Caribbean Union Bank

Annual Report

2023

driven by you

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Roger Tonge - Chairman
Ms. Stephane Harris-Burke - Deputy Chairman
Mrs. Abena St. Luce
Mr. Sean Cenac
Mr. Rodney Simon
Mr. Luxmore Edwards
Ms. Alicia Aska
Mrs. Andrea James

OUR CULTURE MANIFESTO

At CUB, we are committed to upholding a culture of Team and Customer focused engagement. We are a high-performing cohesive team, and we hold ourselves accountable while recognizing excellence for achieving our goals. We are aligned to make quick decisions and deliver innovative and personalized solutions to our stakeholders in a profitable way. We place a high value on pro-active communication, and we seek to engage our customers and our stakeholders as we deliver on our mandate of being a premier engagement bank within the Caribbean.

CORPORATE SECRETARY

Loy Weste

SOLICITORS

Thomas, John and Weste
Roberts and Co.
Richards and Company

AUDITORS

BDO Eastern Caribbean

ATMS

Friar's Hill Road
Factory Road
Jolly Harbour

BRANCHES

CARIBBEAN UNION BANK HEADQUARTERS

Friars Hill Road
P.O. Box W2010
St. John's Antigua
Tel: (268) 481-8278
Email: customerservice@cub.ag
Operating Hours:
Monday - Thursday: 8:00 am - 2:00 pm
Friday: 8:00 am - 3:00 pm

FACTORY ROAD BRANCH

Starling Business Complex
Factory Road
St. John's, Antigua
Tel: (268) 481-8278
Email: customerservice@cub.ag
Operating Hours:
Monday - Thursday: 8:00 am - 2:00 pm
Friday: 8:00 am - 3:00 pm

REGISTERED OFFICE

Caribbean Union Bank Limited is registered at Long Street, St. John's, Antigua.

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OUR VISION

To be the premier engagement bank within the Caribbean.

OUR MISSION

We will provide excellence which consistently exceeds customer expectations through the delivery of personalized engagement banking. We will encourage the empowerment of our employees and utilize innovative technology solutions to attain profitable growth while making a meaningful contribution to the enrichment of the wider community.

OUR RESPONSIBILITY

We understand that the success of our organization is dependent on fostering healthy relationships with our clients whom we provide with superior banking and related services in a professional and confidential manner. We stress the importance of treating each one as a member of our Team. It is our privilege to work diligently every day to assist our clients as we believe that "No Dream is out of Reach".

At CUB, we believe that it is our responsibility to contribute to the community in which we operate, to empower our people to play an active role in projects that benefit our island and provide advancement opportunities. We are delighted to provide assistance for initiatives that promote and support.

- Education
- Sports
- Culture
- Community Development
- Environmental Awareness
- Financial Education and Empowerment

As an employer we are genuinely interested in our employees' welfare and personal development and to help them share in the organization's success which they make possible. We are committed to being a great place to work and to help our employees gain a sense of satisfaction and accomplishment from their work.

CORE VALUES

Our values represent timeless principles that guide OUR operations and form the belief framework that is demonstrated through the day-to-day behaviours of the Board of Directors, Management, and the Employees. The Core Values are the cornerstone of CUB's attitudes and behaviours:

- **U** - United to guarantee consummate customer satisfaction through superior products and excellent services.
- **N** - Nation building by providing financial education, support and empowerment to the communities we serve.
- **I** - Innovative to stay relevant for the continued growth and success of the Bank.
- **O** - Outperform to stay relevant for the continued growth and success of the Bank.
- **N** - Neutral to individual's gender, political affiliation, marital status, race or religion to create an inclusive environment to work and do business.

OUR PHILOSOPHY

An overriding philosophy of CUB is that people should experience a better way of doing their banking. Our slogan, "CUB Cares...Bank on Us!" speaks for itself. We strive to do business in a friendly, yet professional manner, and provide our customers with opportunities to improve their financial position. From the minute our clients begin to do business with us, we want them to know that they have made a sound decision. In essence, being an engagement Bank is about delivering the products our customers want with the service they deserve.

We offer our clients personalized state-of-the-art financial solutions to exceed their expectations. At CUB, We Care! We Listen! We Respond! With the understanding that time is valuable and the belief that banking should be effortless, we offer a full spectrum of financial services to provide our clients with any and every convenience to suit their lifestyle. Caribbean Union Bank is the alternative to traditional banking –
"The Difference is in our Delivery."

OUR STANDARDS

CUB's success lies not only in the development of our products, but in our ability to be the market leader in superior service standards. Our standards are based on the four E's:

EMPOWER – We strive to empower our team members with the right tools so that they are equipped to serve our clients.

EXCEL– At CUB, we always aim for excellence in our internal processes as these form the foundation for creating a great customer experience.

ENGAGE – Our belief is that our services should cater to the needs of our customers so that long lasting relationships can be established. We believe that banking is an engaging experience taking banking to the customers of CUB, when they need it and how they need it. Engagement Banking is personalized, interactive and timely.

ENRICH– Finally we believe that we have an important role to play in the healthy growth and development of Antigua and Barbuda and that for the nation on a whole to be enriched we must start with one business...one family... one person at a time.

driven by you

Driven By You

A Journey of Growth and Impact

For 18 years, Caribbean Union Bank has been more than just a bank — we have been a partner in your journey to prosperity. “Driven By You” means that every decision we make, every product we offer, and every service we deliver is centered around your needs, dreams, and aspirations. In a world where banks can feel distant and disconnected, we remain proudly local, embodying a spirit of warmth and familiarity. We know our customers by name, we understand your stories, and we are here to help you write the next chapter.

Whether you are a junior saver taking your first steps into the world of finance, a young professional investing in your future, or a senior enjoying the fruits of your labor, we are here to support you. We have helped countless people across the island achieve their dreams — be it through mortgages, car loans, student financing, or tailored financial solutions for businesses.

Our rapidly expanding customer base is a testament to the trust you place in us, and we cherish the relationships we have built over the years. Our 70 dedicated employees are not just team members; they are the lifeblood of our bank, committed to creating a vibrant, inclusive environment that empowers everyone to succeed.

At Caribbean Union Bank, we blend technology with a personal touch, believing that growth comes from both innovation and meaningful connection. Your success drives us forward every day, and together, we are building a brighter, more prosperous future — **Driven by you.**

Notice Of Annual General Meeting Of Shareholders Of Caribbean Union Bank Limited

Loy Weste
LLB (Hons), LEC, LLM
Corporate Secretary

TO: ALL SHAREHOLDERS

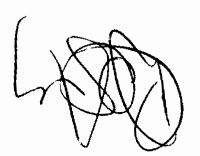
Notice is hereby given that in accordance with Clause 12.1 of the Company By-Laws, an Annual General Meeting of the **CARIBBEAN UNION BANK LIMITED** will be held on **Wednesday, the 4th day of December, 2024** at Trade Winds Hotel Main Conference Room, Halcyon Heights, Dickenson Bay, in the parish of St. John's, in the island of Antigua commencing at 5:30 p.m. when the following ordinary business will be transacted:

AGENDA:

1. Call to Order
2. Prayers
3. Adoption of Agenda
4. Consideration and Confirmation of Minutes of Annual General Meeting
5. Consideration of Matters arising from the minutes
6. Directors' Report
7. Auditors' Report and Financial Statement for the year ending December 31, 2023
8. Appointment of Auditors
9. Election of Directors
10. Any other business

DATED this day of December, 2024

BY ORDER OF THE BOARD OF DIRECTORS
Loy L. A. Weste, LL.B (Hons), LEC, LLM



Corporate Secretary
Caribbean Union Bank Ltd.

FINANCIAL HIGHLIGHTS

	2019	2020	2021	2022	2023
BALANCE SHEET INFORMATION					
Total Assets	244,936,341	255,120,073	286,658,658	305,446,582	314,323,587
Total Customer's deposits	192,615,780	203,962,014	234,745,074	246,734,412	258,188,378
Net Loans & Advances	147,447,719	162,162,782	153,055,850	180,455,532	214,492,202
Investment Securities and Treasury Biils	28,412,483	12,188,841	31,919,954	49,207,868	31,212,292
Cash, cash equivalents and Due from other Banks	53,420,317	63,496,792	88,127,170	60,726,678	53,725,179
OPERATING RESULTS					
Gross Operating Income	17,476,795	15,126,519	16,615,889	19,962,496	23,555,652
Interest Income	13,110,571	13,822,579	13,877,091	15,774,820	18,157,502
Interest Expense	2,732,780	3,054,495	3,412,628	3,818,920	3,882,984
Net Income/(loss) Before Tax	3,674,690	77,717	897,437	2,907,401	3,395,477
Operating Expenses	13,802,105	15,048,802	15,718,451	17,055,095	20,160,175
Number of employees	53	55	58	62	67
Gross Revenue per employee	381,313	330,564	345,319	383,571	409,532
Average Asset per employee	4,621,440	4,638,547	4,942,391	4,926,558	4,691,397
SHARE CAPITAL INFORMATION					
Common Share outstanding	80,359,930	80,359,930	80,359,930	80,359,930	80,359,930
Total Shareholder's Equity	42,808,792	43,195,666	43,827,647	46,261,419	47,071,039
Number of Shareholders	20	20	20	20	20
Earnings per share	0.05	0.00	0.01	0.04	0.04
Book value per share	0.53	0.54	0.55	0.58	0.59
BALANCE SHEET AND OPERATING RESULTS RATIOS (%)	%	%	%	%	%
Loans to Deposit Ratio	77%	80%	65%	73%	83%
Staff Cost/Total Cost	36%	35%	38%	36%	35%
Staff Cost/Total Revenue	24%	29%	30%	26%	26%
Return on Equity	9%	0%	2%	6%	7%
Return on Assets	1.6%	0.0%	0.3%	1.0%	1.1%
Asset Utilization Ratio	8%	7%	7%	8%	9%
Yield on Earning Assets	5.7%	5.8%	5.1%	5.4%	6.1%
Cost to Fund Earning Assets	1.2%	1.3%	1.2%	1.3%	1.3%
Net Interest Margin	4.5%	4.5%	3.8%	4.1%	4.8%

BOARD OF DIRECTORS

The Board of Directors at Caribbean Union Bank plays a pivotal role in shaping strategic decisions and ensuring corporate governance. In the 2023 annual report, their focus on navigating economic challenges, fostering innovation, and upholding ethical standards underscores their commitment to steering the bank towards sustained success and shareholder value.

driven by you

BOARD OF DIRECTORS

MR. ROGER TONGE
BA, MBA
CHAIRMAN

Roger Tonge, Chairman of Caribbean Union Bank, is a seasoned Accounting Professional with 35 years' expertise, including 26 years in utilities management overseeing entities with annual revenues exceeding 300 million. His auditing background spans international accounting firms and diverse sectors. Holding an MBA in Finance from the University of Miami (1993) and a Bachelor of Arts in Accounting from Saint Leo College (1985), Roger's leadership and financial acumen shape the bank's strategic vision.

MS. STEPHANE HARRIS BURKE
BSC, MBA
DEPUTY CHAIR

Stephane Harris-Burke is a Financial Consultant with 30+ years in Banking and Finance. Stephane contributes a wealth of risk management, governance and leadership expertise. As a CUB Board Member, Stephane chairs the Credit and Governance and Nominations Committees. With qualifications like C. Dir. and A.C.C., she harmonizes experience and academic excellence, steering financial institutions towards growth and success.

MRS. ABENA ST. LUCE
BSC
DIRECTOR

Abena St. Luce, a Director at Caribbean Union Bank, is the founding partner of MTM Consultants, offering 20+ years of expertise in project and construction management for real estate development. With a BSc. in Architectural Technology from New York Institute of Technology and Project Management credentials from New York University, she's led negotiations for 80+ U.S. project locations. Abena's dynamic leadership spans roles from Project Manager at SBLM Architects in New York to Project Director at National Housing and Development in Antigua.

MR. SEAN CENAC
MSC, BA
DIRECTOR

Sean Cenac, a distinguished member of the Caribbean Union Bank's Board of Directors, boasts extensive experience in institutional management and strategic planning. As a former Permanent Secretary at the Ministry of Finance and Chairman of the Procurement Board, Sean brings valuable insights. His qualifications include a diploma from the Chartered Institute of Procurement and Supply and participation in the Caribbean Leadership Project's Leadership Development Programme.

MR. RODNEY SIMON
SPHR
DIRECTOR

Rodney Simon, Antigua Public Utilities Authority's HR Manager, spearheads HR strategies for 800+ employees. As a Caribbean Union Bank Board member, he chairs the HR Committee, Possessing dual Bachelor degrees and the SPHR designation, he's a certified Chartered Director. With nearly 20 years in HR, Rodney implements impactful strategic practices, leaving a lasting mark on both institutions.

MS. ALICIA ASKA
LLB, LLM
DIRECTOR

Alicia D.L. Aska, a devoted attorney, serves on Caribbean Union Bank's Board of Directors. With 20+ years' legal expertise, she excelled at the Office of the Attorney General, now as a Senior Crown Counsel I. Her educational journey includes an LLM in Financial Services Law and a Diploma in Banking Law from the University of London, showcasing her mastery in Banking and Finance Law.

MR. LUXMORE EDWARDS
BSC
DIRECTOR

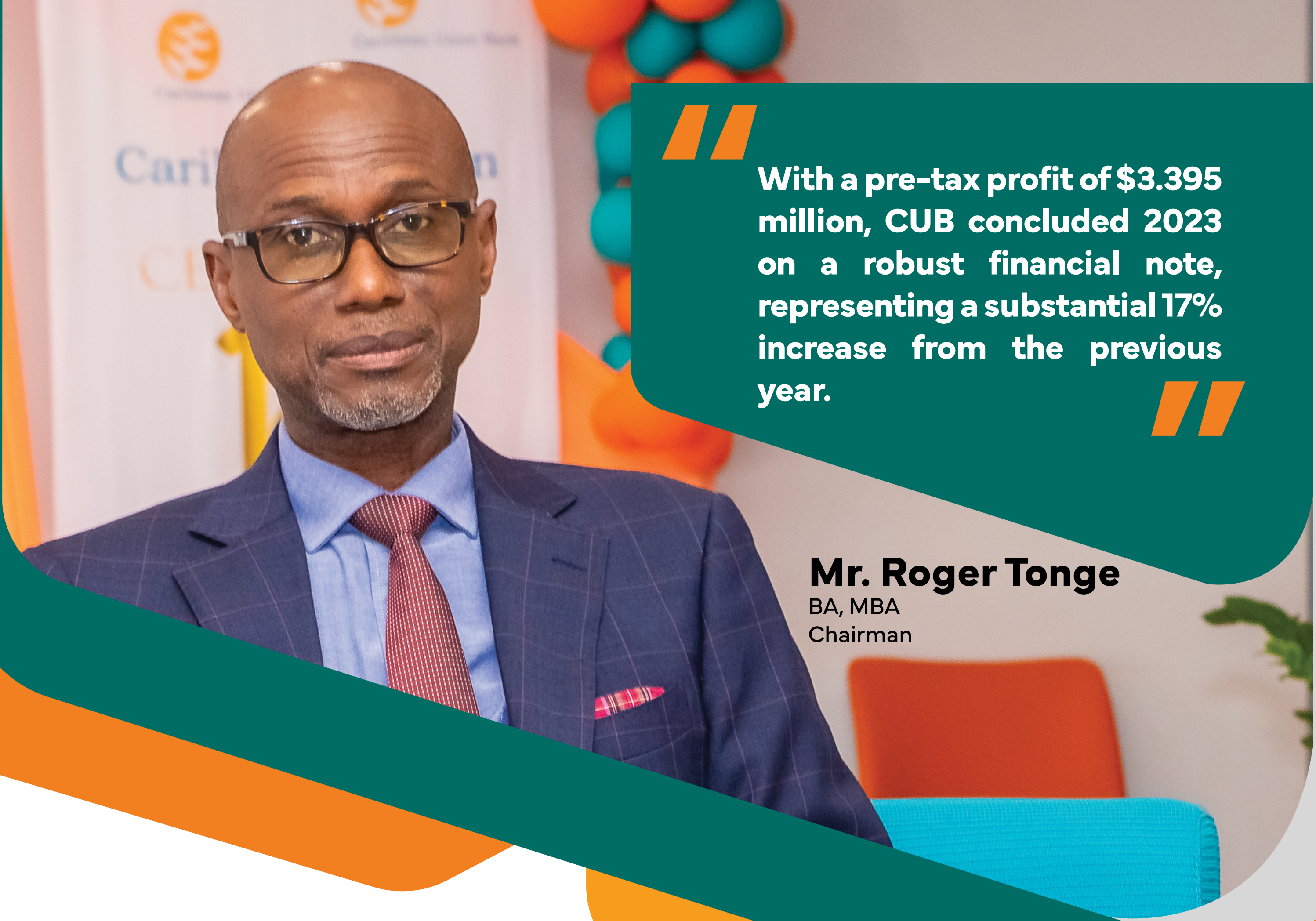
Luxmore Edwards, a seasoned Board Member of Caribbean Union Bank, brings over two decades of Information Technology expertise. Leading diverse projects for the Antigua and Barbuda Government, he manages systems integration, cybersecurity, and data center operations. As a Chartered Director, Luxmore holds a BSc in Networking and certifications in cybersecurity, Oracle, and Cisco networking, solidifying his impactful contributions to the technological landscape.

MRS. ANDREA G JAMES
CPACGA, FCCA, BSC
DIRECTOR

With 30+ years' accounting experience, Mrs. James holds CPACGA, FCCA certifications, and a Bachelor's in accounting. She's a Caribbean Union Bank Board Member, Audit and Risk Committee Chair, merging finance skills with 40 years of teaching. Originating from Barbados, she impacts the Caribbean, rooted in Antigua, embodying the ethos of "teach a man to fish and you feed him for a lifetime".

MRS. ALYNDA GREGORY
BA, AA
DIRECTOR

Alynda Gregory holds a bachelor's degree in accounting, graduating with honors, and a minor in Finance. She has completed specialized training in AML, Counter Proliferation Financing, and Cybersecurity. With experience in account management, data analysis, and departmental audits, Alynda has also trained employees in accounting software and implemented policies to enhance internal controls. She is currently pursuing her CPA license, combining her practical skills with ongoing professional development. Alynda's diverse skills plays a crucial role in the bank's governance and strategic initiatives.



> "With a pre-tax profit of $3.395 million, CUB concluded 2023 on a robust financial note, representing a substantial 17% increase from the previous year."

Mr. Roger Tonge
BA, MBA
Chairman

CHAIRMAN'S REPORT
Caribbean Union Bank 2023

As Chairman of Caribbean Union Bank (CUB), I'm pleased to share an overview of our journey through 2023—a year marked by significant achievements and challenges, underscored by our resilience and forward-thinking approach. Our continued commitment to growth, innovation, and operational excellence sets the stage for an even brighter future as we strive to cement our place as one of the Caribbean's leading financial institutions.

Overview

In 2023, CUB succeeded in navigating a rapidly changing economic landscape. We focused on creating meaningful customer experiences and adapting to the shifting demands in the financial sector and emerging trends in the wider environment. Our vision has been clear: build a banking model that places customers at the heart of everything we do while maintaining strong financial performance across the board.

Our theme, "*Driven By You,*" embodies this philosophy. Over the past year, we have taken deliberate steps to enhance our infrastructure, strengthen relationships with key stakeholders, and review vendor partnerships. These efforts have allowed us to grow our customer base and set the foundation for long-term, sustainable growth.

Despite the hurdles the prevailing post-pandemic environment presents, we have experienced a strong recovery, buoyed by positive global and regional economic trends. While external factors did lead to increased operating costs in some areas, the overall expansion of our business activities helped mitigate their impact.

Financial Performance

We ended 2023 on a high note with a pre-tax profit of $3.395 million—an impressive 17% increase from last year. Key growth areas included a 13% rise in non-interest income and a remarkable 28% boost in foreign exchange gains. This success reflects our strategic focus on expanding our loan portfolio, with a $34 million increase in loans and advances, growing our interest income by 15%. Retail and commercial lending remain strong drivers, and our focus on responsible risk management has resulted in lower non-performing loan ratios.

Nevertheless, we are also mindful of the challenges ahead. Operating expenses grew by 18% due to credit card-related costs, increased bank charges, and a necessary expansion of our workforce and IT infrastructure. We continuously review our cost structures to remain efficient as we scale.

Strategic Priorities

This year, we laid the groundwork for future growth by refining our strategy to prioritize operational excellence, digital transformation, and customer acquisition. As we look ahead, our investments will focus on three key areas: technology, talent, and partnerships. This board-endorsed strategy will guide us in delivering cutting-edge digital solutions and provide our customers with the personalized, seamless banking experiences they deserve.

We're particularly excited about opportunities in the electronic payments space. By leveraging CUB's global partnerships, we will systematically enhance our product offerings to continue meeting the evolving needs of our customers. At the same time, we are strengthening our risk management framework to align with new regulatory standards, including the Basel Accords.

Looking Ahead

CUB is positioned for continued growth, with our focus firmly set on operational resilience, expanding our market presence, and deepening strategic alliances. Our ongoing efforts to streamline processes and elevate customer satisfaction, guided by our "Engagement Redefined" strategy and the financial strength we built in 2023, make us confident in the sustainability of our growth path. I take this opportunity to thank our team members for their unwavering commitment and hard work. Your efforts have been crucial to our success. We remain dedicated to nurturing a high-performance culture and empowering our people to reach their full potential. Our employees' dedication and our shareholders' ongoing support place us in an ideal position to deliver long-term value and consistent returns. I also extend my deepest gratitude to our customers and partners for their steadfast support and trust in our ability to navigate the future with purpose and conviction. We look forward to continuing this journey together.

Farewell and Appreciation

As we approach the end of this term, I would like to take a moment to acknowledge that Directors Abena St. Luce, Luxmore Edwards, and I will be retiring. It has been a profound privilege to serve as Chairman alongside such dedicated and talented individuals. I extend my heartfelt gratitude to these directors for their invaluable contributions and unwavering commitment to our organization.

I would also like to express my appreciation to the Corporate Secretariat, Mr. Loy Weste and Mrs. Muriel Scholar, for their exceptional support to the Board and to me over the past two terms. Their assistance has been instrumental in our achievements, and I am grateful for their hard work and dedication.

Mr. Roger Tonge, BA, MBA

Chairman
Caribbean Union Bank LTD


Caribbean Union Bank
driven
by
you

THE LEADERSHIP TEAM AT CARIBBEAN UNION BANK IS A DYNAMIC FORCE, DRIVEN BY PASSION AND A BOLD VISION FOR THE FUTURE. THROUGH THEIR INNOVATIVE STRATEGIES AND UNWAVERING COMMITMENT, THEY GUIDE THE BANK TOWARD SUSTAINABLE GROWTH, ENSURING WE CONTINUE TO THRIVE IN AN EVER-EVOLVING FINANCIAL LANDSCAPE.

EXECUTIVE MANAGEMENT TEAM

MRS. KAREN RICHARDSON
BSC (HONS), CPA, CGMA
GENERAL MANAGER

Karen Richardson, the first Antiguan female leading CUB, brings abundant experience since 2011. Her BSc in Economics and Accounting, First Class Honors from the University of the West Indies, propelled her from PwC Audit Manager to CUB General Manager in 2015. As a CPA and member of the American Institute of Chartered Public Accountants, her leadership propels the bank's success.

MR. DAMIEN CHRISTOPHER
BSC (HONS), MSC (DIST), FCCA, AMLCA,
CHIEF FINANCIAL OFFICER

Mr. Christopher, a highly experienced Finance and Accounting Leader, boasts 15+ years in financial services. His expertise covers Banking, Accounting, Enterprise Risk Management, Treasury Management, and Auditing. As the CFO at Caribbean Union Bank since 2017, he is pivotal in its financial success. A distinguished University of the West Indies graduate, his academic accomplishments and industry knowledge make him integral to organizational success.

MS. JOSIEANNE HAMPSON
CFE, FCCA, CRRO, BSC
MANAGER - INTERNAL AUDIT

Josieanne Hampson holds 17+ years in banking, excelling in accounting, compliance, finance and internal auditing. Her expertise spans auditing procedures, regulations, and internal auditing techniques, enabling her to pinpoint areas for enhancement. A Fellow ACCA member and part of the Association of CFE, she's a valued asset in the bank's Executive Team.

MR. RAGI BURTON
BSC, MBA
MANAGER - RETAIL & COMMERCIAL BANKING

Mr. Burton, a seasoned finance professional with 15+ years' experience, specializes in credit management. His international tenure at TD Bank Ltd and MetLife honed his financial expertise. Holding an MBA and a finance bachelor's, he champions academic excellence. Joining CUB in 2016, he's pivotal in fueling sustained loan portfolio growth. With collaborative teamwork, Mr. Burton's diverse skill set and customer-centric dedication propel CUB to new financial heights.

MRS. BRENDALIE JOSIAH
EDM, MSC
MANAGER- HUMAN RESOURCES & EMPLOYEE ENGAGEMENT

Brendalie Josiah, a well-rounded HR professional, boasts over 20 years in senior HR and Banking roles. Holding an MSc in Business Management and diverse HR, industrial relations, and banking certifications, she leads HR & Employee Engagement at CUB since 2019. Her unique skill set aligns the Bank's HR and industrial practices with corporate strategy.

ASSISTANT MANAGERS

MR. WINSTON LEWIS
ASSISTANT MANAGER – IT AND INNOVATION

Winston Lewis, with 25+ years in IT, spearheads the bank's strategic IT direction since 2019. His diverse expertise includes project management, network security, Linux and Windows domains, and server administration. Proven in local banks, card processing, and financial groups, he excels in IT infrastructure management and PCI-DSS compliance, serving as a trusted tech advisor since 2015.

MRS. MELROSE CRAWFORD
CAMS, CFE, IRMCERT
ASSISTANT MANAGER - ENTERPRISE RISK AND COMPLIANCE

Melrose Crawford, brings a decade of experience from the Financial Services Regulatory Commission. Certified in Anti-Money Laundering and Anti-Fraud, she joined CUB in 2008, evolving from Compliance Officer to her current pivotal role. Known for her strong work ethic, organizational skills, and unwavering commitment, Mrs. Crawford is a stabilizing force emphasizing regulatory compliance.

MR . ANDRE MARSHALL
MSC
ASSISTANT MANAGER - CORPORATE CUSTOMER RELATIONSHIPS

Andre Marshall has a distinguished 16 year career in banking, specializing in corporate and commercial loans. Armed with a Bachelor's in Economics and Accounting, a Master's in Banking and Finance, and a CAMS certification, he excels in credit risk assessment, financial analysis, and Anti-Money Laundering. His diverse skill set contributes significantly to the bank's success, embodying excellence in financial services.

MS. NATASHA AZILLE
BSC
ASSISTANT MANAGER - FINANCE & ACCOUNTING

Natasha Azille, a Magna Cum Laude graduate from Winston-Salem State University, holds dual degrees in Accounting and Management Information Systems. With a decade's expertise in auditing at PricewaterhouseCoopers and Grant Thornton, she has been pivotal at Caribbean Union Bank since 2016. Proficiently managing financial statements and reports, Ms. Azille handles diverse finance-related responsibilities with finesse.

MS. KATHY HODGE
ASSISTANT MANAGER - OPERATIONS

Kathy Hodge, a seasoned banking professional, started her career at Barclays Bank PLC, rising swiftly to Assistant Manager Operations. Transitioning to Caribbean Union Bank in 2005 as an Operations Officer, she currently serves as Assistant Manager Operations. Kathy's people-centric approach and commitment to team development highlight her outstanding interpersonal skills, solidifying her as a valuable asset to the bank.

MS. JANIQUE C. PEREIRA
CFE, CAMS
ASSISTANT MANAGER - DIGITAL PAYMENT SOLUTIONS

Janique Pereira, with 28+ years in banking, joined Caribbean Union Bank in 2008. Her global roles in major financial institutions preceded this tenure. Holder of CFE and CAMS charters, Pereira's diverse banking background fortifies CUB's digital banking security. Her leadership drives growth, shaping the bank's future solutions.

"Caribbean Union Bank's 2023 performance showcases resilience, growth, and strategic adaptation in the face of challenges."

Karen Richardson
CPA, CGMA, BSc (Hons)
General Manager

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

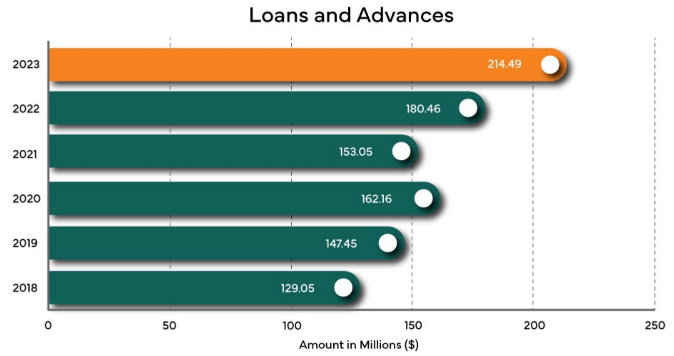
I'm excited to share that Caribbean Union Bank (CUB) delivered a strong performance throughout 2023, a year that demonstrated the power of our vision to lead as the premier engagement bank in the Caribbean. Our continued success reflects our commitment to putting customers at the centre of everything we do. Our "Driven By You" theme embodies this outlook and places our customers' needs and aspirations at the forefront, supported by key investments in our infrastructure and strong partnerships with stakeholders. These strategic moves enabled us to expand our customer base, streamline vendor relationships, and set the stage for sustainable growth across every dimension of CUB's operations.

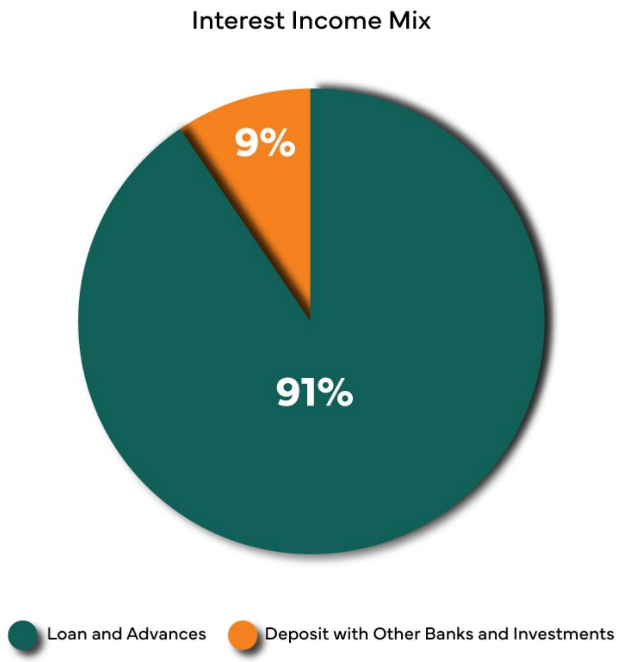
Throughout 2023, CUB showed impressive resilience and recovery, bouncing back from the challenges left by the Covid-19 pandemic's economic fallout. Our well-executed strategy, boosted by favourable global economic trends, led to consistent profitability month after month. However, we also faced some challenges—particularly in our non-interest income segment—due to inefficiencies in certain vendor relationships, which impacted operating costs. Nevertheless, expanding our business helped cushion these effects and keep us on a solid footing.

As CUB grows, we recognize that we must evolve to meet the demands of a rapidly changing financial landscape. As a result, we are refining our structure to deliver on ambitious customer acquisition and retention goals, modernizing our digital banking platforms, and enhancing customer touchpoints—all supported by an empowered and engaged team. With approval from our Board of Directors, we have fully integrated these pillars into our redefined strategy. As we reflect on the past year, Team CUB remains driven by a shared commitment to excellence in customer service and a dedication to positively impacting the wider community.

Financial Performance

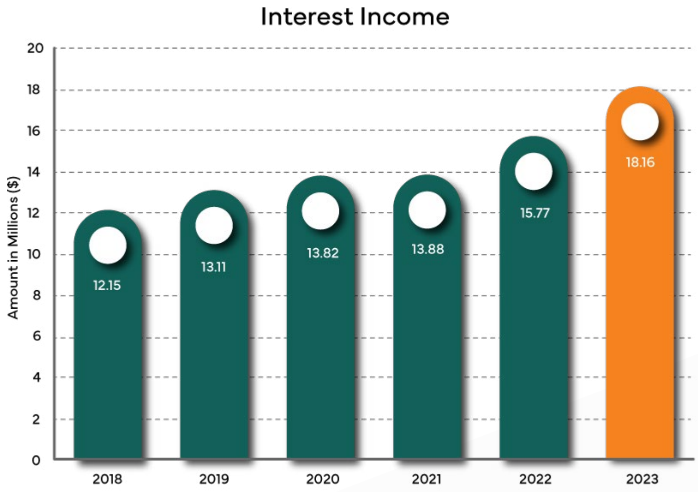
CUB saw significant improvements in financial performance, closing 2023 with a pre-tax profit of $3.395 million—an increase from $2.907 million in 2022. In 2023, our key business segments demonstrated robust growth. Non-interest income was up 13% ($0.827 million), foreign exchange gains surged by 28% ($0.448 million), and interest income increased by 15% ($2.383 million). While total interest expenses rose by a modest 2% ($0.064 million), our deposit portfolio expanded by 5% ($11.45 million). Our net interest margin showed healthy stability, rising slightly from 4.04% to 4.61% in 2023. We recognized over $2 million in deferred tax, leading to a net comprehensive income of $800,000, primarily driven by the annual reduction of the asset.





Other Operating Income

Other operating income increased by $1.274 million in 2023, driven by strong growth in fees and commissions. Revenue from Point of Sale and Merchant Income rose by $0.928 million, Commission and Fee Income by $0.258 million, and foreign exchange commissions by $0.481 million. However, we did see a decline in commission from e-commerce activities ($0.245 million), primarily due to the business restructuring by a major client, which led to reduced transaction volumes.



Interest Income

Our gross interest income grew by 15%, fuelled by a $34 million net increase in loans and advances. This growth marked a record year for CUB, as we achieved our highest-ever loan bookings, exceeding $60 million. Our loan portfolio continued to diversify, with expanded penetration into both the retail and commercial markets. At the same time, we maintained a strong focus on prudent risk management, reducing non-performing loan ratios to within industry standards. The composition of our interest income remained consistent, with income from deposits and other investments making up 9% of total interest income.

Interest Expense:

Our targeted customer acquisition and retention strategies and improved market conditions led to a year-on-year growth in our deposit portfolio. CUB's brand engagement initiatives, which emphasized a highly personalized banking experience, resonated with the public and helped enhance our visibility as a leading financial institution locally and within the diaspora. The $11.4 million growth in our deposit portfolio contributed to a modest 2% ($0.064 million) rise in interest expenses. At the same time, our net interest margin grew to $14.274 million, representing an increase of $2.319 million over 2022. This increase was primarily due to the significant expansion of our credit portfolio during the year.

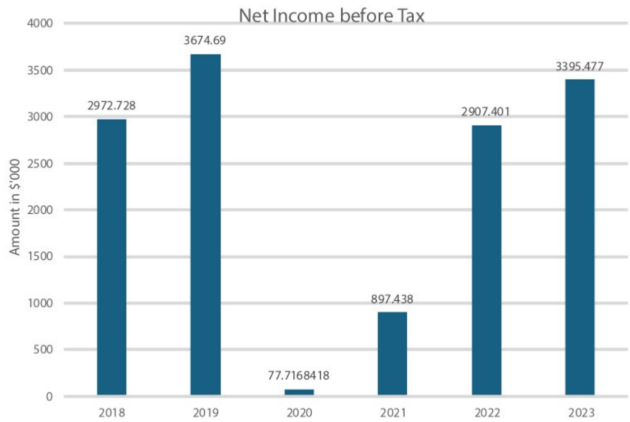
Operating Expenses:

Total operating expenses amounted to $20 million, reflecting an 18% ($3.105 million) increase compared to the prior year, primarily driven by an 18% ($1.629 million) rise in general and administrative expenses. Payroll-related costs grew by $0.850 million, and provisions for loan losses increased by $0.408 million compared to the previous year. A detailed review of operating expenses highlighted inefficiencies within our infrastructure, prompting a strategic reassessment of the bank's processes and vendor relationships.

For instance, the escalating costs within the bank's current digital payments structure contributed to the rise in general and administrative expenses. While we have initiated steps to address these issues, we anticipate incurring these costs in the short term. Expanding our payroll was necessary to ensure we had the right talent and resources to support our growing customer base. These investments in human capital are critical to the ongoing development of our customer service teams, which are integral to delivering an outstanding customer experience.

Financial Position:

CUB's total assets grew by 3% ($9.877 million) in 2023, underpinned by a $11.454 million (5%) increase in deposits, a $3.002 million rise in other receivables, and a $34.037 million increase in lending activity, bringing our loan book to $215 million. The bank maintains a strong capital position, exceeding regulatory requirements by more than 100%, reflecting our financial resilience. This steady growth in assets showcases the success of our organic strategies and reinforces CUB's position as a key player within the Eastern Caribbean Currency Union.



Future Outlook:

Caribbean Union Bank's performance in 2023 highlights our ability to adapt, grow, and succeed, even in challenging times. Our focus on delivering exceptional customer service and strengthening key business segments has driven solid financial results and expanded our asset base. Looking ahead, we will continue to address challenges related to operating expenses and improve returns on assets and equity to ensure sustained success. I am pleased to report that we have taken decisive action, implementing strategies to optimize our partnerships and align operations with our long-term efficiency and profitability goals.

Our "Engagement Redefined" strategy, approved by the Board, sets the stage for a bold digital transformation and a customer-centric future. We are investing significantly in technology to enhance our digital offerings and streamline operations while staying true to our "Driven By You" philosophy. What this means is that we will continue to provide tailored, seamless banking experiences that meet the evolving needs of our customers. We plan to unlock new revenue streams by fully capitalizing on the growing opportunities within the electronic payments market. Leveraging the expertise of global partners, we are committed to offering best-in-class solutions that cater to the evolving needs of our customers. In tandem, we're also strengthening our risk management framework, which is vital in navigating the increasingly complex regulatory landscape, particularly concerning the Basel Accords.

Our people are at the core of everything we do. We are driven by a commitment to fostering a high-performance culture, recognizing that an empowered and engaged team is essential to delivering on our promise of excellence. Our "culture manifesto" focuses on nurturing talent, encouraging innovation, and maintaining the highest engagement standards.
Equally important, we are "Driven By You"—our shareholders. We remain dedicated to delivering consistent, strong financial returns through market expansion, operational resilience, and strategic partnerships while maintaining sound financial management. Our focus on long-term value creation ensures we uphold financial prudence while pursuing new growth opportunities.

With these foundational pillars in place, we are confident we will create meaningful value for our stakeholders as we continue to build a dynamic and sustainable future for Caribbean Union Bank and the broader regional community.

Building Dreams Together:
The Dover Family's Journey with CUB
Cynthia Charles-Dover and Jared Dover

Cynthia Charles-Dover and her husband Jared Dover are a dynamic couple whose shared passion for dance and family has shaped their journey. Cynthia, a receptionist and doctor's assistant, also teaches at the Antigua Dance Academy, where she and Jared, a truck driver, first met. Their relationship grew out of mutual support and shared interests, and together, they are proud parents of three lively daughters. Recently, they embarked on an exciting journey to build their dream home with the support of Caribbean Union Bank (CUB).

With CUB's help, the Dovers secured a mortgage to bring their vision of a loving family home to life. Their story is one of determination and community, proving that with the right resources, families can create the life they dream of. As they continue building their home and nurturing their daughters, the Dovers exemplify hard work and dedication, and CUB is proud to be a part of their journey to homeownership.

Our Team

"Working at CUB for seven years has shown me how truly family-oriented this organization is. As a mom and wife, I deeply value this culture, which aligns perfectly with my own beliefs. CUB feels like home to me."

Tallio Joseph,
Customer Engagement Supervisor

driven by you

Empowering Our Team:
Fostering Fulfilment and Potential

At CUB, our employees are our greatest asset. This photo showcases our commitment to fostering an environment where team members can thrive. We prioritize fulfilment in both personal and professional aspects of life, empowering our staff to reach their fullest potential. Through open communication and teamwork, we cultivate a community that inspires growth and innovation, enhancing job satisfaction and contributing to our mission.

2023 IN NUMBERS

$314,323,587

+3% | 2022: $304,446,582

TOTAL ASSETS

- Strong growth was achieved, with the asset base expanding by $9.8M.

$11,400,000

+4.61% | 2022: 11,900,000

DEPOSIT GROWTH

- Strategic initiatives for customer acquisition and retention, combined with a strengthened economic environment, contributed to year-on-year growth in our deposit portfolio.

$34,037,000

+24.23% | 2022: - $27,399,682

LOAN GROWTH

- Notable growth fueled by targeted consumer loan marketing campaigns and supported by the strong economic performance in Antigua and Barbuda.

$2,318,618

+55.48%| 2022 : $1,491,436

NET INTEREST MARGIN

- Our unprecedented loan dispensation of $60M contributed to a net increase in margin of $827,182.

$23,555,652

+17.9%| 2022: $19,962,496

OPERATING INCOME

- Substantial growth in this metric is driven by the ongoing expansion of the customer base, improved operational efficiencies, and positive performance in both interest and non-interest income streams throughout 2023.

$0.59

+3.3%| 2022:$0.58

BOOK VALUE PER SHARE

- The bank's sustained growth over the period resulted in a modest increase in book value per share, reflecting our commitment to delivering consistent value to our shareholders.

Fueling Passions

VEHICLE LOAN CUSTOMER

Mellissa Mohabir

"I'm truly grateful to CUB for their support. The loan application process was extremely quick and straight-forward, which has made a real difference for me and my family.

At Caribbean Union Bank, we are committed to helping our customers like Mellisa thrive in their personal and professional endeavours."

BACK TO SCHOOL WITH A PURPOSE

We stepped back into our school days at Alma Mater Day 2023, donning our old uniforms with pride. It was a heartwarming reunion that reminded us of the transformative power of education. By contributing financially, we helped ensure these schools can continue to provide quality learning experiences for countless students. Our participation in Alma Mater Day was not just a trip down memory lane; it was a tangible way to give back to the institutions that shaped us.

GIVING BACK TO OUR COMMUNITY: A DONATION TO THE SUNSHINE HOME

Our team rallied together to make a positive impact on the lives of young women at the Sunshine Home for Girls. We donated a care package filled with essential items, demonstrating our unwavering support for this remarkable non-profit organization. This contribution is a testament to our commitment to giving back to our community and investing in the future of our youth. We believe that every young person deserves the opportunity to thrive, and we were proud to play a small part in making that happen.

CUB INVESTS IN LOCAL TALENT: SUPPORTING THE NATIONAL ROBOTICS TEAM

We were delighted to support Team DadliBots, Antigua and Barbuda's robotics champions, as they competed in the prestigious FIRST Global Challenge (FGC) in Singapore. Our sponsorship went beyond financial support; it was about fueling the ambitions of these talented younginnovators. By backing Team DadliBots, we showcased our dedication to advancing STEM education and empowering the next generation of leaders. This initiative reflects our belief in nurturing young talent and driving future technological advancements.

FOSTERING PUBLIC SPEAKING EXCELLENCE: CUB SPONSORS 2023 INTER-SECONDARY SCHOOL DEBATE AND IMPROMPTU SPEAKING COMPETITION

Our sponsorship of the 2023 Ministry of Education Inter-Secondary School Debate and Impromptu Speaking Competition was a celebration of student potential and intelligence. By supporting this series, we helped create a platform where young minds could articulate their ideas, engage in spirited debates, and develop vital communication skills. This initiative embodies our belief in empowering the next generation to excel and lead. We were proud to be part of their journey toward making a lasting impact in our community.

HONORING ACHIEVEMENT:
CUB SUPPORTS EXCEPTIONAL STUDENTS FROM VULNERABLE BACKGROUNDS WITH SOCIAL PROTECTION BOARD

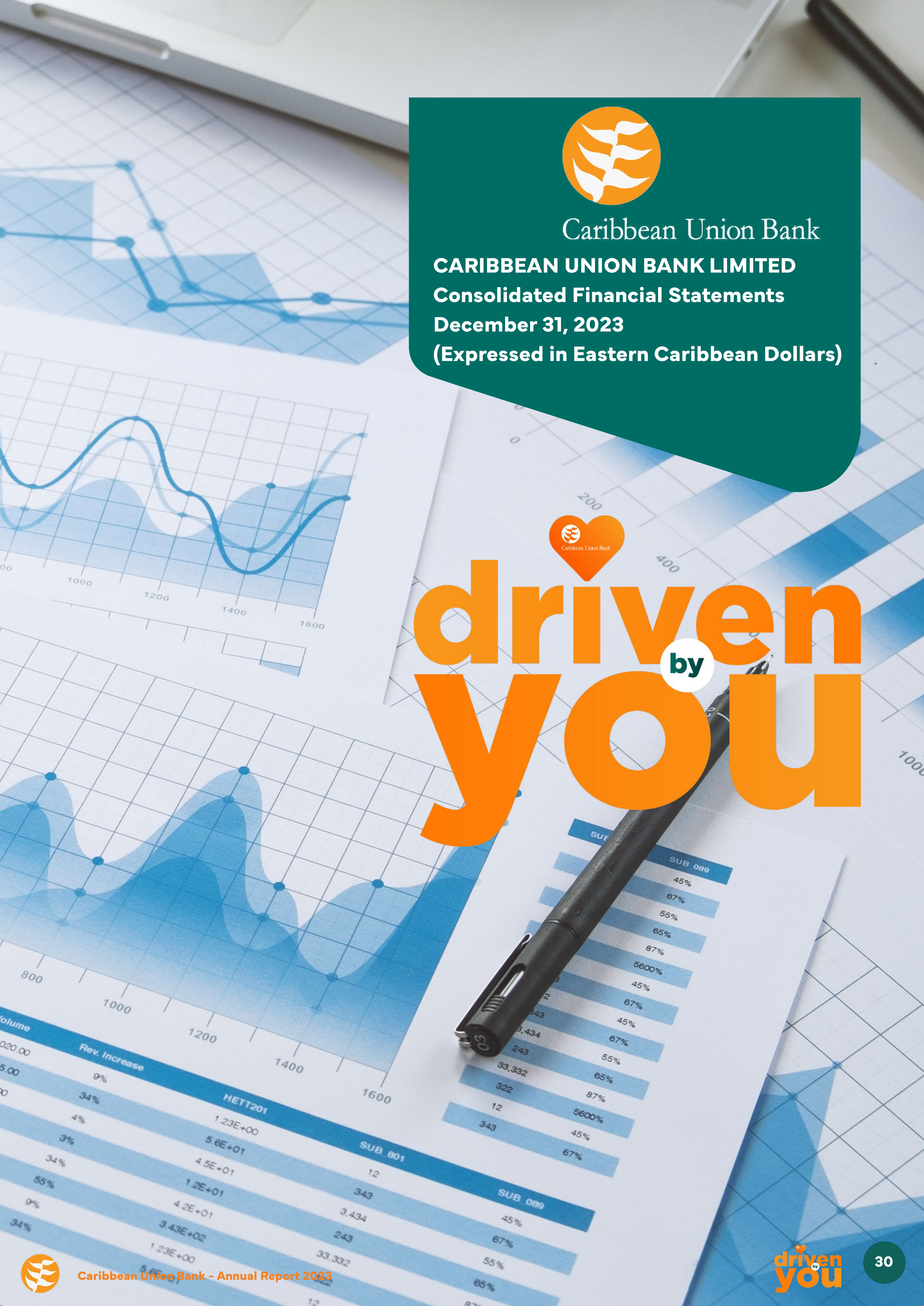
In collaboration with the Social Protection Board, CUB proudly recognized and rewarded exceptional primary school students from struggling backgrounds. The Social Protection Board, a government agency aiding families in need, showcased these students' remarkable achievements despite their challenging circumstances. Our support included providing Junior Savers Accounts, which will help them build a strong financial foundation for the future. This initiative highlights our commitment to empowering young minds and supporting educational success, reinforcing our dedication to uplifting every child in our community.

COLORFUL SOCKS, BOLD SUPPORT:
CUB CELEBRATES WORLD DOWN SYNDROME DAY WITH STAFF SOLIDARITY

In celebration of World Down Syndrome Day, our team embraced a vibrant display of colorful socks to build awareness and show support. This lively and heartfelt gesture was designed to spotlight Down syndrome and foster understanding. By participating in this global movement, we aimed to raise awareness about the condition, celebrate diversity, and underscore our commitment to inclusivity. Through this effort, we work to build a community that not only respects but also actively supports individuals with Down syndrome.

HELLSGATE STEEL ORCHESTRA TRIUMPHS WITH SUPPORT FROM CUB: CELEBRATING A HISTORIC FOURTH CONSECUTIVE VICTORY

With great excitement, we sponsored the Hellsgate Steel Orchestra as they prepared for Panorama 2023. Celebrated as Antigua and Barbuda's premier steelpan ensemble, Hellsgate achieved a historic fourth consecutive victory, highlighting their exceptional talent. Our support underscores our commitment to nurturing local talent and celebrating the rich cultural traditions that enhance our community. By backing Hellsgate, we proudly contribute to the vibrant arts scene and the cultural heritage that defines us.



Caribbean Union Bank

CARIBBEAN UNION BANK LIMITED
Consolidated Financial Statements
December 31, 2023
(Expressed in Eastern Caribbean Dollars)

driven by you

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St. John's
Antigua

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
CARIBBEAN UNION BANK LIMITED

Opinion

We have audited the consolidated financial statements of Caribbean Union Bank Limited and its subsidiary ("the Group"), which comprise the consolidated statement of financial position as at December 31, 2023, the consolidated statement of profit and comprehensive income, the consolidated statement of changes in shareholder's equity and the consolidated statement of cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with the IFRS Accounting Standards as issued by International Accounting Standards Board (IASB).

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 *Auditors' Responsibilities for the Audit of the 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) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information included in the Groups's 2023 Annual Report

Management is responsible for the other information. Other information consists of the information included in the Group's Annual Report, other than the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, 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.

INDEPENDENT AUDITORS' REPORT *(cont'd)*

To the Shareholders of
CARIBBEAN UNION BANK LIMITED

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated 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 Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated 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.

BDO

Chartered Accountants
September 9, 2024

Antigua and Barbuda

CARIBBEAN UNION BANK LIMITED

Consolidated Statement of Financial Position

December 31, 2023

(Expressed in Eastern Caribbean Dollars)

	Notes		2023	2022
Assets				
Cash and balances with the Central Bank	6	$	22,379,771	24,408,174
Investment securities	7		16,398,860	32,603,070
Due from other banks	8		31,345,408	36,318,504
Treasury bills	9		14,813,432	16,604,798
Loans and advances	10		214,492,202	180,455,532
Other assets	11		6,208,900	3,206,127
Property and equipment	12		4,980,973	4,900,025
Deferred tax assets	15		3,704,041	5,950,352
Total Assets		$	314,323,587	304,446,582
Liabilities				
Customers' deposits	13	$	258,188,378	246,734,412
Other liabilities and accrued expenses	14		9,064,170	11,450,751
Total Liabilities			267,252,548	258,185,163
Shareholders' Equity				
Share capital	16(a)		39,557,385	39,557,385
Treasury shares	16(b)		(218,412)	(218,412)
Reserves	17		7,034,718	6,233,364
Retained Earnings			697,348	689,082
Total Shareholders' Equity			47,071,039	46,261,419
Total Liabilities and Shareholders' Equity		$	314,323,587	304,446,582

Approved for issue by the Board of Directors on September 19th, 2024 **and signed on its behalf by:**

Chairman

Director

CARIBBEAN UNION BANK LIMITED

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended December 31, 2023

(Expressed in Eastern Caribbean Dollars)

	Notes		2023	2022
Interest income				
Income from loans and advances		$	16,443,300	14,584,375
Income from deposits with other banks and investments			1,714,202	1,190,445
			18,157,502	15,774,820
Interest expense				
Time deposits			1,940,943	2,164,559
Chequing			123,532	98,426
Savings			1,818,509	1,555,935
			3,882,984	3,818,920
Net interest income			14,274,518	11,955,900
Fee and commission income			7,237,425	6,410,390
Other operating income	19		2,043,709	1,596,206
Operating income			23,555,652	19,962,496
Operating expenses				
General and administrative expenses	20		10,459,909	8,830,910
Employee costs	21		7,010,233	6,160,212
Depreciation	12		1,568,487	1,412,937
Provision for loan impairment	10		719,421	311,326
Directors' fees and expenses	18(e)		355,883	339,710
Bad debt			46,242	-
			20,160,175	17,055,095
Profit before taxation			3,395,477	2,907,401
Taxation	15		(2,585,857)	(473,629)
Net profit after tax *(carried forward)*		$	809,620	2,433,772

CARIBBEAN UNION BANK LIMITED

Consolidated Statement of Profit or Loss and Other Comprehensive Income *(cont'd)*

Year ended December 31, 2023

(Expressed in Eastern Caribbean Dollars)

	Notes		2023	2022
Net profit after tax *(brought forward)*		$	809,620	2,433,772
Other comprehensive income				
Items that will not be reclassified to profit or loss			-	-
Changes in the value of financial assets at fair value through OCI			-	-
Income tax relating to this item			-	-
Other comprehensive income for the year, net of tax			-	-
Total comprehensive income for the year		$	809,620	2,433,772

CARIBBEAN UNION BANK LIMITED

Consolidated Statement of Changes in Shareholders' Equity

Year ended December 31, 2023

(Expressed in Eastern Caribbean Dollars)

	Notes	Ordinary Shares	Treasury Shares	Statutory Reserve	Regulatory reserve for loan impairment	Accumulated Deficit	Total
Balance as at December 31, 2021		39,557,385	(218,412)	3,253,595	1,293,172	(58,093)	43,827,647
Net income for the year		-	-	-	-	2,433,772	2,433,772
Transfer to statutory reserve fund	17	-	-	486,755	-	(486,755)	-
Reserve for loan impairment for regulatory purposes	17	-	-	-	1,199,842	(1,199,842)	-
Balance as at December 31, 2022		$ 39,557,385	(218,412)	3,740,350	2,493,014	689,082	46,261,419
Net income for the year		-	-	-	-	809,620	809,620
Transfer to statutory reserve fund	17	-	-	161,924	-	(161,924)	-
Reserve for loan impairment for regulatory purposes	17	-	-	-	639,430	(639,430)	-
Balance as at December 31, 2023		$ 39,557,385	(218,412)	3,902,274	3,132,444	697,348	47,071,039

CARIBBEAN UNION BANK LIMITED

Consolidated Statement of Cash Flows

Year ended December 31, 2023

(Expressed in Eastern Caribbean Dollars)

	Notes		2023	2022
Cash flows from operating activities				
Profit before tax		$	3,395,477	2,907,401
Adjustments for:				
Depreciation	12		1,568,487	1,412,937
Loss on disposal of fixed asset			-	144,710
Provision for loan impairment	10		719,421	311,326
Interest income			(18,157,502)	(15,774,820)
Interest expense			3,882,984	3,818,920
Bad debt expense			46,242	-
Operating losses before changes in operating assets and liabilities			(8,544,891)	(7,179,526)
Change in restricted deposits			(691,000)	(869,000)
Change in loans and advances, net of repayments			(34,743,008)	(28,757,462)
Change in other assets			(3,049,012)	(1,734,329)
Change in financial assets at fair value through profit and loss			(3,542)	(794)
Change in customers' deposits			11,445,182	11,685,570
Change in other liabilities and accrued expenses			(2,726,129)	3,074,074
Cash used in operations			(38,312,400)	(23,781,467)
Interest paid			(3,874,200)	(3,515,152)
Interest received			18,128,629	16,874,755
Net cash used in operating activities			(24,057,971)	(10,421,864)
Cash flows from investing activities				
Purchase/(Redemption) of treasury bills			1,814,907	(1,140,600)
Purchase of financial assets at amortised cost	7 (c)		(64,800,000)	(307,810,080)
Redemption of financial asset at amortised cost	7 (c)		81,000,000	291,610,080
Acquisition and recognition of property and equipment	12		(1,735,369)	(507,028)
Disposal and derecognition of properties and equipment	12		85,935	-
Net cash generated from/(used in) investing activities			16,365,473	(17,847,628)
Decrease in cash and cash equivalents			(7,692,498)	(28,269,492)
Cash and cash equivalents, beginning of year			46,167,678	74,437,170
Cash and cash equivalents, end of year	22	$	38,475,180	46,167,678

(Expressed in Eastern Caribbean Dollars)

1. **Reporting Entity**:

Caribbean Union Bank Limited ("the Parent Company") is a private company, incorporated on August 24, 2004 under the laws of Antigua and Barbuda. The Parent Company is licensed to conduct banking activities under the Banking Act of Antigua and Barbuda 2016. The Parent Company is regulated by the Eastern Caribbean Central Bank ('the ECCB') Act No. 10 of 1983.

The registered office of the Parent Company is located at Long Street, St. John's, Antigua.

2. **Basis of Preparation**:

(a) *Going concern:*

In determining the appropriate basis of preparation of the consolidated financial statements, the Board of Directors is required to consider whether the Group can continue in operational existence for the foreseeable future.

These consolidated financial statements have been prepared on the going concern basis, which assumes that the Group will continue in operation for the foreseeable future. They do not purport to give effect to adjustments, if any, that may be necessary should the Group be unable to realise its assets and discharge its liabilities in other than the ordinary course of business.

The Group reported a net income of EC$809,620 (2022: net income of EC$2,433,772) during the year ended December 31, 2023 and, as of that date, it had accumulated surplus of EC$697,348 (2022: EC$689,082 surplus).

The Group has significantly augmented its capital base which will enable it to ensure that its regulatory capital is within established thresholds and will also enable it to pursue identified growth strategies. In tandem with this, the shareholders have approved a strategic plan that identifies various approaches to enhance the Group's revenue generating and other capabilities. It is foreseen that these strategic initiatives as outlined below, will enable the Group to return to profitable operations and ultimately reduce the accumulated deficit over the long term:

- Enhancing collection efforts on non-performing loans;
- Diversification of the loans and deposits portfolios;
- Focus on technological initiatives;
- On-going monitoring of cash flow requirements;
- Restructuring of management and organizational functions;
- Enhancement of Tier 1 capital of the Group; and
- Establishment of a comprehensive Risk Management Framework

The shareholders are confident that the Group has developed a feasible strategy to ensure the Group's continued success and are committed to its realization over the long term.

2. **Basis of Preparation**: *(cont'd)*

(a) *Going concern: (cont'd)*

Based on the additional equity capital received, the various initiatives planned under the existing approved strategic plan, and the fact that the Group currently remains in compliance with the significant regulatory requirements, the Directors have concluded that the history of losses and the accumulated deficit referred to above no longer represent a material uncertainty which may cast significant doubt upon the Group's ability to continue as a going concern.

The Directors are aware that some risk remains as the current economic conditions continue to create a degree of uncertainty as to the level of results that will be achieved in the year ahead, the commitments to make investments are not guaranteed, and the success of the strategic plan depends on several projects being implemented timely and effectively. However, having carefully considered all factors, the Directors have a reasonable expectation that the Group will have adequate resources to continue in operational existence for the foreseeable future.

(b) *Basis of Consolidation:*

These consolidated financial statements include accounts of the Bank and its wholly-owned subsidiary, CU Capital Markets, (the "Group").

(i) *Subsidiaries*

Subsidiaries are investees controlled by the Group. The Group "controls' an investee if it is exposed to, or has righted to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group reassesses whether it has control if there are changes to one or more elements of control. This includes circumstances in which protective rights held (e.g. those resulting from a lending relationship) become substantive and lead to the Group having power over an investee.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases. The accounting policies adopted by the Group.

(ii) *Loss of Control*

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest (NCI) and other components of equity, any resulting gain or loss is recognised in profit and loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(iii) *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gain and losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that thee is no evidence of impairment.

(Expressed in Eastern Caribbean Dollars)

2. **Basis of Preparation**: *(cont'd)*

(c) *Basis of Accounting:*

The consolidated financial statements of the Group have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB). The consolidated financial statements have been prepared under the historical cost convention, except for financial assets designated at fair value through profit or loss (FVTPL) or fair value through other comprehensive income (FVTOCI) which are measured at fair value.

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. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions are changed. Management believes that the underlying assumptions are appropriate and the Group's consolidated financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgement or complexity, or areas when assumptions and estimates are significant to the financial statements are disclosed in Note 5.

(d) *Adoption of New Standards and interpretations of amendments to existing standards and effective during the year:*

IFRS 17 Insurance Contracts

IFRS 17 was issued by the IASB in 2017 and replaces IFRS 4 for annual reporting period beginning on or after 1 January 2023. IFRS 17 introduces an internationally consistent approach to the accounting for insurance contracts. Prior to IFRS 17, significant diversity has existed worldwide relating to the accounting for and disclosure of insurance contracts, with IFRS 4 permitting many previous accounting approaches to be followed. Since IFRS 17 applies to all insurance contracts issued by an entity (with limited scope exclusions), its adoption may have an effect on noninsurers such as The Caribbean Union Bank Limited. The Group carried out an assessment of its contracts and operations and concluded that the adoption of IFRS 17 has had no effect on the annual financial statements of the Group.

Disclosure of Accounting Policies (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements)

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2. The amendments aim to make accounting policy disclosures more informative by replacing the requirement to disclose 'significant accounting policies' with 'material accounting policy information'. The amendments also provide guidance under what circumstance, the accounting policy information is likely to be considered material and therefore requiring disclosure. These amendments have no effect on the measurement or presentation of any items in the financial statements of the Group.

*(**Expressed in Eastern Caribbean Dollars**)*

2. **Basis of Preparation**: *(cont'd)*

(d) *Adoption of New Standards and interpretations of amendments to existing standards and effective during the year: (cont'd)*

Definition of Accounting Estimates (Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors)

The amendments to IAS 8, which added the definition of accounting estimates, clarify that the effects of a change in an input or measurement technique are changes in accounting estimates, unless resulting from the correction of prior period errors. These amendments clarify how entities make the distinction between changes in accounting estimate, changes in accounting policy and prior period errors. These amendments had no effect on the financial statements of the Group.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes)

In May 2021, the IASB issued amendments to IAS 12, which clarify whether the initial recognition exemption applies to certain transactions that result in both an asset and a liability being recognised simultaneously (e.g. a lease in the scope of IFRS 16).

The amendments introduce an additional criterion for the initial recognition exemption, whereby the exemption does not apply to the initial recognition of an asset or liability which at the time of the transaction, gives rise to equal taxable and deductible temporary differences. These amendments had no effect on the financial statements of the Group.

International Tax Reform – Pillar Two Model Rules (Amendment to IAS 12 Income Taxes)

In December 2021, the Organisation for Economic Co-operation and Development (OECD) released a draft legislative framework for a global minimum tax that is expected to be used by individual jurisdictions. The goal of the framework is to reduce the shifting of profit from one jurisdiction to another in order to reduce global tax obligations in corporate structures. In March 2022, the OECD released detailed technical guidance on Pillar Two of the rules. Stakeholders raised concerns with the IASB about the potential implications on income tax accounting, especially accounting for deferred taxes, arising from the Pillar Two model rules. The IASB issued the final Amendments (the Amendments) International Tax Reform – Pillar Two Model Rules, in response to stakeholder concerns on 23 May 2023.

(e) *New Standards and interpretations of amendments not yet effective:*
There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early.

The following amendments are effective for the period beginning 1 January 2024:

- *Classification of Liabilities as Current or Non-Current (Amendments to IAS 1, Presentation of Financial Statements);*

2. **Basis of Preparation**: *(cont'd)*

(e) *New Standards and interpretations of amendments not yet effective: (cont'd)*

The following amendments are effective for the period beginning 1 January 2024: *(cont'd)*

- *Liability in a Sale and Leaseback (Amendments to IFRS 16 Leases);*
- *Non-current Liabilities with Covenants (Amendments to IAS 1 Presentation of Financial Statements); and*
- *Supplier Finance Arrangements (Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures)*

The following amendments are effective for the period beginning 1 January 2025:

- *Lack of Exchangeability (Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates)*

The Group is currently assessing the impact of these new accounting standards and amendments.

3. **Material Accounting Policies**:

(a) *Foreign Currency Translation:*

Functional and Presentation Currency:
Items included in the financial statements are measured using the currency of the primary economic environment in which the Group operates (the "functional currency"). The financial statements are presented in Eastern Caribbean dollars, which is the Group's functional and presentation currency.

Transactions and Balances:
Transactions in foreign currencies are translated into the functional currency of the Group at the spot exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

3. **Material Accounting Policies**: *(cont'd)*

(a) Foreign Currency Translation: (cont'd)

Foreign currency differences arising on translation are generally recognised in profit or loss. However, foreign currency differences arising from the translation of available-for-sale equity instruments are recognised in OCI.

(b) Cash and Cash Equivalents:

Cash comprises cash on hand and bank balances available on demand. Cash equivalents comprise deposits held with other banks and other short-term highly liquid investments with original maturities of three months or less.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(c) Financial Assets and Financial Liabilities:

The Group has classified its financial assets based on the following Business Models:

- Hold to collect – the objective of this business model is to hold the financial assets to collect their contractual cash flows.
- Hold to collect and sell – the objective of this business model is to both collect the contractual cash flows and sell the financial assets.
- Other – other business models are all those that do not meet the "hold to collect" or "hold to collect and sell" qualifying criteria.

Based on these factors, the Group classifies its assets into one of the following three measurements categories:

- Financial assets measured at amortised cost
- Financial assets measured at fair value through profit and loss (FVTPL)
- Financial assets measured at fair value through other comprehensive income (FVTOCI)

Initial recognition and measurement

At initial, recognition, the Group measures its financial assets and financial liabilities at their fair values plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability such as fees and commissions.

A provision for expected credit losses is recognised for financial assets measured at amortised cost immediately after the initial recognition and the resulting credit loss recognised in the profit and loss.

If the Group determines that the fair value of its financial assets and liabilities at initial recognition differs from the transaction price, the difference is recognised as follows:

3. **Material Accounting Policies**: *(cont'd)*

(c) Financial Assets and Financial Liabilities: *(cont'd)*

a) If that fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference between the fair value at initial recognition and the transaction price is recognised as a gain or loss.

b) In all other cases, the difference between the fair value at initial recognition and the transaction price is deferred. After initial recognition, the Group recognises that deferred difference as a gain or loss only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

Classification and subsequent measurement of financial assets
For the purpose of subsequent measurement, the Group classifies its financial assets in the following IFRS 9 categories:

- amortised cost; and
- *(choice of)* fair value through other comprehensive income (FVTOCI) ***or*** fair value through profit and loss (FVTPL) *(for the equity investment securities)*

Management determines the classification of its financial instruments at initial recognition. Classification is determined by both:

- the Group's business model for managing the financial assets; and
- the contractual cash flow characteristics of the financial asset.

Financial assets at amortised cost
The Group classifies and measures its financial assets at amortised cost only if both of the following conditions are met:

a) The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows.

b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The Group's cash and cash balances with the Central Bank, due from other banks, treasury bills debt investment securities, loans and advances and other financial assets fall into this category of financial instruments.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial assets, except for:

a) Purchased or Originated Credit Impaired (POCI) financial assets, whereby the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset; and

*(**Expressed in Eastern Caribbean Dollars**)*

3. **Material Accounting Policies**: *(cont'd)*

(c) *Financial Assets and Financial Liabilities*: *(cont'd)*

Financial assets at amortised cost (cont'd)

b) Financial assets that are not POCI, but became credit-impaired subsequently, whereby the interest revenue is calculated by applying the effective interest rate to their amortised cost (net of the credit loss allowance).

Financial assets at FVTOCI
Equity investment securities are classified and measured by the Group at FVTOCI if they are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value through OCI rather than profit or loss.

Gains and losses on equity securities at FVTOCI are recognised in other comprehensive income and reported within other reserves within equity, except for dividend income (unless they clearly represent a part-recovery of cost), which are recognised in profit or loss. Upon disposal of the equity investments at FVTOCI, any balance within the OCI reserve for these equity investments is reclassified to retained earnings and is not reclassified to profit or loss.

Financial assets at FVTPL
The Group classifies and measures the following financial assets at FVTPL:

a) debt investments that do not qualify for measurement at either amortised cost or at fair value through other comprehensive income;

b) equity investments that are held for trading; and

c) equity investments for which the Group has not elected to recognise fair value gains and losses through other comprehensive income.

Gains and losses on financial assets at FVTPL are recognised in profit and loss.

(d) *Reclassifications:*
If the business model under which the Group holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Group's financial assets. During the current financial year and previous accounting period there was no change in the business model under which the Group holds financial assets and therefore no reclassifications were made. Changes in contractual cash flows are considered under the accounting policy on *Modification and derecognition of financial assets* described below.

(e) *Impairment of Financial Assets*:
The Group recognises a loss allowance for expected credit losses (ECL) on financial assets measured at amortised cost and the exposure arising from loan commitments and financial guarantee contracts. The expected credit losses are assessed on a forward looking basis. The Group's measurement of ECL reflects:

(Expressed in Eastern Caribbean Dollars)

3. **Material Accounting Policies**: *(cont'd)*

(e) Impairment of Financial Assets: *(cont'd)*

a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
b) the time value of money; and
c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Group uses the probability of default approach to estimate the expected credit losses on a collective basis for its performing and underperforming financial assets measured at amortised cost.

The financial assets are grouped on the basis of shared credit risk characteristics to determine the average probability of default for each group of assets. The Group considers this approach to be a reasonable estimate of the probability-weighted amount. The lifetime expected credit losses for the non-performing financial assets are assessed on an individual basis. The Group also considers if there have been significant increases in credit risk since initial recognition — whether assessed on an individual or collective basis — considering all reasonable and supportable information, including that which is forward-looking. At each reporting date, the Group measures the loss allowance at an amount equal to the lifetime expected credit losses, if the credit risk on that financial instrument has increased significantly since initial recognition. The Group considers the following factors in assessing changes in credit risk since initial recognition:

- significant changes in internal price indicators of credit risk;
- changes in the rates or terms of an existing instrument that would be significantly different if the instrument was newly issued (eg more stringent covenants);
- significant increases in credit risk on other financial instruments from the same borrower;
- an actual or forecast significant adverse changes in the business, financial or economic conditions that are expected to significantly affect the borrower's ability to meet its debt obligations (e.g. increase in interest rates and unemployment rates);
- an actual or expected significant change in the financial instrument's external credit rating;
- an actual or expected internal credit rating downgrade for the borrower or decrease in behavioural scoring used to assess credit risk internally;
- an actual or expected significant change in the operating results of the borrower;
- significant changes in the value of the collateral supporting the obligation or in the quality of guarantees or credit enhancements reductions in financial support from a parent entity that are expected to reduce the borrower's incentive to make scheduled contractual payments;
- expected breaches of contract that may, for example, lead to covenant waivers or amendments, or interest payment holidays;
- existing or expected adverse changes in the regulatory, economic, or technological environment that significantly affect, or are expected to affect, the borrower's ability to meet its debt obligations;
- changes in the Group's credit management approach in relation to the financial instrument (e.g. specific intervention with the borrower, more active or close monitoring of the instrument by the Group)
- significant changes in the expected performance and behaviour of the borrower including changes in the payment status of borrowers in the Group (e.g. expected increase in delayed contractual payments); and

3. **Material Accounting Policies**: *(cont'd)*

(e) Impairment of Financial Assets: *(cont'd)*

- past due information, including the rebuttable presumption of more than 30 days past due.

ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or

- full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL. More details on the determination of a significant increase in credit risk are provided in note 4.

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Group under the contract and the cash flows that the Group expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

- For undrawn loan commitments, the ECL is the difference between the present value of the difference between the contractual cash flows that are due to the Group if the holder of the commitment draws down the loan and the cash flows that the Group expects to receive if the loan is drawn down.

- For financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Group expects to receive from the holder, the debtor or any other party.

The Group measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR, regardless of whether it is measured on an individual basis or a collective basis.

More information on measurement of ECLs is provided in note 4, including details on how instruments are grouped when they are assessed on a collective basis.

(f) Financial Liabilities:

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

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3. **Material Accounting Policies**: *(cont'd)*

(f) Financial Liabilities: (cont'd)

b. Derecognition
Financial Liabilities are derecognised when they are extinguished (i.e. when the obligation specific in the contract is discharged, cancelled or expires).

(g) Credit-impaired 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. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- the disappearance of an active market for a security because of financial difficulties; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event. Instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Group assesses whether debt instruments that are financial assets measured at amortised cost or FVTOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Group considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default. The definition of default (see below) includes unlikeliness to pay indicators and a backstop if amounts are overdue for 90 days or more.

(h) Definition of default:
Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

The Group considers the following as constituting an event of default:

- the borrower is past due more than 90 days on any material credit obligation to the Group; or
- the borrower is unlikely to pay its credit obligations to the Group in full.

(Expressed in Eastern Caribbean Dollars)

3. **Material Accounting Policies**: *(cont'd)*

(h) Definition of default: (cont'd)

This definition of default is used by the Group for accounting purposes as well as for internal credit risk management purposes and is broadly aligned to the regulatory definition of default. The definition of default is appropriately tailored to reflect different characteristics of different types of assets. Overdrafts are considered as being past due once the customer has breached an advised limit or has been advised of a limit smaller than the current amount outstanding.

When assessing if the borrower is unlikely to pay its credit obligation, the Group takes into account both qualitative and quantitative indicators. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis. The Group uses a variety of sources of information to assess default which are either developed internally or obtained from external sources. More details are provided in note 4. As noted in the definition of credit impaired financial assets above, default is evidence that an asset is credit impaired. Therefore, credit impaired assets will include defaulted assets, but will also include other non-defaulted given the definition of credit impaired is broader than the definition of default.

(i) Modification of customer loans and advances:

When the Group renegotiates or otherwise modifies, the contractual cash flows of its customer loans, the Group assesses whether or not the new terms are substantially different from the original terms of the agreement. The Group derecognises the original loan if the terms are substantially different and recognises the new loan at its fair value. The Group also recalculates the new effective interest rate for the loan. The date of the modification is considered to be the date of initial recognition of the new loan when applying the impairment requirements and also assessing whether a significant increase in credit risk has occurred. The Group also considers whether there may be evidence that the modified loan is credit-impaired at initial recognition. In this situation, the loan is recognised as an originated credit-impaired financial asset. This might occur, for example, in a situation in which there was a substantial modification of a distressed asset as a result of the borrower being unable to make the originally agreed payments. Differences in the carrying amount are recognised as a gain or loss on derecognition in the profit or loss.

If the new terms are not substantially different the original loan is not derecognised. The Group recalculates the gross carrying amount of the loan and recognises a modification gain or loss in the profit and loss. The gross carrying amount of the loan is recalculated as the present value of the renegotiated contractual cash flows discounted at the loan's original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets). Any costs or fees incurred adjust the carrying amount of the modified loan and are amortised over the remaining term of the modified financial asset.

(j) Write-offs:

The Group directly reduces the gross carrying amount of a financial asset when the Group has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event. This is 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. The Group may apply enforcement activities to financial assets written off. Recoveries resulting from the Group's enforcement activities will result in impairment gains, which will be presented in 'net impairment loss on financial assets' in the statement of profit or loss.

(Expressed in Eastern Caribbean Dollars)

3. **Material Accounting Policies**: *(cont'd)*

(k) *Financial guarantee contracts and loan commitments:*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are initially recognised at their fair values. After initial recognition, they are subsequently measured at the higher of:

a) the amount of the loss allowance determined in accordance with note 4; and

b) the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

The expected credit losses on loan commitments and financial guarantees are recognised as a provision. For contracts that include both a loan and an undrawn commitment, the expected credit losses are recognised together with the loss allowance for the loan unless the Group can separately identify the expected credit losses on the undrawn commitment. However, the expected credit losses are recognised as a provision to the extent that the combined expected credit losses exceed the gross carrying amount of the loan.

(l) *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 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 IFRSs, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

(m) *Provisions*:

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.

(Expressed in Eastern Caribbean Dollars)

3. **Material Accounting Policies**: *(cont'd)*

(m) Provisions: (cont'd)

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.

(n) Interest Income and Expense and Revenue Recognition:
Interest income and expense for all interest-bearing financial instruments are recognised in the consolidated statement of profit or loss using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses.

The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(o) Fee and Commission Income and Revenue Recognition:
Fees and commissions are generally recognised on the accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised as revenue when the syndication has been completed and the Group has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants.

(p) Dividend Income:
Dividends are recognised in the consolidated statement of profit or loss when the entity's right to receive payment is established.

(q) Property, Equipment and Right to use Assets:
All property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a consolidated 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. All other repairs and maintenance are charged to the consolidated statement of profit or loss during the financial period in which they are incurred.

(Expressed in Eastern Caribbean Dollars)

3. **Material Accounting Policies**: *(cont'd)*

(q) Property, Equipment and Right to use Assets: (cont'd)

Depreciation is calculated using the straight-line method to allocate the cost of assets over their estimated useful lives less their salvage values, at the following annual rates:

Furniture and fittings	10%
Office equipment	10%
Computer software	10% - 20%
Computer equipment	20%
Motor vehicles	20%
Leasehold improvements	20%

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. 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.

Gains and losses on disposals of property and equipment are determined by comparing the proceeds with the carrying amount and are recognized within "operating income" and "operating expenses" in the consolidated statement of profit or loss.

The Group as part of the adoption of IFRS 16 has recognised a number of right-to-use assets given the nature of the leases and strategic positioning of the various lease to the operations of the Group. The recognition of these lease assets and accompanying liabilities are based on the judgement of management as to the economic use of these lease arrangements as well as discount factor (currently 10%). As such any deviations in judgement from period to period will result in either further recognition or de-recognition of some or all of the asset and liability value. The Group has elected to amortize these assets based on the straight-line method over the strategic economic life of the leased assets.

(r) Leases:

The Group has implemented the IFRS 16 which replaces the dual accounting model for lessees. As such the Group has accounted for leases which substantial in nature and are for a period greater than twelve (12) months in duration by recording the leases as right to use assets with the corresponding liability also recognised on the statement of financial position. For other leases where future operations are doubtful or have a duration of less than twelve (12) months the Group has elected to continue to expense these lease payments.

(s) Share Capital:

i) Share Issue Costs:

Ordinary shares are classified as equity. Incremental costs that are directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

(Expressed in Eastern Caribbean Dollars)

3. **Material Accounting Policies**: *(cont'd)*

(s) Share Capital: (cont'd)

ii) Treasury Shares:

Where the Group purchases its own share capital, the consideration paid is deducted from total shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

(t) Income Tax:

i) Current Income Tax:

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years.

Income tax payable (receivable) is calculated on the basis of the applicable tax law in the respective jurisdiction and is recognised as an expense (income) for the period except to the extent that the current tax related to items charged or credited directly to other comprehensive income. In these circumstances, current tax is charged or credited to other comprehensive income.

Where the Group has tax losses that can be relieved by being carried-forward against taxable profits of future periods, a deductible temporary difference arises. Those losses carried forward are set off against deferred tax liabilities carried in the consolidated statement of financial position.

ii) Deferred Income Tax:

Deferred income tax is recognised in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The principal temporary differences arise from depreciation of plant and equipment and the revaluation of certain financial assets. Deferred tax assets are recognised when it is probable that future taxable profit will be available against which these temporary differences can be utilised.

The tax effects of carry-forwards of unused losses or unused tax credits are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised. Deferred tax related to fair value re-measurements of available-for-sale investments which are recognised in other comprehensive income, is recognised in other comprehensive income together with the unrealised gain or loss.

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.

4. **Financial Risk Management**:

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

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

Risk management is carried out by the Group's management under policies approved by the Board of Directors. Management identifies and evaluates financial risks. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk. The most important types of risk are credit risk, liquidity risk, market risk and other operational risk. Market risk includes foreign exchange risk, interest rate and other price risk.

(a) *Credit Risk:*

The Group takes on exposure to credit risk, which is the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group. Credit risk is the most important risk for the Group's business. The Group's main income generating activity is lending to customers therefore credit risk is a principal concern. Management, therefore, carefully manages its exposure to credit risk. Credit exposures arise principally in lending activities that lead to loans and advances, and investment activities that bring debt securities and other bills into the Group's asset portfolio. There is also credit risk in off balance sheet financial instruments, such as loan commitments. The credit risk management and control are centralised in the Group's Credit Committees, and reported to the Board of Directors regularly.

(i) *Credit Risk Management:*

The Group's credit committee is responsible for managing the Group's credit risk by:

- Ensuring that the Group has appropriate credit risk practices, including an effective system of internal control, to consistently determine adequate allowances in accordance with the Group's stated policies and procedures, IFRS and relevant supervisory guidance.

- Identifying, assessing and measuring credit risk across the Group, from an individual instrument to a portfolio level.

- Creating credit policies to protect the Group against the identified risks including the requirements to obtain collateral from borrowers, to perform robust ongoing credit assessment of borrowers and to continually monitor exposures against internal risk limits.

4. **Financial Risk Management**: *(cont'd)*

(a) Credit Risk: (cont'd)

(i) Credit Risk Management: (cont'd)

- Limiting concentrations of exposure by type of asset, counterparties, industry, credit rating, geographic location etc.
- Establishing a robust control framework regarding the authorisation structure for the approval and renewal of credit facilities.
- Developing and maintaining the Group's risk grading to categorise exposures according to the degree of risk of default. Risk grades are subject to regular reviews.
- Developing and maintaining the Group's processes for measuring ECL including monitoring of credit risk, incorporation of forward-looking information and the method used to measure ECL.
- Ensuring that the Group has policies and procedures in place to appropriately maintain and validate models used to assess and measure ECL.
- Establishing a sound credit risk accounting assessment and measurement process that provides it with a strong basis for common systems, tools and data to assess credit risk and to account for ECL.
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Group in the management of credit risk.

Loans and Advances:
The Group assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparty. They 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 ratings tools are kept under review and upgraded as necessary.

Bank's Rating	Description or the Grade
1	Pass
2	Special Mention
3	Sub-standard
4	Doubtful
5	Loss

(Expressed in Eastern Caribbean Dollars)

4. **Financial Risk Management**: *(cont'd)*

(a) Credit Risk: (cont'd)

(ii) 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 banks, and to industries and countries.

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 to geographical and industry segments. Such risks are monitored on a revolving basis and subject to regular review by the Board of Directors.

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

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.

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 a 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 properties; and
- Charges over business assets such as premises, inventory and accounts receivable.

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

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument.

(b) Credit-related Commitments:

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and stand-by 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 shipment of goods to which they relate, and therefore carry less risk than a direct loan.

(Expressed in Eastern Caribbean Dollars)

4. **Financial Risk Management**: *(cont'd)*

(a) Credit Risk: (cont'd)

(ii) Risk Limit Control and Mitigation Policies: (cont'd)

(b) Credit-related Commitments: (cont'd)

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

(iii) Impairment and Policies:

The internal and external rating systems described in Note 4(a) (i) focus more on credit quality mapping from the inception of the lending and investment activities. In contrast, impairment allowances are recognised for financial reporting purposes based on the guidance of IFRS 9.

The impairment allowance shown in the consolidated statement of financial position at year end is derived from each of the five rating grades. However, the majority of the impairment allowance comes from the sub-standard, doubtful and loss grades. The table below shows the percentage of the Group's consolidated statement of financial position items relating to loans and advances and the associated impairment allowance for each of the Group's internal rating categories:

	2023		2022	
Group's rating	**Loans and advances (%)**	**Impairment allowance (%)**	**Loans and advances (%)**	**Impairment allowance (%)**
Pass	73.90	-	71.79	-
Special Mention	21.00	26.70	22.77	22.71
Sub-standard	1.59	11.08	0.50	3.05
Doubtful	2.34	35.92	1.10	16.40
Loss	1.17	26.30	3.84	57.84
Total	100.00	100.00	100.00	100.00

The internal rating tools assist management to determine whether objective evidence of impairment exists 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

(Expressed in Eastern Caribbean Dollars)

4. **Financial Risk Management**: *(cont'd)*

(a) Credit Risk: (cont'd)

(iv) Expected Credit Loss Measurement

IFRS 9 outlines a "three stage model" for the impairment based on changes in credit quality since initial recognition as summarized below:

Deterioration in credit quality since initial recognition		
Stage 1	**Stage 2**	**Stage 3**
Performing	**Under-performing**	**Non-performing**
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
12 month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

- Stage 1 includes those financial instruments that were not credit impaired on initial recognition. Credit risk is considered to be low for these assets. The expected credit loss for these instruments is measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months using the probability of default approach on a collective basis by shared credit risk characteristics. The groupings used in performing the collective assessment are as follows:

  - Installment loans
  - Commercial business loans
  - Mortgage loans
  - Overdrafts
  - Credit cards

- Stage 2 includes those financial instruments where a significant increase in credit risk (SICR) has occurred since initial recognition, but not yet deemed to be credit-impaired. Refer to note 3(e) for the qualitative considerations in assessing whether or not a significant increase in credit loss has occurred.

  Forward looking information is also incorporated in the assessment of SICR and is performed on a (quarterly/annual) basis at a portfolio level. The forward looking factors considered in assessing SICR are as follows:

  - Forecasts of unemployment rates;
  - GPD forecasts;
  - Inflation forecasts

4. **Financial Risk Management**: *(cont'd)*

(a) Credit Risk: (cont'd)

(iv) Expected Credit Loss measurement (cont'd)

The Group also uses a backstop, whereby a rebuttable presumption is applied and a financial instrument is considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on the contractual payments. The expected credit loss for these instruments is measured on a lifetime basis using the probability of default on a collective basis by shared credit risk characteristics.

- Stage 3 includes those financial instruments that are considered to be in default or credit-impaired. A rebuttable presumption is applied and a financial instrument is considered to be credit impaired if the borrower is more than 90 days past due on the contractual payments. The Group also considers other qualitative criteria in determining default as they are indicators of the unlikeliness that the loan will be repaid such as:

  - The borrower is insolvent;
  - Concessions have been granted to the borrower due to the borrower's financial difficulty;
  - It is probable that the borrower will enter bankruptcy or other financial reorganisation; and
  - The borrower is deceased.

The above criteria have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The expected credit loss for these instruments is measured on a lifetime basis on an individual basis. The loss given default is calculated for each instrument and the expected credit loss is discounted back to the reporting date using the original effective interest rate. Forward looking information is also incorporated in determining the loss given default.

Explanation of inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. The Bank provided for improvement on the model used during the financial year in order to create a more robust model with greater level of automation than the previous version. The Bank continues to measure ECL of credit instruments by the "EAD method". The EAD method requires three risk parameters in its simplest form; the Probability of Default (PD), Exposure at default (EAD) and Loss Given Default (LGD), adjusted explicitly for forward-looking information, and is computed by:

$$ECLt = DRt * PDt * LGDt * EAD$$

4. **Financial Risk Management**: *(cont'd)*

(a) Credit Risk: (cont'd)

(iv) Expected Credit Loss measurement (cont'd)

Explanation of inputs, assumptions and estimation techniques *(cont'd)*

Where DRt is the discount factor (rate) for period t, PDt is the probability of default for period t, LGDt is the average LGD for the period t, EADt is the average EAD for period t and t refers to the period corresponding to the expected lift of the instruments (12-months or lifetime). The EAD method will be used to calculate the ECL at a portfolio segment level. Thus, the ECL methodology requires five primary inputs:

I. Probability of Default ("PD")
II. Loss Given Default ("LGD")
III. Exposure at Default ("EAD")
IV. Discount Rate ("DR")
V. Expected Life ("EL")

Each parameter is estimated independently to capture their distinct definitions and relationship with ECL. Given the requirements on measuring ECL, multiple ECLs representing various states of the economy are generated and combined to produce a forward-looking probability weighted ECL for each loan using the prior expression and combing via:

$$\overline{ECL_t} = \sum_{i=1}^{n} p_i ECL_t^i$$

where p_i is the probability associated to each state of the economy.

While the 12-month ECL is computed directly from the expression above, for the Lifetime ECL we compute this as a 12-month ECL, plus the marginal component of the ECL for months greater than 12:

$$ECL_{Lifetime} = ECL_{12-Month} + DR_{Lifetime} * \left(PD_{Lifetime} - PD_{12-Month}\right) * LGD * EAD$$

4. **Financial Risk Management**: *(cont'd)*

(a) Credit Risk: (cont'd)

(iv) Expected Credit Loss measurement: (cont'd)

- The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (lifetime PD) of the obligations. For individual, mortgage and overdraft facilities, the base PD for the entire portfolio is adjusted for individual loan-based characteristics. Given the model improvement the PD was recalibrated at November 2022 for the above categories and then adjusted for, loan type, economic sector and interest rate of the borrower's facility. The PD for Credit Card remains unadjusted due to low relative sample size and homogeneity amongst the characteristics of these facilities. Given the relatively low sample size of the corporate loan portfolio the S&P for investment grade corporate (median default rate for CCC/C rated) was used a proxy for the corporate default rate.

- EAD is based on the amount the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (lifetime EAD). For example, for a revolving commitment, the Group includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur. The ultimate measure of EAD to apply to each instrument will depends on the product-specific features and treatment of cash flow through the life of the loans.

- Loss Given Default (LGD) represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by seniority of claim and product type, while the availability of collateral is factored before LGD is considered. A robust system for recovering on all delinquent facilities is managed by a specialised unit ensuring that early measures are taken to contain loss. The recovery on various products managed by the Group are recorded and this historical information is used to determine LGD. LGD is computed as the facility level given the specificity of the collateral.

- Discount Rate (DR) is the discount factor applied to ECL at the reporting date using the effective interest rate (EIR) determined at the initial recognition of the facility. The EIR is calculated per guidance, which sets forth what fees should be included and excluded in the rate. The interest rate will be used to obtain an effective interest rate for the purpose of determining the rate for discounting the ECL.

- The Expected Life ("EL") is the maximum period over which expected credit losses are measured and should not exceed the contractual period or term of the financial instrument. IFRS 9 identifies that some financial instruments do not have a maturity date, and the EL may differ for these instruments. These financial instruments generally have the following characteristics as a result of the nature of the product, the way in which they are managed, and the nature of the available information with respect to significant increases in credit risk:

(Expressed in Eastern Caribbean Dollars)

4. **Financial Risk Management**: *(cont'd)*

(a) Credit Risk: (cont'd)

(iv) Expected Credit Loss measurement: (cont'd)

a) The financial instruments do not have a fixed term or repayment structure and usually have a short contractual cancellation period.
b) The contractual ability to cancel the contract is not enforced in the normal day-to-day management of the financial instrument and the contract may only be cancelled when the entity becomes aware of an increase in credit risk at the facility level.
c) The financial instruments are managed on a collective basis.

When determining the period over which the entity is expected to be exposed to credit risk, but for which ECL would not be mitigated by CUB's normal credit risk management actions, the following factors should be considered:

a) The period over which the entity was exposed to credit risk on similar financial instruments.
b) The length of time for related defaults to occur on similar financial instruments following a significant increase in credit risk.
c) The credit risk management actions that an entity expects to take once the credit risk on the financial instrument has increased, such as the reduction or removal of undrawn limits.

To determine the EL, the maximum period between the reporting date and maturity date of the contract is used. Almost all instruments have a well-defined contractual term and hence the contractual life will represent the EL for these instruments. An average across all instruments will be used. In the event that the contractual term is missing, zero, negative, or in the event the facility is a revolving facility (e.g. Credit Card), an estimated EL will be assigned as a proxy. For the Overdraft and 'Other' (other being a catch-all for individual and mortgage loans) categories were calculated using an average of the portfolio as of December 2023, whereas the Credit Card category was assigned to have a life of 1-year, since the Group undergoes a full credit review for each card on an annual basis.

The Group previously developed its ECL based on a five (5) year period analysis but re-calibrated the model in December 2023 to take in to consideration model improvements made. The Group with due consideration during the development process was limited by the lack of sectoral and granular data which would be able to identify sufficient correlation causal relationship between sub grouping within the portfolio. Additionally, the Group loan portfolio is very small which would result in the lack of statistically significant estimations from more complex monitoring. The Management is aware that significant upgrade to existing systems and processing is necessary to facilitate more efficient and metric based modelling in the future. However, given the size of the Group's portfolio even if the upgrade were implemented and a complete set of required data available the result of such an analysis would still not be statistically credible.

4. **Financial Risk Management**: *(cont'd)*

(a) Credit Risk: (cont'd)

(iv) Expected Credit Loss measurement: (cont'd)

The necessary upgrade cost incurred does not seem reasonable given the level of doubt surrounding the outputs. IFRS 9, specifically refers to information that can be provided "without undue cost". Given the factors, the Group elected for Probability of Default approach utilising existing data sets. The Probability of Default based on historical analysis is a good approximation of the future probabilities of losses in the next years. The probability of default is based on the grouping used in the collective assessment above.

Forward-looking information incorporated in the ECL model
The calculation of the ECL incorporates forward-looking information. The Group assessed both the availability of widely held statistics in determining meaningful key indicators for the forward-looking information into the model. Based on the limited publication of widely held economic statistics, management's qualitative assessment of expected Gross Domestic Product (GDP), unemployment rate and inflation rate would impact the portfolios overall performance. GDP growth was adjusted to have the highest impact on the portfolio, but the unemployment and inflation rates were seen as lagging indicators of GDP growth and therefore weightings were calibrated and similar for this assessment.

However, the Group could not determine or identify a strong dependency relationship (high level of significance) between the movement in GDP and the proportionate loss rate due to the lack of statistical significant sample size.

Due to the limitations of the overlay, the Group utilised a benchmarking of the relative performance of the domestic economy to the performance of the portfolio. While assessing the significant facilities independent of the collective assessment, the Group noted that the GDP projection issued by both the Eastern Caribbean Central Bank (ECCB) and the International Monetary Fund (IMF) indicate that economy will continue to grow in 2024 albeit at a slightly slower rate than 2023. Management noted given the relative positive outlook, management has an adopted a more optimistic outlook for most leading indicators except for inflationary which will continue to be a major factor in 2024.

The Group created multiple scenarios that are used to determine scenario-based PDs. The probability-weighting requirement of IFRS 9 states that at least two outcomes should be used when measuring ECL and assessing SICR. Thus, three scenarios are selected to reflect future states of the economy:

a) Pessimistic: This represents a pessimistic state of the world, projected into the future.
b) Baseline: This represents the current state of the world, projected into the future.
c) Optimistic: This represents an optimistic state of the world, projected into the future.

4. **Financial Risk Management**: *(cont'd)*

(a) Credit Risk: (cont'd)

(iv) Expected Credit Loss measurement (cont'd)

The framework for creating the scenarios relies on Management scoring of various factors within affect credit risk. Gross Domestic Product, Employment Rate, and Inflation Rate are selected to create each scenario. Outlooks were provided for each of these variables to derive a weighted adjustment factor that was then applied to the loan portfolios to reflect this forward-looking information.

The table below show the macroeconomic factors selected and attendant weights:

Forward-Looking Assumptions	**Scoring**	**Value (/5)**	**Weight**
Gross Domestic Product	Optimistic	2.00	33.3%
Employment Rate	Optimistic	2.00	33.3%
Inflation Rate	Pessimistic	3.00	33.3%
Total		2.22	100.0%

The Group concluded that the PD's will continue to maintain the same historical loss trajectory as there is no foreseeable expected change in the current economic outlook at December 31, 2023. Despite this, management did provide an overlay which incorporate the relative exposure relating to the domestic GDP growth. Management provided for the relative impact of each category below based on the following scenarios: i) 3% or greater decline in GDP, ii) if GDP remains at its current level and iii) 1% of greater increase in GDP. The weighted average impact along with the GDP forecast were utilised in the estimation of the forward-looking PD's below. GDP is expected to grow at a rate of 7.64% (ECCB). The following were estimated as the PD's per category of loan at December 31, 2023 considering the model computation above.

The values for each factor are weighted and summed to determine the baseline forward-looking adjustment based on the expectation of the future:

$$A_{FL} = GDP * w_{GDP} + ER * w_{ER} + IR * w_{IR}$$

Once the baseline expectation is established, we must set the multipliers for each scenario. This determines how much worse or better the scenarios are relative to each other.

Scenario Multiplier Assumptions	
Pessimistic	1.5
Baseline	1
Optimistic	0.5

(Expressed in Eastern Caribbean Dollars)

4. **Financial Risk Management**: *(cont'd)*

(a) Credit Risk: (cont'd)

(v) Maximum Exposure to Credit Risk before Collateral held or other Credit Enhancements:

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

		2023	2022
Credit risk exposures relating to on-balance sheet assets:			
Balances with the Central Bank	$	19,665,331	22,995,124
Investment securities:			
Financial assets at Amortised cost		16,200,000	32,407,751
Financial assets at FVTOCI		99,420	99,420
Financial asset held at FVTPL		99,440	95,899
Due from other banks		31,345,408	36,318,504
Treasury bills		14,813,432	16,604,798
Loans and advances		214,492,202	180,455,532
		296,715,233	288,977,028
Credit risk exposures relating to off-balance sheet items:			
Loan commitments and other credit related facilities		10,008,329	10,294,903
		10,008,329	10,294,903
	$	306,723,562	299,271,931

(Expressed in Eastern Caribbean Dollars)

4. **Financial Risk Management**: *(cont'd)*

(a) Credit Risk: (cont'd)

(v) Maximum Exposure to Credit Risk before Collateral held or other Credit Enhancements: (cont'd)

The table represents a worst case scenario of credit exposure to the Group at December 31, 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 statement of financial position.

As shown above, 72% of the total maximum exposure is derived from loans and advances (2022: 62%). Investments in short term marketable and investment securities represents a total maximum exposure of 5% (2022: 11%).

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

- 95% (2022: 95%) of the loans and advances portfolio is categorised in the top two grades of the internal rating system.
- 95% (2022: 95%) of loans and advances, which represent the biggest group in the portfolio, are backed by collateral.
- 89% (2022: 71%) of the loans and advances portfolio are considered to be neither past due nor impaired.
- 5% (2022: 8%) of loans and advances are considered impaired.
- The Bank has introduced a more stringent selection process for granting loans and advances.
- As at December 31, 2023, public sector borrowings represent 32% (2022: 43%) of the loans portfolio and were secured by a Government guarantee and supported by hypothecated deposits which equal 44% (2022: 44%) of the exposure.

(Expressed in Eastern Caribbean Dollars)

4. **Financial Risk Management**: *(cont'd)*

(a) Credit Risk: (cont'd)

(v) Maximum Exposure to Credit Risk before Collateral held or other Credit Enhancements: (cont'd)

The following table contains an analysis of the credit risk exposure of financial instruments that are subject to impairment. The carrying amount of the financial instruments below, also represents the Group's maximum exposure to credit risk on assets.

As at December 31, 2023

Credit risk exposures to on-balance sheet assets:		**ECL staging** Stage 1 12 Month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Balances with the Central Bank	$	19,665,331	-	-	19,665,331
Investments securities:					
Financial assets at FVTPL		99,440	-	-	99,440
Financial assets at FVTOCI		99,420	-	-	99,420
Financial asset at amortised cost		16,200,000	-	-	16,200,000
Due from other banks		31,345,408	-	-	31,345,408
Treasury bills		14,813,432	-	-	14,813,432
Loans and advances		83,923,407	124,884,171	11,073,273	219,880,851
Gross carrying amount		166,146,438	124,884,171	11,073,273	302,103,882
Loss allowance		(801,802)	(287,202)	(5,080,858)	(6,169,862)
Carrying amount	$	165,344,636	124,596,969	5,992,415	295,934,020

(Expressed in Eastern Caribbean Dollars)

4. **Financial Risk Management:** *(cont'd)*

(a) Credit Risk: (cont'd)

(v) Maximum Exposure to Credit Risk before Collateral held or other Credit Enhancements: (cont'd)

As at December 31, 2023

		ECL staging			
Credit risk exposures to off-balance sheet items:		**Stage 1 12 Month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Loan commitments and other credit related facilities - Gross carrying amount	$	254,704	9,533,814	219,811	10,008,329
Loss allowance		-	(160,641)	(44,522)	(205,163)
Carrying amount	$	165,599,340	133,970,142	6,167,704	305,737,186

(Expressed in Eastern Caribbean Dollars)

4. **Financial Risk Management:** *(cont'd)*

(a) Credit Risk: (cont'd)

(v) Maximum Exposure to Credit Risk before Collateral held or other Credit Enhancements: (cont'd)

As at December 31, 2022

		ECL staging			
Credit risk exposures to on-balance sheet assets:		**Stage 1 12 Month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Balances with the Central Bank	$	22,995,124	-	-	22,995,124
Investment securities					
Financial Asset at FVTPL		95,899	-	-	95,899
Financial assets at FVTOCI		99,420	-	-	99,420
Financial asset at amortised cost		32,407,751	-	-	32,407,751
Due from other banks		36,318,504	-	-	36,318,504
Treasury bills		16,604,798	-	-	16,604,798
Loans and advances		16,463	174,848,495	10,111,164	184,976,122
Gross carrying amount		108,537,959	174,848,495	10,111,164	293,497,618
Loss allowance		(430)	(966,293)	(4,655,671)	(5,622,394)
Carrying amount	$	108,537,529	173,882,202	5,455,493	287,875,224

		ECL staging			
Credit risk exposures to off-balance sheet items:		**Stage 1 12 Month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Loan commitments and other credit related facilities - Gross carrying amount	$	-	10,286,464	8,440	10,294,903
Loss allowance		-	(137,079)	(8,190)	(145,269)
Carrying amount	$	108,537,529	184,031,587	5,455,743	298,024,859

(Expressed in Eastern Caribbean Dollars)

4. **Financial Risk Management:** *(cont'd)*

(a) Credit Risk: (cont'd)

(v) Maximum Exposure to Credit Risk before Collateral held or other Credit Enhancements: (cont'd)

The following tables contain an analysis of credit risk exposure of loans and advances that are subject to impairment.

As at December 31, 2023

		ECL staging			
Customer group:		**Stage 1 12 Month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Installment loans	$	1,818,265	38,846,446	3,394,642	44,059,353
Corporate loans		51,966,305	20,610,737	3,141,966	75,719,008
Mortgages		11,172,789	55,277,956	2,602,655	69,053,400
Overdraft		18,965,839	8,575,495	1,554,599	29,095,933
Credit cards		209	1,573,537	379,413	1,953,159
Loss allowance		(801,802)	(287,202)	(5,080,858)	(6,169,862)
Carrying amount	$	83,121,605	124,596,969	5,992,417	213,710,991

(Expressed in Eastern Caribbean Dollars)

4. **Financial Risk Management:** *(cont'd)*

(a) Credit Risk: (cont'd)

(v) Maximum Exposure to Credit Risk before Collateral held or other Credit Enhancements: (cont'd)

As at December 31, 2022

		ECL staging			
Customer group:		**Stage 1 12 Month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Installment loans	$	16,463	29,453,157	3,223,736	32,693,356
Corporate loans		-	63,257,312	3,084,566	66,341,878
Mortgages		-	45,859,446	2,237,835	48,097,281
Overdraft		-	35,050,506	1,415,190	36,465,696
Credit cards		-	1,228,074	149,838	1,377,912
Loss allowance		(430)	(966,293)	(4,655,671)	(5,622,394)
Carrying amount	$	16,033	173,882,202	5,455,494	179,353,729

(Expressed in Eastern Caribbean Dollars)

4. **Financial Risk Management**: *(cont'd)*

(a) Credit Risk: (cont'd)

(v) Maximum Exposure to Credit Risk before Collateral held or other Credit Enhancements: (cont'd)

The Group closely monitors collateral held for financial assets considered to be credit impaired, as it becomes more likely that the Group will take possession of collateral to mitigate potential credit losses. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below.

As at December 31, 2023

		Credit-impaired loans			
Customer group		**Gross exposure**	**Impairment allowance**	**Carrying amount**	**Fair value of collateral held**
Installment loan	$	3,394,642	(995,168)	2,399,474	5,865,394
Corporate loan		3,141,966	(1,993,370)	1,148,596	1,179,496
Mortgages		2,602,655	(829,619)	1,773,036	2,520,303
Overdraft		1,554,599	(1,081,735)	472,864	508,875
Credit Cards		379,413	(180,966)	198,447	367,853
Gross carrying amount	$	11,073,275	(5,080,858)	5,992,417	10,441,921

(Expressed in Eastern Caribbean Dollars)

4. **Financial Risk Management:** *(cont'd)*

(a) Credit Risk: (cont'd)

(v) Maximum Exposure to Credit Risk before Collateral held or other Credit Enhancements: (cont'd)

As at December 31, 2022

		Credit-impaired loans			
Customer group		**Gross exposure**	**Impairment allowance**	**Carrying amount**	**Fair value of collateral held**
Installment loan	$	3,223,736	(1,004,395)	2,219,341	6,855,101
Corporate loan		3,084,566	(1,909,189)	1,175,377	3,170,016
Mortgages		2,237,835	(731,842)	1,505,993	1,737,212
Overdraft		1,415,190	(860,158)	555,032	1,950,675
Credit Cards		149,838	(150,087)	(249)	-
Total	$	10,111,165	(4,655,671)	5,455,494	13,713,004

4. **Financial Risk Management**: *(cont'd)*

(a) Credit Risk: (cont'd)

(v) Maximum Exposure to Credit Risk before Collateral held or other Credit Enhancements: (cont'd)

The following table shows the distribution of Loan-to-Value ratios (LTV) for the Group's mortgage credit-impaired portfolio presented at their gross carrying amounts.

Mortgage Portfolio -LTV distribution		**2023**	**2022**
Lower than 50%	$	291,639	301,285
50% to 60%		-	-
60% to 70%		-	-
70% to 80%		-	-
80% to 90%		-	-
90% to 100%		780,783	761,899
Greater than 100%		1,530,233	1,174,651
Total	$	2,602,655	2,237,835

(vi) Loss allowance

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

- Transfer between Stage 1 and Stages 2 or 3 due to financial instrument experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent step up (or step down) between 12 month and life time ECL;

- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;

- Impact on the measurement of ECL due to changes in PD, EADs and LGDs in the period arising from periodic refreshing of inputs to models; currently 5 years loss rate are used and management's intention is to maintain this 5 year rolling average for loss rate or PD's.

- Impacts on the measurement of ECL due to changes made to model and assumptions;

- Financial assets that were written off during the period;

- Foreign exchange retranslations for assets denominated in foreign currencies and other movement; and

- Discount unwind within ECL due to the passage of time, as ECL is measured at present value basis.

(Expressed in Eastern Caribbean Dollars)

4. **Financial Risk Management**: *(cont'd)*

(a) Credit Risk: (cont'd)

(vi) Loss allowance (cont'd)

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

		Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Credit Impaired	Total
Loss allowance as at December 31, 2022	$	430	1,103,372	4,663,860	5,767,662
Movement with P&L Impact:					
Transfer from Stage 1 to Stage 2		(430)	173	-	(257)
Transfer from Stage 2 to Stage 1		799,058	(720,542)	-	78,516
Transfer from Stage 2 to Stage 3		-	(139,906)	254,982	115,076
Transfer from Stage 3 to Stage 2		-	272	(26,715)	(26,443)
Change due to additions, changes in PD and repayment		2,744	204,474	345,312	552,530
Total Net P&L Charge during the period and other movements		801,802	447,843	5,237,439	6,487,084
Write offs		-	-	(112,058)	(112,058)
Loss allowance as at December 31, 2023	$	801,802	447,843	5,125,381	6,375,026

CARIBBEAN UNION BANK LIMITED

Notes to Consolidated Financial Statements *(cont'd)*

December 31, 2023

(Expressed in Eastern Caribbean Dollars)

4. **Financial Risk Management:** *(cont'd)*

(a) Credit Risk: (cont'd)

(vi) Loss allowance (cont'd)

		Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Credit Impaired	Total
Loss allowance as at December 31, 2021	$	272,297	623,382	4,604,546	5,500,225
Movement with P&L Impact:					
Transfer from Stage 1 to Stage 2		(176,537)	834,167	-	657,630
Transfer from Stage 1 to Stage 3		-	-	81,339	81,339
Transfer from Stage 2 to Stage 1		-	-	-	-
Transfer from Stage 2 to Stage 3		-	(9,484)	156,244	146,760
Transfer from Stage 3 to Stage 2		-	261	(24,372)	(24,111)
Transfer from Stage 3 to Stage 1		-	-	-	-
Change due to addition, Changes in PD and repayment		(95,330)	(316,804)	(138,158)	(550,292)
Total Net P&L Charge during the period and other movements		430	1,131,522	4,679,599	5,811,551
Write offs		-	(28,150)	(15,739)	(43,889)
Loss allowance as at December 31, 2022	$	430	1,103,372	4,663,860	5,767,662

4. **Financial Risk Management**: *(cont'd)*

(a) Credit Risk: (cont'd)

(vii) Write-off Policy

The Group writes off financial assets, whether in their entirety or a portion thereof, after it has exhausted all practical efforts to recover the amount due and has concluded that there is no reasonable expectation of recovery. Indicators of no reasonable prospects of recovering any further cash flows from the financial asset include:

- ceasing enforcement activity to foreclose on the collateral; and
- based on the foreclosure process and the value of the collateral, there is no reasonable expectation that the loan will be recovered in full.

(viii) Modifications & replacement of financial assets

The Group sometimes modifies the terms of loans provided to customer due to commercial renegotiations, or for distressed loans with a view to maximizing recovery. The Group continues to monitor if there is a subsequent significant increase in credit risk in relations to such assets through the Credit Review Process.

(Expressed in Eastern Caribbean Dollars)

4. **Financial Risk Management:** *(cont'd)*

(a) Credit Risk: (cont'd)

(ix) Concentration of risks of financial assets with credit risk exposure

(a) Geographical Sectors:

The following table breaks down the Group's main credit exposure at their carrying amounts, as categorised by geographical region as at December 31, 2023. For this table, the Group has allocated exposures to regions based on country of domicile of the counterparties.

		Antigua and Barbuda	Other Caribbean	North America	United Kingdom	Total
Credit risk exposures relating to on-balance sheet assets:						
Balances with the Central Bank	$	-	19,665,331	-	-	19,665,331
Due from other banks		62,344	5,018,889	3,559,736	22,704,439	31,345,408
Treasury bills		12,311,734	2,501,698	-	-	14,813,432
Investment securities:						
Financial asset held at FVTPL		-	35,451	63,989	-	99,440
Financial assets held at Amortised cost		-	-	-	16,200,000	16,200,000
Financial assets held at FVOCI		-	99,420	-	-	99,420
Loans and advances		214,492,202	-	-	-	214,492,202
		226,866,280	27,320,789	3,623,725	38,904,439	296,715,233
Credit risk exposures relating to off-balance sheet items:						
Loan commitments and other credit related facilities		10,008,329	-	-	-	10,008,329
As at December 31, 2023	$	236,874,609	27,320,789	3,623,725	38,904,439	306,723,562

(Expressed in Eastern Caribbean Dollars)

4. **Financial Risk Management**: *(cont'd)*

(a) Credit Risk: (cont'd)

(ix) Concentration of risks of financial assets with credit risk exposure: (cont'd)

(a) Geographical Sectors: (cont'd)

The following table breaks down the Group's main credit exposure at their carrying amounts, as categorised by geographical region as at December 31, 2022. For this table, the Group has allocated exposures to regions based on country of domicile of the counterparties.

		Antigua and Barbuda	Other Caribbean	North America	Other	Total
Credit risk exposures relating to on-balance sheet assets:						
Balances with the Central Bank	$	-	22,995,124	-	-	22,995,124
Due from other banks		62,722	1,061,792	2,563,676	32,630,314	36,318,504
Treasury bills		16,604,798	-	-	-	16,604,798
Investment securities:						
Financial asset held at FVTPL		-	99,420	-	-	99,420
Financial assets held at Amortised cost		-	-	-	32,407,751	32,407,751
Financial assets held at FVOCI		-	34,874	61,025	-	95,899
Loans and advances		180,455,532	-	-	-	180,455,532
		197,123,052	24,191,210	2,624,701	65,038,065	288,977,028
Credit risk exposures relating to off-balance sheet items:						
Loan commitments and other credit related facilities		10,294,903	-	-	-	10,294,903
As at December 31, 2022	$	207,417,955	24,191,210	2,624,701	65,038,065	299,271,931

(Expressed in Eastern Caribbean Dollars)

4. **Financial Risk Management**: *(cont'd)*

(a) Credit Risk: (cont'd)

(ix) Concentration of risks of financial assets with credit risk exposure: (cont'd)

(b) Economic Sectors:
Economic Sector Risk Concentrations within the Customer Loan Portfolio were as follows:

	2023	2023	2022	2022
	$	%	$	%
Public Administration & Social Security	71,722,312	32.62	79,290,062	42.80
Construction and land development	69,697,108	31.70	50,732,899	27.39
Private households	35,820,560	16.29	26,124,197	14.10
Real estate activities	17,094,916	7.77	14,823,779	8.00
Mining and Quarry	10,884,872	4.95	-	-
Accommodation & food service activities	4,932,881	2.24	5,575,965	3.02
Wholesale & Retail Trade	3,296,700	1.50	3,648,401	1.97
Professional, scientific & Technical Services	2,966,852	1.35	2,674,751	1.44
Administrative & Support services	1,125,168	0.52	201,969	0.11
Education	999,735	0.45	864,957	0.47
Manufacturing	995,425	0.45	784,694	0.42
Arts, entertainment & recreation	263,473	0.12	286,491	0.16
Human health & social work	40,505	0.02	61,416	0.03
Agriculture, forestry and fishing	35,216	0.02	152,947	0.08
Transportation and storage	5,128	0.00	1,484	0.00
Other service activity	-	0.00	19,334	0.01
Information and communication	-	0.00	6,554	0.00
	219,880,851	100.00	185,249,900	100.00

(Expressed in Eastern Caribbean Dollars)

4. **Financial Risk Management**: *(cont'd)*

(a) *Credit Risk: (cont'd)*

(x) *Loans and Advances Re-negotiated:*
Restructuring activities include extended payment arrangements, approved external management plans, modification and deferred payments. Following restructuring, a previously overdue account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators of criteria which, in the judgement of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans, in particular customer finance loans. During the year, renegotiated loans that would otherwise either be past due or impaired were $nil (2022: $nil).

(xi) *Short-term Marketable Securities, Debt and Equity Securities:*
There is no formal rating of the credit quality of short-term marketable securities, and debt and equity securities. A number of qualitative and quantitative factors are considered in assessing the risk equity associated with each investment; however, there is no hierarchy of ranking. There are no external ratings of the securities.

(xii) *Repossessed Collateral:*
The Group had no repossessed collateral recorded in its statement of financial position as at December 31, 2023 (2022: nil).

(b) *Market Risk:*
The Group takes on exposure to market risks, which is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices. The Group's market risk is concentrated in its non-trading portfolio.

The management of market risks arising is concentrated in the Investment Committee and monitored by management. Regular reports are submitted to the Board of Directors and department heads.

There are no formal models developed by the Group for the monitoring of market risks. Market risks are managed based on review of the financial condition of the issuers and knowledge of macro-economic factors such as interest rate trends, etc. which can be obtained from the ECCB website as well as other economic publications. Management discusses the impact of any of the above factors on current financial instruments and makes decisions regarding the level of risk to be undertaken in the respective portfolios; however, there are no quantitative models or stress tests performed.

(Expressed in Eastern Caribbean Dollars)

4. **Financial Risk Management**: *(cont'd)*

(b) *Market Risk: (cont'd)*

(i) *Other Price Risk:*
The Group is not exposed to other price risk.

(ii) *Foreign Exchange Risk:*
The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board of Directors sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. The Group's exposure to currency risk is limited 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 risk at December 31, 2023. Included in the table are the Group's financial instruments at carrying amounts, categorised by currency.

(Expressed in Eastern Caribbean Dollars)

4. **Financial Risk Management:** *(cont'd)*

(b) Market Risk: (cont'd)

(ii) Foreign Exchange Risk: (cont'd)

As at December 31, 2023

	XCD	USD	EUR	GBP	CDN	Total
Assets						
Cash and balances with the Central Bank	$ 21,943,804	406,698	18,849	10,410	10	22,379,771
Due from other banks	4,978,516	26,038,087	(155,024)	423,931	59,898	31,345,408
Treasury bills	14,813,432	-	-	-	-	14,813,432
Investment securities:						
Financial Asset at FVTPL	-	99,440	-	-	-	99,440
Financial assets at amortised cost	-	16,200,000	-	-	-	16,200,000
Financial assets at FVOCI	99,420	-	-	-	-	99,420
Loans and advances	213,027,190	1,465,012	-	-	-	214,492,202
Total financial assets	$ 254,862,362	44,209,237	(136,175)	434,341	59,908	299,429,673
Liabilities						
Customers' deposits	$ 249,132,252	9,056,126	-	-	-	258,188,378
Other liabilities	9,064,170	-	-	-	-	9,064,170
Total financial liabilities	$ 258,196,422	9,056,126	-	-	-	267,252,548
Net on-balance sheet position	$ (3,334,060)	35,153,111	(136,175)	434,341	59,908	32,177,125
Credit commitments	$ 6,875,802	3,132,527	-	-	-	10,008,329

(Expressed in Eastern Caribbean Dollars)

4. **Financial Risk Management:** *(cont'd)*

(b) Market Risk: (cont'd)

(ii) Foreign Exchange Risk: (cont'd)

As at December 31, 2022

		XCD	USD	EUR	GBP	CDN	Total
Assets							
Cash and balances with the Central Bank	$	23,948,470	425,944	26,589	6,050	1,121	24,408,174
Due from other banks		1,020,148	34,748,668	5,663	441,064	102,961	36,318,504
Treasury bills		16,604,798	-	-	-	-	16,604,798
Investment securities:							
Financial asset at FVTPL		99,420	-	-	-	-	99,420
Financial assets at amortised cost		-	32,407,751	-	-	-	32,407,751
Financial assets held at FVOCI		-	95,899	-	-	-	95,899
Loans and advances		180,455,531	-	-	-	-	180,455,531
Total financial assets	$	222,128,367	67,678,262	32,252	447,114	104,082	290,390,077
Liabilities							
Customers' deposits	$	234,206,540	12,527,872	-	-	-	246,734,412
Other liabilities		10,329,374	-	-	-	-	10,329,374
Total financial liabilities	$	244,535,914	12,527,872	-	-	-	257,063,786
Net on-balance sheet position	$	(22,407,547)	55,150,390	32,252	447,114	104,082	33,326,291
Credit commitments	$	6,645,594	3,649,309	-	-	-	10,294,903

(Expressed in Eastern Caribbean Dollars)

4. **Financial Risk Management**: *(cont'd)*

(b) Market Risk: (cont'd)

(ii) Foreign Exchange Risk: (cont'd)

If at December 31, 2023, the Eastern Caribbean dollar had weakened/strengthened by 1% against Euro, Sterling and Canadian Dollars with all other variables held constant, the impact on post-tax profit for the period would have been insignificant.

(iii) 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.

Fair value interest rate sensitivity analysis

The Group's exposure to fair value interest rate on financial assets and liabilities at fair value through profit or loss in limited as it has no financial assets and liabilitites bearing interest at various rates.

Cash flow interest rate sensitivity analysis

The Group's exposure to cash flow interest risk in investments, loans and advances, customer deposits and other interest bearing assets and liabilitites is limited as it has no variable rate financial assets and liabilities.

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.

(Expressed in Eastern Caribbean Dollars)

4. **Financial Risk Management:** *(cont'd)*

(b) Market Risk: (cont'd)

(iii) Interest Rate Risk: (cont'd)

As at December 31, 2023

	0 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
Assets							
Cash and balances with the Central Bank	$ -	-	-	-	-	22,379,771	22,379,771
Due from other banks	892,980	-	-	-	-	30,452,428	31,345,408
Treasury bills	3,146,518	6,806,138	4,860,776	-	-	-	14,813,432
Investment securities:							
Financial assets at FVTPL	16,200,000	-	-	-	-	-	16,200,000
Financial asset at Amortised cost	-	-	-	-	-	99,420	99,420
Financial assets held at FVOCI	63,973	35,467	-	-	-	-	99,440
Loans and advances	27,911,979	2,421,580	1,656,770	23,696,529	158,805,344	-	214,492,202
Total financial assets	$ 48,215,450	9,263,185	6,517,546	23,696,529	158,805,344	52,931,619	299,429,673
Liabilities							
Customers' deposits	$ 198,766,886	25,412,984	22,499,305	11,509,203	-	-	258,188,378
Other liabilities	-	-	-	-	-	9,064,170	9,064,170
Total financial liabilities	$ 198,766,886	25,412,984	22,499,305	11,509,203	-	9,064,170	267,252,548
Total interest repricing gap	$(150,551,436)	(16,149,799)	(15,981,759)	12,187,326	158,805,344	43,867,449	32,177,125

(Expressed in Eastern Caribbean Dollars)

4. **Financial Risk Management:** *(cont'd)*

(b) Market Risk: (cont'd)

(iii) Interest Rate Risk: (cont'd)

As at December 31, 2022

		0 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
Assets								
Cash and balances with the Central Bank	$	-	-	-	-	-	24,408,174	24,408,174
Due from other banks		860,295	-	-	-	-	35,458,209	36,318,504
Treasury bills		3,146,036	8,578,345	4,880,417	-	-	-	16,604,798
Investment securities:								
Financial assets at FVTPL		61,605	34,294	-	-	-	-	95,899
Financial assets at amortised cost		32,407,751	-	-	-	-	-	32,407,751
Financial assets at FVOCI		-	-	-	-	-	99,420	99,420
Loans and advances		35,833,966	388,847	626,112	19,754,453	123,852,154	-	180,455,532
Total financial assets	$	72,309,653	9,001,486	5,506,529	19,754,453	123,852,154	59,965,803	290,390,078
Liabilities								
Customers' deposits	$	184,123,614	25,024,048	22,316,992	15,269,758	-	-	246,734,412
Other liabilities		-	-	-	-	-	10,329,194	10,329,194
Total financial liabilities	$	184,123,614	25,024,048	22,316,992	15,269,758	-	10,329,194	257,063,606
Total interest repricing gap	$	(111,813,961)	(16,022,562)	(16,810,463)	4,484,695	123,852,154	49,636,609	33,326,472

4. **Financial Risk Management**: *(cont'd)*

(c) *Liquidity Risk:*
Liquidity risk is the risk that the Group is unable to meet its obligations when they fall due as a result of customer deposits being withdrawn, cash requirements from contractual commitments, or other cash outflows, such as debt maturities. Such outflows would deplete available cash resources for client lending, trading activities and investments. 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.

(i) *Liquidity Risk Management Process:*
The Group's liquidity management process, as carried out within the Group by management, includes the following:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers.
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against unforeseen interruption to cash flow.
- Monitoring balance sheet liquidity ratios against internal and regulatory requirements; and
- Managing the concentration and profile of debt maturities.

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

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

(ii) *Funding Approach:*
Sources of liquidity are regularly reviewed by management in order to maintain a wide diversification by currency, geography, provider, product and term.

(iii) *Non-derivative Financial Assets Held for Managing Liquidity Risk:*
The table below presents the cash flows payable by the Group under non-derivative financial liabilities by remaining contractual maturities at the statement of financial position date. The amounts disclosed in the table are the contractual and undiscounted cash flows.

CARIBBEAN UNION BANK LIMITED

Notes to Consolidated Financial Statements *(cont'd)*

December 31, 2023

(Expressed in Eastern Caribbean Dollars)

4. **Financial Risk Management:** *(cont'd)*

(c) Liquidity Risk: (cont'd)

(iii) Non-derivative Financial Assets Held for Managing Liquidity Risk: (cont'd)

As at December 31, 2023

	0 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	Over 5 years	Total
Deposits from customers	$ 198,766,886	25,412,984	22,499,305	11,509,203	-	258,188,378
Other payables	3,206,991	1,284,486	423,804	1,965,820	2,183,070	9,064,171
Total financial liabilities (contractual maturity dates)	$ 201,973,877	26,697,470	22,923,109	13,475,023	2,183,070	267,252,548
Assets held for managing liquidity risk (contractual maturity dates)	$ 97,696,851	2,547,046	1,656,770	23,696,529	158,805,343	284,402,539

As at December 31, 2022

	0 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	Over 5 years	Total
Deposits from customers	$ 184,123,614	25,024,048	22,316,992	15,269,758	-	246,734,412
Other payables	6,623,745	658,167	307,310	1,606,381	1,133,591	10,329,194
Total financial liabilities (contractual maturity dates)	$ 190,747,349	25,682,215	22,624,302	16,876,139	1,133,591	257,063,606
Assets held for managing liquidity risk (contractual maturity dates)	$ 128,855,641	423,141	626,112	19,754,453	123,852,154	273,511,501

(Expressed in Eastern Caribbean Dollars)

4. **Financial Risk Management**: *(cont'd)*

(c) Liquidity Risk: (cont'd)

(iii) Non-derivative Financial Assets Held for Managing Liquidity Risk: (cont'd)

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash and cash equivalents, central bank balances, items in the course of collection, investments in debt securities and loans and advances to customers. In the normal course of business, a proportion of customer loans contractually repayable within one year will be extended. The Group would also be able to meet unexpected net cash outflows by selling securities.

(Expressed in Eastern Caribbean Dollars)

4. **Financial Risk Management:** *(cont'd)*

(c) *Liquidity Risk: (cont'd)*

(iv) *Off-Balance Sheet Items:*

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

As at December 31, 2023

		0 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	Over 5 years	Total
Loan commitments	$	4,676,117	2,672,465	2,519,424	140,323	-	10,008,329

As at December 31, 2022

		0 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	Over 5 years	Total
Loan commitments	$	4,917,645	4,297,641	969,019	110,598	-	10,294,903

4. **Financial Risk Management**: *(cont'd)*

(c) Liquidity Risk: (cont'd)

(iv) Off-Balance Sheet Items: (cont'd)

(b) Financial Guarantees and Other Financial Facilities:
The Group had no financial guarantees as at December 31, 2023 (2022: nil).

(c) Operating Lease Commitments:
The Group's operating lease commitments at December 31, 2023 and 2022 are disclosed in Note 23(a).

(d) Capital Commitments:
The Group had no contractual capital commitments as at December 31, 2023 (2022: nil).

(d) 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, such as 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 delegated responsibility for operational risk to its 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; and
- risk mitigation, including insurance where this is cost effective.

(Expressed in Eastern Caribbean Dollars)

4. **Financial Risk Management:** *(cont'd)*

(d) *Operational Risk: (cont'd)*
Compliance with Group's 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, with summaries submitted to the Board of Directors and senior management of the Group.

(e) *Fair Value of Financial Assets and Liabilities:*

(i) *Financial Instruments Measurement at Fair Values:*

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	$ 22,379,771	24,408,174	22,379,771	24,408,174
Due from other banks	31,345,408	36,318,504	31,345,408	36,318,504
Treasury Bills	14,813,432	16,604,798	15,022,000	16,796,000
Investment securities				
Financial assets at FVTPL	99,440	95,899	99,440	95,899
Financial assets at amortised cost	16,200,000	32,407,751	16,200,000	32,407,751
Financial assets at FVTOCI	99,420	99,420	99,420	99,420
Loans and advances	214,492,202	180,455,532	184,929,209	162,200,611
Total financial assets	$ 299,429,673	290,390,078	270,075,248	272,326,359
Financial liabilities				
Customers' deposits	$ 258,188,378	246,734,412	260,131,456	249,073,135
Other liabilities	9,064,170	10,329,194	9,064,170	10,329,194
Total financial liabilities	$ 267,252,548	257,063,606	269,195,626	259,402,329

4. **Financial Risk Management**: *(cont'd)*

(e) Fair Value of Financial Assets and Liabilities: (cont'd)

(i) Financial Instruments Measurement at Fair Values: (cont'd)

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

- Short-term financial assets and liabilities:

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

- Loans and advances:

  These assets result from transactions conducted in the normal course of business and their values are not adversely affected by unusual terms. The inherent rates of interest in the portfolio approximate market conditions.

- Customers' deposits:

  The fair value of items with no stated maturity are assumed to be equal to their carrying values. Deposits with fixed rate characteristics are at rates which are not significantly different from current market rates and are assumed to have discounted cash flow values which approximate carrying values.

- Investment securities:

  The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. These techniques require the Group to make assumptions that are based on market conditions existing at each reporting date. Where a reliable measure of the fair value is not available, the value of the financial instrument is measured at cost, less impairment if any. At the statement of financial position date, all such investments are carried at cost less accumulated impairment.

(ii) 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:

(Expressed in Eastern Caribbean Dollars)

4. **Financial Risk Management**: *(cont'd)*

(e) Fair Value of Financial Assets and Liabilities: (cont'd)

(ii) Fair value hierarchy (cont'd)

- Level 1 - Inputs that are quoted market prices (unadjusted) in active markets for identical instruments. This level includes listed debt instruments listed 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. This category includes all instruments for which the valuation technique includes inputs not based on observable data 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 the 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.

(Expressed in Eastern Caribbean Dollars)

4. **Financial Risk Management**: *(cont'd)*

(e) Fair Value of Financial Assets and Liabilities: (cont'd)

(ii) Fair value hierarchy *(cont'd)*

The table below is an analysis of financial instruments at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorised:

		2023			
		Level 1	**Level 2**	**Level 3**	**Total**
Financial assets					
Cash and balances with the Central Bank	$	-	22,379,771	-	22,379,771
Due from other banks		-	31,345,408	-	31,345,408
Treasury bills		-	15,022,000	-	15,022,000
Investment securities:					
Financial assets at FVTPL		-	99,440	-	99,440
Financial assets at amortised cost		-	16,200,000	-	16,200,000
Financial assets at FVTOCI		-	99,420	-	99,420
Loans and advances		-	184,929,209	-	184,929,209
Total financial assets		-	270,075,248	-	270,075,248
Financial liabilities					
Customers' deposits		-	260,131,456	-	260,131,456
Other liabilities		-	9,064,170	-	9,064,170
Total financial liabilities	$	-	269,195,626	-	269,195,626

During the year, there were no transfers out of or into Level 2.

(Expressed in Eastern Caribbean Dollars)

4. **Financial Risk Management**: *(cont'd)*

(e) Fair Value of Financial Assets and Liabilities: (cont'd)

(ii) Fair value hierarchy: (cont'd)

		2022			
		Level 1	Level 2	Level 3	Total
Financial assets					
Cash and balances with the Central Bank	$	-	24,408,174	-	24,408,174
Due from other banks		-	36,318,504	-	36,318,504
Treasury bills		-	16,796,000	-	16,796,000
Investment securities:					
Financial assets at FVTPL		-	95,899	-	95,899
Financial assets at amortised cost		-	32,407,751	-	32,407,751
Financial assets at FVTOCI		-	99,420	-	99,420
Loans and advances		-	162,200,611	-	162,200,611
Total financial assets		-	272,326,359	-	272,326,359
Financial liabilities					
Customers' deposits		-	249,073,135	-	249,073,135
Other liabilities		-	10,329,194	-	10,329,194
Total financial liabilities	$	-	259,402,329	-	259,402,329

4. **Financial Risk Management**: *(cont'd)*

(f) *Capital Management:*
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 regulators of the banking market where the Group operates;

- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and

- To maintain a strong capital base to support the development of its business.

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

The ECCB requires all banks under its jurisdiction to: (a) hold the minimum level of regulatory capital of $20,000,000, and (b) maintain a ratio of total regulatory capital to the risk-weighted assets (RWA) ("the Basel ratio") at or above the internationally agreed minimum of 8%.

The Group's regulatory capital is managed by the Board of Directors and management and is divided into two tiers:

- Tier 1 capital: share capital (net of any book values of treasury shares), minority interests arising on consolidation from interests in permanent shareholders' equity, retained earnings and reserves created by appropriations of retained earnings.

- Tier 2 capital: qualifying subordinated loan capital, general provisions, reserves for losses on assets (limited to 1.25% of RWA) and unrealised gains arising on the fair valuation of securities held as available-for-sale.

The risk weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of, 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 exposures, with some adjustments to reflect the more contingent nature of the potential losses.

The following table summarises the composition of the regulatory capital and the ratios of the Financial Institution for the years ended December 31, 2022 and 2023. During 2023, the Group complied with all the externally imposed capital requirements as was required.

(Expressed in Eastern Caribbean Dollars)

4. **Financial Risk Management:** *(cont'd)*

(f) Capital Management: (cont'd)

		2023	2022
Tier I capital			
Share capital (net of treasury shares)	$	39,338,973	39,338,973
Retained earnings		697,348	689,082
Qualifying reserves		3,902,274	3,740,350
Total qualifying tier I capital		43,938,595	43,768,405
Total qualifying tier II capital			
Reserve for loan losses		3,132,444	2,493,014
Total regulatory capital	$	47,071,039	46,261,419

		2023	2022
Risk weighted assets			
On-balance sheet	$	143,766,000	112,141,000
Off-balance sheet		8,975,000	9,651,000
Total risk weighted assets	$	152,741,000	121,792,000
Basel ratio		31%	38%

CARIBBEAN UNION BANK LIMITED

Notes to Consolidated Financial Statements *(cont'd)*

December 31, 2023

(Expressed in Eastern Caribbean Dollars)

4. **Financial Risk Management**: *(cont'd)*

(g) *Financial Assets and Liabilities by Category*:

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

As at December 31, 2023

	At Amortised Cost	At Fair Value through P & L	At Fair Value through OCI	Total
Assets				
Cash and balances with the Central Bank	$ 22,379,771	-	-	22,379,771
Due from other banks	31,345,408	-	-	31,345,408
Treasury bills	14,813,432	-	-	14,813,432
Investments	16,200,000	99,440	99,420	16,398,860
Loans and advances	214,492,202	-	-	214,492,202
Total financial assets	$ 299,230,813	99,440	99,420	299,429,673

	At Amortised Cost	At Fair Value through P & L	At Fair Value through OCI	Total
Liabilities				
Customers' deposits	$ 258,188,378	-	-	258,188,378
Other liabilities	9,064,170	-	-	9,064,170
Total financial liabilities	$ 267,252,548	-	-	267,252,548

(Expressed in Eastern Caribbean Dollars)

4. **Financial Risk Management:** *(cont'd)*

(g) Financial Assets and Liabilities by Category: (cont'd)

The table below analyses the Group's financial assets and financial liabilities by category: *(cont'd)*

As at December 31, 2022

	At Amortised Cost	At Fair Value through P & L	At Fair Value through OCI	Total
Assets				
Cash and balances with the Central Bank	$ 24,408,174	-	-	24,408,174
Due from other banks	36,318,504	-	-	36,318,504
Treasury bills	16,604,798	-	-	16,604,798
Investments	32,407,75	95,899	99,420	32,603,070
Loans and advances	180,455,532	-	-	180,455,532
Total financial assets	$ 290,194,759	95,899	99,420	290,390,078

	At Amortised Cost	At Fair Value through P & L	At Fair Value through OCI	Total
Liabilities				
Customers' deposits	$ 246,734,412	-	-	246,734,412
Other liabilities	10,329,194	-	-	10,329,194
Total financial liabilities	$ 257,063,606	-	-	257,063,606

(Expressed in Eastern Caribbean Dollars)

5. **Critical Accounting Estimates and Judgements and key sources of estimated uncertainty**:

In the application of the Group's accounting policies, which are described in note 4, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) *Critical judgements in applying the Group's accounting policies*

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in financial statements.

(i) Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance is measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

(ii) Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for the financial assets measured at amortized cost, FVTPL and FVTOCI is an area that requires the use of modeling and assumptions about future economic conditions and credit behaviors (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring the ECL is further detailed in note 3 (e).

5. **Critical Accounting Estimates and Judgements and key sources of estimated uncertainty**: *(cont'd)*

(a) Critical judgements in applying the Group's accounting policies (cont'd)

(ii) Measurement of the expected credit loss allowance *(cont'd)*

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

- Determining credit for significant increase in credit risk
- Choosing appropriate model and assumptions for the measurement of proportional loss
- Establishing groups of similar financial assets for the purposes of measuring ECL
- Recovery rates on unsecured exposures
- Drawdown of approved facilities
- Determination of macroeconomic drivers (management overlay)
- Determination of life of revolving credit facilities
- Models and assumptions used

(iii) Valuation of Stage 3 facilities

The proposed cash flow was discounted using the yield of the facilities. The Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(iv) Expected Credit Loss Financial Asset held FVOCI - Equity Investments:

The Group determines Fair Value equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgement, the Group evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows. These factors may give rise to uncertainty regarding the recoverability of the carrying value in the subsequent period and/or the eventual recoverability of the amounts invested in full.

The Group recognized ECL on equity investments during the year of nil (2022: nil) due to doubts about the recoverability of the amount.

5. **Critical Accounting Estimates and Judgements and key sources of estimated uncertainty**: *(cont'd)*

(b) *Going concern:*
The Group's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

(c) *Fair value of financial instruments:*
The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgements and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility. For further details about determination of fair value please see Note 4 (e)

(d) *Deferred tax assets:*
Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the tax losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits, together with future tax-planning strategies.

(e) *Provisions and other contingent liabilities:*
The Group operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, it is from time to time involved in various litigation, arbitration and regulatory investigations and proceedings arising in the ordinary course of the Bank's business. When the Group can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Group records a provision against the case. Where the probability of outflow is considered to be remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed. However, when the Group is of the opinion that disclosing these estimates on a case-by-case basis would prejudice their outcome, then the Group does not include detailed, case-specific disclosers in its financial statements. Given the subjectivity and uncertainty of determining the probability and amount of losses, the Group takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates.

5. **Critical Accounting Estimates and Judgements and key sources of estimated uncertainty**: *(cont'd)*

(f) *Determination of the lease term for lease contracts with renewal and termination options (Group as a lessee):*
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation of the leased asset).

(g) *Estimating the incremental borrowing rate*
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency).The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific adjustments (such as the subsidiary's stand-alone credit rating, or to reflect the terms and conditions of the lease)

(h) *Key sources of estimation uncertainty*
The following are key estimations that the directors have used in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements:

(i) Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and determining the forward-looking information relevant to each scenario. When measuring ECL, the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

(ii) *Probability of default:*
PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

(Expressed in Eastern Caribbean Dollars)

5. **Critical Accounting Estimates and Judgements and key sources of estimated uncertainty**: *(cont'd)*

(iii) Loss Given Default:
LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

(iv) Fair value measurement and valuation process:
In estimating the fair value of a financial asset or a liability, the Group uses market-observable data to the extent it is available. Where such Level 1 inputs are not available the Group uses valuation models to determine the fair value of its financial instruments

6. **Cash and Balances with the Central Bank:**

	Note		2023	2022
Cash on hand		$	4,529,877	2,816,737
Cheques in the course of collection			(1,815,437)	(1,403,687)
Balances with the ECCB other than mandatory reserve deposits			4,415,331	8,436,124
Included in cash and cash equivalents	22		7,129,771	9,849,174
Mandatory reserve deposits with the ECCB			15,250,000	14,559,000
Total cash and balances with the Central Bank		$	22,379,771	24,408,174

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

7. **Investment Securities:**

(a) *Financial Assets at Fair Value through Profit or Loss:*

		2023	2022
Money market placements	$	99,096	95,545
Interest receivable		344	354
		99,440	95,899

(Expressed in Eastern Caribbean Dollars)

7. **Investment Securities**: *(cont'd)*

(b) *Financial Assets at Fair Value through Other Comprehensive Income*

		2023	2022
Equity Shares		99,420	99,420

(c) *Financial Assets at Amortised Cost:*

Beginning of year		32,400,000	16,200,000
Additions		64,800,000	307,810,080
Redemption		(81,000,000)	(291,610,080)
End of year		16,200,000	32,400,000
Interest receivable		-	7,751
		16,200,000	32,407,751
Total Investment Securities	$	16,398,860	32,603,070

The total expected credit loss on investments for the year was nil as instruments are held in near cash financial instruments (2022: nil).

8. **Due from Other Banks**:

		2023	2022
Operating accounts with other banks, included in cash and cash equivalents	$	30,452,428	35,458,209
Fixed deposits		892,980	860,295
	$	31,345,408	36,318,504

Operating account balances held with other banks are interest free.

9. **Treasury Bills**:

		2023	2022
Treasury bills	$	14,616,224	16,431,131
Interest receivable		197,208	173,667
	$	14,813,432	16,604,798

(Expressed in Eastern Caribbean Dollars)

9. **Treasury Bills:** *(cont'd)*

There are seven (7) treasury bills with discount rates and maturity dates as follows:

Issuer	Discount Rate	Maturity Date
Government of Antigua and Barbuda	3.9226%	January 20, 2024
Government of St. Lucia	2.9777%	March 22, 2024
Government of Antigua and Barbuda	4.0000%	April 28, 2024
Government of Antigua and Barbuda	4.3062%	May 14, 2024
Government of Antigua and Barbuda	2.7132%	June 8, 2024
Government of Antigua and Barbuda	2.9126%	August 31, 2024
Government of Antigua and Barbuda	4.3062%	November 2, 2024

10. **Loans and Advances:**

	Notes	2023	2022
Mortgage		$ 109,425,508	79,977,087
Government		26,604,516	28,324,190
Corporate business		45,972,526	34,933,123
Advances		29,095,934	36,465,696
Staff		6,525,614	3,898,114
Credit card receivables		1,953,052	1,377,912
Late fees		303,701	273,778
		219,880,851	185,249,900
Interest receivable		986,377	973,294
		220,867,228	186,223,194
Provision for loan impairment		(6,375,026)	(5,767,662)
Total loans and advances		$ 214,492,202	180,455,532
Current		$ 31,990,330	36,848,923
Non-current		182,501,872	143,606,609
	4(b)(iii)	$ 214,492,202	180,455,532

The current portion of loans and advances represent amounts receivable within one year or less. The non-current portion represents amounts that are receivable in more than one year.

Allowance for loan impairment

The movement in allowance for loan impairment is as follows:

		2023	2022
Balance, beginning of year	$	5,767,663	5,500,225
Provision for the year		719,421	311,326
Write off		(112,058)	(43,888)
Balance, end of year	$	6,375,026	5,767,663

The allowance for loan impairment calculated according to the Eastern Caribbean Central Bank (ECCB) loan provisioning guidelines, amounts to $8,681,892 (2022: $7,435,099). The excess of ECCB loan provision over the loan loss provision calculated under IFRS 9 at the reporting date is set aside as a specific reserve in the statement of changes in shareholders' equity. The carrying value of impaired loans at the year-end was $57,293,417 (2022: $10,060,474). Interest receivable on loans not recognised for regulatory purposes amounted to nil (2022: nil). This has been set aside as a specific reserve in the statement of changes in shareholders' equity.

11. **Other Assets:**

	Note		2023	2022
Other miscellaneous assets			4,635,518	2,202,909
Prepaid expenses		$	805,493	536,614
Prepaid employee benefit			762,229	460,944
Due from related parties	18(b)		5,640	5,640
Sundry receivables			20	20
Total other assets		$	6,208,900	3,206,127
Current		$	5,323,217	2,709,910
Non-Current			885,683	496,217
		$	6,208,900	3,206,127

The current portion of other assets represent amounts receivable within one year or less. The non-current portion represents amounts that are not receivable in more than one year.

(Expressed in Eastern Caribbean Dollars)

12. **Property, Equipment and Right to Use Assets:**

	Right of Use Asset	Leasehold Improvements	Furniture and Fittings	Computer Equipment	Computer Software	Office Equipment	Motor Vehicle	Work in Progress	Total
Cost									
At December 31, 2021	$ 5,054,700	2,182,091	1,676,433	2,727,506	3,844,551	2,447,152	141,329	272,372	18,346,134
Additions	90,113	47,529	3,500	66,242	105,381	103,270	-	90,993	507,028
Disposals	-	(634,058)	(877,174)	(1,405,423)	(88,456)	(521,208)	-	(141,410)	(3,667,729)
Reclassifications	-	-	-	126,404	-	-	-	(126,404)	-
At December 31, 2022	$ 5,144,813	1,595,562	802,759	1,514,729	3,861,476	2,029,214	141,329	95,551	15,185,433
Additions	869,405	6,436	47,170	130,624	12,150	473,123	-	196,461	1,735,369
Disposals	(4,592)	-	-	-	-	-	-	(81,342)	(85,934)
Reclassifications	-	-	-	6,409	3,240	-	-	(9,649)	-
At December 31, 2023	6,009,626	1,601,998	849,929	1,651,762	3,876,866	2,502,337	141,329	201,021	16,834,868
Accumulated Depreciation:									
At December 31, 2021	$ (2,093,287)	(1,613,420)	(1,118,617)	(2,234,958)	(3,467,205)	(1,726,675)	(141,329)	-	(12,395,491)
Charge for the year	(618,756)	(201,193)	(75,937)	(229,579)	(161,376)	(126,096)	-	-	(1,412,937)
Write bank from disposal	-	634,059	874,396	1,405,354	88,456	520,755	-	-	3,523,020
At December 31, 2022	(2,712,043)	(1,180,554)	(320,158)	(1,059,183)	(3,540,125)	(1,332,016)	(141,329)	-	(10,285,408)
Charge for the year	(676,091)	(204,402)	(78,980)	(221,337)	(164,454)	(223,223)	-	-	(1,568,487)
At December 31, 2023	$ (3,388,134)	(1,384,956)	(399,138)	(1,280,520)	(3,704,579)	(1,555,239)	(141,329)	-	(11,853,895)
Carrying Values:									
At December 31, 2023	2,621,492	217,042	450,791	371,242	172,287	947,098	-	201,021	4,980,973
At December 31, 2022	$ 2,432,770	415,008	482,601	455,546	321,351	697,198	-	95,551	4,900,025

(Expressed in Eastern Caribbean Dollars)

13. Customers' Deposits:

	Notes		2023	2022
Savings accounts			92,301,509	78,712,404
Checking accounts		$	91,493,979	90,324,420
Time deposits			73,119,439	76,432,921
			256,914,927	245,469,745
Interest payable			1,273,451	1,264,667
Total customers' deposits		$	258,188,378	246,734,412
Current	4(b)(iii)	$	246,679,175	231,464,654
Non-current	4(b)(iii)		11,509,203	15,269,758
		$	258,188,378	246,734,412

The current portion of customers' deposits represent amounts payable within one year or less. The non-current portion represents amounts that are not payable in more than one year.

14. Other Liabilities and Accrued Expenses:

			2023	2022
Lease liability	24	$	3,552,740	3,332,411
Accounts payable and accrued expenses			2,341,301	6,213,832
Deferred interest income			1,367,310	830,817
Manager's cheques			1,101,636	524,387
Due to related party			361,635	258,564
Tax liability			339,548	290,740
Total other liabilities and accrued expenses		$	9,064,170	11,450,751
Current		$	4,915,280	7,880,779
Non-current			4,148,890	3,569,972
		$	9,064,170	11,450,751

The current portion of other liabilities and accrued expenses represent amounts payable within one year or less. The non-current portion represents amounts that are not payable within a year.

(Expressed in Eastern Caribbean Dollars)

15. Taxation:

The statutory rate of tax for the year is 25% (2022: 25%).

		2023	2022
Income before taxation	$	3,395,477	2,907,401
Income tax calculated at 25%		848,869	726,850
Add/(Deduct):			
Tax effect of items not allowable as tax deductible items		403,983	346,072
Tax effect of capital and balancing allowances		122,238	18,946
Tax effect of exempt income and allowances		(2,461,127)	(2,513,435)
Tax effect of losses not utilised		1,086,035	1,421,566
Deferred tax expense		1,355,121	(977,423)
Windfall tax		339,548	290,740
Current tax expense/ (credit)		1,694,167	(686,684)
Deffered tax asset impairment		891,190	1,160,313
Tax expense/(credit)	$	2,585,857	473,629

In accordance with the Income Tax Amendment (Act) of 2019 an additional tax of ten percent (10%) is charged on the net income of commercial banking institutions registered under the Banking Act. This tax on net income is effective from January 1, 2020.

The Group has incurred accumulated tax losses amounting to $23,888,210 (2022: $29,930,637) which may be carried forward and applied to reduce taxable income by an amount not exceeding one half of the taxable income in any one year of assessment prior to the application of the losses. The tax losses are yet to be agreed by the Commissioner of Inland Revenue. The tax losses are comprised as follows:

Year of loss (assessment)		Tax Loss	Expiry
2017 (2018)		3,564,755	2024
2018 (2019)		3,611,888	2025
2019 (2020)		5,831,836	2026
2020 (2021)		5,194,065	2027
2021 (2022)		5,685,666	2028
	$	23,888,210	

(Expressed in Eastern Caribbean Dollars)

15. **Taxation:** *(cont'd)*

Prior to January 1, 2017, a deferred tax asset was not recognized because of the uncertainty of its recovery against future taxable profits. Upon realization of continued profitable operation in 2016 and 2017, the Group elected to account for the effects of deferred tax prospectively from January 1, 2017 in the financial statements for the financial year ended 31 December 2017.

The Group recognizes deferred income tax assets to the extent there are sufficient estimated future taxable profits and/or taxable temporary differences against which the tax losses can be utilised and that the Group is able to satisfy continuing taxable profits.

The deferred tax asset is comprised as follows:

		2023	2022
Deferred income tax assets			
Balance at beginning of year	$	5,950,352	6,133,242
Deferred tax (credit)/expense for the year		(1,355,121)	977,423
		4,595,231	7,110,665
Less: deferred tax asset impairment		(891,190)	(1,160,313)
Balance at end of year	$	3,704,041	5,950,352
The components of the deferred tax asset are as follows:			
Capital Allowances		365,015	559,674
Tax losses available for carry-forward		5,972,052	7,132,515
Deferred tax asset impairment		(2,633,026)	(1,741,837)
	$	3,704,041	5,950,352

16. **Share Capital and Treasury Shares:**

(a) *Share Capital*:

	2023	2022
Authorised share capital		
200,000,000 ordinary shares of nil par value	200,000,000	200,000,000
100,000,000 preference shares of nil par value	100,000,000	100,000,000
	300,000,000	300,000,000

16. **Share Capital and Treasury Shares:** *(cont'd)*

		2023	2022
Issued, fully paid and outstanding 80,505,538 (2022: 80,505,538) ordinary shares issued, 80,359,930 (2022: 80,359,930) outstanding	$	39,557,385	39,557,385

(b) *Treasury Shares*:
The total amount paid to acquire the treasury shares in 2008 was $218,412 and has been deducted from share capital within the statement of changes in shareholders' equity. The shares are held as 'treasury shares' and the Group has the right to re-issue these shares at a later date.

17. **Reserves**:

		2023	2022
Statutory reserve	$	3,902,274	3,740,350
Regulatory reserve for loan impairment		3,132,444	2,493,014
Total reserves	$	7,034,718	6,233,364

Statutory Reserve

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

		2023	2022
Beginning balance	$	3,740,350	3,253,595
Statutory reserve requirement		161,924	486,755
Ending balance	$	3,902,274	3,740,350

Regulatory Reserve for Loan Impairment

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

(Expressed in Eastern Caribbean Dollars)

17. **Reserves**: *(cont'd)*

The movement in regulatory reserves is as follows:

		2023	2022
Beginning balance	$	2,493,014	1,293,172
Increase in reserve		639,430	1,199,842
Ending balance	$	3,132,444	2,493,014

The regulatory reserve for loan impairment comprises the following:

		2023	2022
Excess of ECCB provision over IAS 39 provision	$	2,306,866	1,667,436
IFRS 9 interest receivable		825,578	825,578
	$	3,132,444	2,493,014

18. **Related Party Balances and Transactions**:

(a) *Related party:*
A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity").

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

   i) has control or joint control over the reporting entity;

   ii) has significant influence over the reporting entity; or

   iii) is a member of the key management personnel of the reporting entity, or of a parent of the reporting entity.

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

   i) The entity and the reporting entity 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.

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

b) An entity is related to a reporting entity if any of the following conditions applies: *(cont'd)*

v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

vi) The entity is controlled, or jointly controlled by a person identified in (a).

vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

(b) *Due from Related Parties:*

		2023	2022
Amounts due from CU Capital Holdings	$	5,640	5,640

Amounts due from related parties are unsecured, non-interest bearing and have no stated terms of repayment.

(c) *Loans to Directors and Key Members of Management:*

		2023	2022
Loans outstanding at beginning of year	$	1,448,644	1,454,083
Loans issued during the year		575,000	73,631
Loan repayments during the year		(133,175)	(79,070)
Loans outstanding at end of year	$	1,890,469	1,448,644

Interest income earned on loans to related parties during the year amounted to $84,751 (2022: $78,697). Interest rates ranged from 4.5% to 7% (2022: 5% to 7%).

During the year no related party loans were classified as non-performing (2022: nil).

(Expressed in Eastern Caribbean Dollars)

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

(d) *Deposits by Directors and Key Members of Management:*

		2023	2022
Deposits at beginning of year	$	2,290,586	10,982,244
Deposits received during the year		4,153,107	3,151,963
Deposits repaid during the year		(3,935,566)	(11,843,621)
Deposits at end of year	$	2,508,127	2,290,586

Interest expense paid on deposits by related parties during the year amounted to $66,927 (2022: $66,197). Interest rates ranged from 0% to 4% (2022: 0% to 4%).

(e) *Related Party Transactions:*

Directors and Key Management Compensation:

		2023	2022
Salaries and other benefits	$	1,604,425	1,435,569
Directors' fees		204,000	196,500
Directors' expenses		151,883	143,210
	$	1,960,308	1,775,279

Government of Antigua and Barbuda:

The Government of Antigua and Barbuda holds 74.66% of the Group's issued share capital. The remaining 25.34% of the issued share capital is held by individuals and other institutions (Nineteen (19) other shareholders). The Government is a customer of the Group and, as such, all transactions executed by the Group on behalf of the Government are performed on strict commercial banking terms at existing market rates.

Government of Antigua and Barbuda		2023	2022
Total loans and advances	$	26,604,516	28,324,190
Total deposits		14,906,415	16,006,919
Interest income on loans and advances		2,892,842	3,063,589
Interest expense on deposits		-	2,254

(Expressed in Eastern Caribbean Dollars)

19. Other Operating Income:

		2023	2022
Foreign exchange gain		2,014,434	1,596,206
Gain on disposal of Property and Equipment	$	29,275	-
		2,043,709	1,596,206

20. General and Administrative Expenses:

		2023	2022
Credit card expenses	$	5,573,894	4,747,716
Software license fees		1,121,228	841,705
Bank and finance charges		815,442	586,598
Utilities		770,531	693,704
Professional fees		490,013	415,377
Repairs and maintenance		361,659	301,696
Advertising		354,783	302,238
Stationery and supplies		219,100	208,757
Insurance		214,761	175,119
Rent		157,138	191,428
Security		147,988	175,129
Bank license fees		100,000	100,000
Subscriptions, donations and sponsorship		34,237	32,302
Postage		395	840
Miscellaneous		98,740	58,301
Total general and administrative expenses	$	10,459,909	8,830,910

(Expressed in Eastern Caribbean Dollars)

21. **Employee Costs:**

		2023	2022
Salaries, wages and allowances	$	5,034,179	4,516,037
Other benefits		713,760	604,108
Social security and medical benefits		517,320	458,775
Accrued vacation		252,450	233,115
Severance and gratuity		223,462	171,230
Training and education		144,012	79,139
Thrift Fund		103,517	82,651
Meals and refreshments		21,533	15,157
Total employee costs	$	7,010,233	6,160,212

22. **Cash and Cash Equivalents:**

	Notes		2023	2022
Cash and balances with the Central Bank	6	$	7,129,771	9,849,174
Due from other banks	8		31,345,408	36,318,504
		$	38,475,179	46,167,678

23. **Contingencies and Commitments:**

(a) *Contractual commitments:*

The Group has entered various non-cancellable leases for branches and main offices. Upon implementation of IFRS 16 economic value of these assets as well as their corresponding liabilities have been captured under Note (12) Property and Equipment and Note (14) Other Liabilities and Accrued Expenses, respectively. The Group also has various other agreement which differ in scope for other office and software sub-licenses under cancellable agreements. Additionally, the Group has entered into other cancellable consultancy and auxiliary services contracts. The contract terms are between less than one year and the renewal of these contracts is unlikely.

The Group's future aggregate minimum contractual commitments under non-cancellable contracts and leases are as follows:

		2023	2022
Not later than 1 year	$	1,195,815	279,915
1 – 5 years		2,900,987	-
More than 5 years		-	-
	$	4,096,802	279,915

(Expressed in Eastern Caribbean Dollars)

23. **Contingencies and Commitments**: *(cont'd)*

(b) *Pending litigation:*

(i) During the course of normal business, certain claims have been brought by customers against the Group. These claims are at various stages of the legal process and their outcomes cannot be determined at this stage.

(ii) The Group is also currently involved in one employee-related legal matter related to a claim for severance. The Industrial Court has not yet issued a judgement in this matter. The amount of the liability, if any, in respect of the abovementioned legal matters will be contingent on the outcome of court proceedings and will be recognised in the financial statements at the time of determination.

(iii) The Group has interest as the mortgagor in a claim between a client and a domestic insurance company in respect the validity of the claim for loss of property. In this regard, legal proceedings have commenced against the insurance company by the client. The outcome of the claim cannot be determined at this stage. The outcome of the legal proceedings will be recognized in the financial statements at the time of determination.

(iv) A vendor issued a claim against the Group in the amount of $552,960 inclusive of a discount. The vendor claims that the invoices which were previously issued and settled by the Group from January 2016 to July 2020 were inaccurate. The Group is currently assessing the legality of the vendor to reissue invoices pursuant to the claim as well as the ability of the Group to accurately assess the accuracy of the newly issued invoices and therefore has not currently accepted the claim. Discussions are on-going between the Group and the vendor, and consequently the outcome of this claim is not presently determinable.

(v) A claim of a fraudulent transaction have been levied by a client against the institution. The client purported that funds were removed from their accounts without their consent. The Group's position on this matter is that the Group acted on properly formatted instructions from the client. The matter is currently under investigations by both parties and therefore, the ultimate liability of the Group in this case is indeterminable.

(c) *Credit Related Commitments:*
The following table indicates the contractual amounts of the Group's off-balance sheet financial instruments that commit it to extend credit to customers:

		2023	2022
Undrawn commitments to extend advances	$	10,008,329	10,294,903

(Expressed in Eastern Caribbean Dollars)

24. **Leases**

The company leases two office spaces for its office operations. The lease runs for a definite period. The Group has determined to identify the lease asset and liability based on the strategic use of the office spaces. Previously, all leases were classified as operating leases under IAS 17.

a. Right-of-Use Assets

		2023	2022
As of January 1	$	2,432,770	2,961,412
Additon to lease assets		869,405	90,113
Disposal of lease asset		(4,592)	-
Dismantling cost provision		(12,629)	(10,073)
Depreciation expense		(663,462)	(608,682)
As of December 31	$	2,621,492	2,432,770

b. Lease Liability

		2023	2022
Total undiscounted lease liabilities at January 1	$	3,332,411	3,779,935
Additions to lease liability		856,017	90 113
Add/(Deduct) Lease interest		363,896	358,925
Lease payments		(979,105)	(896,562)
Disposal of lease		(20,479)	-
Lease liabilities included in the statement of financial position at December 31	$	3,552,740	3,332,411
Current	$	815,103	637,639
Non-current		2,737,637	2,694,772
	$	3,552,740	3,332,411

c. Amount recognised in profit and loss as interest on lease liabilities

		2023	2022
Interest on lease liability	$	363,896	358,925

(Expressed in Eastern Caribbean Dollars)

24. **Leases** *(cont'd)*

d. Amount recognised in total cash outflow for leases

		2023	2022
Total cash outflow for leases	$	979,105	842,562

25. **Reclassification:**

Certain items of the comparative figures have been reclassified to conform to the current year's financial statements presentation. The reclassification had no significant impact on the financial statements of the Group.

Caribbean Union Bank

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