COMMERCIAL BANK LTD. t/a ACB CARIBBEAN

Notes to Consolidated Financial Statements

FOR THE YEAR ENDED SEPTEMBER 30, 2023

(expressed in Eastern Caribbean dollars)

4 Material accounting policy information...continued

4.3 Financial instruments...continued

Impairment of financial assets...continued

Measurement of ECL

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

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- Undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- Financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

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

- Probability of Default (PD) - This is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the remaining estimated life, if the facility has not been previously derecognised and is still in the portfolio.
- Exposure At Default (EAD) - This is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- Loss Given Default (LGD) - This is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.
- Forward looking information (FLI) – The standard requires the incorporation of forward-looking information in the estimation of expected credit losses for each stage and the assessment of significant increases in credit risk consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgement.
- Discount rate – The standard requires the ECL to be discounted using the effective interest rate (EIR).

ANTIGUA COMMERCIAL BANK LTD. t/a ACB CARIBBEAN

Notes to Consolidated Financial Statements

FOR THE YEAR ENDED SEPTEMBER 30, 2023

(expressed in Eastern Caribbean dollars)

4 Material accounting policy information...continued**4.3 Financial instruments...continued****Impairment of financial assets...continued****Measurement of ECL...continued**

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

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

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

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

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

Restructured financial assets

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

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

ANTIGUA COMMERCIAL BANK LTD. t/a ACB CARIBBEAN

Notes to Consolidated Financial Statements

FOR THE YEAR ENDED SEPTEMBER 30, 2023

(expressed in Eastern Caribbean dollars)

4 Material accounting policy information...continued

4.3 Financial instruments...continued

Impairment of financial assets...continued

Restructured financial assets...continued

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

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

Expected life

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

Presentation of allowance for ECL

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

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- Loan commitments and financial guarantee contracts: generally, as a provision; and
- Where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: The Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

Write-off

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

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

ANTIGUA COMMERCIAL BANK LTD. t/a ACB CARIBBEAN

Notes to Consolidated Financial Statements

FOR THE YEAR ENDED SEPTEMBER 30, 2023

(expressed in Eastern Caribbean dollars)

4 Material accounting policy information...continued**4.3 Financial instruments...continued****Derecognition of financial assets**

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

Financial liabilities

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

Derecognition of financial liabilities

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

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

Offsetting financial instruments

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

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

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4 Material accounting policy information...continued

4.4 Provisions, contingent assets and contingent liabilities

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

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

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

Any reimbursement that the Group is virtually certain to collect from a third party with respect to the obligation is recognised as a consolidated asset. However, this asset may not exceed the amount of the related provision. In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised. Such situations are disclosed as contingent liabilities unless the outflow of resource is remote.

4.5 Financial guarantees and loan commitments

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

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

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

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

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4 **Material accounting policy information...***continued*

4.6 **Property and equipment and depreciation**

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

Buildings	40 years
ATM buildings and building improvements	10 years
Car park	10 years
Furniture and fixtures	6 2⁄3 years
Equipment	10 years
Motor vehicles	5 years
Computer hardware	5 years
Computer software	3 years
Leasehold improvements	Shorter of the lease term or useful life

Subsequent costs are included in the asset’s carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Repairs and maintenance are charged to profit or loss when the expenditure is incurred.

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

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

Gains or losses arising from the disposal of property and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised within “other operating income” in profit or loss.

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

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

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

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4 Material accounting policy information...continued

4.7 Impairment of non-financial assets

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

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors. Impairment losses are recognised in profit or loss.

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

4.8 Dividends on ordinary shares and dividend income

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

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

4.9 Interest income and expense

Effective interest rate

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

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

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

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Notes to Consolidated Financial Statements

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4 Material accounting policy information...continued**4.9 Interest income and expense...continued**

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

Amortised cost and gross carrying amount

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

Calculation of interest income and expense

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

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

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

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

Presentation

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

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

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

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

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4 Material accounting policy information...continued

4.10 Fee and commission income and revenue recognition

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

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

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

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

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

4.11 Foreign currency translation

Functional and presentation currency

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

Foreign currency transactions and balances

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

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

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4 Material accounting policy information...continued**4.12 Post-employment benefits**

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

The liability recognised in the statement of financial position for a defined benefit plan is the present value of the defined benefit obligation (DBO) at the reporting date less the fair value of plan assets. The cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out every three (3) years.

Management estimates the DBO annually with the assistance of independent actuaries. This is based on assumed rates of inflation, medical cost trends and mortality. It also takes into account the Group's specific anticipation of future salary increases. Discount factors are determined close to each year-end by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Service cost on the Group's defined benefit plans is included in employee benefits expense. Employee contributions, all of which are independent of the number of years of service, are treated as a reduction of service cost. Net interest expense on the net defined benefit liability is included in salaries and related costs in profit or loss. Actuarial gains and losses resulting from re-measurements of the net defined benefit liability are included in other comprehensive income.

The administration of the plans are conducted by a Board of Trustees which comprises of seven (7) members, two (2) of whom represent the Group and one (1) represent the employees.

Please refer to note 34 for additional disclosures regarding the parent company's defined benefit plan.

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Notes to Consolidated Financial Statements
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4 Material accounting policy information...continued

4.13 Leased assets

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

As a lessee

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

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

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

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

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

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

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4 Material accounting policy information...continued**4.13 Leased assets...continued**

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

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

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

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

Short-term leases and leases of low-value assets

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

4.14 Repurchase agreements

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

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4 Material accounting policy information...continued

4.15 Current and deferred income taxes

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

Current tax

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

Deferred tax

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

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

Deferred tax assets are recognised to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilised against future taxable income. This is assessed based on the Group's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

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

4.16 Operating expenses

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

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4 Material accounting policy information...continued**4.17 Equity and reserves**

Stated capital represents the issue price multiplied by the number of shares that have been issued. Any transaction costs associated with the issuing of shares are shown in equity as a deduction, net of any related income tax benefits.

Other components of equity include the following:

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

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

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4 Material accounting policy information...continued

4.18 Events after the financial reporting date

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

5 Financial risk management

Risk management framework

The Group's Board of Directors has overall responsibility for the establishment and oversight of its risk management framework. The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risks is core to retail banking, and operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Group's financial performance.

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

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

5.1 Credit risk

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

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5 Financial risk management...continued**5.1 Credit risk...continued****5.1.1 Credit risk management...continued**

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

- *Formulating credit policies* covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- *Establishing the authorisation structure* for the approval and renewal of credit facilities. Authorisation limits are allocated, with larger facilities requiring approval by the Credit Committee or the Board of Directors, as appropriate.
- *Reviewing and assessing credit risk*: all credit exposures in excess of designated limits are assessed, before facilities are committed to customers. Renewals and reviews of facilities are subject to the same review process.
- *Limiting concentrations of exposure* to counterparties, geographies and industries (for loans and advances, financial guarantees and similar exposures), and by issuer, credit rating band, market liquidity and country (for investment securities).
- *Developing and maintaining the Group's processes for measuring ECL*: This includes processes for:
 - initial approval, regular validation and back-testing of the models used;
 - determining and monitoring significant increase in credit risk; and
 - incorporation of forward-looking information.
- *Reviewing compliance* with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports on the credit quality of portfolios are provided to the Credit Committee, which may require appropriate corrective action to be taken. These include reports containing estimates of ECL allowances.
- *Providing advice, guidance and specialist skills* to promote best practice throughout the Group in the management of credit risk.

Regular audits of credit processes are undertaken by Internal Audit.

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5 Financial risk management...continued

5.1 Credit risk...continued

5.1.1 Credit risk management...continued

(a) Loans and advances

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

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

(b) Debt securities and other bills

The Group's portfolio of debt securities and other bills consists of St. Kitts and Nevis Government, St. Lucia Government and Antigua and Barbuda Government ninety-one day treasury bills, and other debt obligations by regional banking and non-banking financial institutions, all of which are unrated. The Group assesses the risk of default on these obligations by regularly monitoring the performance of the Governments through published government data, information received directly from government departments and information published by international agencies such as the International Monetary Fund (IMF) and the World Bank. The risk of default on regional corporate debt is assessed by continuous monitoring of the performance of these companies through published financial information, and other data gleaned from various sources.

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5 Financial risk management...continued**5.1 Credit risk...continued****5.1.2 Risk limit control and mitigation policies**

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

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

The exposure to any one borrower, including banks and brokers is further restricted by sub-limits covering on and off-balance sheet exposure. Actual exposures against limits are monitored on an ongoing basis. Cash deposits with other banks and short-term investments are placed with reputable regional and international financial institutions and Governments.

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

The following specific control and mitigation measures are also utilised:

(a) Collateral

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

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

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

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

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5 Financial risk management...continued

5.1 Credit risk...continued

5.1.2 Risk limit control and mitigation policies ...continued

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

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

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards (often referred to as financial covenants).

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

5.1.3 Impairment and provisioning policies

The internal rating systems described in Note 5.1.1 focus more on credit quality mapping from the inception of the lending and investment activities. In contrast, impairment provisions for financial reporting purposes are provided for losses based on an expected credit loss model using a three-stage approach across the various loan categories.

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

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

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

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

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5 Financial risk management...continued**5.1 Credit risk...continued****5.1.3 Impairment and provisioning policies...continued**

The loan impairment provision shown in the statement of financial position at year end is derived from each of the five rating grades. However, the majority of the impairment provision comes from the substandard, doubtful and loss grades.

The internal rating tool assists management to determine whether objective evidence indicates that a facility has become credit impaired, based on the following criteria set out by the Group:

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

The Group's policy requires the review of individual financial assets that are above materiality thresholds at least annually or more regularly when individual circumstances require. Expected credit losses are determined for these accounts based on a combination of the probability of default, loss given default and the exposure at default. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account.

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

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

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

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5 Financial risk management...continued

5.1 Credit risk ...continued

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

	Maximum Exposure	
	2023	2022
	\$	\$
Credit risk exposures relating to on-balance sheet assets		
Cash and balances with the Central Bank	439,910,919	622,431,203
Due from other banks	345,462,205	212,204,752
Treasury bills	89,801,683	89,705,718
Statutory deposit	7,607,879	7,247,111
Loans and advances to customers	1,040,924,394	1,047,309,739
<i>Investment securities</i>		
Amortised cost	136,224,000	103,581,806
FVTPL – Bonds	88,727,549	68,591,832
Other assets	35,041,120	35,114,243
	2,183,699,749	2,186,186,404
Credit risk exposures relating to off-balance sheet assets		
Loan commitments and other credit related obligations	119,669,483	107,945,486
As of September 30	2,303,369,232	2,294,131,890

The above table represents a worse-case scenario of credit risk exposure to the Group as of September 30, 2023 and 2022, without taking account of any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the consolidated statement of financial position.

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Group resulting from both its loans and advances portfolios and debt securities based on the fact that business loans, which represents the biggest group in the portfolio, are backed by collateral.

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5 Financial risk management...continued**5.1 Credit risk...continued****5.1.5 Debt securities, treasury bills and other eligible bills**

	Treasury Bills \$	Amortised Cost \$	FVTPL –Bonds \$	Total \$
As of September 30, 2023				
Rated	10,524,980	58,001,993	79,413,521	147,940,494
Unrated	79,276,703	78,222,007	9,314,029	166,812,739
	89,801,683	136,224,000	88,727,550	314,753,233
	Treasury Bills \$	Amortised Cost \$	FVTPL –Bonds \$	Total \$
As of September 30, 2022				
Rated	10,460,616	36,447,848	57,918,168	104,826,632
Unrated	79,245,102	67,133,958	10,673,664	157,052,724
	89,705,718	103,581,806	68,591,832	261,879,356

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5 Financial risk management...continued

5.1 Credit risk...continued

5.1.6 Concentration of risks of financial assets with credit risk exposure

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

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

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

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

	Antigua and Barbuda \$	Other Caribbean \$	Non- Caribbean \$	Total \$
2023:				
Credit risk exposures relating to on-balance sheet assets:				
Cash and balances with the Central Bank	27,534,079	412,376,840	—	439,910,919
Due from other banks	473,197	37,978,610	307,010,398	345,462,205
Statutory deposit	7,607,879	—	—	7,607,879
Treasury bills	27,323,049	62,478,634	—	89,801,683
<i>Investment securities:</i>				
- Amortised cost	9,594,013	126,629,987	—	136,224,000
- FVTPL – Bonds	9,314,028	—	79,413,521	88,727,549
Loans and advances to customers	904,908,687	135,692,472	323,235	1,040,924,394
Other assets	35,041,120	—	—	35,041,120
	1,021,796,052	775,156,543	386,747,154	2,183,699,749
Credit risk exposures relating to off-balance sheet assets:				
Loan commitments and other credit related facilities	96,041,542	23,627,941	—	119,669,483
September 30, 2023	1,117,837,594	798,784,484	386,747,154	2,303,369,232

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5 Financial risk management...continued**5.1 Credit risk...continued****5.1.6 Concentration of risks of financial assets with credit risk exposure...continued**(a) *Geographical concentration of assets and off-balance sheet items...continued*

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

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5 Financial risk management...continued**5.1 Credit risk...continued****5.1.6 Concentration of risks of financial assets with credit risk exposure...continued***(b) Industry risk concentration of assets and off-balance sheet items*

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

	Financial institutions \$'000	Tourism \$'000	Real estate \$'000	Wholesale and retail trade \$'000	Public sector \$'000	Other industries \$'000	Individuals '000	Total \$'000
Cash and balances with the Central Bank	439,911	—	—	—	—	—	—	439,911
Due from other banks	345,462	—	—	—	—	—	—	345,462
Treasury bills	—	—	—	—	89,802	—	—	89,802
Statutory Deposit	—	—	—	—	7,608	—	—	7,608
Loans and advances to customers	2,661	102,384	133,488	120,102	239,421	133,601	309,267	1,040,924
<i>Investment securities:</i>								
- Amortised cost	62,525	—	—	—	73,699	—	—	136,224
- FVTPL – Bonds	79,414	—	—	—	9,314	—	—	88,728
Other assets	—	—	—	—	—	35,041	—	35,041
As of September 30, 2023	929,973	102,384	133,488	120,102	419,844	168,642	309,267	2,183,700
Loan commitments and other credit related obligations	—	22,825	1,368	17,259	21,892	42,202	14,123	119,669
As of September 30, 2023	929,973	125,209	134,856	137,361	441,736	210,844	323,390	2,303,369

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5 Financial risk management....continued**5.1 Credit risk....continued****5.1.6 Concentration of risks of financial assets with credit risk exposure....continued***(b) Industry risk concentration of assets and off-balance sheet items....continued*

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

	Financial institutions \$'000	Tourism \$'000	Real estate \$'000	Wholesale and retail trade \$'000	Public sector \$'000	Other industries \$'000	Individuals '000	Total \$'000
Cash and balances with the Central Bank	622,431	—	—	—	—	—	—	622,431
Due from other banks	212,205	—	—	—	—	—	—	212,205
Treasury bills	—	—	—	—	89,706	—	—	89,706
Statutory Deposit	—	—	—	—	7,247	—	—	7,247
Loans and advances to customers	2,661	89,541	131,665	119,429	240,944	151,322	311,748	1,047,310
<i>Investment securities:</i>								
- Amortised cost	47,068	—	—	—	56,514	—	—	103,582
- FVTPL – Bonds	57,918	—	—	—	10,674	—	—	68,592
Other assets	—	—	—	—	—	35,114	—	35,114
As of September 30, 2022	942,283	89,541	131,665	119,429	405,085	186,436	311,748	2,186,187
Loan commitments and other credit related obligations	—	22,671	1,368	16,994	23,092	25,266	18,555	107,946
As of September 30, 2022	942,283	112,212	133,033	136,423	428,177	211,702	330,303	2,294,133

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5 Financial risk management...continued

5.2 Market risk

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

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

5.2.1 Price risk

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

5.2.2 Interest rate risk

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

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

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

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5 Financial risk management...continued**5.2 Market risk...continued****5.2.2 Interest rate risk...continued**

	Up to 1 year \$	1-5 years \$	Over 5 years \$	Non- interest bearing \$	Total \$
As of September 30, 2023					
Assets					
Cash and balances with Central Bank	—	—	—	439,910,919	439,910,919
Statutory deposit	—	—	—	7,607,879	7,607,879
Due from other banks	213,507,713	59,000,000	—	72,954,492	345,462,205
Treasury bills	90,667,658	—	—	(865,975)	89,801,683
<i>Investment securities:</i>					
- Amortised cost	50,749,040	84,749,379	323,461	402,120	136,224,000
- FVTPL – Bonds	37,647,038	31,106,150	19,974,361	—	88,727,549
Loans and advances to customers	159,927,498	149,355,937	731,735,879	(94,920)	1,040,924,394
Other assets	—	425,463	—	34,615,657	35,041,120
Total financial assets	552,498,947	324,636,929	752,033,701	554,530,172	2,183,699,749
Liabilities					
Customers' deposits	1,742,544,381	117,308,581	74,614,628	2,242,834	1,936,710,424
Provisions and other liabilities	498,990	—	—	29,529,316	30,028,306
Total financial liabilities	1,743,043,371	117,308,581	74,614,628	31,772,150	1,966,738,730
Total interest repricing gap	(1,190,544,424)	207,328,348	677,419,073	522,758,022	216,961,019

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5 Financial risk management...*continued*

5.2 Market risk...*continued*

5.2.2 Interest rate risk...*continued*

As of September 30, 2022

Assets

Cash and balances with Central Bank
 Statutory deposit
 Due from other banks
 Treasury bills
Investment securities:
 - Amortised cost
 - FVTPL – Bonds
 Loans and advances to customers
 Other assets

	Up to 1 year \$	1-5 years \$	Over 5 years \$	Non- interest bearing \$	Total \$
	–	–	–	622,431,203	622,431,203
	–	–	–	7,247,111	7,247,111
	78,549,082	–	–	133,655,670	212,204,752
	90,377,227	–	–	(671,509)	89,705,718
	52,103,261	32,855,975	18,531,384	91,186	103,581,806
	34,244,365	23,673,803	10,673,664	–	68,591,832
	171,142,768	143,734,161	731,966,551	466,259	1,047,309,739
	–	1,074,614	–	34,039,629	35,114,243

Total financial assets

426,416,703 **201,338,553** **761,171,599** **797,259,549** **2,186,186,404**

Liabilities

Customers' deposits
 Provisions and other liabilities

1,805,991,235
 628,075

94,905,697
 1,581,174

70,287,773
 –

11,086,020
 31,480,320

1,982,270,725
 33,689,569

Total financial liabilities

1,806,619,310 **96,486,871** **70,287,773** **42,566,340** **2,015,960,294**

Total interest repricing gap

(1,380,202,607) **104,851,682** **690,883,826** **754,693,209** **170,226,110**

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5 **Financial risk management...***continued*

5.2 **Market risk...***continued*

5.2.3 **Foreign exchange risk**

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

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

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5 Financial risk management....continued

5.2 Market risk....continued

5.2.3 Foreign exchange risk....continued

As of September 30, 2023

Assets	XCD \$	USD \$	EUR \$	GBP \$	Others \$	Total \$
Cash and balances with the Central Bank	438,059,253	1,368,705	162,195	151,893	168,873	439,910,919
Due from other banks	43,856,337	300,475,298	63,896	244,787	821,887	345,462,205
Statutory deposit	7,607,879	—	—	—	—	7,607,879
Treasury bills	89,801,683	—	—	—	—	89,801,683
<i>Investment securities:</i>						
- Amortised cost	43,032,074	93,191,926	—	—	—	136,224,000
- FVTPL – Bonds	6,675,355	82,052,194	—	—	—	88,727,549
Loans and advances to customers	1,004,991,114	35,933,280	—	—	—	1,040,924,394
Other assets	35,041,120	—	—	—	—	35,041,120
Total financial assets	1,669,064,815	513,021,403	226,091	396,680	990,760	2,183,699,749
Liabilities						
Customers' deposits	1,782,627,709	154,082,715	—	—	—	1,936,710,424
Provisions and other liabilities	30,028,306	—	—	—	—	30,028,306
Total financial liabilities	1,812,656,015	154,082,715	—	—	—	1,966,738,730
Net on-balance sheet position	(143,591,200)	358,938,688	226,091	396,680	990,760	216,961,019
Credit commitments	119,669,483	—	—	—	—	119,669,483

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(expressed in Eastern Caribbean dollars)

5 Financial risk management...*continued***5.2 Market risk...***continued***5.2.3 Foreign exchange risk...***continued***As of September 30, 2022****Assets**

Cash and balances with the Central Bank

Due from other banks

Statutory deposit

Treasury bills

Investment securities:

- Amortised cost

- FVTPL – Bonds

Loans and advances to customers

Other assets

Total financial assets**Liabilities**

Customers' deposits

Provisions and other liabilities

Total financial liabilities**Net on-balance sheet position****Credit commitments**

	XCD \$	USD \$	EUR \$	GBP \$	Others \$	Total \$
	620,800,847	1,324,391	184,048	64,016	57,901	622,431,203
	80,066,813	131,768,424	123,829	(111,022)	356,708	212,204,752
	7,247,111	—	—	—	—	7,247,111
	89,705,718	—	—	—	—	89,705,718
	54,465,107	49,116,699	—	—	—	103,581,806
	10,673,665	57,918,167	—	—	—	68,591,832
	1,004,718,197	42,591,542	—	—	—	1,047,309,739
	35,114,243	—	—	—	—	35,114,243
Total financial assets	1,902,791,701	282,719,223	307,877	(47,006)	414,609	2,186,186,404
Liabilities						
Customers' deposits	1,855,883,533	126,387,192	—	—	—	1,982,270,725
Provisions and other liabilities	33,689,569	—	—	—	—	33,689,569
Total financial liabilities	1,889,573,102	126,387,192	—	—	—	2,015,960,294
Net on-balance sheet position	13,218,599	156,332,031	307,877	(47,006)	414,609	170,226,110
Credit commitments	107,945,486	—	—	—	—	107,945,486

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5 Financial risk management...continued

5.3 Liquidity risk

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

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

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

5.3.1 Liquidity risk management process

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

- Day-to-day funding managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers. The Group maintains an active presence in regional markets to enable this to happen;
- Maintaining the liquidity ratios of the statement of financial position against internal and regulatory requirements; and
- Managing the concentration and profile of debt maturities.

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

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5 Financial risk management...*continued*

5.3 Liquidity risk...*continued*

5.3.2 Funding approach

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

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

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

In the normal course of business, a proportion of customers' loans contractually repayable in one (1) year will be extended. In addition, debt securities and treasury and other eligible bills can be pledged to secure liabilities. The Group would also be able to meet unexpected net cash requirements by selling securities. The Group can also access alternative funds for short-term borrowing needs via the Inter-bank market, line of credit with international banks and repurchase agreements.

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5 Financial risk management...continued**5.3 Liquidity risk...continued****5.3.3 Non-derivative financial liabilities and assets held for managing liquidity risk**

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

	0 – 3 Months \$	3 – 6 Months \$	6 – 12 Months \$	1 – 5 Years \$	Over 5 Years \$	Total \$
As of September 30, 2023						
Liabilities						
Customers' deposits	1,587,388,941	58,601,053	104,020,600	117,308,592	74,614,627	1,941,933,813
Total Liabilities (contractual maturity dates)	1,587,388,941	58,601,053	104,020,600	117,308,592	74,614,627	1,941,933,813
Assets held for managing liquidity risk	397,811,752	45,085,186	149,763,925	1,135,702,631	210,055,980	1,938,419,474
As of September 30, 2022						
Liabilities						
Customers' deposits	1,608,122,237	63,893,106	144,010,149	96,830,929	70,287,888	1,983,144,309
Total Liabilities (contractual maturity dates)	1,608,122,237	63,893,106	144,010,149	96,830,929	70,287,888	1,983,144,309
Assets held for managing liquidity risk	239,283,088	29,839,803	115,583,237	1,259,211,761	216,945,718	1,860,863,607

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5 Financial risk management...continued**5.4 Off-balance sheet items***(a) Loan commitments, financial guarantees and other financial facilities*

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

	Up to 1 year \$	1 to 5 years \$	Total \$
As of September 30, 2023			
Loan commitments and other credit related obligations	119,669,483	—	119,669,483
Financial guarantee contracts	7,231,982	—	7,231,982
As of September 30, 2022			
Loan commitments and other credit related obligations	107,945,486	—	107,945,486
Financial guarantee contracts	7,231,982	—	7,231,982

(b) Capital commitments

There were no capital commitments for the acquisition of buildings and equipment at the financial year end (2022: \$Nil).

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5 Financial risk management...continued

5.5 Fair value of financial assets and liabilities

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

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

Assets

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

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

Investment securities

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

Loans and advances

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

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

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

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

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5 Financial risk management...continued**5.5 Fair value of financial assets and liabilities...continued**

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

	Carrying value		Fair value	
	2023	2022	2023	2022
	\$	\$	\$	\$
Financial assets				
Cash and balances with the Central Bank	439,910,919	622,431,203	439,910,919	622,431,203
Statutory deposits	7,607,879	7,247,111	7,607,879	7,247,111
Treasury bills	89,801,683	89,705,718	89,801,683	89,705,718
Due from other banks	345,462,205	212,204,752	345,462,205	212,204,752
Loans and advances	1,040,924,394	1,047,309,739	1,102,961,323	1,093,452,440
Investment securities	290,271,538	253,977,351	290,100,737	253,665,338
Other assets	35,041,120	35,114,243	35,041,439	35,114,563
	2,249,019,738	2,267,990,117	2,310,886,185	2,313,821,125
Financial liabilities				
Customers' deposits	1,936,710,424	1,982,270,725	1,935,695,239	1,981,397,424
Provisions and other liabilities	30,028,306	33,689,569	30,028,303	33,689,569
	1,966,738,730	2,015,960,294	1,965,723,542	2,015,086,993

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5 Financial risk management...continued

5.5 Fair value of financial assets and liabilities...continued

5.5.1 Fair value hierarchy

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

- Level 1 - Inputs that are quoted market prices (unadjusted) in active markets for identical instruments. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3 - Inputs that are unobservable (not based on observable market data). This category includes all instruments for which the valuation technique includes inputs that are not observable, and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between instruments.

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

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5 Financial risk management...continued**5.5 Fair value of financial assets and liabilities...continued****5.5.1 Fair value hierarchy...continued**

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
As of September 30, 2023				
Financial assets				
<i>Investment securities</i>				
FVTPL	100,293,730	9,314,029	—	109,607,759
FVOCI – quoted	—	9,003,758	—	9,003,758
FVOCI – unquoted	—	—	35,436,021	35,436,021
Total assets	100,293,730	18,317,787	35,436,021	154,047,538
As of September 30, 2022				
Financial assets				
<i>Investment securities</i>				
FVTPL	96,643,792	10,673,664	—	107,317,456
FVOCI – quoted	—	9,757,921	—	9,757,921
FVOCI – unquoted	—	—	33,320,168	33,320,168
Total assets	96,643,792	20,431,585	33,320,168	150,395,545

If the market price on the FVOCI Level 2 investments were to change by +/- 10%, the impact on other comprehensive income would be an increase/decrease of \$975,792 (2022: \$975,792).

There were no movements in or out of Level 3 during the year (2022: \$Nil).

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5 Financial risk management...continued

5.5 Fair value of financial assets and liabilities...continued

5.5.1 Fair value hierarchy...continued

Level 3 fair value measurements

Unobservable inputs used in measuring fair values

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

5.5.2 Financial instruments not measured at fair value

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

	Level 2 \$'000	Total fair values \$'000	Total carrying amount \$'000
September 30, 2023			
Assets			
Cash and balances with the Central Bank	439,911	439,911	439,911
Due from other banks	345,462	345,462	345,462
Treasury bills	89,802	89,802	89,802
Loans and advances	1,102,962	1,102,962	1,040,924
Investment securities - Amortised cost	137,650	137,650	136,224
	2,115,787	2,115,787	2,052,323
Liabilities			
Customers' deposits	1,935,695	1,935,695	1,936,711

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5 Financial risk management...continued**5.5 Fair value of financial assets and liabilities...continued****5.5.2 Financial instruments not measured at fair value...continued**

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

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5 Financial risk management...continued

5.6 Financial assets and liabilities by category

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

	Amortised Cost \$	FVTPL \$	FVOCI \$	Total \$
As of September 30, 2023				
Assets				
Due from other banks	776,896,999	—	—	776,896,999
Investment securities	133,579,971	109,328,194	44,439,779	287,347,944
Loans and advances to customers	1,031,912,551	—	—	1,031,912,551
Other financial assets	35,041,120	—	—	35,041,120
Treasury bills	88,650,602	—	—	88,650,602
Total financial assets	2,066,081,243	109,328,194	44,439,779	2,219,849,216
			Financial liabilities at amortised cost \$	Total \$
Liabilities				
Customers' deposits			1,932,809,642	1,932,809,642
Other liabilities and accrued expenses			30,028,306	30,028,306
Total financial liabilities			1,962,837,948	1,962,837,948

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5 Financial risk management...continued**5.6 Financial assets and liabilities by category...continued**

	Amortised Cost \$	FVTPL \$	FVOCI \$	Total \$
As of September 30, 2022				
Assets				
Due from other banks	833,376,366	—	—	833,376,366
Investment securities	102,253,394	106,981,367	43,078,089	252,312,850
Loans and advances to customers	1,038,427,664	—	—	1,038,427,664
Other financial assets	35,114,563	—	—	35,114,563
Treasury bills	88,493,957	—	—	88,493,957
Total financial assets	2,097,665,944	106,981,367	43,078,089	2,247,725,400
Liabilities				
			Financial liabilities at amortised cost \$	Total \$
Customers' deposits			1,978,462,771	1,978,462,771
Other liabilities and accrued expenses			33,689,569	33,689,569
Total financial liabilities			2,012,152,340	2,012,152,340

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5 Financial risk management...continued

5.7 Operational risk

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

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

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

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

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

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6 Capital management policies and procedures

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

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

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

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

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

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

- Tier 1 capital: share capital (net of any book values of treasury shares), general bank reserves, statutory reserve, non-controlling interests arising on consolidation from interests in permanent shareholders' equity, retained earnings and reserves created by appropriations of retained earnings. The book value of goodwill (if applicable) is deducted in arriving at Tier 1 capital; and
- Tier 2 capital: qualifying subordinated loan capital, collective impairment allowances and unrealised gains arising on the fair valuation of equity instruments held as FVOCI.

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

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6 Capital management policies and procedures...continued

The table below summarises the composition of regulatory capital and the ratios of the Parent Bank for the years ended September 30, 2023 and 2022. During those two years, the Group complied with all of the externally imposed capital requirements to which they are subject.

	2023 \$	2022 \$
Tier 1 Capital		
Stated capital (net of treasury shares)	36,000,000	36,000,000
Statutory reserve	37,321,270	30,832,846
Capital reserve	7,461,949	7,461,949
Retained earnings	165,147,776	154,461,937
Total qualifying Tier 1 Capital	245,930,995	228,756,732
Tier 2 capital		
Revaluation reserve: FVOCI investments	28,450,451	27,102,595
Reserves for loan loss	36,368,893	28,597,019
Total qualifying Tier 2 Capital	64,819,344	55,699,614
Total regulatory capital	310,750,339	284,456,346
Risk-weighted assets:		
On-balance sheet	875,730,000	830,630,000
Off-balance sheet	119,669,483	107,945,486
Total risk-weighted assets	995,399,483	938,575,486
Basel ratio	31.2%	30.3%

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7 Significant management judgement in applying accounting policies and estimation uncertainty

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

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

(a) Impairment losses on loans and advances

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

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

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

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

(a) Impairment losses on loans and advances....continued

Incorporation of forward-looking information

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

The Group applied experienced judgement to select macroeconomic factors that would most likely impact credit risk. The Group leveraged the 2023 IMF's country report on the Eastern Caribbean Currency Union and Caribbean Development Bank's 2023 economic outlook on Antigua and Barbuda to provide macroeconomic projections on the following factors:

- GDP
- Inflation
- Unemployment Rate
- Lending rates

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

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

	2023				2022			
	GDP Change	Inflation Rate	Lending Rates	Unemployment Rate	GDP Change	Inflation Rate	Lending Rates	Unemployment Rate
As of September 30								
Economic assumptions	6.02%	5.06%	7.60%	14.10%	7.02%	7.50%	7.60%	14.10%

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

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7 Significant management judgement in applying accounting policies and estimation uncertainty...continued*(b) Classification of financial assets*

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

(c) Estimate of pension benefits

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

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

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

(d) Impairment of non-financial assets

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

(e) Fair value of financial instruments

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

(f) Revaluation of land and buildings

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

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

(g) Current and deferred taxes

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

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

8 Cash and balances with the Central Bank

	Note	2023 \$	2022 \$
Cash on hand		27,534,079	22,342,832
Balances with the ECCB other than mandatory reserve deposits		<u>265,495,963</u>	<u>449,726,298</u>
Included in cash and cash equivalents	28	293,030,042	472,069,130
Mandatory reserve deposits with the ECCB		<u>146,880,877</u>	<u>150,362,073</u>
Total cash and balances with the Central Bank		<u>439,910,919</u>	<u>622,431,203</u>
Current		<u>439,910,919</u>	<u>622,431,203</u>

Commercial banks operating in member states of the Organization of the Eastern Caribbean States are required to maintain a reserve with the ECCB equivalent to 6% of their total deposit liabilities (excluding inter-bank deposits and foreign currencies). This reserve deposit is not available for use in the Group's day-to-day operations and is non-interest bearing. As of September 30, 2023 the balance was \$105,888,603 (2022: \$109,369,798).

In accordance with sections 28 and 29 of the Payment Systems Act, the Group entered into a Participant Collateral and Settlement Agreement and is required to maintain collateral with the ECCB to use the Eastern Caribbean Automatic Clearing House ("ECACH"). The collateral is calculated annually by ECCB based on a multiple of the average daily gross obligations over a period predetermined by the ECCB, in consultation with the ECACH and the Group. The Group is required to maintain the collateral with the ECCB. As of September 30, 2023 and 2022, the balance was \$40,992,274.

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9 Due from other banks

	Note	2023 \$	2022 \$
Term deposits and operating accounts with other banks with original maturities of 3 months or less		84,081,578	126,662,108
Items in the course of collection from other banks		(594,634)	18,549,634
Included in cash and cash equivalents	28	83,486,944	145,211,742
Term deposits and operating accounts with other banks with original maturities greater than 3 months		254,648,779	66,054,950
Add: Interest receivable		8,476,125	1,259,589
Less: Provision for expected credit losses (ECL)		(1,149,643)	(321,529)
Total due from other banks		345,462,205	212,204,752
Current		345,462,205	212,204,752

	2023 \$	2022 \$
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The movement in expected credit losses is as follows:

Balance, beginning of the year	321,529	172,934
Increase in expected credit losses	828,114	148,595
Balance, end of the year	1,149,643	321,529

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10 Treasury bills

	Note	Nominal value 2023 \$	Cost 2023 \$	Nominal value 2022 \$	Cost 2022 \$
Treasury bills at amortised cost – OECS Governments with original maturities of 3 months or less and interest rates ranging from 3.75% to 7.0%		<u>31,889,361</u>	<u>31,660,411</u>	<u>30,676,000</u>	<u>30,262,099</u>
Included in cash and cash equivalents	28	<u>31,889,361</u>	<u>31,660,411</u>	<u>30,676,000</u>	<u>30,262,099</u>
 Treasury bills at amortised cost – OECS Governments with original maturities greater than 3 months and interest rates ranging from 3.50% to 5.75%		59,930,617	59,930,617	61,143,978	61,143,978
Add: Interest receivable		–	1,151,081	–	1,211,761
Less: Provision for expected credit losses (ECL)		–	(2,940,426)	–	(2,912,120)
Total treasury bills		<u>91,819,978</u>	<u>89,801,683</u>	<u>91,819,978</u>	<u>89,705,718</u>

The movement in expected credit losses is as follows:

	2023 \$	2022 \$
Balance, beginning of the year	2,912,120	481,212
Increase in expected credit losses	<u>28,306</u>	<u>2,430,908</u>
Balance, end of the year	<u>2,940,426</u>	<u>2,912,120</u>

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Notes to Consolidated Financial Statements

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(expressed in Eastern Caribbean dollars)

11 Loans and advances

	2023 \$	2022 \$
Commercial loans	568,730,728	553,855,529
Mortgages	349,982,693	360,174,747
Personal loans	101,242,113	99,243,017
Overdrafts	55,040,688	63,692,784
Credit card advances	10,736,702	11,037,439
	1,085,732,924	1,088,003,516
Gross loans		
<i>Less:</i> Provision for expected credit losses	(53,820,373)	(49,575,851)
	1,031,912,551	1,038,427,665
<i>Add:</i> Interest receivable	11,711,274	11,901,315
<i>Less:</i> Deferred interest income	(161,540)	(190,037)
<i>Less:</i> Deferred fees	(2,537,891)	(2,829,204)
Total loans and advances	1,040,924,394	1,047,309,739
Current	159,832,577	171,678,568
Non-current	881,091,817	875,631,171
	1,040,924,394	1,047,309,739

Interest rates

The weighted average effective interest rate on performing loans and advances excluding overdrafts as of September 30, 2023 was 7.00% (2022: 7.00%), and overdrafts were 9.00% (2022: 9.00%).

Loans write-off

Total loans and advances written off during the years ended September 30, 2023 amounts to \$834,642 (2022: \$Nil).

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Notes to Consolidated Financial Statements
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11 Loans and advances...continued

11.1 Provision for expected credit losses

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

	2023 \$	2022 \$
Balance, beginning of year	49,575,851	57,814,048
Provision for/(recovery of) credit losses	5,064,244	(3,605,673)
Recoveries	—	(7,133,445)
Reclassification of off-balance sheet items	14,920	2,500,921
Write off of impaired loan balances	(834,642)	—
	<u>53,820,373</u>	<u>49,575,851</u>

According to the ECCB loan provisioning guidelines, the calculated provision for expected credit losses amounts to \$84,748,368 (2022: \$67,616,217). The gross carrying value of impaired loans at the year-end was \$89,003,336 (2022: \$76,866,710). Interest receivable on loans that would not be recognised under ECCB guidelines amounted to \$7,615,072 (2022: \$8,037,775) and is included in the specific regulatory reserve (note 24).

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Notes to Consolidated Financial Statements

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11 Loans and advances...continued**11.1 Provision for expected credit losses...continued**

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

September 30, 2023**Provision for Expected Credit Losses (ECL)**

	Performance		Impaired	
	Stage 1 \$	Stage 2 \$	Stage 3 \$	Total \$
Balance, beginning of year	10,060,845	1,919,604	37,595,402	49,575,851
Provision for/ (recovery of) credit losses	4,141,483	645,844	(542,805)	4,244,522
Balance, end of year	14,202,328	2,565,448	37,052,597	53,820,373

September 30, 2022**Provision for Expected Credit Losses (ECL)**

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

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11 Loans and advances....continued**11.1 Provision for expected credit losses....continued**

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

	Personal \$	Commercial \$	Mortgages \$	Overdrafts \$	Credit Cards \$	Total \$
September 30, 2023						
Gross loans before ECL	101,242,113	568,730,728	349,982,693	55,040,688	10,736,702	1,085,732,924
Stage 1: 12 month ECL	(2,497,730)	(2,539,775)	(1,228,888)	(2,950,726)	(4,985,209)	(14,202,328)
Stage 2: Lifetime ECL	(399,212)	(1,028,179)	(44,211)	(466,961)	(626,885)	(2,565,448)
Stage 3: Credit Impaired financial assets – ECL	(3,573,382)	(20,158,620)	(4,281,495)	(5,910,615)	(3,128,485)	(37,052,597)
	<u>94,771,789</u>	<u>545,004,154</u>	<u>344,428,099</u>	<u>45,712,386</u>	<u>1,996,123</u>	<u>1,031,912,551</u>
September 30, 2022						
Gross loans before ECL	99,243,017	553,855,529	360,174,747	63,692,784	11,037,439	1,088,003,516
Stage 1: 12 month ECL	(2,832,901)	(2,200,986)	(679,162)	(2,048,987)	(2,298,809)	(10,060,845)
Stage 2: Lifetime ECL	(541,652)	(30,861)	(117,905)	(1,033,640)	(195,546)	(1,919,604)
Stage 3: Credit Impaired financial assets – ECL	(5,228,656)	(22,358,861)	(2,925,620)	(5,262,475)	(1,819,790)	(37,595,402)
	<u>90,639,808</u>	<u>529,264,821</u>	<u>356,452,060</u>	<u>55,347,682</u>	<u>6,723,294</u>	<u>1,038,427,665</u>

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11 **Loans and advances...continued**

11.2 Allowance for expected credit losses

The following tables show reconciliations from the opening to the closing balance of the loss allowance by loan category. The basis for determining transfers due to changes in credit risk is set out in accounting policy Note 4.3.

	2023			2022		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
	12 months ECL	Lifetime ECL	Lifetime ECL	12 months ECL	Lifetime ECL	Lifetime ECL
	\$	\$	\$	\$	\$	\$
Personal						
Loss allowance as of October 1	2,832,901	541,652	5,228,656	1,151,730	132,909	16,368,948
			8,603,209			17,653,587
Changes in the loss allowance						
Transfer to stage 1	54,358	(54,358)	—	1,441	(1,441)	—
Transfer to stage 2	(42,214)	42,214	—	(52,624)	52,624	—
Transfer to stage 3	—	—	—	—	—	—
Net remeasurement of loss allowance	(1,060,412)	(131,670)	(1,412,404)	1,453,144	295,406	(11,140,292)
New financial assets originated	713,097	1,374	—	279,210	62,154	—
Financial assets that have been derecognised	—	—	—	—	—	—
Reclassification	—	—	—	—	—	—
Write-offs	—	—	(242,870)	—	—	—
Loss allowance as of September 30	2,497,730	399,212	3,573,382	2,832,901	541,652	5,228,656
			6,470,324			8,603,209

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11 Loans and advances...continued**11.2 Allowance for expected credit losses...continued**

	2023					2022				
	Stage 1		Stage 2		Stage 3	Stage 1		Stage 2		Stage 3
	12 months ECL	\$	Lifetime ECL	\$	Lifetime ECL	12 months ECL	\$	Lifetime ECL	\$	Lifetime ECL
Commercial					Total					Total
Loss allowance as of October 1	2,200,986		30,861		22,358,861	3,536,153		984,478		19,015,157
Changes in the loss allowance										
Transfer to stage 1	31,685		(31,685)		—	7,726		(7,726)		—
Transfer to stage 2	(159,314)		159,314		—	(353,481)		353,481		—
Transfer to stage 3	—		—		—	—		—		—
Net remeasurement of loss allowance	303,478		869,689		(2,074,645)	(1,544,204)		(1,443,368)		3,343,704
New financial assets originated	162,940		—		—	554,792		143,996		—
Financial assets that have been derecognised	—		—		—	—		—		—
Reclassification	—		—		—	—		—		—
Write-offs	—		—		(125,596)	—		—		—
Loss allowance as of September 30	2,539,775		1,028,179		20,158,620	2,200,986		30,861		22,358,861
					23,726,574					24,590,708

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Notes to Consolidated Financial Statements

FOR THE YEAR ENDED SEPTEMBER 30, 2023

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11 Loans and advances.....continued**11.2 Allowance for expected credit losses.....continued**

	2023					2022				
	Stage 1		Stage 2		Stage 3	Stage 1		Stage 2		Stage 3
	12 months ECL \$	Lifetime ECL \$	12 months ECL \$	Lifetime ECL \$	Total \$	12 months ECL \$	Lifetime ECL \$	12 months ECL \$	Lifetime ECL \$	Total \$
Mortgages										
Loss allowance as of October 1	679,162	117,905	117,905	2,925,620	3,722,687	443,948	114,963	5,703,161	6,262,072	
Changes in the loss allowance										
Transfer to stage 1	5,081	(5,081)	—	—	—	—	—	—	—	—
Transfer to stage 2	(3,654)	3,654	—	—	—	(284)	284	—	—	—
Transfer to stage 3	—	—	—	—	—	—	—	—	—	—
Net remeasurement of loss allowance	533,580	(72,267)	1,355,875	1,817,188	1,817,188	91,151	(20,275)	(2,777,541)	(2,706,665)	
New financial assets originated	14,719	—	—	—	14,719	144,347	22,933	—	167,280	
Financial assets that have been derecognised	—	—	—	—	—	—	—	—	—	—
Reclassification	—	—	—	—	—	—	—	—	—	—
Write-offs	—	—	—	—	—	—	—	—	—	—
Loss allowance as of September 30	1,228,888	44,211	4,281,495	5,554,594		679,162	117,905	2,925,620	3,722,687	

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11 Loans and advances....continued**11.2 Allowance for expected credit losses....continued**

	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	12 months ECL	Lifetime ECL	Lifetime ECL		12 months ECL	Lifetime ECL	Lifetime ECL	
	\$	\$	\$	\$	\$	\$	\$	\$
Overdrafts								
Loss allowance as of October 1	2,048,987	1,033,640	5,262,475	8,345,102	3,222,099	2,171,771	4,968,731	10,362,601
Changes in the loss allowance								
Transfer to stage 1	1,775,894	(1,770,369)	(5,525)	—	19,132	(19,132)	—	—
Transfer to stage 2	(223,731)	223,731	—	—	(299,003)	299,003	—	—
Transfer to stage 3	—	(3,906)	3,906	—	—	—	—	—
Net remeasurement of loss allowance	(2,591,585)	973,854	664,272	(953,459)	(3,706,186)	(1,557,124)	279,850	(4,983,460)
New financial assets originated	1,941,161	10,011	5,524	1,956,696	2,812,945	139,122	13,894	2,965,961
Financial assets that have been derecognised	—	—	—	—	—	—	—	—
Reclassification	—	—	—	—	—	—	—	—
Write-offs	—	—	(20,037)	(20,037)	—	—	—	—
Loss allowance as of September 30	2,950,726	466,961	5,910,615	9,328,302	2,048,987	1,033,640	5,262,475	8,345,102

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11 Loans and advances....continued**11.2 Allowance for expected credit losses....continued**

	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	12 months ECL \$	Lifetime ECL \$	Lifetime ECL \$		12 months ECL \$	Lifetime ECL \$	Lifetime ECL \$	
Credit Cards								
Loss allowance as of October 1	2,298,809	195,546	1,819,790	4,314,145	—	—	—	—
Changes in the loss allowance								
Transfer to stage 1	175,714	(84,658)	(91,056)	—	240,836	(38,305)	(202,531)	—
Transfer to stage 2	(516,800)	550,582	(33,782)	—	(211,590)	247,832	(36,242)	—
Transfer to stage 3	(1,244,725)	(313,242)	1,557,967	—	(1,280,670)	(90,263)	1,370,933	—
Net remeasurement of loss allowance	3,331,530	228,285	242,913	3,802,728	3,546,646	76,282	687,630	4,310,558
New financial assets originated	940,681	50,372	78,791	1,069,844	3,587	—	—	3,587
Financial assets that have been derecognised	—	—	—	—	—	—	—	—
Reclassification	—	—	—	—	—	—	—	—
Write-offs	—	—	(446,138)	(446,138)	—	—	—	—
Loss allowance as of September 30	4,985,209	626,885	3,128,485	8,740,579	2,298,809	195,546	1,819,790	4,314,145

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11 Loans and advances....continued**11.2 Allowance for expected credit losses....continued**

	2023				2022			
	Stage 1		Stage 2		Stage 2		Stage 3	
	12 months ECL	Lifetime ECL	12 months ECL	Lifetime ECL	12 months ECL	Lifetime ECL	12 months ECL	Lifetime ECL
Total	\$	\$	\$	\$	\$	\$	\$	\$
Loss allowance as of October 1	10,060,845	1,919,604	37,595,402	49,575,851	8,353,930	3,404,121	46,055,997	57,814,048
Changes in the loss allowance								
Transfer to stage 1	2,819,015	(1,963,274)	19,236	874,977	356,428	(58,694)	(201,869)	95,865
Transfer to stage 2	(945,712)	979,494	(33,782)	—	(916,982)	953,224	(36,242)	—
Transfer to stage 3	(1,244,725)	(317,148)	1,561,873	—	(1,280,670)	(90,263)	1,370,933	—
Net remeasurement of loss allowance	(259,694)	1,885,014	(1,339,806)	285,514	(246,745)	(2,656,988)	(9,607,311)	(12,511,044)
New financial assets originated	3,772,600	61,758	84,315	3,918,673	3,794,884	368,204	13,894	4,176,982
Financial assets that have been derecognised	—	—	—	—	—	—	—	—
Reclassification	—	—	—	—	—	—	—	—
Write-offs	—	—	(834,642)	(834,642)	—	—	—	—
Loss allowance as of September 30	14,202,329	2,565,448	37,052,596	53,820,373	10,060,845	1,919,604	37,595,402	49,575,851

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12 Other assets

	2023 \$	2022 \$
Merchant and card receivables	31,617,176	28,817,753
Depositor Protection Trust (DPT)	4,491,369	5,774,514
Prepayments	2,400,106	2,337,220
Miscellaneous receivables	443,324	2,410,774
Suspense assets	201,955	163,569
Total other assets – gross	39,153,930	39,503,830
<i>Less:</i> provision for expected credit losses on DPT	(1,712,704)	(2,052,367)
Total other assets – net	37,441,226	37,451,463

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

	2023 \$	2022 \$
The movement in expected credit losses is as follows:		
Balance, beginning of the year	2,052,367	2,239,465
Decrease in expected credit losses	(339,663)	(187,098)
Balance, end of the year	1,712,704	2,052,367

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

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13 Investment securities

	2023 \$	2022 \$
Securities measured at amortised cost		
Debt securities at amortised cost		
- Unlisted	73,811,361	60,984,467
- Listed	65,573,868	46,986,719
Interest receivable	2,644,029	1,328,412
<i>Less:</i> provision for expected credit losses	<u>(5,805,258)</u>	<u>(5,717,792)</u>
Total securities at amortised cost	<u>136,224,000</u>	<u>103,581,806</u>
Securities measured at FVOCI		
Equity securities at fair value		
- Unlisted	35,436,021	34,074,331
- Listed	<u>9,003,758</u>	<u>9,003,758</u>
Total equity securities	<u>44,439,779</u>	<u>43,078,089</u>
Total securities at FVOCI	<u>44,439,779</u>	<u>43,078,089</u>
Securities measured at FVTPL		
Equity securities:		
- Listed	<u>20,880,210</u>	<u>38,725,624</u>
Total equity securities	<u>20,880,210</u>	<u>38,725,624</u>
Debt securities:		
- Listed	88,447,984	68,255,743
Interest receivable	<u>279,565</u>	<u>336,089</u>
Total debt securities	<u>88,727,549</u>	<u>68,591,832</u>
Total securities at FVTPL	<u>109,607,759</u>	<u>107,317,456</u>
Total investment securities	<u>290,271,538</u>	<u>253,977,351</u>

All debt securities have fixed interest rates.

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

None of these strategic investments were disposed of during the year ended September 30, 2023 (2022: \$Nil), and there were no transfers of any cumulative gain or loss within equity relating to these investments (2022: \$Nil). The change in fair value on these investments for the year ended September 30, 2023 was \$1,360,690 (2022: \$2,510,887).

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Notes to Consolidated Financial Statements

FOR THE YEAR ENDED SEPTEMBER 30, 2023

(expressed in Eastern Caribbean dollars)

13 Investment securities....continued

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

	FVOCI \$	FVTPL \$	Amortised Cost \$	Total \$
As of October 1, 2022	43,078,089	107,317,456	103,581,806	253,977,351
Additions	—	37,503,587	98,206,319	135,709,906
Reclassification as cash	—	(4,995,485)	(1,906,400)	(6,901,885)
Disposal (sales and redemptions)	—	(35,175,507)	(64,417,026)	(99,592,533)
Movement in accrued interest	—	(56,524)	1,315,617	1,259,093
Change in fair value	1,361,690	5,014,232	—	6,375,922
Movement in Premium/Discount	—	—	(468,850)	(468,850)
Movement in provision for expected credit losses	—	—	(87,466)	(87,466)
As of September 30, 2023	44,439,779	109,607,759	136,224,000	290,271,538
As of October 1, 2021	40,567,201	64,765,741	64,814,699	170,147,641
Additions	—	76,415,865	58,699,455	135,115,320
Reclassification as cash	—	(1,590,140)	(1,906,400)	(3,496,540)
Disposal (sales and redemptions)	—	(18,025,725)	(17,552,462)	(35,578,187)
Movement in accrued interest	—	(45,111)	684,563	639,452
Change in fair value	2,510,888	(14,203,174)	—	(11,692,286)
Movement in Premium/Discount	—	—	434,274	434,274
Movement in provision for expected credit losses	—	—	(1,592,323)	(1,592,323)
As of September 30, 2022	43,078,089	107,317,456	103,581,806	253,977,351

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13 Investment securities...*continued*

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

	Stage 1 12 Month ECL \$	Stage 2 Lifetime ECL \$	Stage 3 Credit Impaired Financial Assets Lifetime ECL \$	Total \$
September 30, 2023				
Gross exposure	138,029,258	—	4,000,000	142,029,258
Expected credit losses (ECL)	(1,805,258)	—	(4,000,000)	(5,805,258)
Net exposure	136,224,000	—	—	136,224,000
ECL provision as of October 1, 2022	1,717,792	—	4,000,000	5,717,792
ECL on new instruments issued during the year	87,466	—	—	87,466
As of September 30, 2023	1,805,258	—	4,000,000	5,805,258

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13 Investment securities....continued

	Stage 1 12 Month ECL \$	Stage 2 Lifetime ECL \$	Stage 3 Credit Impaired Financial Assets Lifetime ECL \$	Total \$
September 30, 2022				
Gross exposure	105,299,598	—	4,000,000	109,299,598
Expected credit losses	(1,717,792)	—	(4,000,000)	(5,717,792)
Net exposure	103,581,806	—	—	103,581,806
ECL provision as of October 1, 2021	125,469	—	4,000,000	4,125,469
ECL on new instruments issued during the year	1,592,323	—	—	1,592,323
As of September 30, 2022	1,717,792	—	4,000,000	5,717,792

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14 Property and equipment

	Land & buildings & building improvements	Furniture and fixtures	Equipment	Motor vehicles	Computer hardware	Computer software	Leasehold improvements	Work in progress	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
As of September 30, 2021									
Cost or valuation	38,159,101	16,685,982	11,484,249	701,083	15,495,860	9,280,069	280,284	6,737,621	98,824,249
Accumulated depreciation	(1,606,169)	(16,111,865)	(9,648,352)	(420,135)	(14,447,776)	(9,043,131)	(165,893)	—	(51,443,321)
Net book amount	36,552,932	574,117	1,835,897	280,948	1,048,084	236,938	114,391	6,737,621	47,380,928
Year ended September 30, 2022									
Opening net book amount	36,552,932	574,117	1,835,897	280,948	1,048,084	236,938	114,391	6,737,621	47,380,928
Additions	1,435,973	19,076	96,788	143,375	97,214	43,739	—	3,098,818	4,934,983
Disposals/ adjustments	—	(3,667)	(2,220)	—	—	—	—	(500,740)	(506,627)
Transfers	1,408,276	208,380	298,335	—	1,603,339	1,007,442	—	(4,525,772)	—
Adjustment cost	33,038	1,494	(26,734)	—	—	—	—	17	7,815
Depreciation charge	(735,290)	(262,857)	(458,939)	(118,975)	(658,483)	(834,481)	(28,028)	—	(3,097,053)
Closing net book amount	38,694,929	536,543	1,743,127	305,348	2,090,154	453,638	86,363	4,809,944	48,720,046
As of September 30, 2022									
Cost or valuation	41,036,388	16,911,265	11,850,418	844,458	17,196,413	10,331,250	280,284	4,809,944	103,260,420
Accumulated depreciation	(2,341,459)	(16,374,722)	(10,107,291)	(539,110)	(15,106,259)	(9,877,612)	(193,921)	—	(54,540,374)
Net book amount	38,694,929	536,543	1,743,127	305,348	2,090,154	453,638	86,363	4,809,944	48,720,046

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14 Property and equipment....continued

	Land & buildings & building improvements	Furniture and fixtures	Equipment	Motor vehicles	Computer hardware	Computer software	Leasehold improvements	Work in progress	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Year ended September 30, 2023									
Opening net book amount	38,694,929	536,543	1,743,127	305,348	2,090,154	453,638	86,363	4,809,944	48,720,046
Additions	21,777	103,067	140,055	277,575	249,103	99,768	—	3,614,799	4,506,144
Disposals/adjustments									
Accumulated	—	—	(15,338)	(10,300)	(85,110)	—	—	(32,927)	(143,675)
Depreciation- disposals	—	—	—	10,300	44,289	—	—	—	54,589
Transfers	17,493	—	66,651	—	868,513	1,618,262	—	(2,570,919)	—
Adjustment cost	—	—	—	—	—	—	—	(8,988)	(8,988)
Depreciation charge	(793,875)	(225,057)	(470,752)	(148,083)	(738,747)	(891,679)	(28,028)	—	(3,296,221)
Closing net book amount	37,940,324	414,553	1,463,743	434,840	2,428,202	1,279,989	58,335	5,811,909	49,831,895
As of September 30, 2023									
Cost or valuation	41,075,658	17,014,332	12,041,786	1,111,733	18,228,919	12,049,280	280,284	5,811,909	107,613,901
Accumulated depreciation	(3,135,334)	(16,599,779)	(10,578,043)	(676,893)	(15,800,717)	(10,769,291)	(221,949)	—	(57,782,006)
Net book amount	37,940,324	414,553	1,463,743	434,840	2,428,202	1,279,989	58,335	5,811,909	49,831,895

ANTIGUA COMMERCIAL BANK LTD. t/a ACB CARIBBEAN
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14 Property and equipment...continued

Work in progress largely comprises of costs expended to improve on the Group's Information Technology infrastructure.

As of September 30, 2019, all of the Group's land and buildings and improvements were revalued based on the appraisal performed by an independent firm of professional appraisers. The revaluation resulted in a gain amounting to \$1,300,392. The remaining revaluation surplus of \$585,000 is within 'other reserves' within shareholders' equity (note 24).

The following is the historical cost carrying amount of land and buildings carried at revalued amounts as of September 30, 2023.

	Land \$	Buildings \$	Total \$
Cost	3,562,078	31,608,727	35,170,805
Accumulated depreciation	—	(17,770,577)	(17,770,577)
Net book value	3,562,078	13,838,150	17,400,228

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

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

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14 **Property and equipment...***continued*

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

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15 Leases

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

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

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

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

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

	Right of Use Asset \$	Lease Liability \$
Balance as of October 1, 2022	1,888,131	2,125,115
Addition	—	—
Depreciation expense	(654,311)	—
Interest expense	—	(26,945)
Principal payments	—	(606,987)
Adjustment	310,473	—
As of September 30, 2023	1,544,293	1,491,183

Additions to the right-of-use asset during the year were \$Nil (2022: \$1,982,421).

ANTIGUA COMMERCIAL BANK LTD. t/a ACB CARIBBEAN

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16 Post-employment benefits

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

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

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

	Pension	Other Post Employment benefit	2023 \$	2022 \$
Present value of funded obligations	(37,789,958)	(857,774)	(38,647,732)	(29,339,563)
Fair value of plan assets	33,641,330	—	33,641,330	34,449,735
Net (liability)/ asset – end of year	(4,148,628)	(857,774)	(5,006,402)	5,110,172

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

	Pension	Other Post employment benefit	2023 \$	2022 \$
Fair value of plan assets - beginning of year	34,449,735	—	34,449,735	36,629,498
Contributions – employer and employee	886,040	—	886,040	1,121,202
Benefits paid	(1,804,344)	—	(1,804,344)	(1,754,713)
Plan administration expenses	(68,258)	—	(68,258)	(58,943)
Adjustment	—	—	—	—
Actuarial loss	(2,109,325)	—	(2,109,325)	(4,029,201)
Interest on plan assets	2,287,482	—	2,287,482	2,541,892
Fair value of plan assets – end of year	33,641,330	—	33,641,330	34,449,735

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 FOR THE YEAR ENDED SEPTEMBER 30, 2023

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16 Post-employment benefits...continued

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

	Pension	Other Post Employment benefit	2023 \$	2022 \$
Present value of funded obligations – beginning of year	(28,544,243)	(795,320)	(29,339,563)	(27,683,390)
Current service cost	(873,752)	(18,710)	(892,462)	(827,647)
Interest cost	(1,873,046)	(56,506)	(1,929,552)	(1,891,919)
Benefits paid	1,804,344	13,139	1,817,483	1,766,813
Remeasurement	–	–	–	(551,308)
Actuarial gain (loss)	(8,303,261)	(377)	(8,303,638)	(152,112)
Present value of funded obligations – end of year	(37,789,958)	(857,774)	(38,647,732)	(29,339,563)

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

	Pension	Other Post Employment benefit	2023	2022
Current service cost	(490,353)	(18,710)	(509,063)	412,413
Net interest on the net defined benefit liability/asset	414,435	(56,506)	357,929	(649,972)
Plan administration expenses	(68,258)	–	(68,258)	58,943
Net amount recognised in the statement of comprehensive income	(144,176)	(75,216)	(219,392)	(178,616)
Actuarial (losses) recognised in the statement of comprehensive income	(8,505,376)	–	(8,505,376)	–

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Notes to Consolidated Financial Statements

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16 Post-employment benefits...continued

The amounts recognised in other comprehensive income are as follows:

	Pension	Other Post employment benefit	2023 \$	2022 \$
Actuarial loss for the year – obligation	(3,062)	(377)	(3,439)	(573,361)
Actuarial loss for the year – plan assets	(1,904,148)	–	(1,904,148)	(3,899,143)
Actuarial loss recognised in other comprehensive income	(1,907,210)	(377)	(1,907,587)	(4,472,504)

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

	2023 \$	2022	2021 \$	2020 \$	2019 \$
Plan assets	33,641,330	34,449,735	36,629,498	26,302,191	25,706,542
Defined benefit obligation	(38,647,732)	(29,339,563)	(27,683,390)	(19,173,287)	(18,144,779)
(Deficit)/ surplus	(5,006,402)	5,110,172	8,946,108	7,128,904	7,561,763

Principal actuarial assumptions used for accounting purposes were as follows:

	2023	2022 \$
Discount rate	6.0% – 7.0%	7.0%
Future promotional salary increases	3.5 – 4.5%	3.5 – 4.5%
Health care costs trend	5.0%	5.0%
Salary increases – pension	2.25%	2.25%

Please refer to note 34 for additional disclosures related to the Parent Bank's defined benefit pension plan.

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17 Customers' deposits

	2023 \$	2022 \$
Savings accounts	977,793,591	798,782,265
Current accounts	581,475,609	628,882,156
Time deposits	261,618,775	365,562,805
Other deposits	111,921,667	185,235,545
	<u>1,932,809,642</u>	<u>1,978,462,771</u>
<i>Add : Interest payable</i>	<u>3,900,782</u>	<u>3,807,954</u>
Total customers' deposits	<u>1,936,710,424</u>	<u>1,982,270,725</u>
Current	<u>1,745,530,209</u>	<u>1,817,077,255</u>
Non-current	<u>191,180,215</u>	<u>165,193,470</u>
	<u>1,936,710,424</u>	<u>1,982,270,725</u>

18 Provisions and other liabilities

	2023 \$	2022 \$
Trade payables and accrued expenses	13,781,738	19,170,405
Unpresented cheques	9,599,552	7,582,389
Provisions (1)	5,094,835	1,819,465
Manager's Cheques	1,248,019	3,144,429
Statutory deductions payable	250,969	236,920
Miscellaneous payables	53,193	154,786
Escrow accounts	—	1,581,175
	<u>30,028,306</u>	<u>33,689,569</u>
Total provisions and other liabilities	<u>30,028,306</u>	<u>33,689,569</u>
Current	<u>30,028,306</u>	<u>32,108,394</u>
Non-current	<u>—</u>	<u>1,581,175</u>
	<u>30,028,306</u>	<u>33,689,569</u>

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

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Notes to Consolidated Financial Statements

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19 Dividends

A dividend in respect of the 2021 financial year-end of \$7,000,000 was recorded and paid in 2023 to the owners of the Group. This represented \$0.70 per share. A dividend in respect of the 2021 financial year-end of \$577,688 was recorded and paid in 2023 to the non-controlling interest of the Group. This represented \$0.075 per share.

There were no dividends declared in respect of the 2022 financial year for the owners of the Group. The dividend in respect of the 2022 financial year-end to the non-controlling interest is \$0.04 for each unit of paid-up share capital, or EC\$313,694. The consolidated financial statements for the years ended September 30, 2022 and 2023 do not reflect this dividend. This dividend will be accounted for in equity as an appropriation of retained earnings in the year ending September 30, 2024.

The dividend proposed subsequent to year end in respect of the 2023 financial year end of \$1.00 for each unit of paid-up share capital, or EC\$10,000,000 to the owners of the Group and \$0.076 for each unit of paid-up share capital, or EC\$579,961 to the non-controlling interest of the Group. The consolidated financial statements for the year ended September 30, 2023 do not reflect these proposed dividend which, if ratified, will be accounted for in equity as an appropriation of retained earnings and non-controlling interest in the year ending September 30, 2025.

20 Taxation

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

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

	2023 \$	2022 \$
Income tax expense		
Income before taxation	42,761,014	9,247,970
Income tax expense at statutory rate	13,205,044	2,199,267
Effect of interest income not subject to tax	(2,133,152)	(2,334,302)
Effect of dividend income not subject to tax	(2,952,707)	(109,985)
Withholding tax	902,757	—
Effect of other permanent differences	(394,629)	678,062
Windfall tax	3,447,465	—
Business tax	131,899	—
Amortisation of intangibles	107,113	—
Unutilised losses carried forward	(317,173)	—
Losses utilized	—	536,535
Late filing fees	10,743	—
Prior year underaccrual – income taxes	444,434	(27,003)
Prior year overaccrual – deferred taxes	(10,874,748)	—
Actual income tax expense	1,577,046	942,574

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Notes to Consolidated Financial Statements
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

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20 Taxation...continued

	2023 \$	2022 \$
Represented as follows:		
Current tax expense	7,115,891	969,577
Windfall tax	3,447,465	—
Business tax	131,899	—
Deferred tax expense/(credit)	1,312,105	—
Prior year underaccrual – income taxes	444,434	(27,003)
Prior year overaccrual – deferred taxes	(10,874,748)	—
	<u>1,577,046</u>	<u>942,574</u>

	2023 \$	2022 \$
Income tax payable		
Income tax payable, beginning of year	7,838,131	3,717,034
Current tax expense	7,115,891	4,122,763
Windfall tax	3,447,465	—
Business tax	131,899	—
Other adjustment	(23,625)	—
Prior year under/ (over) accrual – income taxes	444,434	(1,666)
Payments made during the year	(13,617,846)	—
Income tax payable, end of year	<u>5,336,349</u>	<u>7,838,131</u>

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Notes to Consolidated Financial Statements

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20 Taxation...continued

	2023 \$	2022 \$
Deferred tax (asset)/ liability		
Balance, beginning of year	5,737,775	10,063,249
Charge/ (credit) for the year	1,376,876	(3,415,612)
Prior year overaccrual – deferred taxes	(10,874,748)	–
Premises and equipment	(64,771)	–
Other	–	(338,691)
Actuarial loss	(436,361)	(571,171)
Balance, end of year	(4,261,229)	5,737,775

The components of the deferred tax (asset)/ liability are as follows:

	2023 \$	2022 \$
Pension asset	807,199	361,870
Tax losses carried forward	(6,131)	1,711
Deferred commission fees	(393,526)	(458,605)
Revaluation of FVOCI	(1,177,777)	542,296
Decelerated capital allowances	(1,709,585)	(236,108)
Unrealised gains	(1,781,409)	(3,253,600)
Regulatory loan loss reserve	–	5,582,598
Deferred tax on gain in bargain purchase	–	2,166,696
Acquisition related balance	–	1,973,000
Lease	–	–
Expected credit losses – Stage 1 and 2	–	(87,445)
Other	–	(854,638)
	(4,261,229)	5,737,775

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21 Related party balances and transactions

Related party definition

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

- a) A person or a close member of that person's family is related to the Group if that person:
 - i) has control or joint control over the Group;
 - ii) has significant influence over the Group; or
 - iii) is a member of the key management personnel of the Group, or of a parent of the Group.
- b) An entity is related to the Group if any of the following conditions applies:
 - i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - iii) Both entities are joint ventures of the same third party.
 - iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - vi) The entity is controlled, or jointly controlled by a person identified in (a).
 - vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - viii) The entity, or any member of a group of which it is part, provides key management personnel services to the Group or its parent.

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

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

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Notes to Consolidated Financial Statements

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21 Related party balances and transactions...continued

	2023 \$	2022 \$
Loans to directors and key members of management		
Loans outstanding at beginning of year	3,091,848	2,558,212
Change in status	—	66,334
Loans advanced during the year	633,050	1,331,795
Loan repayments during the year	(570,468)	(864,493)
Loans outstanding at end of year	3,154,430	3,091,848

Interest income earned on directors' and key members of management's loans and advances during the year is \$141,789 (2022: \$146,403). The interest rate on these loans ranges from 5.00% to 11.00% (2022: 4.00% to 11.00%) and they are granted on an arm's length basis.

	2023 \$	2022 \$
Deposits by directors and key members of management		
Deposits at beginning of year	3,108,540	10,012,204
Change in status	569,617	265,309
Deposits received during the year	10,790,331	22,835,662
Deposits repaid/reclassified during the year	(9,403,486)	(30,004,635)
Deposits at end of year	5,065,002	3,108,540

Interest expense paid on directors' and key members of management's deposits during the year amounted to \$71,609 (2022: \$92,158). The average interest rate on these deposits is 2.00% (2022: 2.00%) and they are accepted on an arm's length basis.

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21 Related party balances and transactions...*continued*

Remuneration of key management personnel

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

	2023 \$	2022 \$
Salaries and wages	1,151,280	1,268,412
Directors' fees and expenses	1,098,721	1,177,577
Other staff costs	313,434	418,094
Pension costs	40,487	36,573
	2,603,922	2,900,656

22 Stated capital

	2023 \$	2022 \$
Authorised share capital:		
150,000,000 ordinary shares at nil par value	150,000,000	150,000,000
Issued and fully paid:		
10,000,000 ordinary shares of no par value	36,000,000	36,000,000

23 Statutory reserve

	2023 \$	2022 \$
Balance, beginning of year	30,832,845	30,171,043
Transfer from profit after taxation	6,488,425	661,802
Balance, end of year	37,321,270	30,832,845

The statutory reserve is based on the following statutes:

- Section 45 of the Antigua and Barbuda Banking Act No. 10 of 2015 provides that not less than 20% of each year's net earnings shall be set aside to a reserve fund whenever the fund is less than the Bank's paid-up share capital.
- The Grenada Bank Act No. 20 of 2015 provides that not less than 20% of each year's net earnings shall be set aside to a reserve fund whenever the fund is less than the Bank's paid-up share capital.
- Under the Financial Institutions (Non-Banking) Act, at least 10% of the net income of each year should be transferred to a reserve fund whenever the fund is less than the Company's paid-up share capital.

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24 Other reserves

	2023 \$	2022 \$
Regulatory reserve for loan loss and interest recognized	43,983,965	36,634,794
Revaluation reserve – FVOCI equity investments	28,450,451	27,102,595
Capital reserve	7,461,949	7,461,949
Revaluation reserve – property	5,902,922	5,902,922
Pension reserve	3,512,549	4,959,586
Total other reserves	89,311,836	82,061,846

(a) Capital reserve

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

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

	2023 \$	2022 \$
Balance, beginning of year	36,634,794	27,595,101
Increase in reserve for regulatory purposes – loan losses	7,147,915	216,832
Increase in reserve for regulatory purposes – interest on NPL	201,256	8,822,861
Balance, end of year	43,983,965	36,634,794

This reserve represents the additional loan loss provision required by the Eastern Caribbean Central Bank's (ECCB) prudential guidelines as compared to the provision measured in accordance with International Financial Reporting Standards (IFRS), including interest on loans not recognised for regulatory purposes. As of September 2023, the provision under the ECCB guidelines is more than that as required under IFRS 9 by \$30,927,995 (2022: \$27,071,298). In the prior year, the amount of loan loss reserve in excess of the required amount was voluntarily maintained by the Group. Interest on loans not recognised for regulatory purposes is \$7,615,072 (2022: \$8,037,775) and this has been set aside within the reserve. The amount of the loan loss reserve in excess of this required amount of \$5,440,898 (2022: \$1,525,721) has therefore been maintained by the Group voluntarily.

	2023 \$	2022 \$
The regulatory reserve is represented by:		
Reserve for loan impairment – ECCB	30,927,995	27,071,298
Reserve for loan impairment – ECCB (voluntary)	5,440,898	1,525,721
Reserve for interest on non-performing loans	7,615,072	8,037,775
Balance, end of year	43,983,965	36,634,794

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Notes to Consolidated Financial Statements
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

(expressed in Eastern Caribbean dollars)

24 Other reserves...continued

(c) Revaluation reserve – FVOCI Investments

	2023 \$	2022 \$
Balance, beginning of year	27,102,595	24,739,503
Increase in market value of securities, net of tax of \$nil (2022: \$nil)	1,347,856	2,363,092
Balance, end of year	28,450,451	27,102,595

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

(d) Revaluation reserve - Property

	2023 \$	2022 \$
Balance, beginning of year	5,902,922	6,039,754
Other changes	–	(136,832)
Balance, end of year	5,902,922	5,902,922

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

(e) Pension reserve

	2023 \$	2022 \$
Balance, beginning of year	4,959,586	7,741,583
Other changes	–	136,832
Change in pension reserve	(1,447,037)	(2,918,829)
Balance, end of year	3,512,549	4,959,586

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(expressed in Eastern Caribbean dollars)

25 Other operating income

	2023 \$	2022 \$
Fees and commissions	25,708,028	16,509,108
Foreign exchange	12,500,587	10,431,897
Unrealised gains/(losses) on FVTPL securities	6,173,152	(14,786,641)
Loan write-off recoveries	2,210,906	1,724,172
Dividend income	901,058	523,273
Miscellaneous income	677,104	909,814
Realised (losses)/ gains on FVTPL securities	(1,158,919)	200,856
Total other operating income	47,011,916	15,512,479

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Notes to Consolidated Financial Statements

FOR THE YEAR ENDED SEPTEMBER 30, 2023

(expressed in Eastern Caribbean dollars)

25 Other operating income...continued

Performance obligations and revenue recognition policies

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

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

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

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

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Notes to Consolidated Financial Statements

FOR THE YEAR ENDED SEPTEMBER 30, 2023

(expressed in Eastern Caribbean dollars)

26 Earnings per share

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

	2023 \$	2022 \$
Net profit attributable to shareholders	<u>39,777,345</u>	<u>7,369,722</u>
Weighted average number of ordinary shares in issue	<u>10,000,000</u>	<u>10,000,000</u>
Basic and diluted earnings per share (EPS)	<u>3.98</u>	<u>0.74</u>

27 Contingencies and commitments**Pending litigation**

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

Credit related commitments

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

	Up to 1 year	Total
As of September 30, 2023		
Loan commitments (undrawn)	<u>119,669,483</u>	<u>119,669,483</u>
As of September 30, 2022		
Loan commitments (undrawn)	<u>107,945,486</u>	<u>107,945,486</u>
As of September 30, 2023		
Financial guarantee contracts	<u>7,231,982</u>	<u>7,231,982</u>
As of September 30, 2022		
Financial guarantee contracts	<u>7,231,982</u>	<u>7,231,982</u>

ANTIGUA COMMERCIAL BANK LTD. t/a ACB CARIBBEAN

Notes to Consolidated Financial Statements

FOR THE YEAR ENDED SEPTEMBER 30, 2023

(expressed in Eastern Caribbean dollars)

28 Cash and cash equivalents

	Notes	2023 \$	2022 \$
Cash and balances with the Central Bank	8	293,030,042	472,069,130
Due from other banks	9	83,486,944	145,211,742
Treasury bills	10	31,660,411	30,262,099
Total cash and cash equivalents		408,177,397	647,542,971

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Notes to Consolidated Financial Statements

FOR THE YEAR ENDED SEPTEMBER 30, 2023

(expressed in Eastern Caribbean dollars)

29 General and administrative expenses

	Notes	2023 \$	2022 \$
Salaries and related costs	30	30,026,813	23,830,477
Four C's operating expenses		6,301,615	3,784,310
Software operating expenses		3,423,505	3,659,436
Service charge correspondent banks		1,687,378	3,328,717
ECCB foreign exchange and commission expenses		1,311,256	369,304
Utilities		1,238,326	1,239,282
Telephone and data charges		1,112,550	1,484,745
Insurance expense		1,045,462	994,515
Audit fees and expenses		1,026,273	1,021,996
Non-credit losses		910,291	1,240,928
Repairs and maintenance		883,603	984,428
Printing and stationery expenses		866,334	936,522
Security services		828,662	867,510
Legal and other professional fees		791,908	1,738,489
Subscriptions and fees		711,948	1,406,177
Cleaning expenses		711,922	704,519
Strategic planning expenses		676,089	74,388
Investment expenses		639,372	602,534
Advertising and promotion		622,511	691,522
Licenses and taxes		510,566	702,157
ECACH Charges		460,716	496,926
Shareholders' meeting expenses		388,491	131,296
Agency expenses		211,179	220,636
Wire services expense		179,130	198,004
Miscellaneous expenses		129,184	112,920
Vehicle expenses		154,027	369,439
Travel and entertainment		122,760	130,584
Scholarship fund		120,178	111,549
Night depository expenses		105,740	303,211
Donations		58,392	39,647
Commission		30,976	58,360
Acquisition Costs		—	1,772,819
Covid-19 expenses		—	59,930
Rent		—	639,464
Total general and administrative expenses		57,287,157	54,306,741

ANTIGUA COMMERCIAL BANK LTD. t/a ACB CARIBBEAN
Notes to Consolidated Financial Statements
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

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30 Salaries and related costs

	Note	2023 \$	2022 \$
Salaries, wages and allowances		18,388,165	18,067,401
Pension plan conversion cost ⁽¹⁾		6,735,688	2,225,492
Statutory deduction costs		1,554,578	1,473,413
Other benefits		1,142,259	681,940
Staff incentive scheme		807,088	721,746
Training and education		648,667	527,854
Group health and life insurance		464,505	315,564
Pension credit		285,863	(182,933)
Total salaries and related costs	29	30,026,813	23,830,477

(1) The Parent Bank has made the decision to wind up its defined benefit pension plan and replace it with a defined contribution plan (see note 34).

31 Provision for impairment of other financial assets

	Notes	2023 \$	2022 \$
Off-balance sheet items		3,275,370	(257,482)
Due from other banks	9	828,114	148,595
Other		551,365	(219,826)
Investment securities	13	87,466	1,592,323
Treasury bills	10	28,306	2,430,908
Other assets	12	(339,663)	(187,098)
Total provision for impairment of other financial assets		4,430,958	3,507,420

32 Core intangible assets

	2023 \$	2022 \$
Balance, beginning of year	12,496,517	13,756,893
Amortisation	(1,089,792)	(1,260,376)
As of September 30	11,406,725	12,496,517

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

ANTIGUA COMMERCIAL BANK LTD. t/a ACB CARIBBEAN

Notes to Consolidated Financial Statements

FOR THE YEAR ENDED SEPTEMBER 30, 2023

(expressed in Eastern Caribbean dollars)

33 Comparatives

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

34 Events after the reporting date

In order to curtail its increasing operating costs, the Parent Bank wound up the Defined Benefit Pension Plan effective September 30, 2024. Going forward the Parent Bank will maintain a single pension plan, being the Defined Contribution Plan.

As of September 30, 2023, a provision of \$8.5m has been made in connection with the anticipated conversion costs.



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