



ECHMB
CAPITAL
Transcending Boundaries, Creating Opportunities

ANNUAL REPORT 2023

**Experience & Fortitude to
Navigate Unprecedented
Challenges**



“Everyone experiences tough times; it is a measure of your determination and dedication how you deal with them and how you can come through them.”

-Lakshmi Mittal

Experience & Fortitude to Navigate Unprecedented Challenges

ECHMB Capital continues to adapt to the evolving “new normal” which was ignited by the 2008-2009 global recession and hastened by the polycrisis of the Covid-19 pandemic and the drawn-out war in Ukraine. These events have dragged on the environment creating a mix of economic headwinds like: trade disruptions, market dislocations, and historically high inflation. Further exacerbating the uncertainties of the “new normal” are the side effects of the “Hawkish” monetary policies implemented by most central banks to curb inflation.

From ECHMB Capital’s perspective, the polycrisis which catapulted the “new normal” can be aptly described as teaching events that serve to inculcate rapid and innovative responses for skillset development and has led to the positive elements being interwoven to form part of the indelible character of the Bank’s policies, human capital, and strategic framework.

There is a great confidence that the Bank has the experience and fortitude to navigate unprecedented challenges which are likely to emerge in FY 2024 and beyond.



What's Inside

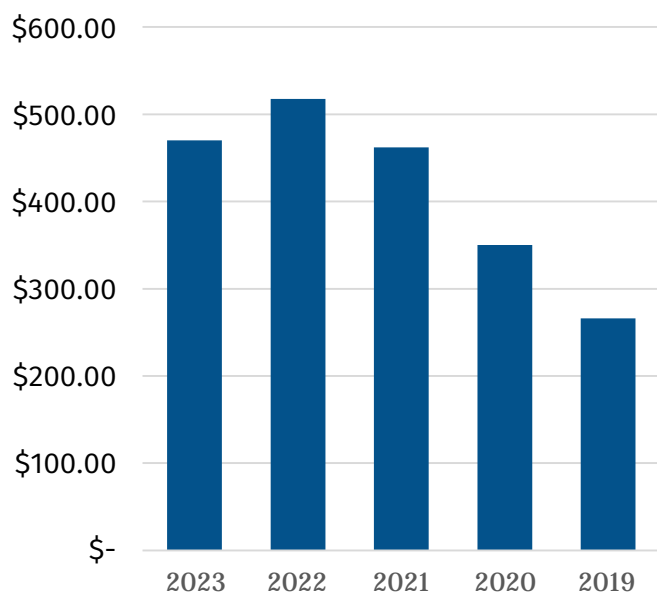
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Corporate Information

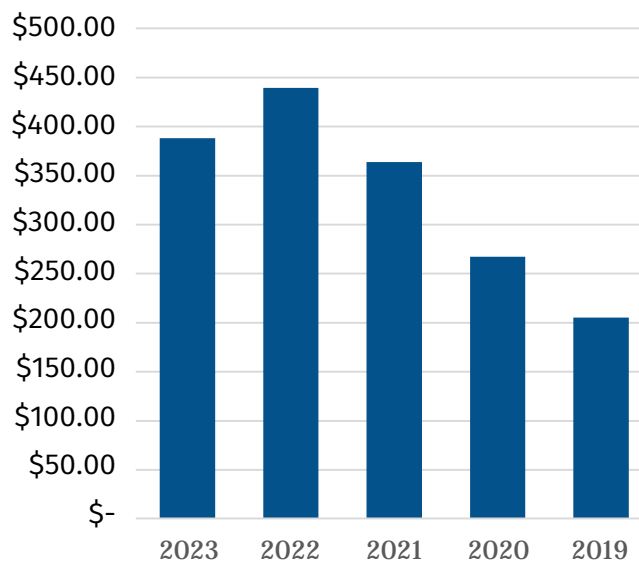
Chairman Timothy N.J. Antoine	Chief Executive Officer Randy R. Lewis	Corporate Secretary Gillian Skerritt Assistant Corporate Secretary Heidi Hypolite
Directors of ECHMB Capital <ul style="list-style-type: none"> • Timothy N.J. Antoine • Stewart Haynes • Sandra Derrick • Baldwin Taylor • Aylmer Irish 	Investment Committee <ul style="list-style-type: none"> • Stewart Haynes • Sandra Derrick • Aylmer Irish • Baldwin Taylor • Randy R. Lewis Audit and Risk Committee <ul style="list-style-type: none"> • Aylmer Irish • Stewart Haynes • Baldwin Taylor Human Resource Committee <ul style="list-style-type: none"> • Sandra Derrick • Baldwin Taylor • Timothy N.J. Antoine 	Registered Office Mockton Street St. George's Grenada Attorneys-at-Law Kelsick, Wilkin & Ferdinand P.O. Box 174, Fred Kelsick Building, Independence Square South, Basseterre, St. Kitts, W.I.
External Auditors PricewaterhouseCoopers East Caribbean Unit 111 Johnson Centre Gros Islet St. Lucia Internal Auditors Clifton Parry Colquhouns Estate St. Thomas Parish Nevis	Bankers (Local) Eastern Caribbean Central Bank St. Kitts-Nevis-Anguilla National Bank. Bankers (Foreign) JMMB Jamaica Sterling Assets Managers Raymond James (USA)	Register and Transfer Paying Agent Eastern Caribbean Central Securities Registry ECCB Complex Birdrock Road Basseterre St. Kitts

Significant Statistics

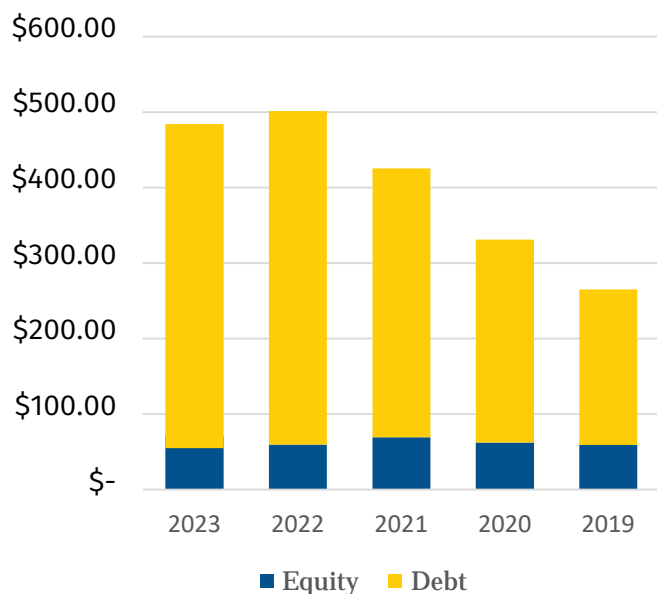
Assets Under Management



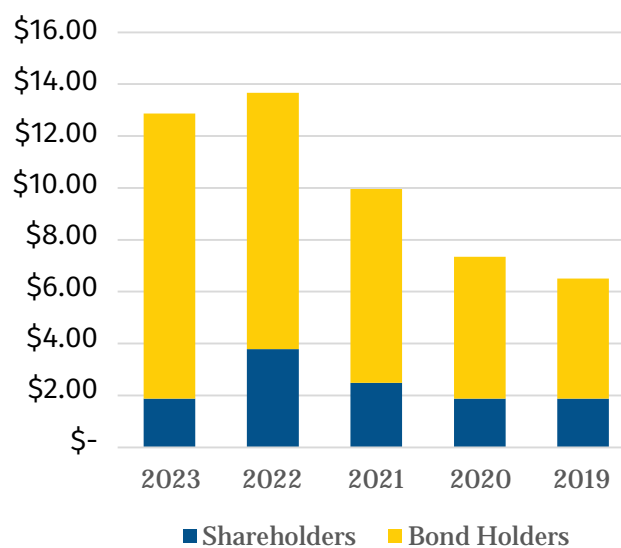
Outstanding Capital Market Instruments



Capital Structure



Distributions to Providers of Capital



Ten (10) Year Statistical Review

	2023	2022	2021	2020
	\$	\$	\$	\$
Interest Income	19,934,726	17,876,613	16,106,192	13,525,456
Interest Expense	11,260,240	10,181,563	7,468,564	5,477,981
Net Interest Income	8,674,486	7,695,050	8,637,628	8,047,475
Other (Loss)/Income	(3,730,309)	2,077,324	15,123,043	5,117,790
Other Expenses	3,208,859	2,180,681	6,745,775	4,032,713
Net Profit for the Year	1,735,318	7,591,693	17,014,896	9,132,552
Total Assets	480,827,247	517,742,565	461,927,985	350,137,718
Total Liabilities	423,221,520	458,033,996	392,727,223	287,674,736
Shareholders' Equity	57,605,727	59,708,569	69,200,762	62,462,982
Earnings per share	6.46	28.25	63.31	33.98
Book Value per share	59.95	170.96	257.49	232.42
Net Interest Income	43.51%	43.05%	53.63%	59.50%
Efficiency Ratio	19.80%	10.93%	21.60%	21.63%
Return on Assets	0.36%	1.47%	3.68%	2.61%
Interest Cover	1.15	1.77	3.28	2.67
Debt-to-Equity Ratio	6.80:1	7.40:1	5.29:1	4.30:1

Ten (10) Year Statistical Review

2019	2018	2017	2016	2015	2014
\$	\$	\$	\$	\$	\$
12,313,216	11,480,370	11,141,929	12,423,570	15,461,145	20,690,064
4,637,522	3,962,620	4,790,392	6,523,972	8,570,266	12,121,614
7,675,694	7,517,750	6,351,537	5,899,598	6,890,879	8,568,450
949,693	228,173	168,842	40,439	33,668	40,992
3,315,459	3,530,088	3,460,712	3,435,395	3,465,728	4,247,457
5,309,928	4,215,835	3,059,667	2,504,642	3,458,819	4,361,985
265,802,954	261,901,801	244,172,894	247,817,342	257,814,842	328,017,043
206,630,675	200,543,931	185,015,241	189,703,738	200,190,262	271,163,792
59,172,279	61,357,870	59,157,653	58,113,604	57,624,580	56,853,251
19.76	5.69	11.39	9.32	12.87	16.23
220.18	228.31	220.12	216.24	214.42	211.55
62.39%	65.48%	57.01%	47.50%	44.57%	41.42%
25.00%	30.15%	31.06%	27.65%	22.42%	20.53%
2.00%	1.61%	1.25%	1.01%	1.34%	1.33%
2.14	2.06	1.64	1.38	1.40	1.36
3.48:1	3.27:1	3.12:1	3.26:1	3.47:1	4.74:1

"I am pleased to report that notwithstanding the unfavorable capital market conditions exacerbated by the combined impacts of rising inflation and the FED's response thereto, our Bank had a commendable performance. A synopsis includes Net Profit for the Year of \$1.74M and represents twenty-seven years of unbroken profitability. We paid a dividend of \$5.00 per share and in so doing maintained our twenty-three (23) years unbroken track record, while continuing to preserve our Debt-to-Equity Ratio at 6.80:1 and within the 8.0:1 benchmark imposed by the Board of Directors."



Timothy N.J. Antoine
Chairman

Chairman's Letter to Shareholders

Dear Shareholders

On behalf of the Board of Directors of the Eastern Caribbean Home Mortgage Bank ("Trading as ECHMB Capital), I am pleased to present our Annual Report for the year ended 31 March 2023 to our valued stakeholders.

Turbulent External Environment

FY 2023 will be archived as one of the most turbulent in the Bank's history, rivaled only by the Great Recession of 2008-2009. This was occasioned by the onset of the polycrisis of the Covid-19 pandemic, supply chain disruptions and the drawn-out war in Ukraine and historically high inflation. Given the fragile global macro-economic conditions, the International Monetary Fund ("IMF") downgraded its global growth forecast from 6.0% in 2021 to 3.2% in 2022. The aforesaid conditions are not usually conducive to strong capital market performance, evidenced by the 20.00% drop in US stocks at the end of 2022, which is widely described as a "Bear" market.

Focus then shifted to contractionary monetary policy undertaken by all major central banks globally which, by all account, remains the most effective tool available to temper crippling inflation. The Federal Reserve Board (The FED) has a proclivity to maintain inflation at the targeted rate of 2.00%; however, as seen in the table below, inflation measured by consumer price index (CPI) hovered at 5.00% by March 2023.

United States Annual Inflation Rates
(2013 to 2023)

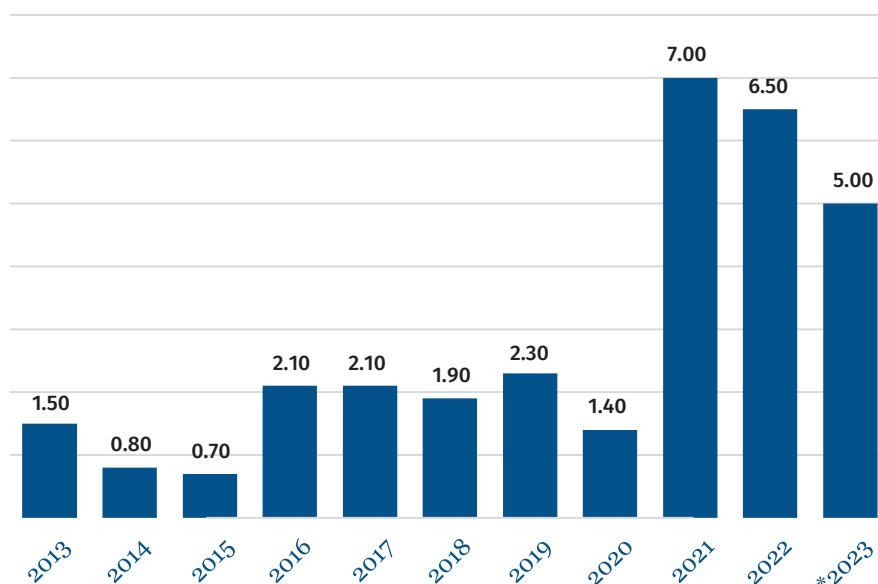


Illustration 1. Source – Trading Economics

Given the FED's available arsenal to control inflation, they instituted eight (8) federal funds rate hikes since 17 March 2022, culminating in a Fund Rate of 4.75% by 1 February 2023.

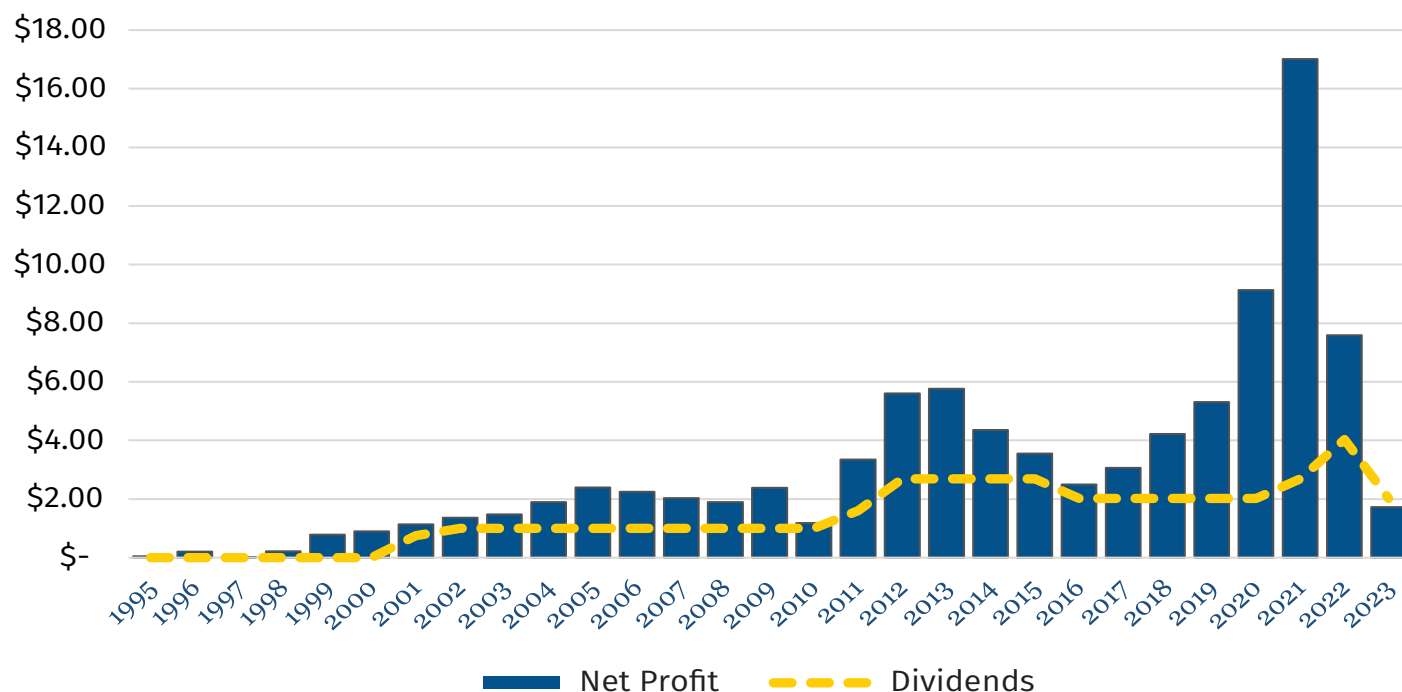
Impact of High Inflation on the Bank's Operations

ECHMB Capital is fully compliant with International Financial Reporting Standards ("IFRS") and by extension, mark-to-market accounting. Consequently, rising inflation has had a pernicious impact on the valuation of the Bank's fixed income portfolio. In FY 2023, approximately 55.40% of the Bank's balance sheet was held in fixed income instruments reported at Fair Value Through Other Comprehensive Income ("FVTOCI"). Therefore, we were fully cognizant of the adverse impact thereon of the FED's decision to raise the federal funds rate to 4.75%. A synopsis of the impact included a \$29.76M mark-to-market diminution of financial instruments reported via FVTOCI and \$4.56M realized loss on instruments reported via fair value through profit and loss ("FVTPL"). We were required to take tough decisions to maintain our profitability and preserve the Bank's share capital. This included the injection of \$27.73M in Preference Shares and divestment of our internally managed equity portfolio to conserve Retained Earnings.

Commendable Financial Outturn

I am pleased to report that notwithstanding the unfavorable capital market conditions exacerbated by the combined impacts of rising inflation and the FED's response thereto, our Bank had a commendable performance. A synopsis includes Net Profit for the Year of \$1.74M and represents twenty-seven years of unbroken profitability. We paid a dividend of \$5.00 per share and in so doing maintained our twenty-three (23) years unbroken track record, while continuing to preserve our Debt-to-Equity Ratio at 6.80:1 and within the 8.0:1 benchmark imposed by the Board of Directors.

Net Profit and Dividend Trends 1995 to 2023



Greater Focus on ESG to Grow Stakeholders' Wealth

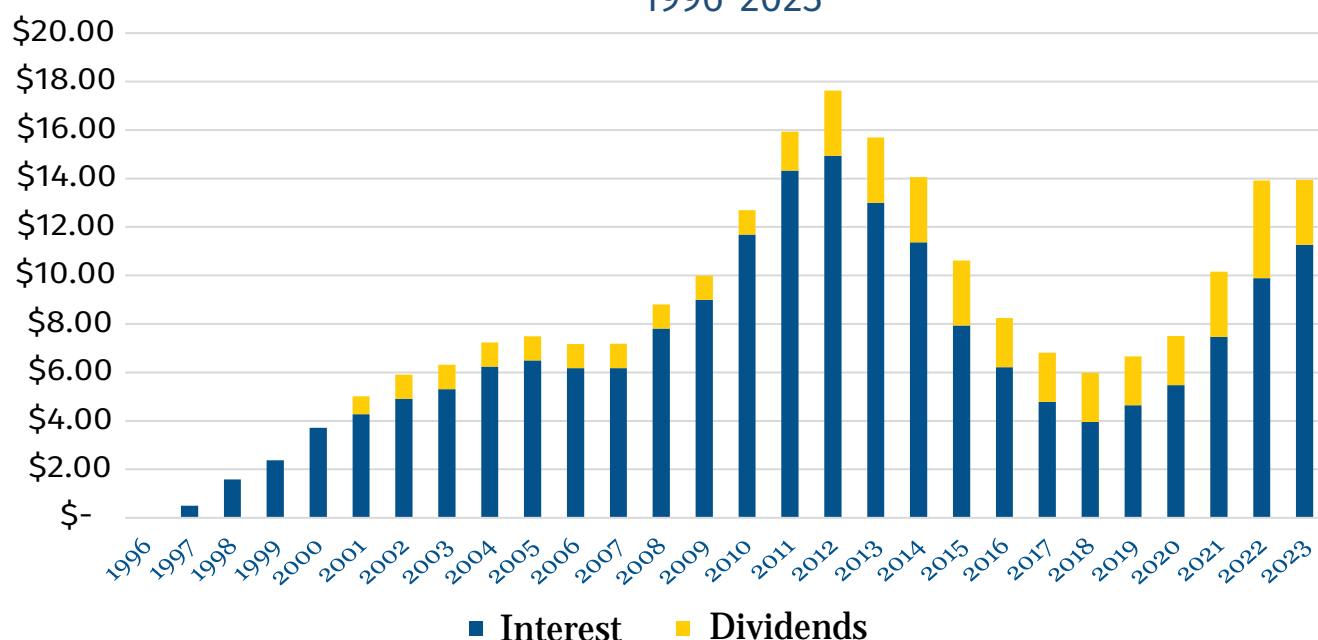
We use the learning curve assimilated from unfavorable economic conditions of FY 2009 and FY 2023 to shape future strategies and policies of the Bank. These include the adoption of more rigorous stress testing of our operations and the deployment of more robust liquidity and long-term capital management strategies. These initiatives have been indispensable to our improved governance framework, stronger internal controls, and more resilient performance culture.

Equally important is our wider corporate social responsibilities and reducing the Bank's ecological impacts. We believe these are imperative for the development of sustainable business practices which in turn will strengthen our fortress balance sheet and increase stakeholders' wealth. At ECHMB Capital, we truly see ESG as more than an obligation, but rather as an opportunity to build a more sustainable business which enhances efficacy and trust with our stakeholders.

Looking to the Future with Optimism

The consensus of international capital markets is the global economy will slow further in 2023 with growth projected to decline to 2.90%, before a projected rebound in fiscal 2024. We believe that given the adjustments made to our operations in FY 2023, the Bank's profitability should normalize in FY 2024. This is imperative to enable the Bank to reignite its focus on growth and development of the money and capital market in the Eastern Caribbean Currency Union. Our aim is to increase the penetration of the Eastern Caribbean Securities Market from one (1) in twenty (20) citizens to one (1) in five (5).

Distributions on the Eastern Caribbean Securities Market 1996-2023



We intend to achieve this by fostering strategic relationships with principal players on regional and international capital markets to leverage their expertise for internal capacity building and promotion of financial literacy, business process reengineering and acquisition of vogue technologies.

Acknowledgements

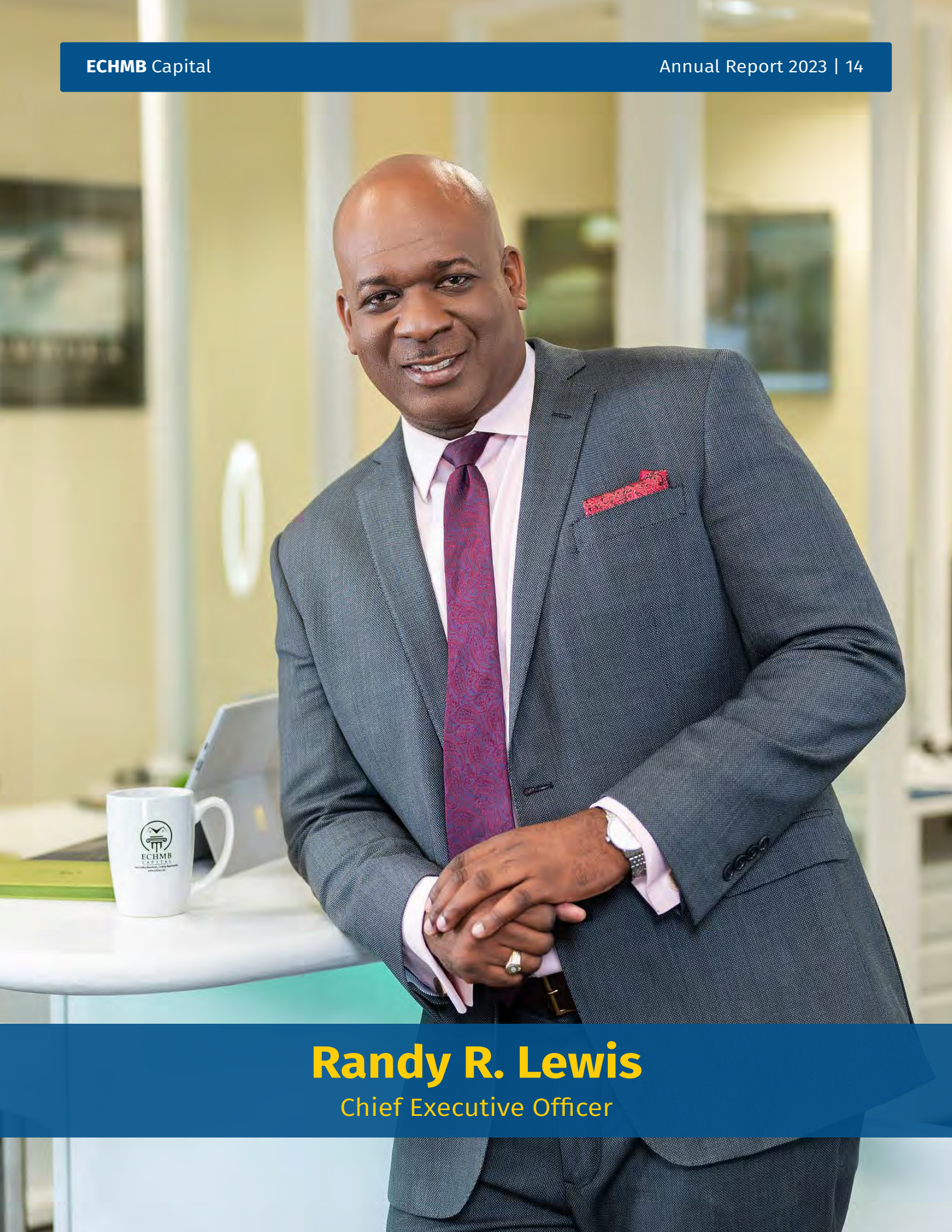
I wish to acknowledge our hardworking management and staff for their commitment to ECHMB Capital's success.

To my colleagues at the Board of Directors, I express my gratitude for your tremendous support during FY 2023. I would like to acknowledge the immeasurable contributions of Mr. Peter Blanchard for his six (6) years of unrelenting service to the Board of Directors.

Thank you, our shareholders, for your confidence in the ECHMB Capital team.

Timothy N.J. Antoine

Chairman



Randy R. Lewis

Chief Executive Officer

CEO's Letter to Shareholders

To Our Stakeholders

I am grateful once again for the opportunity to discuss the Bank's performance for the financial year ended 31st March 2023 and to provide a synopsis of our plans for the year ending 31st March 2024.

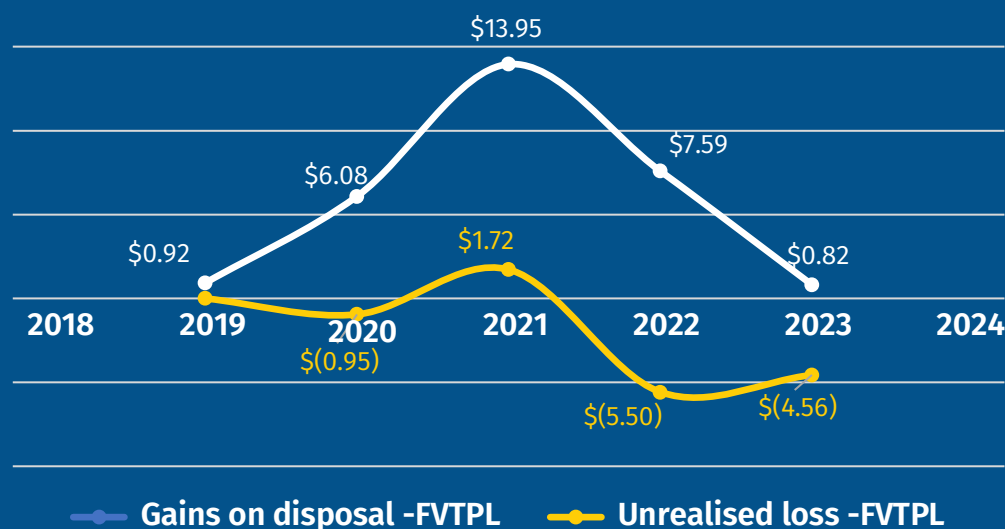
Tough Yet Rewarding Financial Year

ECHMB Capital's principal headwinds in FY 2023 were rising inflation and the concomitant "hawkish" monetary policy stance by the Federal Reserve Board ("The FED"). Based on our own internal metrics and that given approximately 67.40% of the investment portfolio was classified as Fair Value Through Other Comprehensive Income ("FVTOCI"), the Bank, like most other financial institutions within the space, was susceptible to significant market-to-market diminution. This risk presented further challenges due to the Bank's fixed income portfolio being comprised of predominantly investment grade bonds acquired during the lower coupon "Bull" market environment of FY 2021 and Q1 and Q2 of FY 2022.

As at 31 March 2023, inflation as measured by the Consumer Price Index was reported at 5.00%, culminating in nine (9) Federal Funds Rate hikes which resulted in a Terminal Rate range of 4.75%-5% at its March 2023 meeting. Since investors were able to access higher returns on newly issued investment grade instruments, the lower demanded instruments of the Bank triggered mark-to-market diminution of \$29.76M as at 31st March 2023. This notional diminution necessitated the implementation of strategies to mitigate the knock-on impact on Shareholders' Equity and Net Profit for the Year. This included the injection of \$27.73M in Preference Shares and divestment of our internally managed equity portfolio.

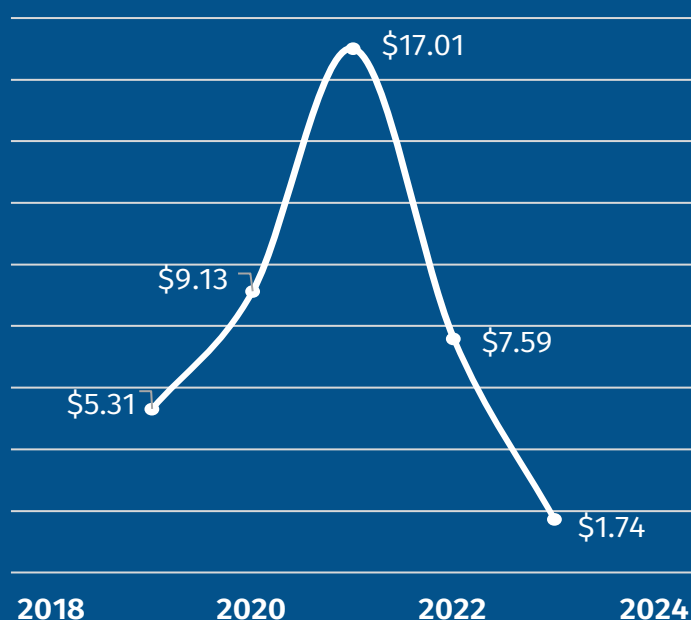
Our financial outturn for FY 2023 attests to the effectiveness of our strategic intervention. We managed to secure gains from disposal of securities which totalled \$0.82M, albeit a decline of \$6.77M (89.20%) when compared to the \$7.59M reported in FY 2022. Additionally, we stemmed losses on instruments reported via Fair Value Through Profit and Loss ("FVTPL") at \$4.56M, but slightly lower than the \$5.50M reported in FY 2022.

Gains and Losses from Capital Market Activities



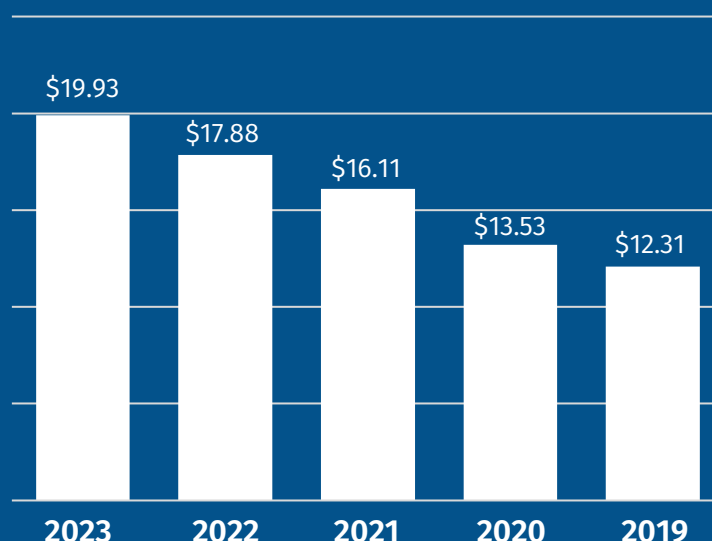
Even with the depressed Other Income reported, combined with losses generated from Financial Instruments, your Bank generated a Net Profit for the Year of \$1.74M, representing a decline of \$5.85M (77.08%) when compared to the \$7.59M reported under the more favourable capital market conditions of FY 2022.

Net Profit for the year 2019 to 2023



It is important to note that the Bank's topline increased from \$17.88M in FY 2022 to \$19.93M in FY 2023. This represents six (6) consecutive years of growth and speaks to the strength of our core operations.

Interest Income 2019 to 2023



In addition, notwithstanding the decline in profitability and the notional mark-to-market diminution reported in the Portfolio Risk Reserve totalling \$67.99M. The Bank's underlying Debt-to-Equity Ratio is creditable at 6.8:1.0 and compliant with the maximum acceptable ratio benchmarked at 8.0:1.0 imposed by the Board of Directors.

FY 2023 clearly demonstrated that the Bank's classification of financial instruments at acquisition is paramount. The Bank has commenced discussions on the determination of the most efficient combination of (a) the investment strategy; (b) the requirements of international financial reporting standards ("IFRS"); and (c) vagaries of capital markets.

This is imperative to ensure sustained profitability and preservation of Shareholders' Equity. These discussions are intended to institutionalise appropriate amendments to our Consolidated Policy Statements including the adoption of policies for "buy" and "sell" discipline.

Rebounding in FY 2024

Our financial projections for FY 2024 point to a rebound in Net Profit for the Year and a significant strengthening of the Bank's long-term capital structure. Our optimism is fuelled by anticipated lower volatility in capital markets with stability being dependent on an improved world economic outlook for 2024, as proffered by the International Monetary Fund ("IMF"). The IMF anticipates a rebound in global growth from 2.9% in 2023 to 3.1% in 2024. Other factors include the possibility of the FED instituting interest rate cuts in fiscal 2024.

Our Plans for FY 2024

In FY 2024, our emphasis will be placed on the development of our internal processes, systems, and structures. This includes building on our strategic and working relationships with international brokers (assets managers). The intention is to leverage the brokers' skillset in rebalancing and strengthening our investment portfolio. This is a critical element in facilitating knowledge transfer to ECHMB Capital's investment team and is part of our strategy of upskilling and retooling our human capital. The intent is to fill any knowledge gaps and by so doing, strengthen the intellectual capital of the Bank, which is imperative for weathering future shocks.

We intend to continue our mandate of strengthening the ECHMB Capital brand and increasing the Bank's brand recognition in the ECCU". This includes investing in the development and promotion of financial literacy and finding creative and cost-effective ways to increased access to the Eastern Caribbean Securities Market ("ECSM").

Acknowledgements

It would be remiss of me to not acknowledge first and foremost the strategic and timely decisions of the Board of Directors, which were critical given the significant turbulence and uncertainties of FY 2023.

Secondly, I must commend our Executive Management Team for the composure and fortitude exhibited in the face of highly volatile and unprecedented operating conditions. The fact that the Bank generated a Net Profit of \$1.74M is testimony to their skillsets and commitment to the attainment of the Bank's goals.

Due credit must be given to our stakeholders for their unwavering support and ommitment to ensuring the success of the Bank over the prior twenty seven years.

Randy Lewis

Chief Executive Officer



Fuelling the growth of the Eastern Caribbean Securities Market since 1996

Ordinary Shares

\$37.00M

Preference Shares

\$41.49M

Net Profit Generated

\$93.25M

Dividends Paid

\$40.42M

A- Credit Ratings

ECHMB Capital

("ESG") Report 2023



Environmental



Social



Governance

Our Commitment to Sustainability

At ECHMB Capital, we are committed to practicing sustainability and promoting awareness of the Bank's ESG impact. This culture of consciousness supersedes the moral obligation and calls to action are intentionally pursued to build a more sustainable business which enhances efficacy and trust with our stakeholders. Our ESG agenda enables our stakeholders to grow in a way that is sustainable in the long-term. We believe, that in order to continue to deliver strong risk-adjusted returns, the Board of Directors and executive management must give due considerations to ESG related risks and opportunities. We are of the view that pace and extent of this approach will lead to higher financial results over the long-term.

We are also conscious, that our stakeholders expect the Bank to give the required considerations to its social and ecological impacts. We try to achieve this by reducing our carbon footprints.

Our Strategic Framework



Mission Statement

"Our mission is to inspire, motivate and provide opportunities for our stakeholders to develop financial acumen, generate wealth and bring positive change to the ECCU."



Vision Statement

"To contribute to the transformation of the financial landscape of the ECCU by being innovative, risk centric and socially inclusive."

Core Values



People First



Integrity



Innovation



Partnerships



Accountability



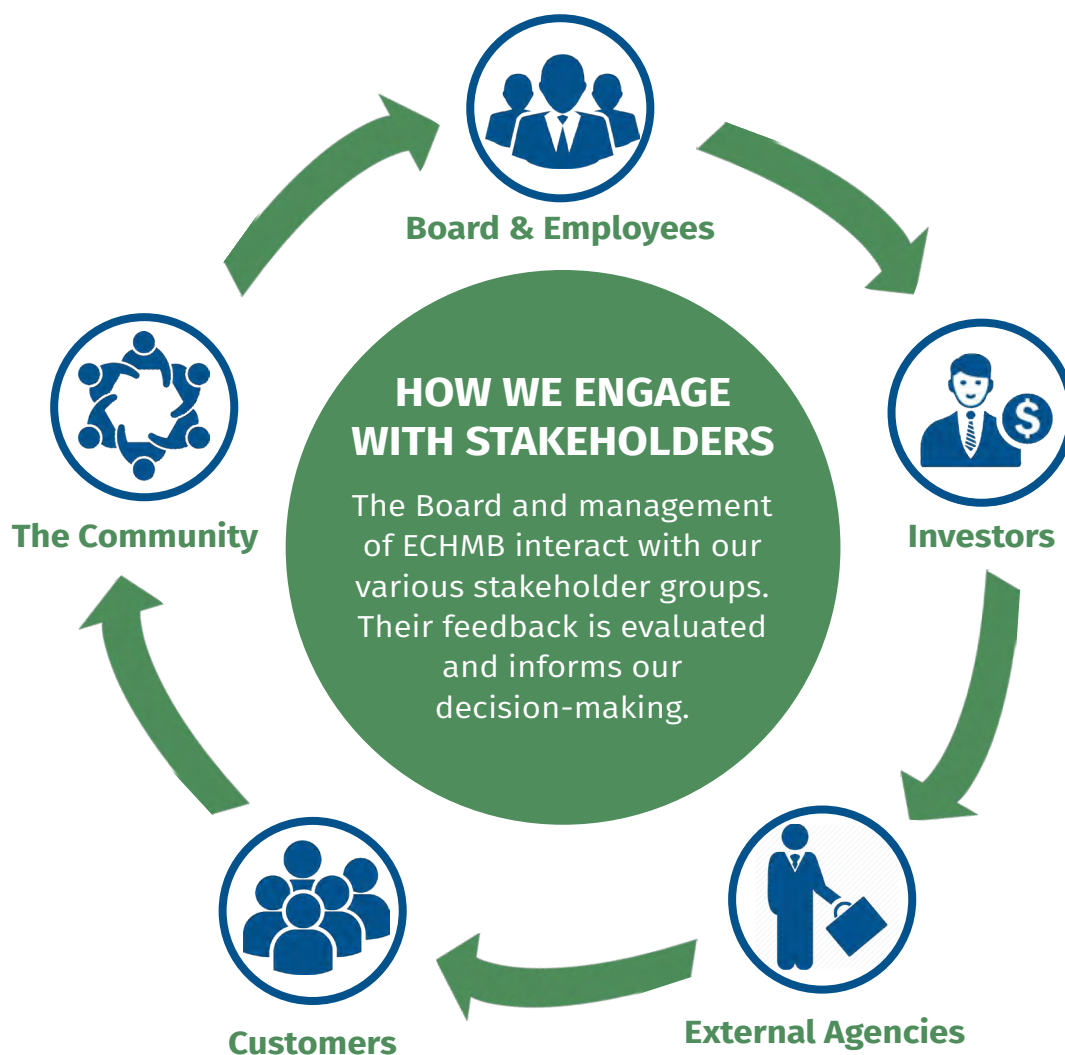
Excellence

Our Stakeholders' Expectations

Our stakeholders are the individuals, groups of individuals, or organisations who impact or are affected by our business. Our stakeholders include our employees, investors, primary lenders, mortgage underwriting participants, regulators, brokers, the civil society, and communities within the Eastern Caribbean Currency Union.






ECHMB Capital is committed to working with all our stakeholders to understand their expectations and interests so that the Bank can remain relevant given the changing dynamics of our external environment. We achieve this by establishing multiple communication media through which our stakeholders can be informed and interact with us. We believe in ensuring that our operation remains sufficiently transparent so that stakeholders have equal access to the requisite information.

Our stakeholders' analysis influences the Bank's mission, vision, and strategic focus.







Board of Directors & Employees




Our Employees' Interest

-  Job security
-  Fair remuneration
-  Skills development
-  Career opportunities
-  Health benefits





Our Engagement Strategy

-  Meetings
-  Hosting of employees' events
-  Socials
-  Conferences, Workshops & Courses

Our Response

-  Training
-  Fair compensation
-  Pension and health benefits





Outcome

-  Highly skilled labor force
-  >88% staff retention in FY 2023
-  Continuous improvement to staff skillset through training
-  Congruence between the Bank's and employees' goals






Investors Shareholders | Debt Holders



Shareholders' Interest

-  Improving financial performance accompanied with increased dividends/interest payments
-  Consistent growth in asset value
-  Effective corporate governance
-  Transparency


Our Engagement Strategy

-  Quarterly reporting
-  Timely publication of our annual report
-  Interactive and transparent Annual General Meetings

Our Response

-  Strong corporate governance structure
-  Quarterly reporting
-  Sound business strategies aimed at delivering growth and value
-  Prudently managed statement of financial position

Outcome


-  High up-take rate of the Bank's debt instruments






External Agencies

ECSE | ECSRC | CariCRIS


External Agencies' Interest

-  Compliance
-  Capital adequacy, profitability & liquidity
-  Adequate risk management
-  Growth




Our Response

-  Risk mitigation
-  Compliance with applicable rules and laws
-  Good corporate citizen

Our Engagement Strategy

-  Correspondences and other regular contacts





Outcome

-  Approval of prospectuses and Offer Memorandum
-  Quarterly reporting
-  Annual credit ratings




Customers

**Social Securities | Credit Unions | Financial intermediaries
| Households | Brokers/dealers**






Customers' Interest

-  Identification and provision of products to satisfy their prevailing demand
-  Ensuring ECHMB's products are available, affordable and more accessible
-  Ethical treatment
-  Value for money



Our Response

-  Increased product range
-  Increased distribution channels
-  Increased returns on products

Our Engagement Strategy

-  Provide the highest rated investment products in the ECCU
-  Change our marketing mix to meet prevailing demand
-  Developed databases to increase and improve communication with our target market
-  Roadshows
-  Offer higher coupons




Outcome

-  Increased demand for the Bank's products
-  Increased customer engagement




The Community

- *Corporate social partners*
- *Schools*
- *Not-for-profit organisations*




The Community's Interest

-  Job creation
-  Community development/good corporate citizen
-  Sponsorships/donations


Our Response

-  Created additional jobs
-  Mortgage underwriting courses
-  Donation to needy citizens

Our Engagement Strategy

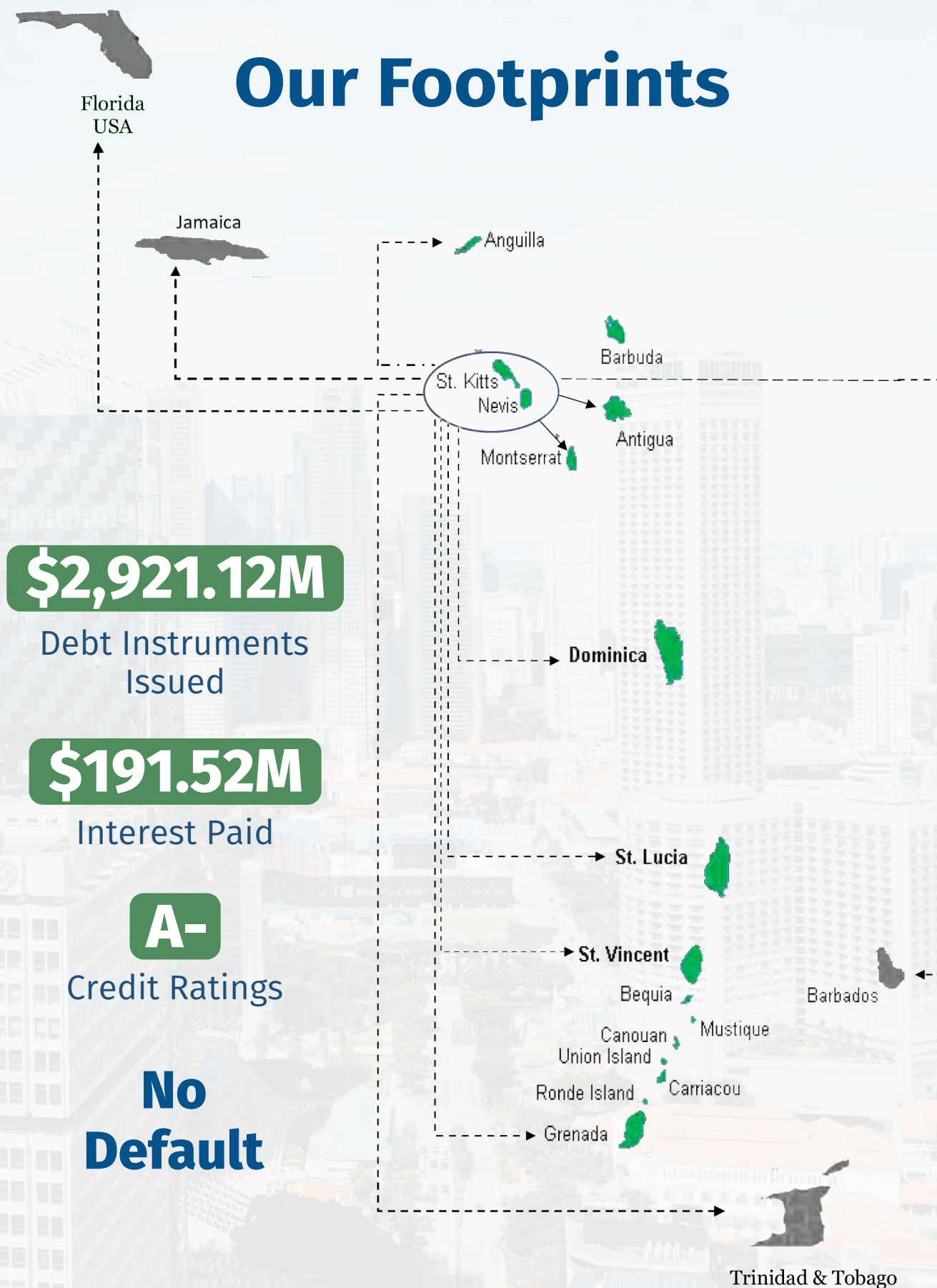
-  Improving our endeavors to be a good corporate citizen
-  Website
-  Sponsorship and Service

Outcome

-  Improvement to the life of citizens in the ECCU



Our Footprints



CORPORATE GOVERNANCE

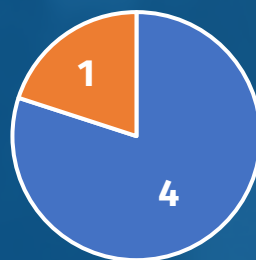


**ECHMB Capital Board of Directors
and Corporate Secretary
2022-2024**

Key Corporate Governance Highlights

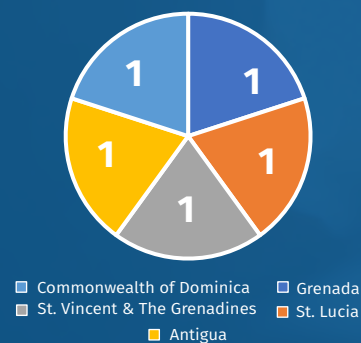
Chairman and Directors classification	Non-Executive
Separation of Power Chairman/CEO	Yes
Directors Resignation Policy	Yes
Percentage Equity Owned by Directors and Key Executives	Nil
Succession planning for key Executive Members	Yes
Tenure of Appointment of Board of Directors	2 Years

Board Gender



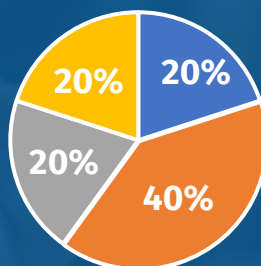
Male Female

Country of Directors' Domicile



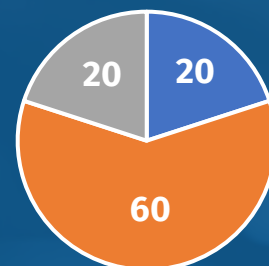
Commonwealth of Dominica Grenada
St. Vincent & The Grenadines St. Lucia
Antigua

Board Tenure



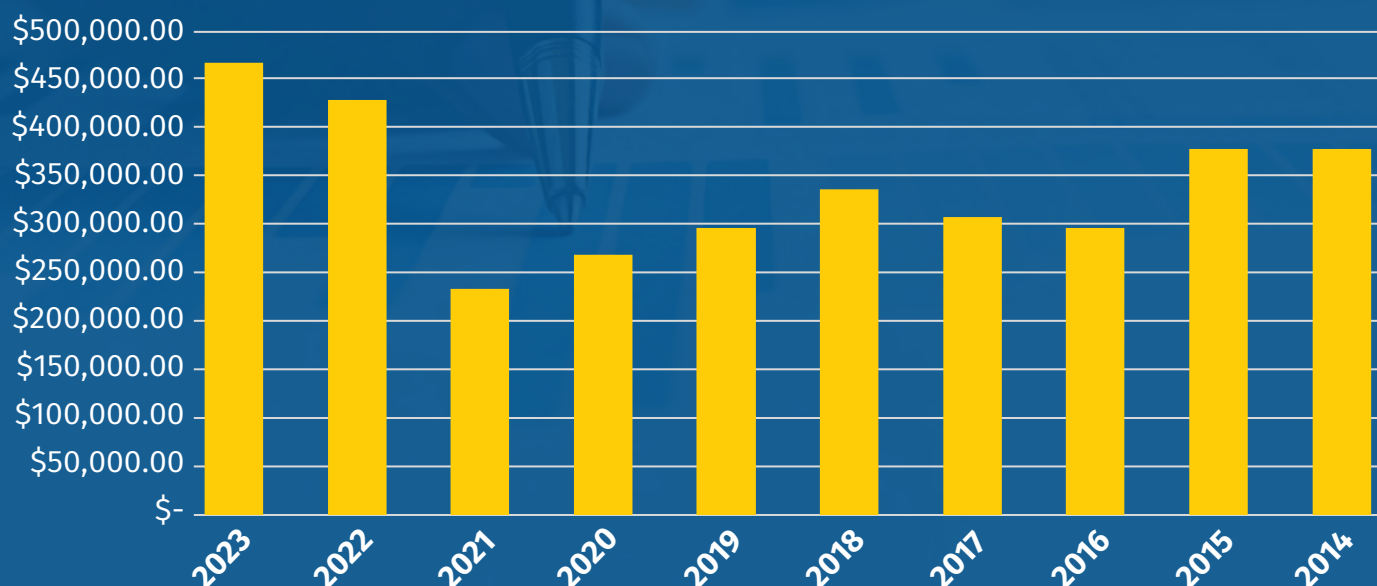
1 to 2 years 2 to 4 years
4 to 6 years 6 to 8 years

Age Distribution

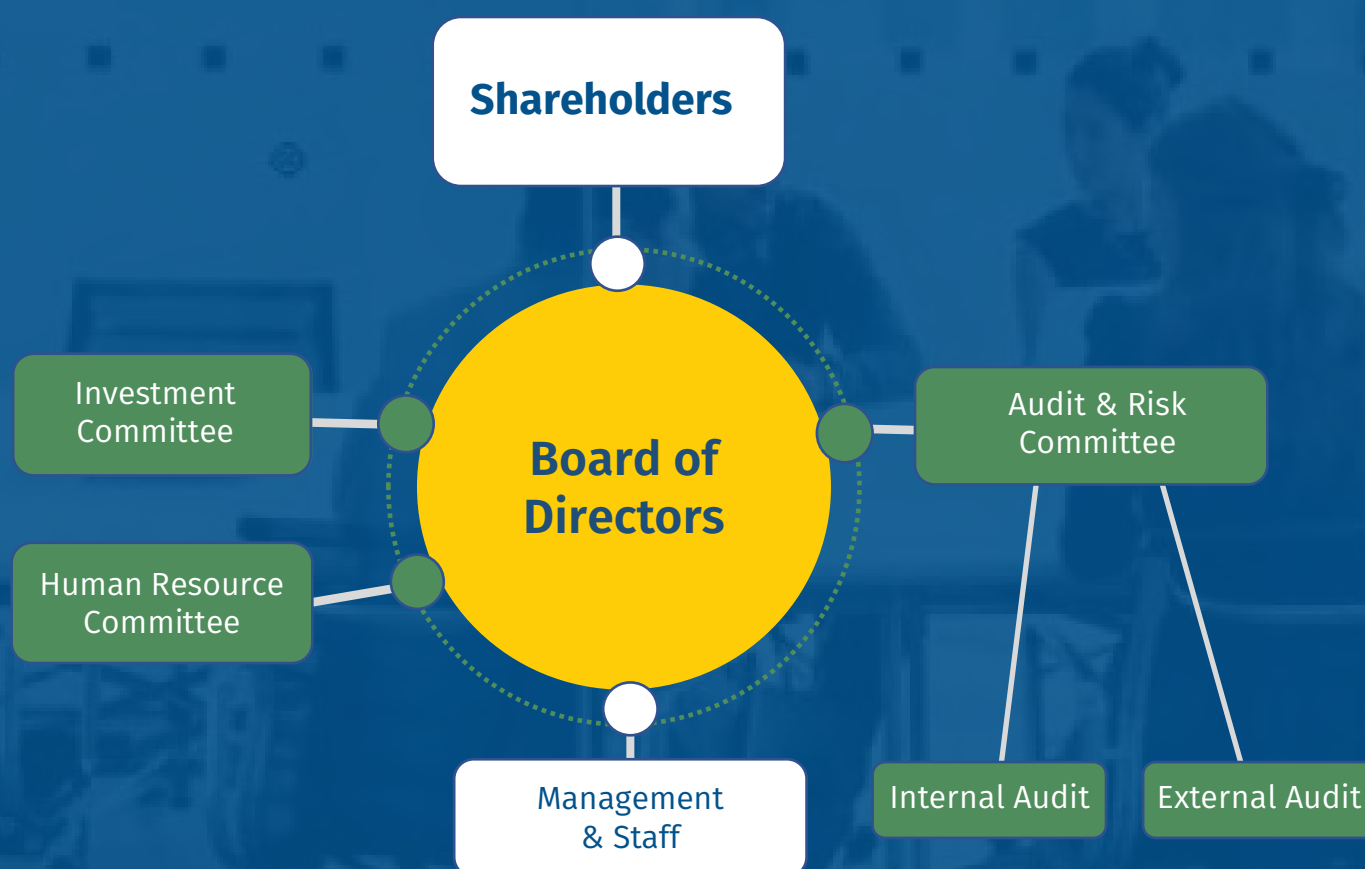


40 to 50 50 to 60
60 to 70

Directors Fees and Expenses



The Role and Responsibility of the Board of Directors



The Board of Directors (“the Board”) has ultimate responsibility for ECHMB Capital’s corporate governance and risk management. In keeping with its principal responsibilities, the Board of Directors of ECHMB Capital continues to ensure that the highest standards in corporate governance are maintained, with the objectives of reinforcing the confidence and trust of the investing public, increasing stakeholders’ satisfaction and building a strong and ethical regional institution. On an annual basis, the ECHMB Capital adopts the latest developments in corporate governance to ensure that its procedures align with international best practices. The fundamental approach adopted is to ensure that the right executive leadership, corporate strategy, internal controls, and risk management procedures are in place. In addition, the Board continuously reviews its governance model to ensure relevance and effectiveness as the Bank faces future challenges exacerbated by uncertain economic conditions.

It is the responsibility of the Board to periodically review and approve the overall strategies, business, organisation, and significant policies of the Bank. The Board also sets the Bank's core values and adopts proper standards to ensure that the Bank operates with integrity. The responsibilities of the Board include the following: -

- Oversee and approve the Bank's strategic direction, devise an appropriate organisational structure and institute adequate succession planning of senior executives;
- Evaluate the actual operating and financial results of the Bank against the strategy plans, operating budgets and key performance indicators;
- Identify the key business risks, approve risk mitigation policies and practices and oversee the implementation of appropriate systems to enable compliance with such policies;
- Provide oversight on the Bank's internal controls and management information systems
- Establish committees of the Bank, appoint Chairs for the respective Committees and approve the appropriate Terms of Reference; and
- Develop the Bank's approach to corporate governance principles and guidelines

At all times, our Directors are expected to exercise sound, independent, business judgment in the best interest of the Bank and to balance the interests of various stakeholders.

Focus areas FY 2023



Director Independence

The Board consists entirely of Non-Executive Directors who help to provide solid and effective oversight of Senior Management. The Directors do not participate in the day to-day administration of the Bank. They do not engage in any business dealings or other relationships with the Bank (other than in situations permitted by the applicable regulations) in order to ensure that they remain truly capable of exercising independent judgement and act in the best interests of the Bank and its shareholders.

Further, the Board is satisfied and assured that no individual or group of Directors have unfettered powers of decision that could create a potential conflict of interest. Additionally, the Board ensures that all Independent Non-Executive Directors possess the following qualities: -

- Ability to challenge the assumptions, beliefs, or viewpoints of others with intelligent questioning, constructive and rigorous debating, and dispassionate decision making in the interest of the Bank;
- Willingness to stand up and defend his own views, beliefs, and opinions for the ultimate good of the Bank; and
- A good understanding of the Bank's business activities to appropriately provide responses on the Board's various strategic and technical issues.

Conflict of Interest

In accordance with Article 27 of the Eastern Caribbean Home Mortgage Bank Agreement, a Director who is in any way interested, whether directly or indirectly, in a contract or proposed contract with the Bank or whose material interest in a company, partnership, undertaking or other business is likely to be affected by a decision of the Board shall disclose the nature of his interest at the first meeting of the Board at which he is present after the relevant facts come to his knowledge. Article 27 further provides that after making the disclosure, the Director shall not vote on the matter and, unless the Board otherwise directs, and shall not be present or take part in the proceedings of any meeting at which the matter is being discussed or decided by the Board.

Directors' Interest (Ordinary Shares of ECHMB Capital)			
Name	Position	Direct Holding 31 March 2023	Indirect Holding 31 March 2023
Timothy N.J. Antoine	Chairman	Nil	Nil
Stewart Haynes	Deputy Chairman	Nil	Nil
Baldwin Taylor	Director	Nil	Nil
Sandra Derrick	Director	Nil	Nil
Aylmer Irish	Director	Nil	Nil

Quality and Supply of Information to the Board

To effectively discharge its duties, the Board has full and unrestricted access to all information pertaining to the Bank's business and affairs and the advice and services of the Senior Management. In addition to formal Board meetings, the Chairman maintains regular contact with the Chief Executive Officer to discuss specific matters. The latter, assisted by the Corporate Secretary, ensures that frequent and timely communication between the Senior Management and the Board is maintained as appropriate.

Corporate Secretary

The Corporate Secretary is responsible for advising the Board on issues relating to corporate compliance with the relevant laws, rules, procedures, and regulations affecting the Board and the Bank and best practices of governance. She is also responsible for advising the Directors of their obligations and duties to disclose their interest in securities, disclosing any conflict of interest in a transaction involving the Bank, prohibition on dealing in securities, and restrictions on disclosure of price sensitive information. All Directors have access to the advice and services of the Corporate Secretary.

Whistle Blowing Policy

The Bank is committed to the highest possible standards of openness, probity and accountability. In line with that commitment it encourages employees and others with serious concerns about any aspect of the Bank's work to come forward and voice those concerns. It is recognised that certain cases will have to proceed on a confidential basis. Our Whistle blowing Policy makes it clear that employees can do something without fear of reprisals. Our Whistle blowing Policy is intended to encourage and enable employees to raise serious concerns within the Bank rather than overlooking a problem or blowing the whistle outside.

Our Whistle blowing Policy aims to:

- Provide avenues for staff to raise concerns and receive feedback on any action taken;
- Allow staff to take the matter further if they are dissatisfied with the executive managers' response;
- Reassure staff that they will be protected from reprisals or victimisation for whistle blowing in good faith.

Structured Training Program for Directors








Directors are expected to participate in the Directors Education & Accreditation Programme ("DEAP"). This is an advanced director training course aimed at preparing directors for the important role they play in the Bank's governance.

In FY 2023, The Board received presentation and training on the following topical issues: -

- General investment strategies and management
- Cyber security awareness
- ESG investment

Board Composition

At 31 March 2023, the Board is comprised of five (5) directors representing four (4) classes of shareholders. Our Directors have diverse skill sets, experience and backgrounds which include local and international experience in banking, business, strategic management, manufacturing, tourism, accounting, education and law, and they are recognized as strong leaders in their respective fields of work and experience.

							
Board Expertise	Leadership	Strategic Formation	Financial Services	Governance	Risk Management	Human Resource Management	Legal/ Compliance & Regulatory
Timothy Antoine	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Stewart Haynes	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Baldwin Taylor	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Sandra Derrick	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Aylmer Irish	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

Audit and Risk Committee

The Audit Committee provides guidance on the Bank's systems of accounting and internal controls, thus ensuring the integrity of financial reporting. This Committee also serves as an effective liaison between Senior Management and External Auditors. The 2023 activities of the Committee included:

- Provide an open avenue of communication between the Board of Directors and the external and internal auditors.
- Provide oversight to the work of the external auditors and make recommendations on their appointment and compensation.
- Make recommendations on the appointment of the internal auditor.
- Review and approve the audit plan of the external auditor and the effectiveness of the internal audit function.
- Review with the internal and external auditors, the adequacy of the Bank's internal control systems.
- Review with management and the external auditors, the Bank's annual financial statements for publication as well as the auditor's report thereon, the auditor's Management Letter and any differences with management, which may have arisen during the audit.
- Oversee the work of the internal auditor and review internal audit reports and the related actions taken by management.
- Review any legal or regulatory matters of a financial nature affecting the Bank.
- Meet with the external and internal auditors in executive sessions to discuss any matters, which it determines should be discussed privately.
- Review any frauds committed as well as actions taken by management to control and mitigate such risks.
- Investigate any matter within its scope of responsibilities.

The Audit and Risk Committee also oversee the implementation of an effective process for managing the Bank's interest rate, liquidity, and similar market risks relating to the Bank's balance sheet and associated activities, including the adoption from time to time of policies, risk limits and capital levels. Audit and Risk Committee will review and discuss the Assets and Liabilities Management ("ALM") strategy with Management, and after taking into consideration any matters that the Audit and Risk Committee may deem advisable and appropriate, including Management recommendations.

In fulfilling its responsibilities, the Audit and Risk Committee will review and approve, at least annually, the following policies, which shall be prepared by the Chief Executive Officer:

- Liquidity & Funding Policy
- Dividend Policy
- Enterprise Risk Management Policy
- Information Technology ("IT") Policy

Composition of the Audit and Risk Committee 2022-2024

- Aylmer Irish (Chairman)
- Stewart Haynes (Deputy Chairman)
- Baldwin Taylor

Investment Committee

The Investment Committee ("IC") has been established to assist the Board of Directors by assessing the adequacy and oversight of the implementation of the Bank Investment Policy.

The 2023 activities of the Committee included:

- Advise the Board of Directors on investment strategies and policy
- Evaluation of the performance of the investment management function
- Oversee the implementation of the Investment Policy
- Monitor management's strategic investment activities such as asset allocation targets, rebalancing policy, and other significant investment functions.
- Monitor compliance with external regulations.
- Review the status of the securities portfolio, including performance, appreciation or depreciation, quality, maturity profile and any actions taken by management with respect thereto.
- Review and determine whether to approve the holdings of investment securities (including prudent investments) that are subject to the IC's authority to approve under the Investment Policy or Board of Directors resolutions.

- Monitor compliance with the provisions of the Enterprise Risk Management Policy and applicable standards relating to the management of counterparty credit risk, including, but not limited to, reviewing limits on counterparty exposure and reviewing limits on individual transactions based on risk.
- Review and approve procedures and systems the management has established to implement the Board's objectives and limits for each portfolio, taking into account applicable laws, regulations, and current accounting standards for each part of the portfolio.
- Establish the company's investment policies and guidelines and review them at least every three (3) years.
- Review the Management Letter points relating to the Investment Portfolio.

Composition of the Investment Committee 2022-2024

- Stewart Haynes (Chairman)
- Sandra Derick (Deputy Chairman)
- Baldwin Taylor
- Aylmer Irish
- Randy R. Lewis

Human Resource Committee

The Human Resource Committee of ECHMB Capital has been established to guide the strategic human resource development of the Bank and to provide oversight of the framework governing the ECHMB Capital's human resource policies.

The 2023 activities of the Committee included:

- Review and make recommendations to the Board of Directors on the ECHMB's Human Resource policies, practices and organisational structure to ensure consistency with the ECHMB's Strategic Plan, ensure organisational effectiveness and efficiency, nurture the human resource skills sets towards fostering a harmonious work environment
- Review of the compensation package of executive management
- Review and make recommendations to the Board of Directors on the ECHMB's performance management and development system to ensure a fair and regular measure of individual performance across the institution and that the key performance targets of the ECHMB are aligned with individual performance measures
- Review and make recommendations on the ECHMB's management succession plans to facilitate proper management planning. The succession plans for non-management will be the responsibility of the CEO.
- Review and make recommendations on management/leadership development
- Recruitment and redundancy of staff
- Staff promotion

Composition of the Human Resource Committee 2022-2024

- Sandra Derrick (Chairman)
- Baldwin Taylor (Deputy Chairman)
- Director Timothy Antoine

Board Attendance

Article 21 (section-1) of the Eastern Caribbean Home Mortgage Bank Agreement-Meeting of the Board states, the Board shall meet not less than once every three (3) months, and meetings shall be held at such time and place and on such days as the Board may determine. Notwithstanding the provisions of Section-1 of this article, decisions may also be made by the Board or in a meeting convened upon circulation of the relevant papers among members of the Board.

Directors Attendance FY 2023						
	Share Class	AGM	Board of Directors	Audit & Risk Committee	Investment Committee	Human Resource Committee
Number of Meetings		1	4	2	10	3
Timothy N. J Antoine	A	1	4	-	-	2
Stewart Haynes	B	1	4	2	10	-
Peter Blanchard* ₁	C	-	2	-	-	1
Baldwin Taylor		1	4	-	10	3
Sandra Derrick* ₂		1	2	-	4	2
Aylmer A. Irish* ₃	D	1	4	2	9	1

*₁ – Retired by rotation on the 6th October 2022

*₂ – Appointed on the 6th October 2022

*₃ – 2 year term on the HR Committee concluded on the 6th October 2022

Policies Implemented During FY 2023

Some of the key policies implemented this year include the following:

- Assets and liabilities management
- Directors' declaration

Appointment, Term and Retirement of Directors

A director holds office for two years and shall be eligible for re-appointment. A vacancy in the Board shall be filled by the Class of shareholders which appointed the shareholders to be replaced. A director appointed to fill a vacancy holds office for the un-expired term of his predecessor.

Board of Directors 2022 to 2024



Timothy N.J. Antoine

Chairman Class A

Appointed:

Mr. Antoine was appointed to the Board of Directors in November 2016.

A national of Grenada, he assumed duties as the third Governor of the Eastern Caribbean Central Bank (ECCB) on 1st February 2016. He is an economist and development practitioner by training, experience and passion. Before taking up the position of Governor, Mr. Antoine served as Director for Grenada on the ECCB Board of Directors for the periods: 2002 to October 2005 and January 2008 to January 2016.

Mr. Antoine's 22-year tenure with the Government of Grenada was spent in the Ministry of Finance where he began as a Planning Officer in 1993 and rapidly moved up the ranks to Senior Economist before being appointed Permanent Secretary, serving in that position for the periods August 1999 to October 2005 and January 2008 to January 2016. From November 2005 to November 2007, he served as Advisor to the Executive Director for Canada, Ireland and the Caribbean in the World Bank Group and was based in Washington D.C. In that role, he offered analysis and advice on various development policies and projects and was a strong advocate for the interests of the Caribbean and small states.

He was a Part-Time Lecturer in Economics and Development at St. George's University from 1999-2000. Mr. Antoine has also contributed to the development of the OECS and wider Caribbean in various ways such as serving on several local, regional and international boards and committees including:

- Chairman, Grenada's Homegrown Programme Monitoring Committee
- Chairman, Grenada Authority for the Regulation of Financial Institutions
- Chairman, Investment Committee, Grenada National Insurance Board
- Chairman, Governance Reform Committee, Board of Directors, Caribbean Development Bank
- Director, Board of Directors, CARICOM Development Fund
- Director, Caribbean Catastrophe Risk Insurance Facility
- Chairman, ECCU Technical Core Committee on Insurance
- Chairman, Eastern Caribbean Securities Exchange

Mr. Antoine holds a MSc Degree in Social Policy and Planning in Development Countries from the London School of Economics and a BSc Degree in Economics with Management from the University of the West Indies. He has also received training from the Small

Countries Financial Management Centre in the Isle of Man and training in Negotiations at the Saïd International School of Business, Oxford University. He also has a Certificate in Project Cycle Management from the Caribbean Development Bank.



Stewart Haynes

Class B

Appointed:

Mr Haynes was appointed to the Board of Directors October 2020.

Mr. Stewart Haynes holds a BSC in Actuarial Science from the London School of Economics and Political Science and a MSc in Actuarial Management from CASS Business School London, with a specialty in Investment Management. He is also a Fellow of the Institute of Actuaries (FIA), and a Chartered Financial Analyst (CFA).

Having served the St. Vincent and the Grenadines National Insurance Services (NIS) in various capacities since 2005, he was appointed as the Director in 2017. He has also worked with several Social Security Systems in the region as an Actuarial Analyst. In 2018, Mr. Haynes was elected to the Bureau of the International Social Security Association (ISSA) based in Geneva Switzerland. Further, in 2020, he was appointed as ISSA's Vice-Chairperson of the Technical Commission on Investment of Social Security Funds and a member of ISSA's Nominations Committee for the Triennium 2020-2022.

In addition to his capacity as Director of the NIS, Mr. Haynes is currently serving as a Director of the Financial Services Authority (FSA), the East Caribbean Financial Holding Company (ECFH) and Chairman of the St. Vincent and the Grenadine National Student Loan Company.



Baldwin Taylor

Class C

Appointed:

Mr Taylor was appointed to the Board of Directors October 2020.

Baldwin Taylor currently serves as the General Manager of Bank of Montserrat Limited, a position he has held since January 2020. Baldwin has a 29 year banking history working with both indigenous and international financial institutions. Prior to taking up his appointment with Bank of Montserrat Limited he served with Bank of Saint Lucia Limited for 25 years holding a number of positions including Senior Manager – Customer Insight and Senior Manager – Retail Banking with specific responsibility for overseeing the sales, service and the day to day operations of the five branches of Bank of Saint Lucia and the Bureau de Change. He also had responsibility for the operations of the EC Global Insurance Agency which acts as an agent for GK Insurance.

Outside of his core banking functions, Baldwin has served on a number of Boards including the Board of the Saint Lucia National Housing Corporation and more recently the Board of the Caribbean Credit Card Corporation.

He also held a number of positions on the Saint Lucia Bankers Association. Baldwin has a Bachelor of Commerce Degree majoring in Marketing and Human Resource Management from Saint Mary's University in Nova Scotia, Canada and a Master's Degree in Business Administration from the University of Durham in the United Kingdom.



Sandra Derrick

Class C

Appointed:

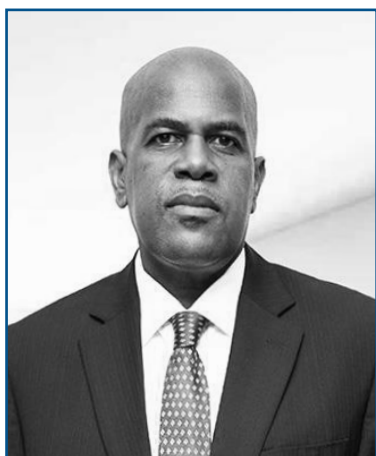
Ms Derrick was appointed to the Board of Directors October 2022.

Ms. Derrick was elected to the ACB Caribbean Board in April 2015, to the ACB Mortgage & Trust Company Limited Board in January 2019 and to the ACB Grenada Bank Ltd. in April 2021. She has served on various Board committees, including Governance and Executive, Technology (Chairman), Human Resources and Compensation, and Audit and Risk Management. She was also appointed to the Board of Trustees for the Pension Schemes of the ACB Caribbean Group. She is a member of the Institute of Chartered Secretaries & Administrators (ICSA), and having completed the Directors Education and Accreditation Programme (DEAP), she holds the designation Acc. Dir.

Ms. Derrick is a financial consultant with over ten (10) years of experience in finance, investments and project management. She graduated with a Bachelor of Science in Industrial Engineering from Stanford University and a Master of Business Administration in Finance, Decision Sciences and Marketing from Kellogg School of Business at Northwestern University. She is also a Certified Financial Analyst and a member of the CFA Institute.

Her work experiences, including international assignments, have spanned private and public enterprises. She started in the technology field customizing databases before expanding into project and financial management. After managing the foreign currency reserves at the Eastern Caribbean Central Bank, she worked in the Ministry of Finance in Antigua and Barbuda and now works in the private capacity.

Ms. Derrick is an Adjunct Lecturer at the University of the West Indies Five Islands Campus in the Management, Science and Technology Department.



Mr. Aylmer A. Irish

Director Class D

Appointed:

Mr. Irish was appointed to the Board of Directors in September 2018.

Mr Irish has more than twenty eight (28) years progressive senior executive experience in the field of banking, accounting and finance. He served as the Deputy General Manager and subsequently as the General Manager of the Roseau Cooperative Credit Union in the commonwealth of Dominica between 1996 and 2010. In 2010 following the amalgamation of five (5) credit unions to form the National Cooperative Credit Union, (NCCU) Mr Irish was appointed to lead the institution as its Chief Executive Officer. The NCCU is the largest credit union in the sub-region.

He holds a Bachelor of Accounting from the University of the Virgin Islands- St Thomas and an MBA from the University of the West Indies- Cave Hill, a Certificate in Project Implementation and Management from the Caribbean Development Bank and is an Accredited Director.

Mr Irish is a member of the Association of Banks and Financial institutions of Dominica, a Trustee of the Dominica Employers Federation and a member of the Audit Committee of the Caribbean Confederation of Credit Unions.



Gillian Skerritt

Corporate Secretary

Report of the Directors

The Directors submit herewith the Statement of Income, Expenses, Unappropriated Profits, Assets and Liabilities of the Eastern Caribbean Home Mortgage Bank (ECHMB Capital)

Financial Results and Dividends		\$'000
Net income attributed to shareholders		1,735
Dividends at \$5.00 per share for FY2023		(1,811)
Transfer to reserves		(347)
Net loss for the year after distributions		(423)
Retained earnings at the beginning of the year		23,621
Retained earnings at the end of the year		23,198

Dividends

A final Dividend of \$5.00 per share for was declared on 6th October 2022
The dividend paid on 6th October 2022

Substantial Interests in ECHMB Capital's Share Capital as at 31st March 2023		
Shareholders	Fully paid up Ordinary Shares	% of Issued Share Capital
Eastern Caribbean Central Bank	66,812	24.86%
National Cooperative Credit Union, Dominica	20,500	7.63%
CLICO International Life Insurance Limited, Barbados	20,000	7.44%
Dominica Social Security	15,008	5.58%

There have been no changes in these interests between the end of the ECHMB Capital's financial year and the date of the Notice convening the Annual General Meeting.

Statement of Affairs

In the opinion of the Directors, there were no changes in the state of the affairs of the Bank during the financial year.

Re-election of Directors

Article 15 (1) of the Eastern Caribbean Home Mortgage Bank Agreement provides that:- (a) a director holds office for two (2) years and shall be eligible for re-appointment; (b) a vacancy in the Board shall be filled by the Class of shareholders which appointed the Director to be replaced; and (c) a Director appointed to fill a vacancy holds office for the unexpired term of his predecessor.

At the 27th Annual General Meeting held on the 6th October 2022; the following Director demitted office: -

Class C

Mr. Peter Blanchard

he was replaced by: -

Ms. Sandra Derrick

Events Subsequent to Statement of Financial Position Date

The Directors are not aware of any transaction which has arisen since 31st March 2023 that has a material effect on the operations of the Bank and for which adequate disclosures have not been made in the financial statements.

Appointment of Auditors

Article 23 of the Eastern Caribbean Home Mortgage Agreement provides that shareholders shall at each Annual General Meeting appoint an auditor to hold office from the conclusion of the meeting until the conclusion of the next Annual General Meeting.

The Auditors, PwC East Caribbean, retired at the financial year ended 31st March 2023. The Auditors are eligible for re-appointment and have offered themselves as External Auditors for the year ending 31st March 2024.

The Board of Directors recommends their re-appointment.

Management of Key Risks



**Market
Risk**



**Liquidity
Risk**

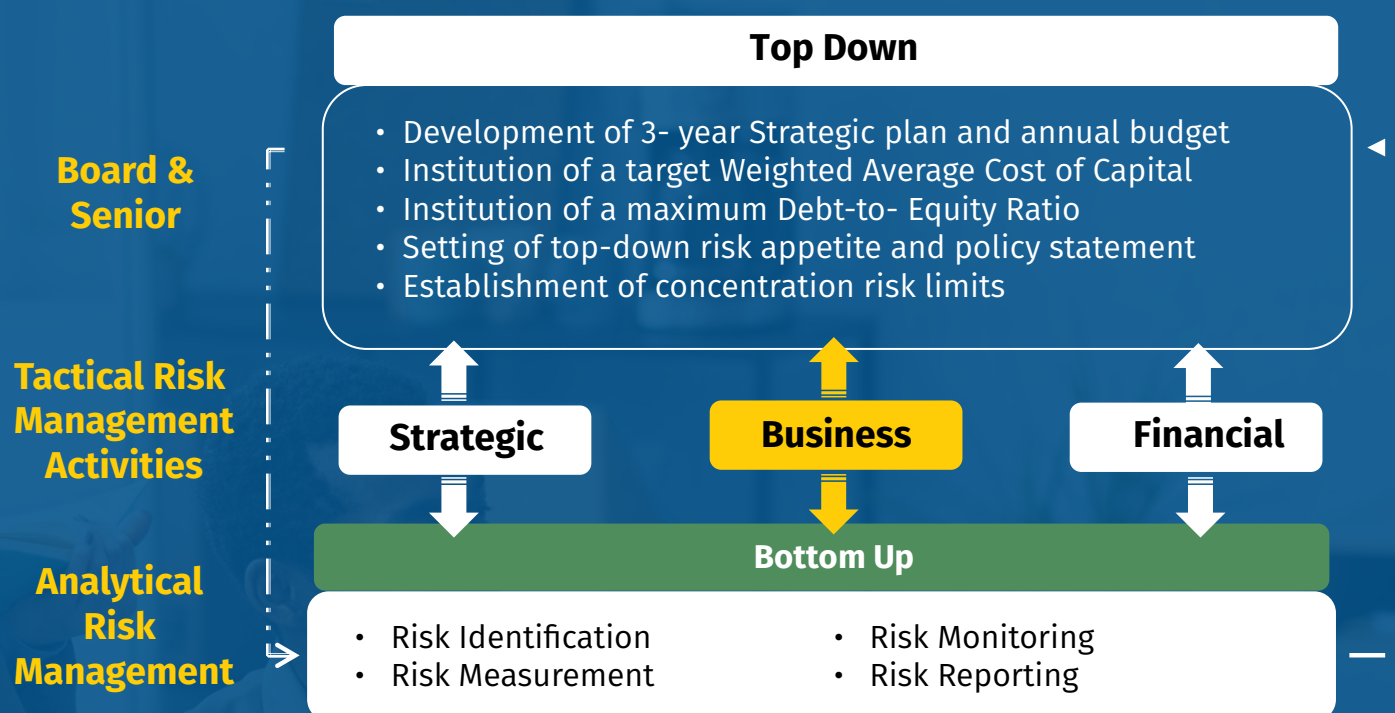


**Credit
Risk**

ECHMB Risk Management Framework

The Bank's principal risk management objective is to ensure that there is an appropriate balance between our risk appetite and return. We have implemented an enterprise risk management ("ERM") framework to identify, monitor and manage risk throughout our Bank. Our ERM framework is designed to ensure maximum understanding of the various types of risks likely to impact the Bank, comprehensive risk assessment and continuous monitoring.

ECHMB Capital's Risk Management Framework



The framework also provides guidelines for effective communication and stipulates a distinction between:

- Those who establish risk policy, processes (i.e., assessment) and methodologies (i.e., monitoring and reporting);
- Those involved in taking and managing risks; and
- Those who provide assurance that all significant risks are appropriately identified, assessed, managed, monitored and reported.

ECHMB Capital is committed to ensuring that effective risk management plays a central role in all its activities and is a core management competency. Compliance with this policy is essential in ensuring the continued integration of risk into the culture and values of the Bank. The Bank's ERM framework is subject to constant evaluation in order for it to meet the challenges and requirements of the markets in which the Bank operates, including regulatory standards and industry best practices.

ECHMB Capital's Risk Management Vision

The vision for ECHMB Capital's ERM strategy is to ensure that risk management is embedded in the Bank's processes and culture, thus contributing to the achievement of its core objectives.



ECHMB Capital's Risk Management Objectives

The objectives of ERM Policy are to ensure:

- Existing and potential material risks that could impact the achievement of strategic objectives of ECHMB Capital are identified, managed or mitigated;
- Techniques to manage risk (i.e., avoidance, reduction, transforming, sharing, and retention) are applied appropriately;
- Appropriate resources are allocated to controllable, accepted risk areas; and
- Non-controllable risks are identified, monitored, understood and mitigated where possible.



ECHMB Capital's Principles of Risk Management

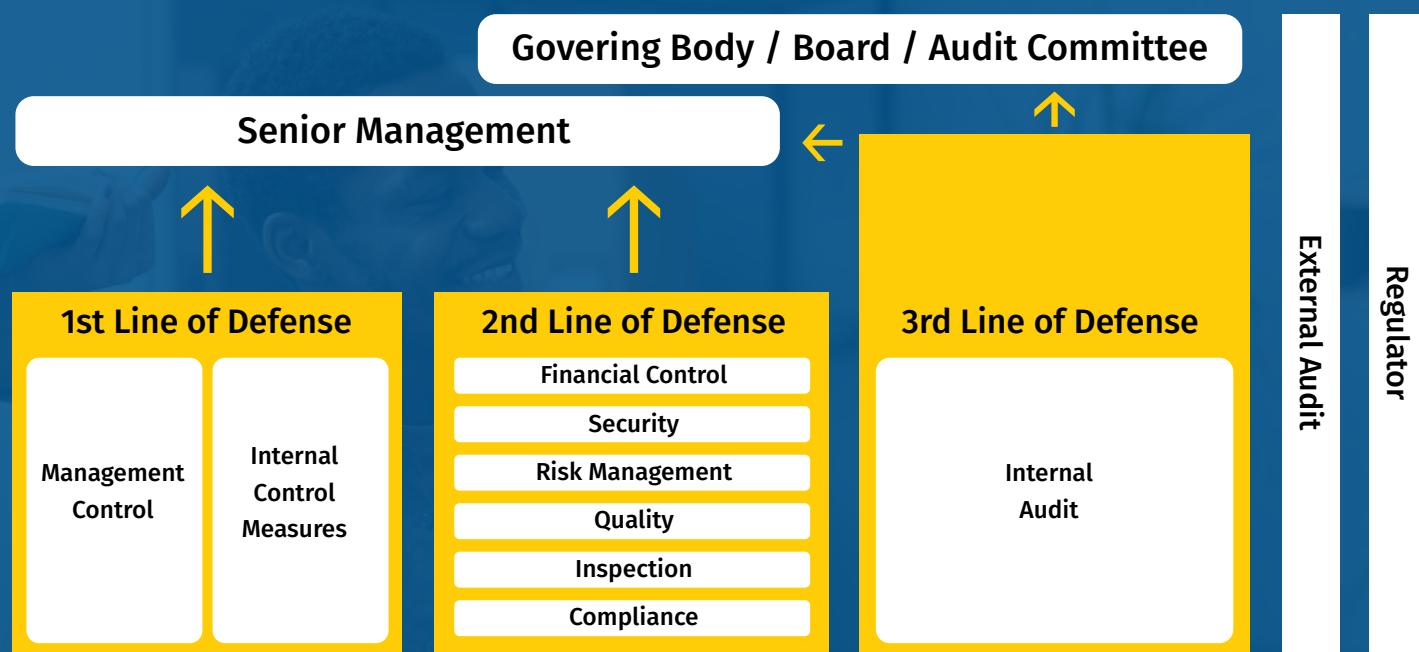
The ERM process is guided by the following key principles:

- **Philosophy** – ECHMB Capital will take on a level of risk in line with its risk appetite. Since a proactive and systematic approach to managing risk can result in benefits to the Bank (i.e., enhanced investment performance and investment grade credit ratings), the aim is to manage and control risk appropriately rather than avoid or eliminate it. Strong ERM practices allow for more informed risk-taking and decision-making.
- **Culture** – ECHMB Capital fosters a corporate culture which accepts informed risk-taking within a pre-determined range as fundamental to its business provided that risk identification, mitigation and monitoring processes are established to ensure the continuing strength of the organization.
- **Education** – ECHMB Capital promotes training and risk awareness among its Board members and its employees.
- **Learning** – ECHMB Capital promotes the review of past risk events to capture learning from this experience.
- **Standards** – A common approach to risk management and reporting is in place to promote consistency and best practices in managing, monitoring and reporting of risk including a “common language” used by the Bank in discussing risk.
- **Risk Ownership** – Responsibility for the design of the risk management framework (the “Framework”) lies with the Senior Executive Team. To support this responsibility, the Bank will identify functions with roles in the management, monitoring and reporting of risk exposures.
- **Independent Assurance** – The Bank will obtain periodic independent assurance (i.e., Internal Audit and/or external audit/ Risk and Compliance Officer) that systems of risk management and internal controls are operating efficiently and effectively.

Roles and Responsibilities for the Management of Risk

ECHMB Capital has implemented the three (3) lines of defense model for effective risk management and control which is consistent with the above basic principles. The Three Lines of Defense model distinguishes among three groups (or lines involved in effective risk management:

- Functions that own and manage risks.
- Functions that oversee risks.
- Functions that provide independent assurance.



First Line of Defense-Functions that Own and Manage Risks

Staff Members are Responsible for:

- Managing and reporting risks at the source; and
- Adhering to processes and procedures which are designed to manage risks associated with the work they perform.

Senior Management is Responsible for:

- Championing a risk management culture within the organization;
- Maintaining current risk profiles for their areas of responsibility;
- Ensuring appropriate resources are allocated, in alignment with established risk appetite targets, for assessing and managing risks;
- Developing and implementing a risk management plan for the organization;
- Ensuring that the significant risks that may impact upon objectives are being consistently and continuously identified, assessed, managed, monitored and reported on.

Second Line of Defense-Functions that Oversee Risks

The Risk and Compliance Officer is Responsible for:

- Assisting with the development, maintenance and consistent application of the Bank's ERM framework;
- Monitoring the risk exposures and ERM activities of ECHMB Capital;
- Ensuring that a robust reporting framework is developed that ensures day-to-day decisions are made in line with Board of Directors approved risk appetite targets;
- Maintaining a risk register that provides for the recording, monitoring and management of risk; and
- Reporting to the Audit and Risk Committee on the significant risks affecting ECHMB Capital and how such risks are being managed.

The Board of Directors is Responsible for:

- Establishing the Bank's risk appetite;
- Providing oversight and support management by overseeing the facilitation and coordination of ERM and strategic planning activities across ECHMB Capital; and
- Annually review of ECHMB Capital's policies were adequately implemented to enable the Bank's to manage its risk exposures.

The Audit and Risk Committee is Responsible for:

The Committee will oversee the implementation of an effective process for managing the Bank's interest rate, liquidity, and similar market risks relating to the Bank's balance sheet and associated activities, including the adoption from time to time of policies, risk limits and capital levels. The Committee will review and discuss the Assets and Liabilities Management ("ALM") strategy with Management, and after taking into consideration any

matters that the Committee may deem advisable and appropriate, including Management recommendations. In fulfilling its responsibilities, the Committee will review and approve, at least annually, the following policies:

- Liquidity & Funding Policy
- Dividend Policy
- Enterprise Risk Management Policy
- Information Technology (“IT”) Policy

Third Line of Defense-Functions that oversee risks

The Internal Auditor is Responsible for:

Providing objective assurance to the Committee on design and the effectiveness of ECHMB Capital’s risk management policies, procedures and internal controls.

Identification, Measurement and Assessment of Risk

The measurement of risk is completed considering both quantitative and qualitative means using the Likelihood and Impact Criteria as developed by Management and as reviewed by the Committee. In assessing the risks required to grow and sustain the business, ECHMB Capital considers the following:

Strategic goals and objectives:

- a) ECHMB Capital understands and manages risks that support businesses which are central to the Bank’s strategy;
- b) ECHMB Capital pursues a reasonable level of risk to achieve target risk adjusted returns;
- c) ECHMB Capital completes a risk assessment of new products and proposals in a manner consistent with the ERM strategy; and
- d) Based on the risk assessments, ECHMB Capital will reduce or avoid risks that are not central to the achievement of the ERM strategy.

Mitigation of exposure to significant loss from businesses, products, processes or other events:

- a) ECHMB Capital follows a rigorous due diligence process for transactions;
- b) Investments are diversified;
- c) The investment assessments are robust;
- d) Experience studies are completed periodically to ensure assumptions are appropriate;
- e) Funding projections are performed at least annually and stress-tested to minimize funding surprises.

Principal Types of Risks



Financial Risks

Credit Risk

Credit risk is the most significant measurable risk faced by ECHMB Capital. It is the risk of loss arising out of the failure of obligors to meet their financial or contractual obligations when due. The significant rise in the “terminal Interest” rate in the US has resulted in an unprecedented shock in economic activity regionally and internationally, which in turn contributed to elevated credit risk in global markets.

Management’s Response

- Strengthen the Bank’s corporate governance structure with the appointment of Assets and Liabilities and Investment Committees
- Updated the Bank’s consolidated policies
- Expanded the investment Department to enable ongoing risk monitoring at the individual counterparty and portfolio level.
- Increased diversification of the investment portfolio

Liquidity Risk

Liquidity risk is the combined risks of loss to earnings or capital that arises from ECHMB Capital's inability, albeit temporarily, to meet its financial obligations as they fall due (funding liquidity risk), and that the liquidity in financial markets, such as the market for debt securities has reduced significantly (market liquidity risk).

Management's Response

- The Bank maintains cash buffers with international financial intermediaries
- The Bank has negotiated favourable credit lines with international banks
- The Bank is shortening the tenure of its fixed income portfolio to less than five (5) years
- The Bank has developed a funding and liquidity policy
- The Bank has boosted in capital structure with an injection of equity

A significant part of the investment portfolio is traded on an active market and hence, can be easily liquidated to meet any liquidity crunch.

Market Risk

Market risks are defined as the risk of loss in the market value of financial asset positions due to variations in exchange rates, interest rates, credit spreads, and equity prices. ECHMB Capital is exposed to market risks primarily through the interest rate sensitivity, changes in credit spreads, and equity price movements of its marked-to-market investment assets.

Management's Response

- The Bank a fully functioning Investment Committee.
- ECHMB Capital will apply a laddering strategy at all times to help smooth out the effects of interest rate fluctuations.
- The Bank continues to diversify its investment portfolio in terms of jurisdiction, instrument types, and currency exposure.
- ECHMB Capital minimizes the variations in earnings, capital and cash flow arising from the impact of exchange rate movements by transacting only in EC-denominated or US-denominated instruments.
- The Bank has expanded its Investment Department and has a Risk and compliance Officer.
- The Bank has automated reporting and management of its investment portfolio.
- The Bank is shortening the tenure of its fixed income portfolio to less than five (5) years
- Divestment of assets reported at Fair Value Through Profit and Loss

Balance Sheet Risk

The Bank acknowledges that all the above risks can have a material impact on its balance sheet and performance. The Bank regards it as desirable to hold sufficient reserves to absorb potential losses.

Management's Response

- The Bank has established the following operating limits:-
- Achieve a target Net Profit for the year of a minimum of 20.0% of interest income.
- Operate with a non-interest /total expenses ratio of less than 45.0%
- Achieve a rate of return of at least 1.4% on total assets
- Ensure debt capital never exceed 8.0:1 times of shareholders' equity



Non-Financial Risk

Strategic Risk

Strategic risk is the risk that failed business decisions may pose to the Bank.

Management's Response

- Prepared a 3-year strategic plan as well as an annual (i) business plan; (ii) work plan; (iii) operating budget; and (iv) balance scorecard.
- On a monthly basis, submit to the Board of Directors management accounts with explanations of significant variances from the strategic and annual business plans annual.

Operational Risk

Operational risk is inherent within the activities of any institution. It results from inadequacy or failure attributable to processes, people, systems or external events. Accordingly, we identified risks that are likely to affect our

Management's Response

- Most payments were made via Electronic Fund Transfers
- The Bank has instituted a telecommuting policy

operations in the short to medium term to empower conscious risk-taking. These risks are intricately linked to the Bank's strategy.

- The Bank has offshore backup of its information technology platform
- The major equipment of the Bank is insured.

Cyber Risk

Cybersecurity risk is the possibility of exposure of loss resulting from cyber-attacks or data breach on the Bank.

Management's Response

- Banks ensures its firewalls are up to date and fully functioning
- The Bank ensures an Information technology audit at five (5) year intervals.
- Continued staff awareness on potential cyber-attack threats
- Monthly changing of passwords Information Technology Policy is updated annually

Regulatory, Accounting and Compliance

As a regional institution, it is imperative that ECHMB Capital is in compliance with applicable laws, accounting standards and other regulations.

Management's Response

- ECHMB Capital will aim to manage its regulatory risk by not breaching the following minimum criteria: -
- The appointment of any person as Chairman, Deputy Chairman, Director or Alternate Director and the termination of any such appointment published in the official Gazette in the member territory where the principal office of the Bank is located or notified to the public in the member territories in such other manner as the Board may determine.
- The Board shall meet not less than once every three (3) months and meetings shall be held at such time and place and on such days as the Board may determine.
- A general meeting of shareholders (herein called an "annual general meeting") shall be summoned by the Board each year.
- The report of the auditor shall be presented to the Board within four (4) months of the end of the financial year.

Reputational Risk

Reputation Risk is the potential loss to financial capital, social capital and/or market share resulting from damage to the Bank's reputation. It is often measured in loss revenue, increased operating expenses, capital or regulatory costs or destruction of shareholders' value

Management's Response

- Monitoring ECHMB Capital's reputation, proactively addressing matters that may cause reputational damage and using the feedback from external stakeholders to gain insights or receive early warning signals of potential concerns;
- Avoiding activities that may cause reputational damage to ECHMB Capital including activities that may have a negative environmental or social impact.
- The Bank has implemented a Whistle Blowing Policy.
- All members of staff are required to sign and abide by an oath of secrecy.

The ECHMB as a Good Corporate Citizen



We believe, that if we are truly going to contribute in a meaningful way, our wider corporate social objectives should transcend monetary contributions and must positively impact pervasive socioeconomic issues in each of the eight (8) islands of the ECCU. We are also of the disposition that as a regional institution, we should champion vogue social issues which are congruent with the Mission, Vision and Goals of the ECHMB.

Since one of the principal mandates of the Bank is the development of the housing stock in the ECCU, the ECHMB holds the view that we must advocate adherence to proper building codes. Our Annual Mortgage Underwriting Programmes have therefore served as a useful platform to remind financial intermediaries of the significant oversight role they must play in insisting that the populace safeguard what is often regarded as the most important investment in their lifetime.

Mortgage Underwriting

We believe that the quality of mortgages underwritten in the ECCU is positively correlated to the number of certified underwriters employed by financial intermediaries. Improved mortgage underwriting is particularly relevant in the current environment since the ECHMB notes an increase in impairment of mortgages. In addition, financial institutions are at the cusp of the implementation of IFRS #9- Financial Instruments and it is imperative that their underwriting standards improve in order to reduce the likelihood of increased impairment of their portfolios.



Concessionary Financing to the Vulnerable in Society

We continued to provide funding at concessionary rates to financial intermediaries with a development agenda with the understanding that the low interest rate will be passed on to final consumers. Our postmortem of the programme has been positive and the ECHMB intends to pursue other avenues for implementing similar initiatives in the other islands of the ECCU.

Work Sensitization Programme - FY2023

The ECHMB continues to be a much sought-after institution by the students since we have been lauded by former participants for our hands-on approach to mentorship and our willingness to provide full exposure to all facets of the Bank's operations. It is our experience that the relationship between the staff of the ECHMB and the students extends beyond the sojourn of the programme.

We have undertaken several initiatives which are designed to increase our accountability and transparency to our stakeholders.

Annual Reporting

We were among the pioneers in the Eastern Caribbean Currency Union (“ECCU”) to publish an Annual Integrated Report (“AIR”); this has provided our external stakeholders with concise communication about how the Bank’s strategy, governance, performance and prospects led to the creation of value during FY 2023.

Credit Ratings

We are the only corporate in the ECCU to undertake and publish annual credit ratings. In FY 2023, the Caribbean Information and Credit Rating Services Limited (CariCRIS) reaffirmed the ratings assigned to the USD 30 million debt issue of ECHMB of CariA- on the regional rating scale (Foreign and Local Currency Ratings). These ratings indicate that the level of creditworthiness of this obligation, adjudged in relation to other obligations in the Caribbean, is adequate. CariCRIS has also maintained a stable outlook on our ratings. The stable outlook is based on their expectation that ECHMB will continue to display comfortable profitability and capitalization levels over the next 12 months as the Bank fully transitions into its new business model.

Market Products

We have also opted to list our Capital Market Products on the Eastern Caribbean Securities Market. This means that we are required to abide with the regulations of the Eastern Caribbean Securities Regulatory Commission and are obligated to file interim financial statements and make requisite disclosures of material changes in the Bank’s operations.

Interactive Annual General Meetings

We have endeavored to make our Annual General Meetings (“AGM”) more interactive and this forum has availed the opportunity for shareholders to communicate with the executive management team of the Bank. Our AIR has therefore emerged as a complement to our AGM since shareholders have a better opportunity to garner information on the operations of the Bank.

Management Discussion & Analysis



This Management Discussion and Analysis (MD&A) is presented to enable the shareholders to assess material changes in the financial condition and operating results of ECHMB Capital for the year ended 31st March 2023, compared with the corresponding period in previous years. This MD&A should be read in conjunction with our audited Financial Statements and related Notes for the year ended 31st March 2023.

Unless otherwise indicated, all amounts are expressed in Eastern Caribbean Dollars and have been primarily derived from the Bank's Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Management Team



Mr. Randy Lewis
Chief Executive Officer



Ms. Heidi Hypolite
Chief Financial Officer





Mr. Justin Skeete
Chief Operating Officer





Mr. Chay Grant
Chief Investment Officer

Strategic Plan 2022 to 2024



Measuring Our Strategic Progress FY 2023

Strategic Priorities FY 2023	What success looks like	How we performed
<p>Sustainable Growth</p> 	<ul style="list-style-type: none"> • Increase borrowings to > \$357.54M • Equity capital injection of \$35.0M • Restrict the effective weighted average cost of debt to <3.0% annually. • Increase individuals debt holders to a minimum of 5.0% of borrowings portfolio. • Diversification of the Bank's product portfolio. • Improve the interest cover ratio > 3.4 times. • Payment of a minimum of \$10.0 per share annually. • Attract a wider cross-section of equity holders to ECHMB Capital including individuals, small companies and NBFIs. • 90.0% retention of corporate clients. • Attract new corporate clients to ECHMB Capital • Increased visibility of ECHMB Capital in the ECCU. 	<ul style="list-style-type: none"> • Borrowings totaled \$391.86M. • The Bank raised \$27.73M in preference shares. • The weighted average cost of debt is 2.5% • Concentration risk to largest subscriber reduced 12.65 % in FY 2020. • Interest cover reported at 1.17 • Paid dividends of \$5.00 per share • The Bank has extended its shareholders base with the issuance of preference shares. This has afforded the opportunity for individuals, small companies and non-financial institutions to own equity. • The Bank has retained approximately 85.00% of debt holders. • The rebranding of the Eastern Caribbean Home Mortgage Bank to ECHMB Capital has increased the Bank's appeal to a wider cross section of the Eastern Caribbean Securities Market.
<p>Innovation</p> 	<ul style="list-style-type: none"> • Increased data analytics to influence the Bank's Marketing Mix for Borrowings. • Increase the stock of trained and experienced investment professional in the ECCU. • Development of strategic and working relationships with regional and international broker/dealers. • Reduce human intervention in the workprocess of the Bank by 40.0%. • Improved user-experience with the Bank. • Launch of a brokerage department. • Undertake the preparatory work for the launch of a growth and income fund 	<ul style="list-style-type: none"> • The Bank has established strategic relationships with broker/dealers domiciled in Trinidad and Tobago, Jamaica and the United States. • Automation has been introduced to the management of the investment management functions, mortgage portfolio and operations. • The Bank is exploring the attachment of investment professional for the FY 2024.

Strategic Priorities FY 2023	What success looks like	How we performed
<p>Enhanced Risk Management</p> 	<ul style="list-style-type: none"> • Updated consolidated policies • Non recurrence of Management Letter of Weakness points from FY 2022 • Duration of the investment portfolio reduced to <5 years. • Zero disruptions in information technology platform due to hacking and malware. • Annual comprehensive audit report with minimum infractions to the system of accounting and internal controls. • Minimum average return on the investment portfolio of 4.3%. • Minimum Net Interest Income percentage of 52.0%. • Minimum earnings-per share >\$70.0. • Minimum Return on Assets > 4.0%. • Minimum annual balance sheet growth of >15.0% annually. • Maximum debt-to-equity ratio of <8.0:1. 	<ul style="list-style-type: none"> • The following policies were updated (a) enterprise risk management; (a) investment policy; (c) Liquidity and funding strategy; (d) system of accounting and internal controls. • The duration of the investment portfolio is presently seven (7) years and strategies have been implemented to reduce same to five (5) years. • No disruptions in information technology platform due to hacking and malware was reported. • Net interest income percentage was reported at 43.51%. • Earnings-per share was reported at \$6.46. • Return on assets was reported at 0.36%. • Balance sheet contracted by 7.13% • The debt-to-equity ratio was reported at 6.80:1.
<p>Performance Culture</p> 	<ul style="list-style-type: none"> • Full staff complement of 12 • Staff retention >90.0%. • At least one team (1) team dynamics buildin sessions per annum. • Staff trained in core areas of operations 	<ul style="list-style-type: none"> • The Bank's roster totaled twelve (12) • Staff retention was 88.0%. • There was one (1) team building session

Our Value Creating Units

We continue to explore the capital and liquidity requirement of the ECCU with the intent of developing new products and services to satisfy prevailing demand.

Secondary Market	Capital Market	Capacity building
 <p>Provide liquidity to the primary market:</p> <ul style="list-style-type: none"> • Commercial Banks • Building Societies • Credit Unions • Development Banks • Social Security Schemes 	 <p>Provide investment options to: -</p> <ul style="list-style-type: none"> • Corporates • Individuals • Active management of investments on the international money and capital market. 	 <p>Provide education in mortgage underwriting: -</p> <ul style="list-style-type: none"> • Commercial Banks • Insurance Companies • Building Societies • Credit Unions • Social Security Schemes
<p>What we Offer</p> <ul style="list-style-type: none"> • Mortgage backed securities • Mortgage pledged loans • Mortgage credit facility  <p>Total revenue FY 2023 Mortgage-backed securities.</p> <p>\$1.56M</p>	<p>What we Offer</p> <ul style="list-style-type: none"> • Commercial papers • Preference shares  <p>Total revenue FY 2023 Capital markets.</p> <p>\$14.64M</p>	<p>What we Offer</p> <ul style="list-style-type: none"> • Mortgage underwriting education  <p>Total revenue FY 2023 Capacity building.</p> <p>\$0.16M</p>

Our Approach to Value Creation

At ECHMB, value is created through our business model, which acquires inputs in the form of capital - financial, manufactured, intellectual, human, social and natural capital - and transforms it through our business activities and interactions to produce outputs and outcomes for the Bank, its stakeholders, society and the environment.

Out Inputs	Our Value-Adding Activities	Key Outputs
Financial Capital <ul style="list-style-type: none"> Debt capital - \$391.86M Equity capital - \$57.61M Credit ratings – CariA 	Activities that transform our Input Capitals into value for all our stakeholders. These activities are impacted by external factors in our operating environment in the Eastern Caribbean Currency Union and are also affected by the global economic environment.	<ul style="list-style-type: none"> Mortgage Backed Securities Mortgage pledged Loans Mortgage Credit Facility Commercial papers Preference Shares Mortgage Underwriting training
Human Capital <ul style="list-style-type: none"> Employees - 12 Board of directors – 5 High performance management & reward culture High impact leadership culture 		
Manufactured Capital <ul style="list-style-type: none"> Debt capital - \$391.86M Equity capital - \$57.61M 	To carry out our activities optimally we carry out; <ul style="list-style-type: none"> Comprehensive Corporate Governance Integrated Enterprise Risk management Integrated Corporate Strategic Planning 	<ul style="list-style-type: none"> Staff Training Risk management Investor relations Corporate strategy

Our Inputs	Our Value-Adding Activities	Key Outputs
Intellectual Capital <ul style="list-style-type: none"> • Strong brand position • Specialized talent • Enterprise risk management • Strong corporate governance practices 	<p>In order to create value for our stakeholders;</p> <p>We ensure that the Bank is adequately capitalized to meet regulatory requirements, capital targets set by the Board, support our risk appetite as set out in our strategic goals</p>	
Social & Relationship Capital <ul style="list-style-type: none"> • Engagement with stakeholders • Strategic partnerships • Sustainability practices 	<p>We employ the best skills. We ensure that we have the right talent to offer the best experience for our stakeholders by ensuring we hire and retain the best.</p> <p>We provide channels and infrastructure. We provide adequate infrastructure for our stakeholders to access our services</p>	
Natural Capital <ul style="list-style-type: none"> • Electricity • Water • Paper/Stationery 	<p>We employ our intellectual capabilities. We ensure that we are proactive in enterprise risk management, Management of material matters, adequate policy framework to guide all our activities, we monitor our brand positioning and we are actively upgrading our specialized talent.</p> <p>We maintain our relationships with our key stakeholders by ensuring that we engage them sufficiently, adequately address their expectations and appropriately respond to these expectations.</p> <p>We make optimal use of the Natural resources. We engage in initiatives aimed at reducing the direct and indirect impacts of our operations. We do this through our operations digitization (Less paper, electricity, diesel, air travel), supplier selection criteria and our lending practices</p>	

The Outcome of Our Value Adding Activities

Key Impact on our Stakeholders

Financial Capital

- Debt capital - \$391.86M
- Equity capital - \$57.61M
- Credit ratings – CariA-

Shareholders

- Final dividends of \$5.00 per share
- Low risk balance sheet of \$480.82M
- Book value per share of \$59.95

Customers

- In excess of \$389.76M accepted in debt financing

Human Capital

- Employees - 12
- Board of directors – 5
- High performance management & reward culture
- High impact leadership culture

- Salaries and benefits -\$1.73M
- Invested staff training

Manufactured Capital

- Debt capital - \$391.86M
- Equity capital - \$57.61M

- Interest paid \$11.26M

Intellectual Capital

- Strong brand position
- Specialized talent
- Enterprise risk management
- Strong corporate governance practices

- Our partners have used the funding from the ECHMB to increase the housing stock in the ECCU

Social & Relationship Capital

- Engagement with stakeholders
- Strategic partnerships
- Sustainability practices

- Paid in excess of \$4.38M to local suppliers, including sponsorships and other charitable contributions

Natural Capital

- Electricity
- Water
- Paper/Stationery

Promoted economic and social sustainability

Our Products, services and by-products.
Results of our value adding activities that will translate to outcomes for our stakeholders

Value creation for all our stakeholders as intended by our strategic focus

ECHMB Capital's

Value-Added Statement FY 2023

ECHMB Capital's Value-Added Statement depicts the value that has been created by the Bank's through the effective deployment and management of its capitals – financial, human, manufactured, Intellectual and natural - and the resultant distribution of value to our stakeholders.

This statement showcases Bank's commitment to creating stakeholder value through our business model and sound business practices.

	2023	2022	2021
Income	16.20	22.23	31.23
Interest paid and other services	(12.04)	(11.82)	(11.32)
Wealth Created	4.16	10.41	19.91
Distribution of Wealth			
Employee-Salary & other benefits			
Dividends	2.13	2.53	2.66
Retained to support future business growth	1.81	4.03	2.69
Depreciation and amortization	(0.08)	3.56	14.32
Wealth Distributed	0.30	0.29	0.24
	4.16	10.41	19.91

Significant Transactions FY 2023



Proceeds from Borrowings

\$389.76M



Proceeds from Preference Shares

\$27.73M



Purchase of Investment Securities

\$100.97M



Dividend Paid

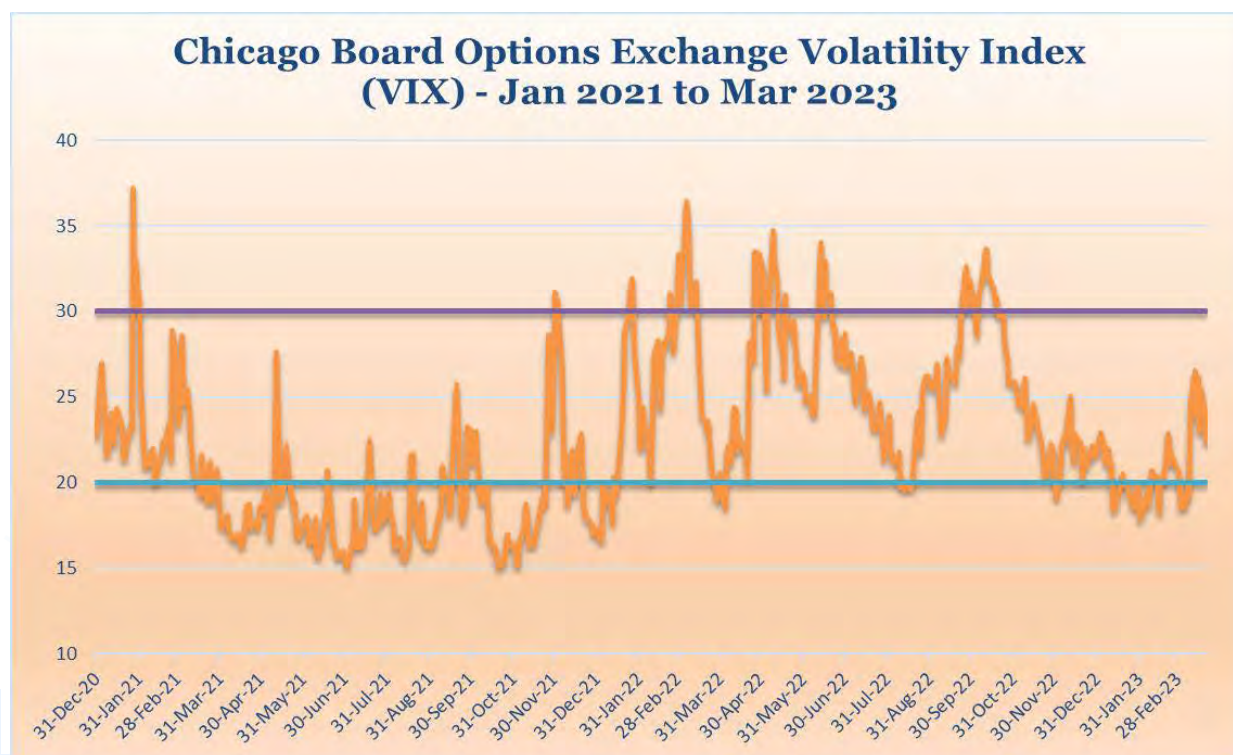
\$1.81M

Trading Conditions FY 2023

In fiscal 2022, inflation rates in the US, and in most developed countries, rose to the highest levels seen in over 40 years. There has not been a singular reason for the staggering increase in prices globally, instead, inflation has been attributed to a series of events that have worked together for the worst. First of those being the Covid-19 pandemic in early 2020 which led to global lockdowns and other restrictive measures that disrupted, and continues to disrupt global supply chains, including closing factories and global shipping bottlenecks. Added to this, was the issuance of direct monetary stimulus and increased unemployment benefits, aimed at dampening the financial burden on individuals and businesses at the height of the pandemic. However, this stimulus became a real problem as the economy rapidly rebounded and demand quickly outpaced supply which struggled to get back to pre-covid levels.

During the Bank's financial year, the Federal Reserve Board ("FED") has had eight (8) rate hikes moving away from its near-zero benchmark interest rate range of 0.25% - 0.50% to the current range of 4.75% - 5.00%. The 450-basis point (bp) hike over the period was the most aggressive since 1980 when aggressive policy tightening was used to decrease inflation in the US from near 14.0%.

This 450 bp increase was in response to a 40-year high inflation, measured by the Consumer Price Index (CPI) reading of 9.1% YoY in June 2022, and the FED's preferred measure of inflation the Personal Consumption Expenditure Index (PCE), recorded 5.4% in February 2022. The series of interest rate hikes, aimed at increasing borrowing costs to curb investment and slow down the economy, has spurred a decline in prices as reported by the CPI and PCE to 5.0% and 4.6% respectively in March 2023. However, as depicted by the Chicago Board Options Exchange Volatility Index, market volatility remained elevated throughout 2022 compared to 2021 resulting from the aggressive FED policy stance.



Source: Bloomberg. VIX values below 20 generally correspond to less uncertainty/volatility in markets. As uncertainty, risk, fear and instability increases so does the VIX value, with values above 30 portraying elevated uncertainty volatility.

During the financial year, the S&P 500 (SPX Index) and Russell 1000 (RIY Index) indices declined by 25.43% and 25.99% respectively from their highs on 3 January 2022. The Bloomberg Global-Aggregate Total Return Index (LEGATRUU Index), an index of investment grade debt issued by companies globally, declined by 8.41% over the financial year.



Source: Bloomberg. RIY Index and SPX Index prices displayed on the right; LEGATRUU Index prices displayed on the right.

The decline in debt prices influenced a significant loss on debt instruments held by investors, including commercial banks. In the latter part of the financial year, the loss on securities influenced the failure of Silicon Valley Bank (“SVB”) as the liquidation of securities at losses was not sufficient to accommodate the heightened demand for funds by depositors. SVB’s collapse revealed stresses created by the fastest jump in borrowing costs in decades amid higher financing costs. Market participants questioned whether global central banks would continue policy tightening given the impact of higher rates on long-term debt held by banks globally. Despite the volatility, and contagion fears, global central banks maintained the policy tightening course, reiterating their efforts towards curbing elevated inflation, while signaling that central banks remain prepared to assist the “more resilient financial sector” where necessary.

By all indication, and has been articulated by Chairman Jerome Powell, the FED is committed to reducing inflation rates to the PCE target of 2.00%. The central bank has conveyed one more rate hike in May 2023 and is committed to keeping interest rates and borrowing costs elevated to further reduce inflation towards the said target.

Implications of Interest Rate Hikes on Financial Intermediaries which Trades on Capital Markets

International Financial Reporting Standard (“IFRS”) 9 stipulates that financial instruments should be classified as follows: - (i) Amortised Costs; (ii) Fair Value Through the Profit and Loss (“FVTPL”) and (iii) Fair Value Through Other Comprehensive Income (“FVOCI”). FVTPL and FVOCI necessitate that financial instruments are subject to mark-to-market valuations at each reporting period.

Mark-to-market is a method of measuring the fair value of instruments that can fluctuate over time, such as assets and liabilities. This method of accounting aims to provide a realistic appraisal of an institution's or company's current financial situation based on current market conditions. In the case of instruments accounted via FVTPL, the fair value gains or losses are recorded as if realized in the statement of profit and loss with a concurrent adjustment made against the investment portfolio. As it relates to FVOCI, gains and losses are not realized and hence are reported through shareholders’ reserves and the investment portfolio.

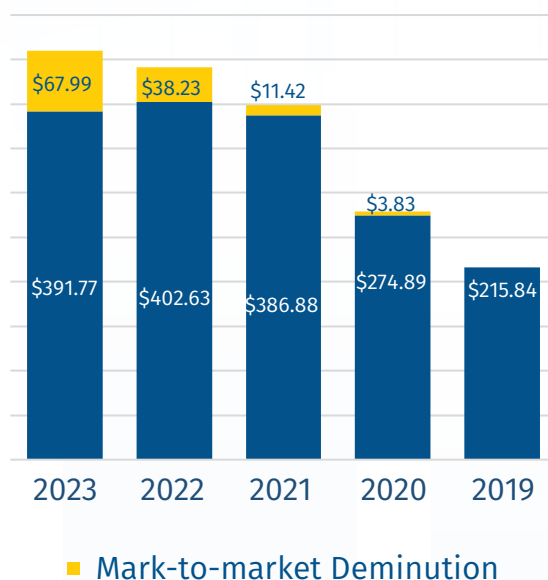
Assets Under Management

In FY 2023, the market value of ECHMB Capital's Investment Securities totaled \$391.77M, representing a decline of \$10.86M (2.70%) when compared to the \$402.63M outturn for FY 2022. The Bank's fixed income portfolio is predominantly investment grade and hence the coupons thereon reflect the low risk of the instruments. In addition, based on Activate Management strategy utilized by ECHMB Capital, approximately 67.40% of the fixed income instruments were classified as FVTOCI. Given the conservative nature of Bank's investment portfolio, increasing interest rates and/or "hawkish" policy had major implications on its mark-to-market valuations.

In response to the eight (8) interest rate hikes instituted in FY 2023, Bank reported mark-to-market diminution of \$29.76M on its investment portfolio and compared to \$26.82M in FY 2022. This was attributed to heightened demand for instruments issued at prevailing higher interest yield curve in "Bear" market conditions of FY 2023 compared to declining demand for instruments issued at lower yield curve in the "Bull" markets which preceded FY 2022. It is to be noted that the mark-to-market losses are notional and are only crystallized to the statement of comprehensive income on disposal of the underlying Investment securities.

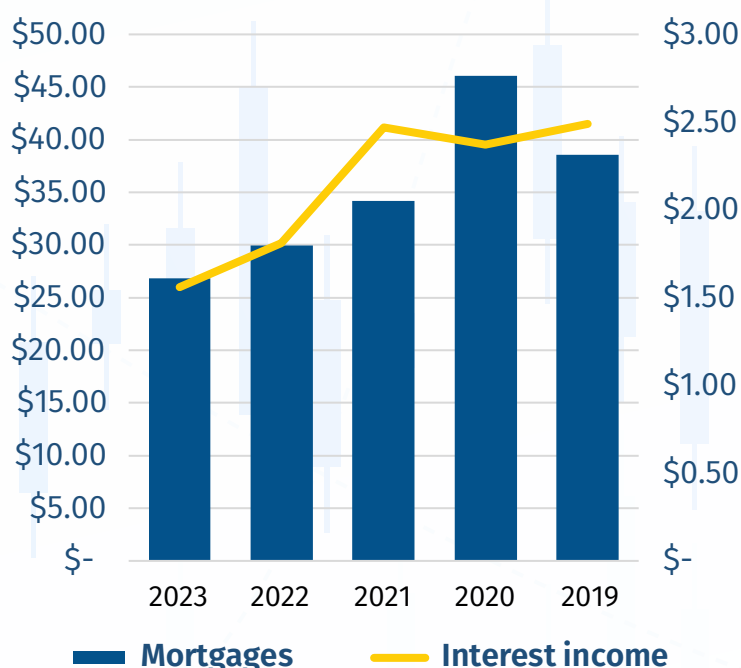
For ease of reference, the book value of ECHMB Capital's investment portfolio in FY 2023 was \$459.76M (the aggregate of \$391.77M and mark-to-market diminution of \$67.99M) compared to \$440.86M reported for FY 2022.

Investment Portfolio 2019-2023



Mortgage Loans Facilities were reported at \$26.80M, a decrease of \$3.13M (10.46%) from the \$29.93M reported for the comparative period. The Eastern Caribbean Currency Union (“ECCU”) continues to report significant liquidity and as a result, primary lenders are not required to generate liquidity from disposal of assets. Current trends indicate that Primary Lenders are using the excess liquidity to repurchase their mortgage portfolios from ECHMB Capital. In FY 2023, The Bank reported cash inflows totaling \$0.78M for resale of mortgages.

Mortgage Loan Portfolio Trends 2019-2023

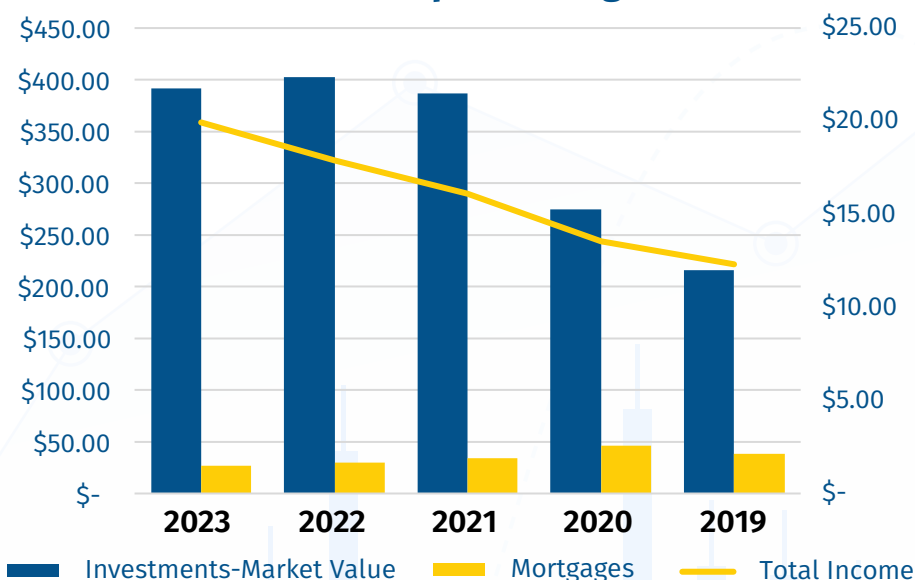


The amount of \$37.78M was held in Cash and Cash Equivalents pending acquisition of Investment Securities.

Interest Income

Interest Income for FY 2023 was reported at \$19.93M and represents growth of \$2.05M (11.47%) when compared to the \$17.88M reported for the comparative period of FY 2022. The increase in Interest Income was attributed to the growth in the investment portfolio, plus higher coupon procured on new instruments; however, tempered by the attrition in the Mortgage Loan Facilities.

Trends in Principal Earning Assers

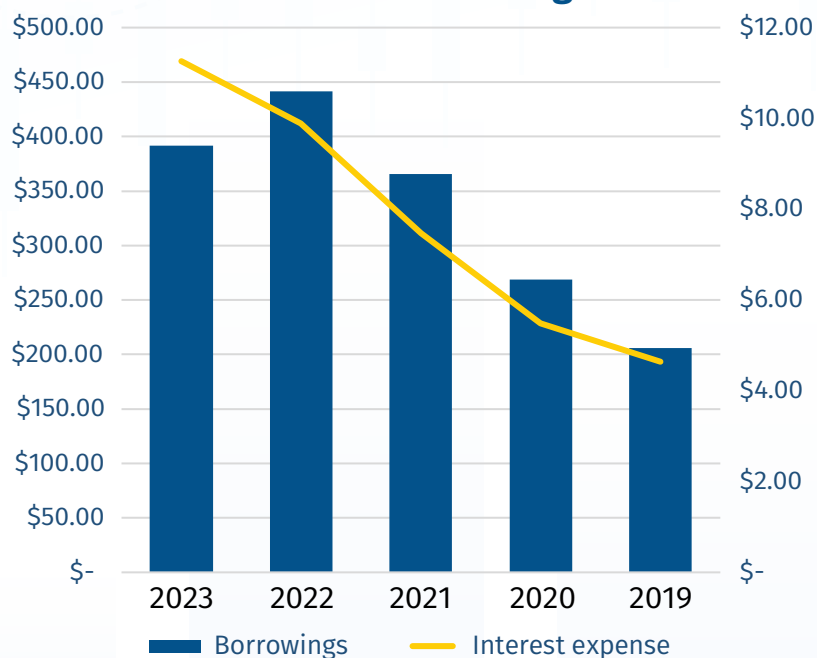


Interest Expense

Given the attractiveness of the higher credit quality and coupon rates of instruments traded on international capital markets, ECHMB Capital noted a diversion of capital thereto by “sophisticated investors” domiciled in the ECCU. ECHMB Capital was not immune to the capital flight and as a result, Borrowings declined by \$49.74M (11.28%) from \$441.60M at 31 March 2022 to \$391.86 in FY 2023.

Based on the fact the significant growth in Borrowings commenced in Q4 of FY 2022 and the attrition was mainly in Q3 and Q4 of FY 2023, Interest Expense increased by \$1.08M (10.61%) from \$10.18M for the year ended 31 March 2022 to \$11.26M in FY 2023

Trends in Borrowings



Net Interest Income

Net Interest Income (“NII”) or the difference between Interest Income (\$19.93M) and Interest Expense (\$11.26M) amounted to \$8.67M or 43.51% and represents an improvement of 0.47% when compared to 43.05% reported for the comparative period of FY 2022. As explained above, it was apparent that international capital markets had transitioned from “Bull” to “Bear” and as a result, the Bank warehoused larger amounts in Cash and Cash Equivalents in anticipation of probable interest rate hikes. This strategy was adopted to stymie the mark-to-market diminution on the fixed income portfolio while concurrently keeping “powder dry” for investment in higher coupon instruments. The downside of holding increased amounts in Cash and Cash Equivalents is “cash drag” since the funds are kept at zero coupon. This had the impact of depressing the Bank’s NII.

Ancillary Income

Despite the “bear market conditions,” the Bank continued the active management of its investment portfolio in FY 2023. The Bank generated a marginal Gain on Sale of Financial Assets totaling \$0.82M, representing a decline of \$6.75M (89.05%) when compared to the \$7.58M reported in FY 2022. Unrealised Losses of \$4.56M were recorded on Investment Securities Reported Through Profit and Loss (equity) and slightly lower than the \$5.50M reported in FY 2022. To mitigate the losses therefrom, the Bank has strategically reduced its investment in equity and other instruments reported through FVTPL.

Expenses

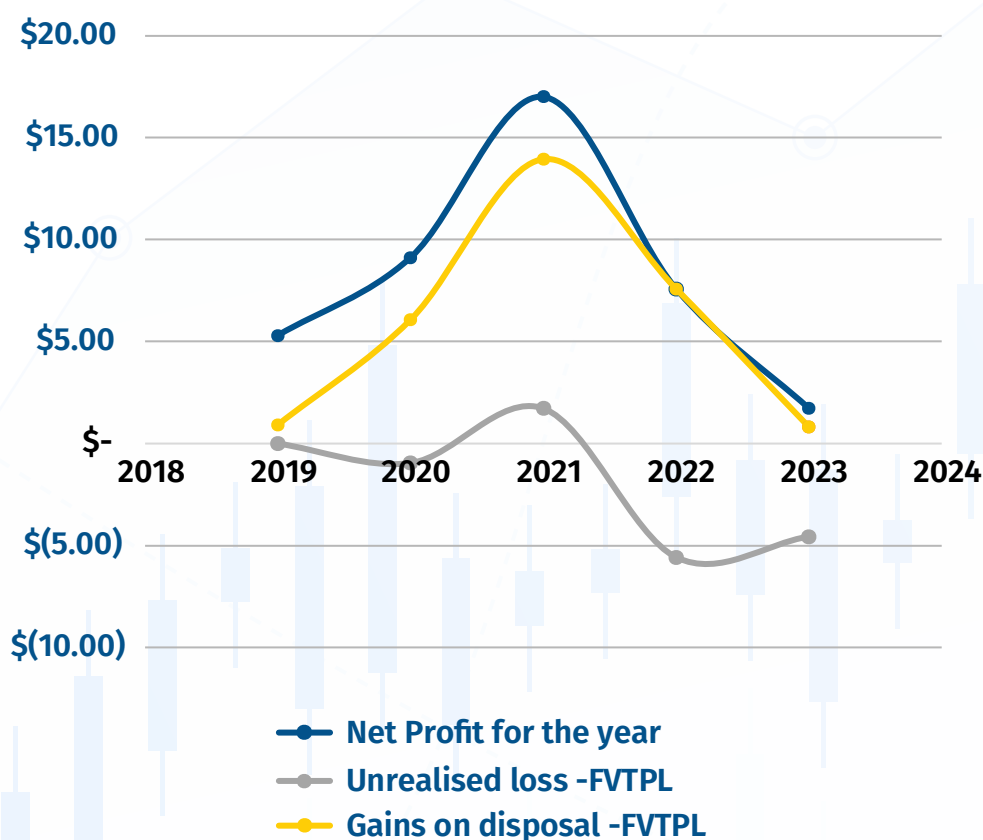
Total Expenses in FY 2023 increased by \$1.03M (47.25%) from \$2.18M in FY 2022 to \$3.21M and attributed to the \$1.11M (48.68%) reduction in Net Impairment Gain on Financial Assets from \$2.28M in FY 2022 to \$1.17m in FY 2023. When the effects of Net Impairment Gain on Financial Assets are eliminated, Total Expenses in FY 2023 are lower by \$0.09M (2.02%) from \$4.46M in FY 2022 to \$4.37M. Cost savings were mainly in General and Administrative Expenses, which declined by \$0.16M (4.48%).

The lower Total Expenses excluding net impairment gain on financial assets was attributed to stringent costs management and reengineering of some of the Bank’s internal systems and processes.

Net Profit for the Year

ECHMB Capital generated a Net Profit for the Year of \$1.74M, representing a decline of \$5.85M (77.08%) when compared to \$7.59M generated in FY 2022. Naturally, given the lower Net Profit for the Year, Earnings per Share (“EPS”) declined from \$28.25 in FY 2022 to \$6.46 in FY 2023. Interest Cover remained respectable at 1.15 times with Return on Assets dipping below one (1%) percent in a decade at 0.36%. Very encouraging is the fact that the Bank continued to report a high Efficiency Ratio at 19.80% and slightly above the 10.93 reported in FY 2022.

Impact of Other Income on the Bank's Profitability



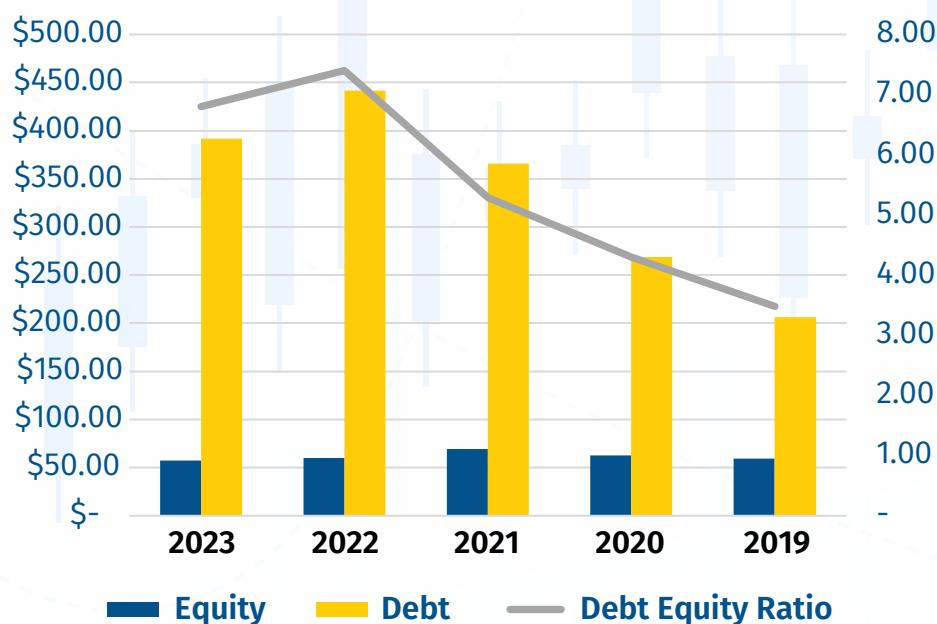
An analysis of the Bank's financial statements will highlight that the Bank's continues to grow its core operations. However, as illustrated in the graph above, the decline in ECHMB Capital Net Profit for the Year from FY 2021 was attributed to the transition of capital markets conditions from "Bull" to "Bear." This resulted in reduced gains from disposal of instruments classified as FVTOCI and losses generated from instruments classified as FVTPL. The Bank has implemented policies to ensure stability in Net Profit for the Year including more conservative policies for classifying financial instruments and "buy/sell" discipline.

Capital Structure

As noted, the Bank accounts for a large proportion of its fixed income portfolio via FVOCI and given the FED's strategy of increasing interest rates to counter inflation, it was an inevitability that the Bank would report significant mark-to-market diminutions on its Fair Value Reserve. As at 31 March 2023, total mark-to-market write down on the fixed income portfolio totaled \$67.99M. This is a notional entry which is only crystalized on disposal of the underlying securities. Since ECHMB Capital has deployed a "holding strategy", the losses are expected to dissipate when the FED commences interest rate cuts.

Given the depletion of Shareholders' Equity, the decision was taken to augment the Bank's share capital with an injection of \$27.73M in Preference Shares. Notwithstanding the unrealized holding loss of \$67.99M on the Fair Value Reserve, Shareholders' Equity was preserved at \$57.61M and slightly lower than the \$59.71M reported in FY 2022. Given the fact the capital injection was complemented by the \$49.80M (11.28%) reduction in Borrowings, the Bank's Debt-to-Equity Ratio improved from 7.40:1 in FY 2022 to 6.80:1 in FY 2023 and lower than the 8.0:1 imposed by the Board of Directors.

Trends in The Bank's Capital Structure and Debt-to-Equity Ratio



In FY 2023, the Bank continued to boost its Portfolio Risk Reserve with a transfer of \$0.35M. In addition, the Bank continued to meet its obligation to shareholders and paid total dividends of \$1.81M.

Stress Test FY 2024

Stress tests were conducted on the Bank's statement of financial position and operations for FY 2024. The results indicated that the Bank is adequately capitalized and should revert to normal profitability by FY 2024.



Building a High-Performance Team


Why this is important

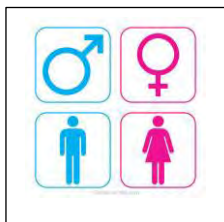
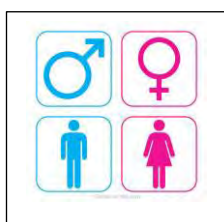
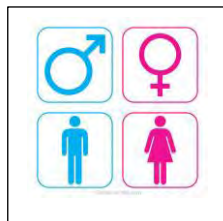
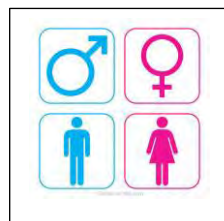
Implementation of desired behaviours and norms that will enable ECHMB Capital to achieve superior results

Our team is staffed by a group of dedicated individuals who go above and beyond to ensure that the Bank's operations are efficiently undertaken. Our staff's performance truly embodies our ethos of 'Employee centric' in that the financial and other accomplishments of the Bank clearly demonstrate that we have attracted, retained and developed some of the best talent in the Eastern Caribbean Currency Union.

Human Capital Strategic Objectives

We recognize that the ECHMB as a body corporate is constantly in flux and hence, it is imperative that our human capital remains equally agile. We believe that our human capital strategic objectives are the right blend which will not only nurture talent, but also ensure that our operatives have a thorough grounding in the ethical framework of the Bank.

			
Nurturing Leadership and Talent Pipeline	Increase the Bank's Productivity	Build a tech savvy workforce	Good ethical mindset

**Composition
of employees**Number of
employees**12**
(2022-12)Gender
Distribution**67%:33%****Composition
of employees
and Board**Senior
Management**75%:25%**Board of
Directors**80%:20%****Age
breakdown of
Executive
team**

Below 30 years : 17 %

30-40 years : 41 %

Above 40 years: 42 %

FINANCIAL STATEMENTS

For year ended 31 March 2023



Eastern Caribbean Home Mortgage Bank (Trading as ECHMB Capital)

Statement of Management's Responsibility For the year ended March 31, 2023

(expressed in Eastern Caribbean dollars)

Management is responsible for the following:

- Preparing and fairly presenting the accompanying financial statements of Eastern Caribbean Home Mortgage Bank which comprise the statement of financial position as at March 31, 2023, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information;
- Ensuring that the Bank keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal control that assures security of the Bank's assets, detection/prevention of fraud, and the achievement of operational efficiencies for the Bank;
- Ensuring that the system of internal control operated effectively during the reporting period;
- Producing reliable financial reporting that comply with the laws and regulations, including the Eastern Caribbean Home Mortgage Bank Agreement; and
- Using reasonable and prudent judgement in the determination of estimates.

In preparing these audited financial statements, management utilised International Financial Reporting Standards, as issued by the International Accounting Standard Board and adopted by the Institute of Chartered Accountants of the Eastern Caribbean.

Nothing has come to the attention of management to indicate that the Bank will not remain a going concern for the next twelve months from the reporting date; or up to the date the accompanying financial statements have been authorised for issue, if later.

Management affirms that it has carried out its responsibility as outlined above.

Chief Executive Officer

July 12, 2023

Date

Chief Financial Officer

July 12, 2023

Date



Independent auditors' report

To the Shareholders of Eastern Caribbean Home Mortgage Bank (Trading as ECHMB Capital)

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Eastern Caribbean Home Mortgage Bank (Trading as ECHMB Capital) (the Bank) as at March 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Bank's financial statements comprise:

- the statement of financial position as at March 31, 2023;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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

Independence

We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

PricewaterhouseCoopers East Caribbean, Brigade House, Lucas Street, St. George's, Grenada
T: (246) 626 6700, F: (246) 436 1275, www.pwc.com/bb

A full listing of the partners of PricewaterhouseCoopers East Caribbean is available upon request.

Our audit approach

Overview



- Overall materiality: \$2,400,000, which represents 0.5% of total assets.
- In addition to determining materiality, we also assessed, amongst other factors, the following in designing our audit:
 - the risk of material misstatement in the financial statements
 - significant accounting estimates
 - the risk of management override of internal controls
- Provision for expected credit loss - Probabilities of Default

Audit scope

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Bank, the accounting processes and controls, and the industry in which the Bank operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.



Overall materiality	\$2,400,000
How we determined it	0.5% of total assets
Rationale for the materiality benchmark applied	We chose total assets as the benchmark because, in our view, it is the benchmark against which the performance of the Bank is most commonly measured by users and is a generally accepted benchmark. We chose 0.5% which is within a range of acceptable benchmark thresholds.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above \$120,000, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<i>Provision for expected credit loss - Probabilities of Default</i> <i>Refer to notes 4(b), 5(d), 6 and 9 to the financial statements for disclosures of related accounting policies and balances.</i> As at March 31, 2023, a total of \$4.4 million of provision for expected credit losses (ECL) was accounted for within the investment securities portfolio. We have focused on this area as ECL models are subjective and require significant management judgements, in particular with regards to the probabilities of default. Probabilities of default represent the likelihood of a borrower defaulting on its obligation within the next twelve months or over the remaining lifetime of the obligation. Management segments investment securities between sovereign and corporate, as there are	With the assistance of our valuation specialists, we performed the following procedures, amongst others, over the Bank's ECL model with specific reference to the probabilities of default: Updated our understanding of management's ECL model including the incorporation of assumptions and source data. Tested the completeness of investment securities to determine whether all financial assets were included in the ECL models by agreeing the model's inputs to detailed listings.



different probabilities of default for these instruments based on the nature of the financial institution with whom the instrument is held.

Management relies on data, where available, from external rating agencies in determining the probabilities of default for corporate and sovereign investment securities.

In respect of unrated investment securities where the obligors are unrated, internal credit ratings are assigned, then mapped to external ratings from which a corresponding PD is derived. If CariCRIS ratings are available, these are equated to the appropriate international rating category and the associated PD from CariCRIS.

Management uses a stochastic formula to adjust PD. One input into this formula is GDP growth. Historical and forecasted GDP growth data are obtained from a reputable third party provider.

Tested, on a sample basis, the segmentation of investment securities between sovereign and corporate, by agreeing to the underlying source information of the asset class.

Agreed the ratings assigned to a sample of corporate and sovereign investment securities to external credit ratings.

Agreed on a sample basis, the financial information of the underlying institutions to management's mapping of internal credit ratings for unrated investment securities and mortgage loan facilities where the obligors are unrated.

Agreed historical and forecasted GDP growth data to reputable third party providers.

Independently developed PDs and compared to those recorded by management.

Our audit procedures resulted in differences when compared to the financial statements, however these were considered as immaterial and the results of our findings were reported to management. Accordingly, the assumptions used by management for determining the probabilities of default in relation to investment securities were not unreasonable.



Other information

Management is responsible for the other information. The other information comprises the Annual Report (but does not include the financial statements and our auditors' report thereon), which is expected to be made available to us after the date of this auditors' report.

Our opinion on the 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 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 financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the financial statements

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

In preparing the financial statements, management is responsible for assessing the Bank'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 Bank or to cease operations, or has no realistic alternative but to do so.

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

Auditors' responsibilities for the audit of the financial statements

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



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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Other matter

This report, including the opinion, has been prepared for and only for the Bank in accordance with the terms of our engagement letter and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

The engagement leader on the audit resulting in this independent auditors' report is Tonya Graham.

PricewaterhouseCoopers

Chartered Accountants
July 13, 2023

Eastern Caribbean Home Mortgage Bank (Trading as ECHMB Capital)

Statement of Financial Position

As at March 31, 2023

(Expressed in Eastern Caribbean dollars)

	2023 \$	2022 \$
Assets		
Cash and cash equivalents (note 7)	37,779,561	55,135,695
Receivables and prepayments (note 8)	23,810,032	29,108,420
Investment securities (note 9)	391,769,694	402,631,958
Mortgage loan facilities (note 10)	26,804,673	29,925,008
Motor vehicles and equipment (note 11)	276,439	413,307
Right of use assets (note 12)	386,848	528,177
Total assets	480,827,247	517,742,565
Liabilities		
Borrowings (note 13)	391,864,691	441,660,040
Other borrowings (note 14)	25,110,000	14,809,500
Lease liability (note 12)	391,161	543,523
Accrued expenses and other liabilities (note 15)	5,855,668	1,020,933
Total liabilities	423,221,520	458,033,996
Equity		
Share capital - ordinary (note 16)	36,999,940	36,999,940
Share capital - preference (note 16)	41,494,000	13,764,000
Portfolio risk reserve (note 17)	23,903,001	23,555,937
Fair value reserve (note 17)	(67,989,323)	(38,232,507)
Retained earnings	23,198,109	23,621,199
Total equity	57,605,727	59,708,569
Total liabilities and shareholders' equity	480,827,247	517,742,565

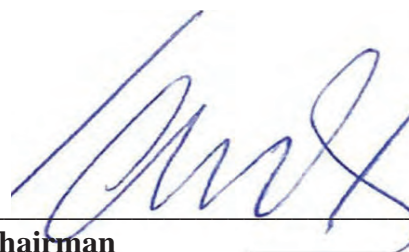
The accompanying notes are an integral part of these financial statements.

Approved for issue by the Board of Directors on July 12, 2023

Director



Chairman



Eastern Caribbean Home Mortgage Bank

(Trading as ECHMB Capital)

Statement of Comprehensive Income

For the year ended March 31, 2023

(Expressed in Eastern Caribbean dollars)

	2023 \$	2022 \$
Interest income (note 19)	19,934,726	17,876,613
Interest expense (note 13)	(11,260,240)	(10,181,563)
Net interest income	8,674,486	7,695,050
Other (loss)/income (note 20)	(3,730,309)	2,077,324
Operating income	4,944,177	9,772,374
Expenses		
General and administrative expenses (note 21)	(3,408,734)	(3,565,445)
Other operating expenses (note 22)	(863,565)	(782,915)
Mortgage administrative fees	(101,787)	(109,676)
Net impairment gains on financial assets	1,165,227	2,277,355
Total expenses	(3,208,859)	(2,180,681)
Net profit for the year	1,735,318	7,591,693
Earnings per share		
Basic and diluted per share (note 23)	6.46	28.25
Other comprehensive loss for the year:		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>		
Investment securities at FVOCI - net change in fair value (note 17)	(29,756,816)	(26,816,650)
Total comprehensive loss for the year	(28,021,498)	(19,224,957)

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

Eastern Caribbean Home Mortgage Bank

(Trading as ECHMB Capital)

Statement of Changes in Equity For the year ended March 31, 2023

(Expressed in Eastern Caribbean dollars)

	Share capital ordinary \$	Share capital preference \$	Portfolio risk reserve \$	Fair value reserve \$	Retained earnings \$	Total \$
Balance at March 31, 2021	36,999,940	—	13,555,937	(11,415,857)	30,060,742	69,200,762
Net profit for the year	—	—	—	—	7,591,693	7,591,693
Issuance of share capital						
- preference shares (note 16)	—	13,764,000	—	—	—	13,764,000
Investment securities at FVOCI - net change in fair value (note 17)	—	—	—	(26,816,650)	—	(26,816,650)
Transfer to reserve (note 17)	—	—	10,000,000	—	(10,000,000)	—
Transaction with owners						
Dividends - \$15.00 per share (note 18)	—	—	—	—	(4,031,236)	(4,031,236)
Balance at March 31, 2022	36,999,940	13,764,000	23,555,937	(38,232,507)	23,621,199	59,708,569
Net profit for the year	—	—	—	—	1,735,318	1,735,318
Issuance of share capital						
- preference shares (note 16)	—	27,730,000	—	—	—	27,730,000
Investment securities at FVOCI - net change in fair value (note 17)	—	—	—	(29,756,816)	—	(29,756,816)
Transfer to reserve (note 17)	—	—	347,064	—	(347,064)	—
Transaction with owners						
Dividends - \$5.00 per share (note 18)	—	—	—	—	(1,811,344)	(1,811,344)
Balance at March 31, 2023	36,999,940	41,494,000	23,903,001	(67,989,323)	23,198,109	57,605,727

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

Eastern Caribbean Home Mortgage Bank

(Trading as ECHMB Capital)

Statement of Cash Flows

For the year ended March 31, 2023

(Expressed in Eastern Caribbean dollars)

	2023 \$	2022 \$
Cash flows from operating activities		
Net profit for the year	1,735,318	7,591,693
Items not affecting cash:		
Interest expense (note 13)	11,260,240	9,890,467
Amortisation of bond premium (note 9)	1,666,189	1,472,325
Unrealised loss on FVTPL financial assets (note 9)	4,557,811	5,499,934
Depreciation of motor vehicles and equipment (note 11)	136,868	123,010
Decrease in provision for impairment on financial assets	(723,118)	(4,595,830)
Amortisation of right of use assets (note 12)	171,932	162,516
Interest expense on lease liability (note 12)	10,588	18,935
Loss on sale of motor vehicles and equipment (note 20)	–	7,686
Interest income (note 19)	(19,934,726)	(17,876,613)
Operating (loss)/income before working capital changes	(1,118,898)	2,294,123
Changes in operating assets and liabilities:		
Decrease/(increase) in receivables and prepayments	5,298,388	(24,750,538)
Increase/(decrease) in accrued expenses and other liabilities	4,834,735	(703,022)
Cash flows generated from/(used in) operations before interest	9,014,225	(23,159,437)
Interest received	19,403,123	17,760,333
Interest paid	(11,297,731)	(9,267,196)
Net cash generated from/(used in) operating activities	17,119,617	(14,666,300)
Cash flows from investing activities		
Proceeds from sales/maturity of financial assets (note 9)	76,954,413	143,834,206
Proceeds from the pool of mortgages repurchased by primary lenders (note 10)	778,039	2,357,372
Proceeds from principal repayment on mortgages (note 10)	2,292,373	2,942,953
Write-off of mortgages (note 10)	–	2,318,475
Increase in mortgages repurchased and replaced (note 10)	185,137	504,192
Purchase of motor vehicles and equipment (note 11)	–	(262,914)
Purchase of investment securities (note 9)	(100,967,010)	(192,823,835)
Net cash used in investing activities	(20,757,048)	(41,129,551)

Eastern Caribbean Home Mortgage Bank

(Trading as ECHMB Capital)

Statement of Cash Flows ... *continued*

For the year ended March 31, 2023

(Expressed in Eastern Caribbean dollars)

	2023 \$	2022 \$
Cash flows from financing activities		
Proceeds from borrowings (note 13)	389,761,000	439,281,000
Proceeds from other borrowed funds	241,380,000	254,799,000
Repayment of borrowings (note 13)	(439,271,000)	(363,639,700)
Repayment of other borrowed funds	(231,079,500)	(264,559,500)
Payment for corporate paper issue costs and transaction costs (note 13)	(247,859)	(333,212)
Dividends paid	(1,811,344)	(3,731,236)
Proceeds from issue of preference shares	27,730,000	13,764,000
Principal portion of lease liability	(169,412)	(161,065)
Interest paid on lease liability (note 12)	(10,588)	(18,935)
Net cash (used in)/generated from financing activities	(13,718,703)	75,400,352
Net (decrease)/increase in cash and cash equivalents	(17,356,134)	19,604,501
Cash and cash equivalents at beginning of year	55,135,695	35,531,194
Cash and cash equivalents at end of year (note 7)	37,779,561	55,135,695

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

Eastern Caribbean Home Mortgage Bank (Trading as ECHMB Capital)

Notes to Financial Statements

March 31, 2023

(Expressed in Eastern Caribbean dollars)

1 Incorporation and principal activity

The Governments of Anguilla, Antigua and Barbuda, The Commonwealth of Dominica, Grenada, Montserrat, St. Kitts-Nevis, St. Lucia and St. Vincent and the Grenadines signed an agreement on May 27, 1994, to establish the Eastern Caribbean Home Mortgage Bank (hereinafter referred to as “the Bank”).

The Bank was formally established on August 19, 1994, in accordance with Article 40 of the Eastern Caribbean Home Mortgage Bank Agreement, which was incorporated in the Eastern Caribbean Home Mortgage Bank Agreement Act, and subsequently passed in the member territories.

The principal activities of the Bank are the trading of mortgages made by primary mortgage lenders and growth and development of the money and capital market in the Eastern Caribbean Currency Union.

The registered office of the Bank is located at the Eastern Caribbean Central Bank’s (ECCB) Agency Office, Monckton Street, St. George’s, Grenada.

2 Basis of preparation and compliance with the International Financial Reporting Standards (IFRS)

The financial statements of the Bank have been prepared in accordance with IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations as issued by the International Accounting Standards Board (IASB). The financial statements have been prepared on the going concern basis, under the historical cost convention, except for certain financial instruments 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 judgment in the process of applying the Bank’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 6.

3 Changes in accounting policies

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New and revised standards and amendments that are effective for the financial year beginning April 1, 2022

Certain new standards, interpretations and amendments to existing standards that have been published, became effective during the current financial year. The Bank has assessed the relevance of all such new standards, interpretations and amendments and has put into effect the following IFRS, which are immediately relevant to its operations.

Eastern Caribbean Home Mortgage Bank

(Trading as ECHMB Capital)

Notes to Financial Statements

March 31, 2023

(Expressed in Eastern Caribbean dollars)

3 Changes in accounting policies ...continued

New and revised standards and amendments that are effective for the financial year beginning April 1, 2022 ...continued

- **A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16** (effective January 1, 2022).

Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making. Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.

There are no other new or amended standards and interpretations that are issued but not yet effective, that are expected to have a significant impact on the accounting policies or financial disclosures of the Bank.

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

At the date of authorisation of these financial statements, the following standards, amendments and interpretations to existing standards have been issued which are mandatory for the Bank's accounting periods beginning on or after April 1, 2022 or later periods, but were not effective at the year end date, and which the Company has not early adopted.

- **Amendments to IAS 1, Presentation of financial statements** (deferred until accounting periods starting not earlier than January 1, 2024).

These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date. The amendment also classified what IAS 1 means when it refers to the 'settlement' of a liability. The amendment is not expected to have a significant impact on the Bank.

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3 Changes in accounting policies ...continued

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

- **Amendments to IAS 1, Presentation of Financial Statements, IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, and IFRS Practice Statement 2** (effective for annual periods beginning on or after January 1, 2023).

These narrow-scope amendments to IAS 1, 'Presentation of Financial Statements', IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors, and IFRS Practice Statement 2 aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies. The amendment is not expected to have a significant impact on the Bank.

- **Amendments to IAS 12, Income Taxes**, (effective for annual periods beginning on or after January 1, 2023).

The amendments to IAS 12, 'Income Taxes', require companies to recognise deferred tax on transactions that, on initial recognitions give rise to equal amounts of taxable and deductible temporary differences. The amendment is not expected to have a significant impact on the Bank.

- **Amendments to IFRS 16, Leases**, (effective for annual periods beginning on or after January 1, 2024).

The amendments to IFRS 16, 'Leases', include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.

- **Amendments to IFRS 17, Insurance contracts** (effective for annual periods beginning on or after January 1, 2023).

This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features. The amendment is not expected to have a significant impact on the Bank.

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4 Significant accounting policies

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

a) Foreign currency translation

i) *Functional and presentation currency*

Items included in the financial statements are measured using the currency of the primary economic environment in which the Bank operates (the “functional currency”). The financial statements are presented in Eastern Caribbean dollars, which is the Bank’s functional and presentation currency.

ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income within ‘Other operating expenses’.

b) Financial assets and liabilities

i) *Initial recognition, derecognition and measurement*

IFRS 9 introduces a principles-based approach to the classification of financial assets. Debt instruments, including hybrid contracts, are measured at fair value through profit or loss (“FVTPL”), fair value through other comprehensive income (“FVOCI”) or amortised cost based on the nature of the cash flows of these assets and the Bank’s business model.

Financial assets are measured on initial recognition at fair value and are classified as and subsequently measured either at amortised cost, at FVOCI or at FVTPL.

Equity instruments are measured at FVTPL, unless they are not held for trading purposes, in which case an irrevocable election can be made on initial recognition to measure them at FVOCI with no subsequent reclassification to profit or loss.

All income and expenses relating to financial assets that are recognised in the statement of comprehensive income are presented within interest income whereas the loss allowance or a reduction on the expected credit loss (ECL) is presented within the expenses, in the statement of comprehensive income.

Financial assets and liabilities are recognised when the Bank becomes a party to the contractual provision of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Bank commits to purchase or sell the asset.

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4 Significant accounting policies ...continued

b) Financial assets and liabilities ...continued

i) Initial recognition, derecognition and measurement ...continued

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expired.

At initial recognition, the Bank initially measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset such as fees and commissions. Transaction costs of financial assets carried at fair value through profit or loss are expenses in profit or loss. Immediately after initial recognition, an expected credit loss allowance is recognised for financial assets measured at amortised cost, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

When the fair value of financial assets differs from the transaction price on initial recognition, the entity recognises the difference as follows:

- When the 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 is recognised as a gain or loss.
- In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

ii) Classification and subsequent measurement of financial assets

Financial assets are classified into the following categories:

- Amortised cost;
- FVTPL; or
- FVOCI.

The classification requirements for debt and equity instruments are described below.

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.

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4 Significant accounting policies ...continued

b) Financial assets and liabilities ...continued

ii) Classification and subsequent measurement of financial assets ...continued

Debt instruments ...continued

The classification and subsequent measurement of debt instruments is determined by both:

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

Based on these factors the Bank classifies its debt instruments into the measurement category of amortised cost FVTPL and FVOCI.

Financial assets at amortised cost and effective interest rate

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

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

Financial assets at FVTPL

Financial assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss.

Financial assets at FVOCI

FVOCI: Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss.

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4 Significant accounting policies ...continued

b) Financial assets and liabilities ...continued

ii) Classification and subsequent measurement of financial assets ...continued

Business model assessment

Business models are determined at the level which best reflects how the Bank manages portfolios of assets to achieve business objectives. Judgement is used in determining business models, which is supported by relevant, objective evidence including:

- The nature of liabilities, if any, funding a portfolio of assets;
- The nature of the market of the assets in the country of origination of a portfolio of assets;
- How the Bank intends to generate profits from holding a portfolio of assets;
- The historical and future expectations of asset sales within a portfolio;
- How the asset's performance is evaluated and reported to key management personnel; and
- How rules are assessed and managed and how managers are compensated.

Solely payments of principal and interest ("SPPI")

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Bank assesses whether the financial instruments' cash flows represent solely payments of principal and interest. In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial assets are classified and measured at FVTPL.

The Bank reclassifies debt instruments when and solely when its business model for managing those asset changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be infrequent and none occurred during the period.

Measurement methods - amortised cost

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of the financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit-impaired ("POCI") financial assets - interest income is recognised using the assets' credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

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4 Significant accounting policies ...continued

b) Financial assets and liabilities ...continued

ii) Classification and subsequent measurement of financial assets ...continued

Measurement methods - amortised cost ...continued

When the Bank revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

iii) Impairment of financial assets measured at amortised cost and FVOCI

IFRS 9 introduces an impairment model that requires the recognition of ECL on financial assets measured at amortised cost and FVOCI and off-balance sheet loan commitments and financial guarantees.

The Bank considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supported forecasts that affect the expected collectability of the future cash flows of the instrument.

At initial recognition, allowance (or provision in the case of some loan commitments and financial guarantees) is required for ECL resulting from default events that are possible within the next twelve (12) months (or less, where the remaining life is less than 12 months) ('12-month ECL').

In the event of a significant increase in credit risk (SICR) an allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12-month ECL is recognised or for which credit risk is assessed as being low are considered to be 'stage 1'; financial assets which are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment and so are considered to be in default or otherwise credit-impaired are in 'stage 3'. POCI are treated differently as set out below.

To determine whether the life-time credit risk has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is available including information from the past and forward-looking information. Factors such as whether payments of principal and interest are in default, an adverse change in credit rating of the borrower and adverse changes in the borrower's industry and economic environment are considered in determining whether there has been a significant increase in the credit risk of the borrower.

The Bank assesses loss allowance of certain financial assets at amortised cost and FVOCI on a collective basis if they possess shared credit risk characteristics based on the days past due, geographical location and credit risk ratings and loss rates associated with the parties with whom financial instruments are held. Refer to (note 5 d) Credit risk - expected credit loss measurement for a detailed analysis of how the impairment requirements of IFRS 9 are applied.

The Bank's receivables are mostly short-term with minimal expose to risk. The ECL on these instruments were therefore determined to be zero.

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4 Significant accounting policies ...continued

b) Financial assets and liabilities ...continued

iv) Purchased or originated credit-impaired assets

Financial assets that are purchased or originated at a deep discount that reflects the incurred credit losses are considered to be POCI. This population includes the recognition of a new financial instrument following a renegotiation where concessions have been granted for economic or contractual reasons relating to the borrower's financial difficulty that otherwise would not have been considered. The amount of change-in-lifetime ECL is recognised in profit or loss until the POCI is derecognised, even if the lifetime ECL is less than the amount of ECL included in the estimated cash flows on initial recognition.

v) Write-off

The Bank takes appropriate measures to resolve non-performing assets through all possible means before deciding to write-off the remaining unrecovered exposure. Financial assets (and the related impairment allowances are normally written off, either partially or in full, when there is no realistic prospect of recovery.

The exposure may be written off when:

1. It is not legally enforceable for the Bank to recover in full or in part the outstanding amount of the obligation:
 - i. via sale or appropriation of collateral; or
 - ii. from the borrower or from any third party (e.g., court appointed receiver).
2. It is legally enforceable to recover funds from the borrower or any third party, but there is very low probability of occurrence.

Triggers identified for the derecognition of a financial obligation include:

- Bankruptcy;
- Voluntary liquidation;
- Receivership and compulsory liquidation of a creditor;
- Official Administration which provides for the imposition of a moratorium on payments by the financial institution and a stay of proceedings against the institution during official administration;
- Debt relief orders; and
- The debt is uneconomical to collect meaning the cost of collection outweighs the value of the debt recovered.

The debt will be written off, in full or in part, against the related allowance when the proceeds from realizing any available security have been received or there is a reasonable amount of certainty that the exposure will not be recovered. Upon write-off, the Bank continues to seek to recover amounts it is legally owed in full. Any recoveries of amounts previously written off shall be recognised at time of receipt as "bad debts recovered" and are directly recognised in the statement of comprehensive income.

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4 Significant accounting policies ...continued

b) Financial assets and liabilities ...continued

vi) *Interest income and interest earned on assets measured at amortised cost*

Interest income is earned based on the effective interest rate, based on the carrying amount before allowances. Interest earned on assets measured at fair value through profit and loss is recognised based on the effective interest rate. For assets that are credit-impaired when purchased or originated, the carrying amount after allowances for ECL is the basis for applying the effective interest rate.

Financial assets are derecognised when the right to received cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when they are extinguished, that is, when the obligation is discharged, cancelled or expires. Financial assets that are transferred to a third party but do not qualify for derecognition are presented in the statement of financial position as 'Pledged assets', if the transferee has the right to sell or repledge them.

vii) *Equity instruments*

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

FVOCI

The Bank's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends are recognised when the Bank's right to receive payments is established.

viii) *Financial liabilities*

Classification and subsequent measurement

Financial liabilities are classified and subsequently measured at amortised cost.

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Notes to Financial Statements

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4 Significant accounting policies ...continued

b) Financial assets and liabilities ...continued

viii) Financial liabilities ...continued

Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires). The exchange between the Bank and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

c) Offsetting financial instruments

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

d) Cash and cash equivalents

Cash comprises cash on hand and demand and call deposits with banks. Cash equivalents are short-term, highly liquid investments with original terms to maturity of three months or less that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

e) Repurchase transactions

Securities purchased under agreements to sell/resell (repurchase agreements) and securities sold under agreements to repurchase (repurchase agreements) are treated as collateralised financing transactions. The interest on the respective instruments are accrued over the life of the agreement using the effective interest method.

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4 Significant accounting policies ...continued

f) Employee benefits

(i) Pension plan

The Bank's pension scheme is a defined contribution plan which is managed by a third-party entity. A defined contribution plan is a pension plan under which the Bank pays fixed contributions into a separate entity. The Bank has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(ii) Gratuity

The Bank provides a gratuity plan to its employees who are employed on contract. The amount of the gratuity payment to contracted employees is computed with reference to annual basic salary at a rate determined by the Board of Directors. Provisions for these amounts are included in the statement of financial position within "Accrued expenses and other liabilities".

g) Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, where it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses. 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. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligation may be small.

h) Motor vehicles and equipment

Motor vehicles and equipment are stated at historical cost, less accumulated depreciation. 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 are recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

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4 Significant accounting policies ...continued

h) Motor vehicles and equipment ...continued

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Motor vehicles	20%
Computer equipment	33⅓%
Furniture and fixtures	15%
Machinery and equipment	15%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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 are determined by comparing the proceeds with the carrying amount and are recognised within 'Other income' in the statement of comprehensive income.

i) Borrowings

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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4 Significant accounting policies ...continued

j) Interest income and expense

Interest income and expense are recognised in the statement of comprehensive income for all instruments measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument 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 to discount the future cash flows for the purpose of measuring the impairment loss.

k) Dividends distribution

Dividends are recognised in equity in the period in which they are approved by the Board of Directors. Dividends for the year which are approved after the reporting date are disclosed as a subsequent event, if any.

l) Expenses

Expenses are recognised in the statement of comprehensive income upon utilisation of the service or as incurred.

m) Leases - As lessee

The Bank leases its office space and recognises a right-of-use asset and a lease liability for all leases with a term of more than 12 months. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the payments. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability each period.

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4 Significant accounting policies ...continued

m) Leases - As lessee ...continued

Right of use assets are measured at cost comprising the following:

- The amount of the initial measurement;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short terms leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

n) Share capital

i. Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as deduction from equity.

ii. Preference shares

The Bank classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument. In the case of its preference share capital, it is classified as:

- Equity if it is non-redeemable, or redeemable only at the Bank's option, and any dividends are discretionary; in such case, dividends are thereon recognised as equity distributions on approval by the Bank's shareholders.
- Liability if it is redeemable on a specific date or at the option of the shareholder, or if dividends are not discretionary; in such a case, dividends thereon are recognised as interest in profit or loss as accrued.

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4 Significant accounting policies ...continued

o) Reserves

Portfolio risk reserve

The Bank maintains a special reserve account - portfolio risk reserve. This reserve account was established to cover against general risk associated with the secondary mortgage market. Effective March 31, 2005, the Board of Directors agreed to an annual allocation to the portfolio risk reserve of 20% of profits after the appropriation for dividends. The Board also reserves the right to vary or suspend the annual allocation from retained earnings. For the year ended March 31, 2023, the Board agreed to the transfer of \$347,064 (2022: \$10,000,000) from Retained Earnings to the Portfolio Risk Reserve.

Fair value reserve

Fair value reserves relate to unrealised gains and losses relating to FVOCI investment securities.

p) Retained earnings

Retained earnings include current and prior period results of operations as reported in the statement of comprehensive income, net of dividends.

q) Earnings per share

Basic earnings per share are determined by dividing profit by the weighted average number of ordinary shares outstanding during the period after giving retroactive effect to stock dividend declared, stock split and reverse stock split during the period, if any.

Diluted earnings per share are computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential shares. Currently, the Bank does not have dilutive potential shares outstanding, hence, the diluted earnings per share is equal to the basic earnings per share.

r) Reclassification

Where necessary, comparative figures have been adjusted to conform to the change in presentation in the current year. For the year ended March 31, 2023, there were prior year reclassifications this is disclosed in Note 26.

s) Subsequent events

Subsequent events that provide additional information about the Bank's financial position at the reporting date (adjusting events) are reflected in the financial statements. Subsequent events that are not adjusting events are disclosed in the notes to the financial statements when material.

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4 Significant accounting policies ...continued

t) Segment reporting

An operating segment is a component of the Bank that engages in business activities from which it earns revenues and incurs expenses, the operating results of which are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment. At this time there are no reportable segments into which the Bank's business may be broken down, and the Bank's reporting is tracked on a whole.

u) Taxation

In accordance with Section 5 sub-section (1) and (2) of the Eastern Caribbean Home Mortgage Bank ("ECHMB") Agreement Act, 1994, the ECHMB is exempt from stamp duties and corporation tax.

5 Financial risk management

The Bank's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank's financial performance. The Bank defines risk as the possibility of losses of profits, which may be caused by internal factors. Risk is inherent in the Bank's activities, but it is managed through a process of ongoing identification, measurement and monitoring. This process of risk management is critical to the Bank's continuing profitability. The Bank is exposed to credit risk, market risk (including interest rate risk, equity price risk and foreign currency risk), liquidity risk and operational risk.

a) Enterprise risk management approach

The Bank continuously enhances its Enterprise Risk Management (ERM) approach towards the effective management of enterprise-wide risks. Key components of the ERM framework include:

- structure risk governance model incorporating Board and Senior Management oversight;
- sound debt-to-equity ratio and liquidity management process;
- comprehensive assessment of material risks;
- regular controls, reviews, monitoring and reporting; and
- independent reviews by internal/external auditors, credit rating agency and the relevant supervisory authorities domiciled in the Eastern Caribbean Currency Union (ECCU).

The Board of Directors is ultimately responsible for identifying and controlling risks.

The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and principles. The Board of Directors is responsible for overseeing the Bank's risk management, including overseeing the management of credit risk, market risk, liquidity risk and operational risk.

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5 Financial risk management ...continued

a) Enterprise risk management approach ...continued

The Board carries out its risk management oversight function by:

- reviewing and assessing the quality, integrity and effectiveness of the risk management systems;
- overseeing the development of policies and procedures designed to define, measure, identify and report on credit, market, liquidity and operational risk;
- establishing and communicating risk management controls throughout the Bank;
- ensuring that the Bank has implemented an effective ongoing process to identify risk, to measure its potential impact against a broad set of assumptions and then to activate what is necessary to pro-actively manage these risks, and to decide the Bank's appetite or tolerance for risks;
- reviewing management reports detailing the adequacy and overall effectiveness of risk management, its implementation by management reports on internal control and any recommendations and confirm that appropriate action has been taken;
- providing an independent and objective oversight and view of the information presented by management on corporate accountability and specifically associated risk; and
- remaining informed on risk exposures and risk management activities through the submission of periodic reports from management.

b) Risk measurement and reporting systems

Monitoring and controlling risks is primarily performed based on limits established by the Bank and reported in the Bank's policy statement. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept.

Information compiled is examined in order to analyse, control and identify early risks by undertaking an annual review of the portfolios held by the Bank.

c) Excessive risk concentration

The Bank reviews its mortgage concentration to minimise exposure in excess of twenty percent (20%) of total assets in any one (1) primary lender, financial institution, or group. The Bank manages its mortgage portfolio facilities by focusing on maintaining a diversified portfolio and concentration percentages. Identified concentrations of credit risks are controlled and managed accordingly.

Likewise, the Bank reviews its investment concentration to minimise exposure in excess of fifteen percent (15%) of shareholders' capital in any one (1) financial institution.

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5 Financial risk management ...continued

d) Credit risk

The Bank takes on exposure to credit risk, which is the risk of financial loss to the Bank if its customers or counterparties to a financial instrument fail to meet their contractual obligations, and arises principally from the Bank's normal trading activity in mortgages. The amount of the Bank's exposure to credit risk is indicated by the carrying amount of its financial assets. Financial instruments which potentially expose the Bank to credit risk consist primarily of mortgage loan facilities and investment securities.

Credit risk is the most important risk for the Bank's business. Management therefore carefully manages its exposure to credit risk. Credit exposures arise primarily in lending activities that lead to mortgage loan facilities, investment securities that bring debt instruments and other instruments into the Bank's asset portfolio and other financial assets as included in 'receivables and prepayments' as presented in the statement of financial position. There are no off-balance sheet financial instruments and therefore no credit risk resulting from such assets.

Credit risk measurement

Mortgage loan facilities and investment securities

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Bank measures credit risk through various approaches using Probabilities of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) or a loss rate approach. The approaches used for the purposes of measuring Expected Credit Loss (ECL) under IFRS 9 are outlined below in (Note 5 d) Credit risk - credit risk measurement - expected credit loss measurement for more details.

Credit risk grading

The Bank uses various strategies to grade and assess credit risk of its counterparties and/or borrowers. With respect to its counterparties with which it holds investment securities, the Bank uses external credit ratings and the corresponding historical default statistics to determine the probabilities of default of individual counterparties. The credit grades are calibrated such that the risk of default increases exponentially at each higher risk grade. For example, this means that the difference in the PD between an A and A- rating grade is lower than the difference in the PD between a B and B- rating grade. For unrated counterparties, the Bank uses its internal credit risk grading system.

The Bank's internal rating scale is assigned based on a numerical rating scale ranging from grades R1 to R10, where the higher the perceived level of credit risk, the higher the rating.

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5 Financial risk management ...continued

d) Credit risk ...continued

Credit risk measurement ...continued

Credit risk grading ...continued

The Bank relies on external ratings as provided by various credit rating agencies. The Bank employs a correlation or mapping based on these external rating agencies as follows:

Moody's	S&P	Fitch	CariCRIS
Aaa to Aa3	AAA to AA-	AAA to AA-	AAA
A1 to A3	A+ to A-	A+ to A-	AAA
Baa1 to Baa3	BBB+ to BBB-	BBB+ to BBB-	AA+ to AA-
Ba1 to Ba3	BB+ to BB-	BB+ to BB-	A+ to A-
B1 to B3	B+ to B-	B+ to B-	BBB+ to BBB-
Caa1 and below	CCC+ and below	CCC+ and below	BB+ and below
D	D/SD	D	D

The internal ratings for unrated financial institutions and sovereigns are determined by a combination of quantitative and qualitative variables using a scorecard approach. The approach incorporates specific drivers, such as financial performance, that are considered to be key determinants of a counterparty's credit quality.

Expected credit loss measurement

Expected credit losses are calculated by multiplying three main components, being the probabilities of default (PD), loss given default (LGD) and the exposure at default (EAD), discounted at the original effective interest rate. Management has calculated these inputs based on the historical experience of the portfolios adjusted for the current point in time.

A simplified approach to calculating the ECL is applied to contract and other receivables which do not contain a significant financing component. Generally, these receivables are due within twelve (12) months unless there are extenuating circumstances. Under this approach, an estimate is made of the lifetime ECL on initial recognition (i.e. Stage 2). For ECL provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

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5 Financial risk management ...continued

d) Credit risk ...continued

Credit risk measurement ...continued

Expected credit loss measurement ...continued

The PD, LGD and EAD models which support these determinations are reviewed regularly in light of differences between loss estimates and actual loss experience. Therefore, the underlying models and their calibration, including how they react to forward-looking economic conditions remain subject to review and refinement. This is particularly relevant for lifetime PDs, which have not been previously used in regulatory modelling and for the incorporation of 'downside scenarios' which have not generally been subject to experience gained through stress testing. The exercise of judgement in making estimations requires the use of assumptions which are highly subjective and sensitive to the risk factors, in particular to changes in economic and credit conditions across a large number of geographical areas. Many of the factors have a high degree of interdependency and there is no single factor to which loan impairment allowances as a whole are sensitive. Therefore, sensitivities are considered in relation to key portfolios which are particularly sensitive to a few factors and the results should not be further extrapolated.

The main difference between Stage 1 and Stage 2 expected credit losses is the respective PD horizon. Stage 1 estimates use a maximum of a 12-month PD while Stage 2 estimates use a lifetime PD. Stage 3 estimates continue to leverage existing processes for estimating losses on impaired loans, however, these processes were updated to reflect the requirements of IFRS 9, including the requirement to consider multiple forward-looking scenarios. An expected credit loss estimate is produced for each individual exposure, including amounts which are subject to a more simplified model for estimating expected credit losses.

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk must consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information require significant judgment.

For a revolving commitment, the Bank 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.

Management relies on data from external rating agencies in determining the probabilities of default. For regional investment securities and mortgage loan facilities where the obligors are unrated, internal credit ratings are assigned then mapped to external ratings from which a corresponding PD is derived. If CariCRIS ratings are available, these are equated to the appropriate international rating category and the associated PD from CariCRIS.

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5 Financial risk management ...continued

d) Credit risk ...continued

Credit risk measurement ...continued

Expected credit loss measurement ...continued

Management has then used a stochastic formula to adjust PD. One input into this formula is GDP growth. Historical and forecasted GDP growth data was obtained from a reputable third-party provider. To consider the impact of COVID-19 on GDP, management then applied smoothing to remove the outliers.

Measuring ECL - Explanation of inputs, assumptions and estimation techniques

The LGDs for International Corporate investment securities was obtained from a reputable third party provider. Where there is no external data available, Management derived its sovereign and regional corporate LGDs from the sovereign default history in the Caribbean region. For financial assets under Stage 3 which are considered to be credit-impaired or which have defaulted, Management takes into consideration the legal status and financial condition of the issuer to provide a basis for the assessment of the LGD.

The EAD is assigned by the type of security as follows:

- Mortgage-backed loans: EAD consists of the principle plus accrued interest up to the reporting date.
- Deposits placed: EAD consists of the principle plus accrued interest up to the reporting date.
- Debt securities purchased with discount (premium): EAD is an amortised value plus accrued interest up to the reporting date; and
- Receivables: EAD amount is the nominal value of our receivables from counterparties (customers).

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk must consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. For a revolving commitment, the Bank 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.

For defaulted financial assets, based on management's assessment of the borrower, a specific provision of expected life-time losses which incorporates collateral recoveries, is calculated and recorded as the ECL. The resulting ECL is the difference between the carrying amount and the present value of expected cash flows discounted at the original effective interest rate.

Forward looking information incorporated in the ECL models

The estimation and application of forward-looking information requires significant judgment. PD, LGD and EAD inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio. Each macroeconomic scenario used in the expected credit loss calculation will have forecasts of the relevant macroeconomic variables - including, but not limited to, unemployment rates and gross domestic product.

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5 Financial risk management ...continued

d) Credit risk ...continued

Credit risk measurement ...continued

Forward looking information incorporated in the ECL models ...continued

For defaulted financial assets, based on management's assessment of the borrower, a specific provision of expected lifetime losses which incorporates collateral recoveries, is calculated and recorded as the ECL. The resulting ECL is the difference between the carrying amount and the present value of expected cash flows discounted at the original effective interest rate.

Purchased or originated credit-impaired financial assets are those financial assets that are credit impaired on initial recognition. The ECL related to these financial assets is always measured on a lifetime basis (Stage 3). Further explanation is also provided of how the Bank determines appropriate groupings when ECL is measured on a collective basis as detailed in (note 4 b) iii) impairment of financial assets measured at amortised cost.

A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward looking information. An explanation of how the Bank has incorporated this in its ECL models is included in (note 5 d) Credit risk - Credit risk measurement - Forward looking information incorporated in the ECL models.

The following diagram summarises the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets):

	Change in credit quality since initial recognition		
	Stage 1	Stage 2	Stage 3
Risk Assessment	Initial recognition or credit risk is considered low	Significant increase in credit risk since initial recognition	Credit-impaired assets
Expected credit losses	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

The key judgements and assumptions adopted by the Bank in addressing the requirements of the standard are discussed below:

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5 Financial risk management ...continued

d) Credit risk ...continued

Credit risk measurement ...continued

Significant increase in credit risk (SICR)

The Bank considers a financial instrument to have experienced a significant increase in credit risk if:

- An obligor's external or internal credit rating is downgraded to below investment grade (BB+/Ba1, its internal equivalent or lower) compared to the rating at initial recognition;
- A below investment grade instrument is lowered by 1 or multiple notches; or
- Payment of principal and/or interest is more than 30 days past due.

If one or more of the above conditions are satisfied, the financial asset is transferred to Stage 2 from Stage 1. The assignment of a financial instrument to Stage 3 will be based on the status of the obligor being in default. Assets in stage 2 or 3 will be transferred back to stage 1 or 2 once the criteria for significant increase in credit risk or impairment are no longer met.

The staging assessment requires the Bank to monitor credit risk through regular credit reviews or other monitoring at a counterparty level. All loans and investment securities held by the Bank are allocated to a credit quality rating or risk grade (internal or external) based on the most recent review, forward-looking or other available information on an annual basis. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by Management.

Backstop

A backstop is applied and the financial instrument is considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.

Definition of default and credit-impaired assets

The Bank defines default as the occurrence of one or more of the following events:

- The obligor is unlikely to pay its debt obligations (principal, interest or fees) in full;
- The occurrence of a credit loss event with any obligation of the obligor, such as a charge-off, specific provision, or distresses restructuring involving forgiveness or postponement of principal, interest or fees;
- The obligor is past due more than 90 days on any credit obligation; or
- The obligor has filed for bankruptcy or similar protection from creditors.

The criteria above have been applied to all financial instruments held by the Bank and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probabilities of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout the Bank's expected loss calculations. The Bank segments investment securities between sovereign and corporate, as there are different probabilities of default for these instruments based on the nature of the financial institution with whom the instrument is held.

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5 Financial risk management ...continued

d) Credit risk ...continued

Credit risk measurement ...continued

Definition of default and credit-impaired assets ...continued

The Bank has not rebutted and maintains that default takes place when a financial asset is 90 days past due given its contractual obligations. An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six (6) months. This period of six (6) months has been determined based on consideration given to historical performance of the financial instrument returning to default status after cure.

Expected credit loss measurement

Maximum exposure to credit risk - Financial instruments subject to impairment

The following tables contain analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Bank's maximum exposure to credit risk on these assets.

	2023 \$	2022 \$
Assets		
Cash and cash equivalents	37,778,561	55,134,695
Receivables	23,775,043	29,064,319
Investment securities		
Amortised cost	109,549,174	109,046,210
FVOCI	263,937,673	253,224,159
FVTPL	—	—
Mortgage loan facilities	26,804,673	29,925,008
Total credit risk exposure	461,845,124	476,394,391

The above table represents a worst-case scenario of credit risk exposure as at March 31, 2023 and 2022 without taking account of any collateral held or other credit enhancements attached.

The exposures set out in the above table are based on net carrying amounts as reported in the statement of financial position.

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5 Financial risk management ...continued

d) Credit risk ...continued

Expected credit loss measurement ...continued

Maximum exposure to credit risk - Financial instruments subject to impairment ...continued

Investment securities

	Summary of Investment Securities ECL Staging 2023			
	Stage 1 \$	Stage 2 \$	Stage 3 \$	Total \$
Quoted corporate bonds	265,247,040	—	—	265,247,040
Quoted sovereign bonds	26,449,833	—	—	26,449,833
Term deposits	15,399,848	—	2,850,000	18,249,848
Unquoted bonds	54,913,544	13,064,571	—	67,978,115
Gross carrying amount	362,010,265	13,064,571	2,850,000	377,924,836
Provision for expected credit losses	(1,097,036)	(490,952)	(2,850,000)	(4,437,988)
Carrying amount	360,913,229	12,573,619	—	373,486,848

	Summary of Investment Securities ECL Staging 2022			
	Stage 1 \$	Stage 2 \$	Stage 3 \$	Total \$
Quoted corporate bonds	261,277,771	—	—	261,277,771
Quoted sovereign bonds	26,393,837	—	—	26,393,837
Term deposits	2,921,833	—	2,950,000	5,871,833
Unquoted bonds	73,752,820	—	—	73,752,820
Gross carrying amount	364,346,261	—	2,950,000	367,296,261
Provision for expected credit losses	(2,075,892)	—	(2,950,000)	(5,025,892)
Carrying amount	362,270,369	—	—	362,270,369

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5 Financial risk management ...continued

d) Credit risk ...continued

Expected credit loss measurement ...continued

Maximum exposure to credit risk - Financial instruments subject to impairment ...continued

Mortgage loan facilities

	Summary of Mortgage loan facilities			
	ECL Staging			
	2023			
	Stage 1	Stage 2	Stage 3	Total
	\$	\$	\$	\$
Mortgage loans portfolio	13,537,107	—	—	13,537,107
Mortgage-pledged loan	8,469,826	—	—	8,469,826
Mortgage credit facility	5,141,087	—	—	5,141,087
Gross carrying amount	27,148,020	—	—	27,148,020
Provision for expected credit losses	(343,347)	—	—	(343,347)
Carrying amount	26,804,673	—	—	26,804,673

	Summary of Mortgage loan facilities			
	ECL Staging			
	2022			
	Stage 1	Stage 2	Stage 3	Total
	\$	\$	\$	\$
Mortgage loans portfolio	15,270,919	—	—	15,270,919
Mortgage-pledged loan	9,687,021	—	—	9,687,021
Mortgage credit facility	5,445,629	—	—	5,445,629
Gross carrying amount	30,403,569	—	—	30,403,569
Provision for expected credit losses	(478,561)	—	—	(478,561)
Carrying amount	29,925,008	—	—	29,925,008

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5 Financial risk management ...continued

d) Credit risk ...continued

Expected credit loss measurement ...continued

Maximum exposure to credit risk - Financial instruments subject to impairment ...continued

Loss allowance

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

- Transfers between Stages 1, 2 or 3 due to financial instruments 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 Lifetime 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 PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis; and,
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

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5 Financial risk management ...continued

d) Credit risk ...continued

Expected credit loss measurement ...continued

Loss allowance ...continued

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

	2023			Total \$
	Stage 1 12-month ECL \$	Investment securities Stage 2 Lifetime ECL \$	Stage 3 Lifetime ECL \$	
Loss allowance as at April 1, 2022	2,075,892	–	2,950,000	5,025,892
Movements with P/L impact:				
Transfers:				
Transfers from Stage 1 to Stage 2	(369,766)	369,766	–	–
Transfers from Stage 1 to Stage 3	–	–	–	–
Transfers from Stage 2 to Stage 1	–	–	–	–
Transfers from Stage 3 to Stage 1	–	–	–	–
New financial assets originated or purchased	46,547	–	–	46,547
Changes in PDs/LGDs/EADs	(49,219)	121,186	(100,000)	(28,033)
Financial assets derecognised during the year	(606,418)	–	–	(606,418)
Total net P&L charge during the year	(978,856)	490,952	(100,000)	(587,904)
Other movements with no P/L impact				
Transfers from Stage 3 to Stage 2	–	–	–	–
Transfers from Stage 2 to Stage 3	–	–	–	–
Write-offs	–	–	–	–
Loss allowance as at March 31, 2023	1,097,036	490,952	2,850,000	4,437,988

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5 Financial risk management ...continued

d) Credit risk ...continued

Expected credit loss measurement ...continued

Loss allowance ...continued

	2022			
	Investment securities			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
	\$	\$	\$	\$
Loss allowance as at April 1, 2021	352,560	2,160,016	3,250,000	5,762,576
Movements with P/L impact:				
Transfers:				
Transfers from Stage 1 to Stage 2	—	—	—	—
Transfers from Stage 1 to Stage 3	—	—	—	—
Transfers from Stage 2 to Stage 1	2,160,016	(2,160,016)	—	—
Transfers from Stage 3 to Stage 1	—	—	—	—
New financial assets originated or purchased	109,957	—	—	109,957
Changes in PDs/LGDs/EADs	(475,875)	—	(300,000)	(775,875)
Financial assets derecognised during the year	(70,766)	—	—	(70,766)
Total net P&L charge during the year	1,723,332	(2,160,016)	(300,000)	(736,684)
Other movements with no P/L impact				
Transfers from Stage 3 to Stage 2	—	—	—	—
Transfers from Stage 2 to Stage 3	—	—	—	—
Write-offs	—	—	—	—
Loss allowance as at March 31, 2022	2,075,892	—	2,950,000	5,025,892

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5 Financial risk management ...continued

d) Credit risk ...continued

Expected credit loss measurement ...continued

Loss allowance ...continued

	2023			
	Mortgage loan facilities			
	Stage 1	Stage 2	Stage 3	
	12-month	Lifetime	Lifetime	
	ECL	ECL	ECL	Total
	\$	\$	\$	\$
Loss allowance as at April 1, 2022	478,561	—	—	478,561
Movements with P/L impact:				
Transfers:				
Transfers from Stage 1 to Stage 2	—	—	—	—
Transfers from Stage 1 to Stage 3	—	—	—	—
Transfers from Stage 2 to Stage 1	—	—	—	—
Transfers from Stage 3 to Stage 1	—	—	—	—
New financial assets originated or purchased	—	—	—	—
Changes in PDs/LGDs/EADs	(121,075)	—	—	(121,075)
Recoveries	—	—	—	—
Financial assets derecognised during the year	(14,139)	—	—	(14,139)
Total net P&L charge during the year	(135,214)	—	—	(135,214)
Other movements with no P/L impact				
Transfers from Stage 3 to Stage 2	—	—	—	—
Transfers from Stage 2 to Stage 3	—	—	—	—
Write-offs	—	—	—	—
Loss allowance as at March 31, 2023	343,347	—	—	343,347

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5 Financial risk management ...continued

d) Credit risk ...continued

Expected credit loss measurement ...continued

Loss allowance ...continued

	2022			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
	\$	\$	\$	\$
Loss allowance as at April 1, 2021	336,051	1,059,822	2,941,834	4,337,707
Movements with P/L impact:				
Transfers:				
Transfers from Stage 1 to Stage 2	—	—	—	—
Transfers from Stage 1 to Stage 3	—	—	—	—
Transfers from Stage 2 to Stage 1	1,059,822	(1,059,822)	—	—
Transfers from Stage 3 to Stage 1	—	—	—	—
New financial assets originated or purchased	—	—	—	—
Changes in PDs/LGDs/EADs	(880,938)	—	—	(880,938)
Recoveries	—	—	(623,359)	(623,359)
Financial assets derecognised during the year	(36,374)	—	—	(36,374)
Total net P&L charge during the year	142,510	(1,059,822)	(623,359)	(1,540,671)
Other movements with no P/L impact				
Transfers from Stage 3 to Stage 2	—	—	—	—
Transfers from Stage 2 to Stage 3	—	—	—	—
Write-offs	—	—	(2,318,475)	(2,318,475)
Loss allowance as at March 31, 2022	478,561	—	—	478,561

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5 Financial risk management ...continued

d) Credit risk ...continued

Expected credit loss measurement ...continued

Loss allowance ...continued

Significant changes in the gross carrying amount of financial assets that contributed to changes in the loss allowance were due to:

- Significant purchases of investment grade or lower risk investment securities particularly quoted corporate bonds consistent with the Bank's investment strategy to diversify risk. The Bank's acquisition of these instruments resulted in an overall decrease in the Stage 1 allowances (12-month ECLs) due to improvements in the PDs and LGDs;
- The classification of few financial assets under Stage 3, as these financial assets were considered to be in default due to Management's assessment of the credit risk associated with the counterparties, payment history and future expected repayments. Management continues to aggressively pursue the amounts categorised under Stage 3 allowances. Recoveries made during the period led to further decreases in the Stage 3 allowance.

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5 Financial risk management ...continued

e) Management of credit risk

The table below breaks down the Bank's main credit exposure at the carrying amounts, categorised by geographical regions as of March 31, 2023 with comparatives for 2022. In this table, the Bank has allocated exposure to regions based on the country of domicile of the counterparties.

	St. Kitts and Nevis \$	Other ECCU Member States \$	Other Caribbean \$	USA \$	UK \$	Other \$	Total \$
Cash and cash equivalents	20,019,323	–	2,907,076	14,852,162	–	–	37,778,561
Receivables	577,769	23,197,274	–	–	–	–	23,775,043
Investment securities							
Amortised cost	–	32,317,014	55,000,173	9,828,580	–	12,403,407	109,549,174
FVOCI	–	–	–	155,149,856	8,373,073	100,414,744	263,937,673
FVTPL	–	–	–	–	–	–	–
Mortgage loan facilities	12,630,232	14,174,441	–	–	–	–	26,804,673
As at March 31, 2023	33,227,324	69,688,729	57,907,249	179,830,598	8,373,073	112,818,151	461,845,124
Cash and cash equivalents	15,410,775	–	31,058,907	8,665,013	–	–	55,134,695
Receivables	141,873	28,922,393	53	–	–	–	29,064,319
Investment securities							
Amortised cost	–	37,087,699	55,160,508	4,310,476	–	12,487,527	109,046,210
FVOCI	–	–	–	129,345,677	9,273,835	114,604,647	253,224,159
FVTPL	–	–	–	–	–	–	–
Mortgage loan facilities	14,152,916	15,772,092	–	–	–	–	29,925,008
As at March 31, 2022	29,705,564	81,782,184	86,219,468	142,321,166	9,273,835	127,092,174	476,394,391

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5 Financial risk management ...continued

e) Management of credit risk ...continued

Economic sector concentrations within the mortgage loan facilities were as follows:

	2023 \$	2023 %	2022 \$	2022 %
Development banks	16,490,877	61	18,347,857	61
Credit unions	8,739,815	33	9,941,333	33
Finance company	1,573,981	6	1,635,818	6
	26,804,673	100	29,925,008	100

Credit risk exposure based on the Bank's internal corporate rating system

The following tables analyses the credit rating by internally developed and assessed investment ratings of financial assets bearing credit risk. The investment securities are disclosed before the ECL allocation.

The internal credit ratings assigned to investments are as follows:

Investment securities	Meaning	Internal rating	Range	2023 \$	2022 \$
Description of grade					
Investment grade	Exceptional	1	Aaa	14,611,084	–
Investment grade	Excellent	2	Aa1 to Aa3	3,922,504	12,339,376
Investment grade	Strong	3	A1 to A3	55,008,505	75,928,903
Investment grade	Good	4	Baa1 to Baa3	230,190,129	192,618,132
Speculative grade	Satisfactory	5	Ba1 to Ba3	35,265,227	31,881,366
Speculative grade	Adequate	6	B1 to B3	32,362,655	43,460,938
Speculative grade	Special Mention	7	Caa1 to Caa3	5,700,000	9,700,000
Credit impaired	Loss	10	–	2,850,000	2,950,000
				379,910,104	368,878,715

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5 Financial risk management ...continued

e) Management of credit risk ...continued

The internal credit ratings assigned to mortgages are as follows:

Mortgage loan facilities	Meaning	Internal rating	Range	2023 \$	2022 \$
Description of grade					
Speculative grade	Satisfactory	5	Ba1 to Ba3	15,952,088	16,832,761
Speculative grade	Adequate	6	B1 to B3	9,546,874	11,858,037
Speculative grade	Special Mention	7	Caa1 to Caa3	1,649,058	1,712,771
				27,148,020	30,403,569

f) Market risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to the obligor's/issuer's credit standing) will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising returns.

The Bank manages interest rate risk by monitoring interest rates daily and ensuring that the maturity profile of its financial assets is matched by that of its financial liabilities to the extent practicable, given the nature of the business. The directors and management believe that the Bank has limited exposure for foreign currency risk as its foreign current assets and liabilities are denominated in United States Dollars, which is fixed to Eastern Caribbean Dollars at the rate of \$2.70.

i) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. It arises when there is a mismatch between interest-earning assets and interest-bearing liabilities which are subject to interest rate adjustment within a specified period. It can be reflected as a loss of future net interest income and/or a loss of current market values.

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5 Financial risk management ...continued

f) Market risk ...continued

i) Interest rate risk ...continued

The following table summarises the carrying amounts of assets and liabilities to arrive at the Bank's interest rate gap based on the earlier of contractual repricing and maturity dates.

As at March 31, 2023	Within 3 months \$	3 to 12 months \$	1 to 5 years \$	Over 5 years \$	Non-interest bearing \$	Total \$
Financial assets:						
Cash and cash equivalents	37,713,595	—	—	—	65,966	37,779,561
Receivables	—	—	—	—	23,775,043	23,775,043
Investment securities						
Amortised cost	30,207,351	17,778,628	52,380,357	9,182,838	—	109,549,174
FVOCI	—	—	36,353,493	227,584,180	100,000	264,037,673
FVTPL	—	—	—	—	18,182,847	18,182,847
Mortgage loan facilities	484,919	1,454,757	11,415,112	13,449,885	—	26,804,673
Total financial assets	68,405,865	19,233,385	100,148,962	250,216,903	42,123,856	480,128,971
Financial liabilities:						
Borrowings	97,117,691	294,747,000	—	—	—	391,864,691
Other borrowings	25,110,000	—	—	—	—	25,110,000
Accrued expenses and other liabilities	—	—	—	—	5,855,668	5,855,668
Lease liability	42,171	128,427	220,563	—	—	391,161
Total financial liabilities	122,269,862	294,875,427	220,563	—	5,855,668	423,221,520
Interest sensitivity gap	(53,863,997)	(275,642,042)	99,928,399	250,216,903	36,268,188	56,907,451

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5 Financial risk management ...continued

f) Market risk ...continued

i) Interest rate risk ...continued

As at March 31, 2022	Within 3 months \$	3 to 12 months \$	1 to 5 years \$	Over 5 years \$	Non-interest bearing \$	Total \$
Financial assets:						
Cash and cash equivalents	48,907,148	—	—	—	6,228,547	55,135,695
Receivables	—	—	—	—	29,064,319	29,064,319
Investment securities						
Amortised cost	7,110,725	12,240,522	73,067,228	16,627,735	—	109,046,210
FVOCI	—	—	1,483,364	251,740,795	100,000	253,324,159
FVTPL	—	—	—	—	40,261,589	40,261,589
Mortgage loan facilities	444,613	1,333,838	11,285,059	16,861,498	—	29,925,008
Total financial assets	56,462,486	13,574,360	85,835,651	285,230,028	75,654,455	516,756,980
Financial liabilities:						
Borrowings	96,167,040	345,493,000	—	—	—	441,660,040
Other borrowings	14,809,500	—	—	—	—	14,809,500
Accrued expenses and other liabilities	—	—	—	—	1,020,933	1,020,933
Lease liability	41,026	124,938	377,559	—	—	543,523
Total financial liabilities	111,017,566	345,617,938	377,559	—	1,020,933	458,033,996
Interest sensitivity gap	(54,555,080)	(332,043,578)	85,458,092	285,230,028	74,633,522	58,722,984

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5 Financial risk management ...continued

f) Market risk ...continued

i) Interest rate risk ...continued

Interest rate sensitivity

The Bank's interest rate risk arises from investment securities and mortgage loan facilities. The sensitivity of the income statement is the effect of the assumed changes in interest rates on net income.

	Impact on net profit	
	2023	2022
	\$	\$
Interest rate - increase by 1.00% (2022: 1.00%)	352,771	494,295
Interest rate - decrease by 1.00% (2022: 1.00%)	(352,771)	(494,295)

ii) Equity price risk

The Bank's exposure to equity securities price risk arises from investments held by the Bank and classified in the balance sheet at fair value through profit or loss (FVTPL). To manage its price risk arising from investments in equity securities, the Bank diversifies its portfolio in accordance with the limits set by its Board of Directors.

The following table summarises the possible impact on the Bank's profits and equity as a result of a possible increase or decrease in equity prices by 10.00% with all other variables held constant.

	2023		2022	
	Effect on Profit	Effect on Equity	Effect on Profit	Effect on Equity
	\$	\$	\$	\$
Change in equity prices				
+ 10.00% (2022: +20.00%)	928,391	928,391	6,699,607	6,699,607
- 10.00% (2022: -20.00%)	(928,391)	(928,391)	(6,699,607)	(6,699,607)

iii) Foreign currency risk

Foreign currency risk is the risk that the market value of, or the cash flow from, financial instruments will vary because of exchange rate fluctuations. The Bank incurs currency risk on transactions that are denominated in a currency other than the functional currency, the EC Dollar. The main currency giving rise to this risk is the US Dollar. However, the EC Dollar is fixed to the US Dollar at the rate of 2.70.

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5 Financial risk management ...continued

f) Market risk ...continued

iii) Foreign currency risk ...continued

The following table summarises the Bank's exposure to foreign currency risk as of March 31, 2023 and 2022. Included in the table are the Bank's financial instruments at carrying amounts, categorised by currency.

	Eastern Caribbean Dollar \$	United States Dollar \$	Total \$
As at March 31, 2023			
Financial assets			
Cash and cash equivalents	20,020,275	17,759,286	37,779,561
Receivables	23,775,043	—	23,775,043
Investment securities			
Amortised cost	26,690,756	82,858,418	109,549,174
FVOCI	100,000	263,937,673	264,037,673
FVTPL	—	18,182,847	18,182,847
Mortgage loan facilities	26,804,673	—	26,804,673
	97,390,747	382,738,224	480,128,971
Financial liabilities			
Borrowings	391,864,691	—	391,864,691
Other borrowings	—	25,110,000	25,110,000
Accrued expenses and other liabilities	5,855,668	—	5,855,668
Lease liability	391,161	—	391,161
	398,111,520	25,110,000	423,221,520
Net statement of financial position	(300,720,773)	357,628,224	56,907,451

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5 Financial risk management ...continued

f) Market risk ...continued

iii) Foreign currency risk ...continued

	Eastern Caribbean Dollar \$	United States Dollar \$	Total \$
As at March 31, 2022			
Financial assets			
Cash and cash equivalents	15,057,968	40,077,727	55,135,695
Receivables	29,064,319	—	29,064,319
Investment securities			
Amortised cost	35,996,974	73,049,236	109,046,210
FVOCI	100,000	253,224,159	253,324,159
FVTPL	—	40,261,589	40,261,589
Mortgage loan facilities	29,925,008	—	29,925,008
	110,144,269	406,612,711	516,756,980
Financial liabilities			
Borrowings	441,660,040	—	441,660,040
Other borrowings	—	14,809,500	14,809,500
Accrued expenses and other liabilities	1,020,933	—	1,020,933
Lease liability	543,523	—	543,523
	443,224,496	14,809,500	458,033,996
Net statement of financial position	(333,080,227)	391,803,211	58,722,984

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5 Financial risk management ...continued

g) Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value. The Bank's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions. Prudent liquidity risk management requires the Bank to maintain sufficient cash and marketable securities, monitor future cash flows and liquidity on a daily basis and have funding available through an adequate amount of committed facilities such as access to a credit line held with Raymond James. Fallback mechanisms include access to the procurement of bank overdrafts with commercial banks, stand-by lines of credit with external parties, the issuance of corporate papers maturing in monthly tranches and the issuance of preference shares.

Due to the dynamic nature of the underlying businesses, the management of the Bank ensures that sufficient funds are held in short-term marketable instruments to meet its liabilities and disbursement commitments when due, without incurring unacceptable losses or risk damage to the Bank's reputation.

The daily liquidity position is monitored by reports covering the position of the Bank. The key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets to cash available for disbursements. For this purpose, net liquid assets are considered as including cash and cash equivalents and short-term marketable securities, less loan and bond commitments to borrowers within the coming year.

The Bank utilises the survival horizon metric to monitor short to medium term liquidity requirements. The survival horizon measures the time the Bank is able to fulfil all its payment obligations stemming from ongoing business operations under a severe stressed scenario. The Bank's target survival horizon is twelve (12) months. The Bank uses stress testing to calculate the liquidity requirements corresponding to different survival horizons.

The Bank also utilises projections of cash inflows and outflows based on historical trends to monitor short to medium-term liquidity requirements.

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5 Financial risk management ...continued

g) Liquidity risk ...continued

Maturities analysis of assets and liabilities

The following table presents the contractual maturities of financial assets and liabilities, on the basis of their earliest possible contractual maturity.

	Within 3 months \$	3 to 12 months \$	1 to 5 years \$	Over 5 years \$	Total \$
As at March 31, 2023					
Assets:					
Cash and cash equivalents	37,779,561	—	—	—	37,779,561
Receivables	23,775,043	—	—	—	23,775,043
Investment securities					
Amortised cost	30,207,351	17,778,628	52,380,357	9,182,838	109,549,174
FVOCI	—	100,000	36,353,493	227,584,180	264,037,673
FVTPL	18,182,847	—	—	—	18,182,847
Mortgage loan facilities	484,919	1,454,757	11,415,112	13,449,885	26,804,673
Total assets	110,429,721	19,333,385	100,148,962	250,216,903	480,128,971
Liabilities:					
Borrowings	99,222,748	297,669,510	—	—	396,892,258
Other borrowings	25,164,478	—	—	—	25,164,478
Accrued expenses and other liabilities	5,855,668	—	—	—	5,855,668
Lease liability	45,000	135,000	225,000	—	405,000
Total liabilities	130,287,894	297,804,510	225,000	—	428,317,404
Net liquidity gap	(19,858,173)	(278,471,125)	99,923,962	250,216,903	51,811,567

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5 Financial risk management ...continued

g) Liquidity risk ...continued

Maturities analysis of assets and liabilities ...continued

	Within 3 months \$	3 to 12 months \$	1 to 5 years \$	Over 5 years \$	Total \$
As at March 31, 2022					
Assets:					
Cash and cash equivalents	55,135,695	—	—	—	55,135,695
Receivables	29,064,319	—	—	—	29,064,319
Investment securities					
Amortised cost	7,110,725	12,240,522	73,067,228	16,627,735	109,046,210
FVOCI		100,000	1,483,364	251,740,795	253,324,159
FVTPL	40,261,589	—	—	—	40,261,589
Mortgage loan facilities	444,613	1,333,838	11,285,059	16,861,498	29,925,008
Total assets	132,016,941	13,674,360	85,835,651	285,230,028	516,756,980
Liabilities:					
Borrowings	98,570,636	349,132,695	—	—	447,703,331
Other borrowings	14,833,314	—	—	—	14,833,314
Accrued expenses and other liabilities	1,020,933	—	—	—	1,020,933
Lease liability	45,000	135,000	390,450	—	570,450
Total liabilities	114,469,883	349,267,695	390,450	—	464,128,028
Net liquidity gap	17,547,058	(335,593,335)	85,445,201	285,230,028	52,628,952

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5 Financial risk management ...continued

h) Operational risk

The growing sophistication of the banking industry has made the Bank's operational risk profile more complex. Operational risk is inherent to all business activities and is the potential for financial or reputational loss arising from inadequate or failed internal controls, operational processes or the systems that support them. It includes errors, omissions, disasters and deliberate acts such as fraud. The Bank recognises that such risks can never be entirely eliminated and manages the risk through a combination of systems and procedures to monitor and document transactions.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. Independent checks on operational risk issues are also undertaken by the internal audit function.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the Board of Directors. This responsibility is supported by the development of overall Bank 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 risk 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 when this is effective.

i) Capital management

The Bank's objectives when managing capital are to safeguard the Bank's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

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5 Financial risk management ...continued

i) Capital management ...continued

The Bank monitors capital on the basis of the gearing ratio. This ratio is calculated as total debt divided by total capital. Total debt is calculated as total bonds in issue (as shown in the statement of financial position as "Borrowings"). Total capital is calculated as 'equity' as shown in the statement of financial position. The Board of Directors requires the Bank to maintain a maximum gearing ratio of 8.00:1.

	2023 \$	2022 \$
Total Debt	416,974,691	456,469,540
Total Equity	57,605,727	59,708,569
Debt to Equity ratio	7.24	7.64

There were no changes to the Bank's approach to capital management during the year.

j) Fair value estimation

The table below summarises the carrying and fair values of the Bank's financial assets and liabilities.

	Carrying value		Fair value	
	2023 \$	2022 \$	2023 \$	2022 \$
Cash and cash equivalents	37,779,561	55,135,695	37,779,561	55,135,695
Receivables	23,775,043	29,064,319	23,775,043	29,064,319
Investment securities				
Amortised cost	109,549,174	109,046,210	107,465,677	109,350,370
FVOCI	264,037,673	253,324,159	264,037,673	253,324,159
FVTPL	18,182,847	40,261,589	18,182,847	40,261,589
Mortgage loan facilities	26,804,673	29,925,008	26,804,673	29,925,008
	480,128,971	516,756,980	478,045,474	517,061,140
Borrowings	391,864,691	441,660,040	391,864,691	441,660,040
Other borrowings	25,110,000	14,809,500	25,110,000	14,809,500
Accrued expenses and other liabilities	5,855,668	1,020,933	5,855,668	1,020,933
Lease liability	391,161	543,523	391,161	543,523
	423,221,520	458,033,996	423,221,520	458,033,996

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5 Financial risk management ...continued

j) Fair value estimation ...continued

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

Mortgage loan facilities represent residential mortgages loans portfolio and other credit facilities issued for further provision of mortgage loans by the third-party institution. Outstanding balances are carried based on its principal and interest. The fair values of mortgages are equal to their carrying values.

The fair values of the floating rate debt securities in issue is based on quoted market prices where available and where not available is based on a current yield curve appropriate for the remaining term to maturity.

Accordingly estimates contained herein are not necessarily indicative of the amounts that the Bank could realise in a current market exchange. The use of different assumptions and/or estimation methodologies may have a material effect on the estimated fair values. Management is not aware of any factors that would significantly affect the estimated fair value amounts.

Financial instruments where carrying value is equal to fair value due to their short-term maturity include cash and cash equivalents, receivables and accrued expenses and other liabilities.

k) Fair value measurements recognised in the statement of financial position

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3 based on the degree to which the fair value is observed.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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5 Financial risk management ...continued

k) Fair value measurements recognised in the statement of financial position ...continued

The following table shows the levels within the hierarchy of financial assets measured at fair value on a recurring basis:

March 31, 2023	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
Financial assets at fair value through other comprehensive income (FVOCI)				
Quoted corporate bonds	245,446,510	—	—	245,446,510
Quoted sovereign bonds	15,596,348	—	—	15,596,348
Unquoted equity instrument	—	—	100,000	100,000
Financial assets at fair value through profit or loss (FVTPL)				
Common shares	9,283,910	—	—	9,283,910
Preferred shares	7,529,273	—	—	7,529,273
Quoted corporate bond	1,369,664	—	—	1,369,664
Fair value	279,225,705	—	100,000	279,325,705
March 31, 2022	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
Financial assets at fair value through other comprehensive income (FVOCI)				
Quoted corporate bonds	241,729,251	—	—	241,729,251
Quoted sovereign bonds	8,881,272	—	—	8,881,272
Unquoted equity instrument	—	—	100,000	100,000
Financial assets at fair value through profit or loss (FVTPL)				
Common shares	33,653,098	—	—	33,653,098
Preferred shares	6,608,491	—	—	6,608,491
Fair value	290,872,112	—	100,000	290,972,112

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6 Critical accounting estimates and judgements

The Bank's financial statements and its financial results are influenced by accounting policies, assumptions, estimates and management's judgement, which necessarily have to be made in the course of preparation of the financial statements. Estimates and judgments 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 Bank makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. The estimates that have a significant risk of causing material adjustments to the carrying amounts of assets within the next financial year are discussed below.

When preparing the financial statements, Management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses. 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. Actual results may be substantially different.

i) Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is earlier detailed, which also sets out key sensitivities of the ECL to changes in these elements.

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

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Detailed information about the judgements and estimates made by the Bank in the above areas is set out before.

The most significant assumptions affecting the ECL allowance are as follows:

- The determination of the probabilities of default utilised in the assessment of 12-month and lifetime credit losses with credit ratings being the most sensitive input into the model.

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7 Cash and cash equivalents

	2023 \$	2022 \$
Cash on hand	1,000	1,000
Cash in banks	29,692,428	55,134,695
Term deposit	8,086,133	—
	<u>37,779,561</u>	<u>55,135,695</u>

Cash in banks earned interest at rates ranging from 0% to 4.1% (2022: 0% to 4.5%). During the year, the interest income earned on these financial assets was \$624,501.80 (2022: \$319,673).

During the financial year ended March 31, 2023, the Bank entered into repurchase agreements with Sterling Asset Management and Jamaica Money Market Brokers Limited. The repurchase agreements ranged from 30-day fixed income instruments to 90-day fixed income instruments which matured during the financial year.

8 Receivables and prepayments

	2023 \$	2022 \$
Other receivables	23,531,000	28,748,000
Receivables	244,043	316,319
Prepayments	34,989	44,101
	<u>23,810,032</u>	<u>29,108,420</u>

Other receivables represent amounts receivable from bondholders for their participation in the Bank's Corporate Paper HMB290324 (2022: HMB290323). The balances are non-interest bearing and are all current.

Receivables represent loan payments collected by the Bank's primary lenders as loan administrators which have not yet been remitted to the Bank as of the reporting date. Receivable balances are non-interest bearing and are all current.

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9 Investment securities

	2023 \$	2022 \$
At amortised cost		
Unquoted bonds	69,289,319	72,171,346
Quoted sovereign bonds	10,570,222	17,154,534
Quoted corporate bonds	16,422,435	16,569,072
Term deposits	15,055,912	5,764,749
	111,337,888	111,659,701
Interest receivable	2,211,472	2,170,469
Total amortised cost (gross)	113,549,360	113,830,170
Less provision for expected credit losses	(4,000,186)	(4,783,960)
Total amortised cost (net)	109,549,174	109,046,210
At fair value through other comprehensive income		
Quoted corporate bonds	245,446,510	241,729,251
Quoted sovereign bonds	15,596,348	8,881,272
Unquoted equity investment	100,000	100,000
	261,142,858	250,710,523
Interest receivable	3,332,617	2,855,568
Total FVOCI (gross)	264,475,475	253,566,091
Less provision for expected credit losses	(437,802)	(241,932)
Total FVOCI (net)	264,037,673	253,324,159
At fair value through profit and loss		
Common shares	9,283,910	33,653,098
Preferred shares	7,529,273	6,608,491
Quoted corporate bonds	1,369,664	—
	18,182,847	40,261,589
Interest receivable	—	—
Total FVTPL (net)	18,182,847	40,261,589
Total investment securities	391,769,694	402,631,958
Current	66,276,838	59,712,837
Non-current	325,492,856	342,919,121
Total investment securities	391,769,694	402,631,958

Eastern Caribbean Home Mortgage Bank

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9 Investment securities ...continued

The movement of the investment securities is shown below:

	2023			
	Amortised cost \$	FVOCI \$	FVTPL \$	Total \$
Principal				
Balance at beginning of year	111,659,700	250,710,523	40,261,589	402,631,812
Additions	51,765,757	41,693,125	7,508,128	100,967,010
Net change in fair value	–	(29,756,816)	(4,557,811)	(34,314,627)
Disposals	(51,925,354)	–	(25,029,059)	(76,954,413)
Bond premium amortisation	(162,215)	(1,503,974)	–	(1,666,189)
	111,337,888	261,142,858	18,182,847	390,663,593
Interest receivable	2,211,472	3,332,617	–	5,544,089
Less provision for expected credit losses	(4,000,186)	(437,802)	–	(4,437,988)
Balance at end of year	109,549,174	264,037,673	18,182,847	391,769,694
	2022			
	Amortised cost \$	FVOCI \$	FVTPL \$	Total \$
Principal				
Balance at beginning of year	130,939,698	225,570,811	31,220,583	387,731,092
Additions	7,510,217	124,157,651	61,155,967	192,823,835
Net change in fair value	–	(26,816,650)	(5,499,934)	(32,316,584)
Disposals	(26,413,914)	(71,105,265)	(46,615,027)	(144,134,206)
Bond premium amortisation	(376,301)	(1,096,024)	–	(1,472,325)
	111,659,700	250,710,523	40,261,589	402,631,812
Interest receivable	2,170,470	2,855,568	–	5,026,038
Less provision for expected credit losses	(4,783,960)	(241,932)	–	(5,025,892)
Balance at end of year	109,046,210	253,324,159	40,261,589	402,631,958

Included in the disposals for the years 2023 and 2022 is an amount of \$100,000 (2022: \$300,000) that related to dividends for CLICO Barbados that were offset against the amount due included in amortised cost. This is a non-cash transaction for the purposes of the statement of cash flows.

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9 Investment securities ...continued

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

	2023 \$	2022 \$
Balance at the beginning of year	5,025,892	5,762,576
Amounts written off	—	—
Recovery in loss allowance for the year	(587,904)	(736,684)
Balance at end of year	4,437,988	5,025,892

a) Quoted corporate and sovereign bonds

The Bank has certain investment securities which comprise of quoted corporate and sovereign bonds trading in United States Dollar. Bonds have coupon rates of 2.25% to 9.25% (2022: 2.25% to 9.25%) whilst the effective interest rates for these bonds range from 2.06% to 7.45% (2022: 2.06% to 6.76%). Bonds have a weighted average maturity of 16 years and will mature between April 2023 to December 2066 while paying semi-annual coupon payments until maturity. As at March 31, 2023, the fair values of these amounted to \$279,225,705 (2022: \$290,062,394) which were derived using level 1 inputs as these bonds are quoted in active markets.

b) Unquoted Bonds

Bonds denominated in Eastern Caribbean Dollars and United States Dollars are held with regional governments and corporates and yield interest rates of 2.0% to 8.5% (2022: 2.0% to 7.5%) with maturity dates ranging from June 2023 to October 2036.

c) Preferred shares

The Bank obtained Class D preference shares in a global management fund. The Fund seeks to provide an income return consistent with capital preservation. The Fund seeks to achieve its objective by investing primarily in a portfolio of U.S. dollar denominated preferred securities and debt securities and pays distributions which are reinvested. This fund has 214 holdings which may individually have conversion features. The fund is not listed.

d) Term deposits

Term deposits are held in various financial institutions in the ECCU region, the wider Caribbean and the US Treasury and are all expected to mature by August 2023. The deposits bear interest of 0.0% to 4.0% (2022: 4.00%).

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9 Investment securities ...continued

d) Term deposits ...continued

Term deposit held with CLICO International Life Insurance Limited

The Bank holds an Executive Flexible Premium Annuity (EFPA) with CLICO International Life Insurance Limited (CLICO Barbados), a member of the CL Financial Group, of \$5,000,000. The EFPA matured in October 2009. In 2011, the Bank was informed that CLICO had been placed under judicial management. On July 28, 2011, the Judicial Manager submitted its final report to the High Court in Barbados setting out its findings and recommendations. As at March 31, 2018, the Bank's management adopted a prudent approach to this matter and have established an impairment provision of 100% of the deposit balance and 100% of the accrued interest. As at March 31, 2019, the investment was assessed as being credit-impaired and categorised under stage 3 in the impairment model. As a result of this, 100% provision for expected credit losses was recognised with respect to the principal and interest accrued balance.

CLICO Barbados is a shareholder of the Bank. As the Bank has been unable to recoup the balance due for the term deposit held from CLICO, dividends payable have been offset with the principal receivable. A total of \$2,150,000 in yearly dividends were offset against the investment as follows: \$100,000 related to FY 2023, \$150,000 per financial year related to FY 2020, FY 2019, FY 2017, FY 2016 and FY 2015, \$200,000 per financial year relating to FY 2021, FY 2014, FY 2013, FY 2012 and FY 2011 and \$300,000 relating to FY 2022.

Depositors' Protection Trust (DPT)

On July 22, 2011, the ECCB exercised the powers conferred on it by Part IIA, Article 5B of the ECCB Agreement Act 198 and assumed control of the Antigua and Barbuda Investment Bank (ABIB). Relative to this, the Government of Antigua and Barbuda pledged its full support to the ECCB in its efforts to resolve the challenges facing ABIB.

By the Depositors Protection Trust Deed (the "DPT") dated April 14, 2016 between the Government of Antigua and Barbuda, the Trustees of the DPT and the Receiver of the ABIB, a DPT was established to assist with securing the stability of the banking system of Antigua and Barbuda by protecting the deposits of ABIB in excess of \$500,000. The Government of Antigua and Barbuda agreed to fund the DPT by issuing a 10-year bond to the DPT in the amount of \$157,000,000.

With respect to the \$500,000 which was not to be transferred to the DPT, this balance was converted to a fixed deposit and current account with the Eastern Caribbean Amalgamated Bank (ECAB). These accounts were duly transferred to the Bank in 2017.

The DPT would assume the liabilities of amounts in excess of \$500,000 held in the ABIB. As of March 31, 2017, the Bank held an amount of \$4,904,228 in excess of \$500,000 with ABIB. Accordingly, under the Terms of the Agreement, this amount became a liability to the DPT, subject to the completion of the Deed of Subrogation.

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9 Investment securities ...continued

d) Term deposits ...continued

Depositors' Protection Trust (DPT) ...continued

Under the Deed, depositors covered under the DPT would receive ten (10) annual equal instalments equal to 1/10th of the principal benefit transferred to the DPT. Payments related to these balances were to commence on May 31, 2016. Furthermore, outstanding balances remaining in the DPT attract interest at an interest rate of 2.0% per annum accruing from December 1, 2015, the payment of which was to be made on May 31, 2016 and thereafter twice in each year starting on November 30, 2017 and continuing every six months until full payment has been made of the principal benefit.

The DPT's Deed was executed in financial year 2019 and the Bank received principal and interest payments based on terms noted. As at March 31, 2023, the Bank held an outstanding principal of \$2,084,297 (2022: \$2,206,904). Interest earned in 2023 amounted to \$44,138 (2022: \$48,224).

10 Mortgage loan facilities

	2023 \$	2022 \$
Mortgage loans portfolio	13,537,107	15,270,919
Mortgage-pledged loan	8,469,826	9,687,021
Mortgage credit facility	5,141,087	5,445,629
	27,148,020	30,403,569
Provision for expected credit losses	(343,347)	(478,561)
	26,804,673	29,925,008
Current	1,939,676	1,778,451
Non-current	24,864,997	28,146,557
	26,804,673	29,925,008
	2023 \$	2022 \$
Territory analysis		
St. Kitts and Nevis	12,630,232	14,152,916
Grenada	7,195,797	8,478,628
Antigua and Barbuda	5,404,663	5,657,646
St. Lucia	1,573,981	1,635,818
	26,804,673	29,925,008

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10 Mortgage loan facilities ...continued

Movement in the balance is as follows:

	2023 \$	2022 \$
Balance at beginning of year	29,925,008	34,188,854
Add: Loans purchased	–	–
Less: Principal repayments	(2,292,373)	(2,942,953)
Mortgages that were repurchased and replaced	(185,137)	(504,192)
Mortgages written off	–	(2,318,475)
Mortgages pools repurchased	(778,039)	(2,357,372)
	26,669,459	26,065,862
Decrease in provision for expected credit losses	135,214	3,859,146
Total	26,804,673	29,925,008

The movement in the provision for credit losses determined under the requirements of IFRS is as follows:

	2023 \$
Balance at beginning of year	478,561
Change in expected credit losses for the year	(135,214)
Balance at end of year	343,347

	2022 \$
Balance at beginning of year	4,337,707
Change in expected credit losses for the year	(917,312)
Write-offs	(2,318,475)
Recoveries	(623,359)
Balance at end of year	478,561

Eastern Caribbean Home Mortgage Bank

(Trading as ECHMB Capital)

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10 Mortgage loan facilities ...continued

Terms and conditions of mortgage loan facilities

a) *Purchase of mortgages*

The Bank enters into Sale and Administration Agreements with Primary Lending Institutions in the OECS territories for the purchase of mortgages. Mortgages are purchased at the outstanding principal on the settlement date.

b) *Recourse to primary lending institutions*

Under the terms of the Sale and Administration Agreement, the Administrator (Primary Lending Institution) warrants that any default, loss or title deficiency occurring during the life of the loans secured by the Purchased Mortgages will be remedied.

c) *Administration fees*

The Primary Lending Institutions are responsible for administering the mortgages on behalf of the Bank at an agreed fee on the aggregate principal amount, excluding any accrued interest, penalties or bonuses, outstanding at the beginning of the month in reference.

d) *Rates of interest*

Rates of interest earned vary from 3.5% to 11% (2022: 3.5% to 11%). During the financial year, the Bank earned interest income of \$1,556,430 (2022: \$1,811,306) (see note 19).

Mortgage loans portfolio and accounts receivable balances held with the ABIB

Under the Sale and Administration Agreement between the ABIB and the Bank affected on May 27, 1994, the Bank entered into an arrangement to acquire certain mortgage loans from the ABIB. The Bank acquired all rights associated with the loans including but not limited to the right to interest, first right to liquidation of the loan and indemnification of losses from the ABIB. These balances were previously classified under "Mortgage loan facilities" and the amount of \$2,318,475 was subsequently written off in FY 2022. Collections made on behalf of the Bank for these loans amounted to \$442,110 (2022: \$623,359).

Eastern Caribbean Home Mortgage Bank

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10 Mortgage loan facilities ...continued

Terms and conditions of mortgage credit facility

The Bank advances funds for origination of mortgages by Primary Lenders domiciled in the ECCU such as Commercial Banks, Development Banks, Insurance Companies and Credit Unions (collectively referred to as "Primary Lenders"). The mortgages originated from these funds are subsequently sold to the Bank. The interest rate on the mortgage credit facility is 3.5% (2022: 3.5%) with an average tenor of sixteen (16) years. The Primary Lender bears the credit risk of the mortgages and any defaults, loss or title deficiency and/or other obligations secured by the mortgages will be remedied by the Primary Lender and the Bank shall be protected and indemnified by the Primary Pender against any and all resulting losses.

Terms and conditions of mortgage-pledged loan

The Bank provides funds for the origination of mortgages to regulated mortgage-lending institutions in the ECCU. The mortgages generated from the funds are not sold to the Bank, instead, a pool of mortgages is pledged as collateral for the loan. The interest rate on mortgage-pledge loan is 4.0% (2022: 4.0%) with an average tenor of ten (10) years.

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11 Motor vehicles and equipment

	Motor vehicles \$	Computer equipment \$	Furniture and fixtures \$	Machinery and equipment \$	Leasehold improvement \$	Total \$
Year ended March 31, 2023						
Opening net book value	195,282	29,668	2,831	—	185,526	413,307
Transfers	—	—	—	—	—	—
Additions	—	—	—	—	—	—
Disposals	—	—	—	—	—	—
Depreciation charge (note 22)	(63,400)	(14,956)	(1,427)	—	(57,085)	(136,868)
Depreciation write back	—	—	—	—	—	—
Closing net book value	131,882	14,712	1,404	—	128,441	276,439
Year ended March 31, 2022						
Opening net book value	258,682	12,605	9,802	—	—	281,089
Transfers	—	(2,071)	2,071	—	—	—
Additions	—	32,148	—	—	230,766	262,914
Disposals	—	(190,637)	(12,446)	(80,654)	—	(283,737)
Depreciation charge (note 22)	(63,400)	(13,014)	(1,356)	—	(45,240)	(123,010)
Depreciation write back	—	190,637	4,760	80,654	—	276,051
Closing net book value	195,282	29,668	2,831	—	185,526	413,307

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12 Leases

The Bank leases its office from the ECCB and the lease is reflected on the balance sheet as a right-of-use asset and a lease liability. The lease term is three (3) years with the option to renew for another three (3) years on such terms mutually agreed to by both parties. The Bank does not have the option to purchase the space at the end of the lease term. The asset and liability arising from the lease were initially measured using a discount rate of 3.00%.

Information about leases for which the Bank is a lessee is presented below:

	2023 \$	2022 \$
Right-of-use asset		
Opening balance	528,177	690,693
Adjustments	(485,196)	—
Additions	515,799	—
Amortisation	(171,932)	(162,516)
Closing balance	386,848	528,177
	2023 \$	2022 \$
Lease liability		
Opening balance	543,523	704,588
Adjustments	(498,749)	—
Additions	515,799	—
Interest expense	10,588	18,935
Lease payment	(180,000)	(180,000)
Closing balance	391,161	543,523
	2023 \$	2022 \$
Lease liability		
Current	170,598	165,964
Non-current	220,563	377,559
	391,161	543,523

Eastern Caribbean Home Mortgage Bank

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Notes to Financial Statements

March 31, 2023

(Expressed in Eastern Caribbean dollars)

12 Leases ...continued

The lease liabilities are secured by the related underlying assets. Future minimum lease payments as at March 31, 2023 were as follows:

	Within 1 year \$	1 - 2 years \$	2 - 3 years \$	3 - 4 years \$	4 - 5 years \$	After 5 years \$	Total \$
March 31, 2023							
Lease payments	180,000	180,000	45,000	—	—	—	405,000
Finance charges	(9,402)	(4,213)	(224)	—	—	—	(13,839)
Net present value	170,598	175,787	44,776	—	—	—	391,161

The lease liabilities are secured by the related underlying assets. Future minimum lease payments as at March 31, 2022 were as follows:

	Within 1 year \$	1 - 2 years \$	2 - 3 years \$	3 - 4 years \$	4 - 5 years \$	After 5 years \$	Total \$
March 31, 2022							
Lease payments	180,000	180,000	180,000	30,450	—	—	570,450
Finance charges	(14,036)	(8,988)	(3,787)	(116)	—	—	(26,927)
Net present value	165,964	171,012	176,213	30,334	—	—	543,523

The amounts recognised in profit and loss for the year ended March 31, 2023 are as follows:

	2023 \$	2022 \$
Amounts recognised in profit and loss		
Amortisation expense on right-of-use assets (note 21)	171,932	162,516
Interest expense on lease liability (note 21)	10,588	18,935

Eastern Caribbean Home Mortgage Bank

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13 Borrowings

	2023 \$	2022 \$
Corporate papers		
Balance at beginning of year	421,734,000	333,845,700
Add: Issues during the year	389,761,000	421,734,000
Less: Redemptions during the year	(421,734,000)	(333,845,700)
	389,761,000	421,734,000
Less: unamortised issue costs	(228,915)	(252,370)
	389,532,085	421,481,630
Other borrowed funds - Repurchase Agreements		
Balance at beginning of year	–	13,600,000
Add: Issues during the year	–	–
Less: Redemptions during the year	–	(13,600,000)
	–	–
Other borrowed funds - Corporate note		
Balance at beginning of year	17,537,000	16,184,000
Add: Issues during the year	–	17,547,000
Less: Redemptions during the year	(17,537,000)	(16,194,000)
	–	17,537,000
Interest payable	2,332,606	2,641,410
Total	391,864,691	441,660,040
Current portion	391,864,691	441,660,040

Corporate papers are comprised of one-year debt instruments maturing in monthly tranches with maturity dates ranging from April 12, 2023 to March 29, 2024 (2022: April 8, 2022 to March 29, 2023).

Corporate papers issued by the Bank are secured by debentures over its fixed and floating assets. Interest is payable semi-annually in arrears at a rate 2.50% (2022: 2.50%). Interest expense incurred during the year amounted to \$10,711,271 (2022: \$9,046,043).

Corporate notes are one-year debt obligations of the Bank secured by its fixed and floating assets. Interest is payable semi-annually in arrears at a rate of 2.70% to 3.00% (2022: 2.70% to 3.00%). Interest expense incurred during the year amounted to \$68,519 (2022: \$844,424).

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13 Borrowings ...continued

Borrowing costs are those costs directly attributable to the issuance of the various debt instruments and are classified as interest expense. Borrowing costs incurred during the year amounted to \$480,450 (2022: \$291,096).

The breakdown of capitalised corporate paper issue costs and transaction costs is as follows:

	2023 \$	2022 \$
Capitalised issue costs		
Balance at beginning of year	252,370	210,254
Additions	247,859	333,212
	500,229	543,466
Less: amortisation for year	(271,314)	(291,096)
Balance at end of year	228,915	252,370

Capitalised issue costs

The corporate paper issue costs are being amortised over the duration of the life of the respective corporate paper for a period of one year (2022: one year) which carry an interest rate of 2.50% (2022: 2.50%).

Transaction costs on other borrowed funds

The costs associated with the negotiation of other borrowings are being amortised over the tenure of the funds acquired.

14 Other borrowings

	2023 \$	2022 \$
Revolving line of credit	25,110,000	14,809,500
Revolving line of credit		

During the financial year, the Bank utilised its Securities Based Line of Credit (SBLC) held with the United States Brokers, Raymond James & Associates Inc which carries interest rates ranging from 1.41% to 5.97% and is repayable on demand. This facility serves as an alternative source of liquidity and is secured by the assets held in the custody of Raymond James and Associates Inc. As at March 31, 2023, the assets held in custody of Raymond James and Associates Inc. was \$249,308,878 (2022: \$241,263,385).

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15 Accrued expenses and other liabilities

	2023 \$	2022 \$
Accrued expenses	5,599,923	765,282
Deferred Income	126,560	—
Other liabilities	129,185	255,651
	<hr/>	<hr/>
Current portion	5,855,668	1,020,933

16 Share capital

Ordinary share capital

The Bank is authorised to issue 400,000 (2022: 400,000) ordinary shares of no par value.

As at March 31, 2023, there were 268,749 (2022: 268,749) ordinary shares of no par value issued and outstanding.

	Number of shares	2023 \$	2022 \$
Class A	66,812	9,189,920	9,189,920
Class B	51,178	7,562,200	7,562,200
Class C	80,181	11,062,800	11,062,800
Class D	70,578	9,185,020	9,185,020
	<hr/>	<hr/>	<hr/>
	268,749	36,999,940	36,999,940

The Bank has adopted the provisions of the Grenada Companies Act No. 35 of 1994, which requires companies to issue shares without nominal or par value. Under Article 29 - Capital Structure of the Eastern Caribbean Home Mortgage Bank Act, (1) Subject to Article 30, the authorised shares capital of the Bank is \$40,000,000 divided into 400,000 shares of the \$100 each, in the following classes:

- 100,000 Class A shares which may be issued only to the Central Bank;
- 60,000 Class B shares out of which 40,000 may be issued only to the Social Security Scheme or National Insurance Board and 20,000 to any Government owned or controlled commercial bank;
- 80,000 Class C shares which may be issued only to commercial banks, other than a Government owned or controlled commercial bank;
- 40,000 Class D shares which may be issued only to insurance companies and credit institutions;
- 40,000 Class E shares which may be issued only to the International Finance Corporation; and,
- 80,000 Class F shares which may be issued only to the Home Mortgage Bank of Trinidad and Tobago.

Eastern Caribbean Home Mortgage Bank

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Notes to Financial Statements

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16 Share capital ...continued

Preference share capital

The Bank is authorised to issue 500,000 (2022: 150,000) 5% Non-cumulative Callable Preference shares with par value of \$100.00. As at March 31, 2023, there were 414,940 (2022: 137,640) 5% Non-cumulative Callable Preference shares with par value of \$100.00 issued and outstanding.

5% Non-cumulative Callable Preference Shares	Shares 2023	Shares 2022	2023 \$	2022 \$
Balance at the beginning of the year	137,640	—	13,764,000	—
Additions	277,300	137,640	27,730,000	13,764,000
Balance at end of the year	414,940	137,640	41,494,000	13,764,000

On March 18, 2021, the Board of Directors approved the authorisation of 100,000 5% Non-cumulative Callable Preference Shares at \$100.00. On July 19, 2021, the Board of Directors agreed to increase the authorisation from 100,000 to 150,000 units. On November 17, 2022, the Board of Directors agreed to the issuance of 350,000 Non-cumulative 5.0% Preference Shares at \$100.00.

The following is a summary of applicable terms attaching or relating to the 5% non-cumulative callable preference shares:

a) Dividends

Determination of future dividend payments by the Bank will be at the discretion of the Directors and depend on several factors: availability of distributable earnings; operating results and financial health of the Bank; future capital expenditure and general business and other factors considered relevant by the Directors. No assurance for the payment of dividends can be given by the Bank.

b) Meetings, Voting, Appointment as a Director and Notice

Non-cumulative Callable Preference Shareholders are entitled to receive notice of, and to attend, general meetings of the Bank and to receive all notices, accounts and other documents required to be sent to Shareholders under the Corporations Act. Non-cumulative Callable Preference Shareholders shall have no voting rights. The Non-cumulative Callable Preference Shareholders are not eligible to be appointed as a director of the Bank.

c) Redemption

The shares exist in perpetuity with no maturity date. However, the shares are callable in whole or in part at the sole discretion of the Bank. Each investor grants to the Bank or its nominees an irrevocable Redemption Offer to buy the Non-cumulative Callable Preference Shares held by the investor at the price they were issued inclusive of any outstanding dividends. The Bank can choose to exercise the Redemption Offer at its discretion. The Bank is not required to exercise the redemption offer on all Non-cumulative Callable Preference Shares at the same time or in any specific order.

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17 Reserves

Portfolio risk reserve

In March 2004, the Board of Directors approved the creation of a portfolio risk reserve. After the initial transfers from retained earnings, the Board of Directors also agreed to an annual allocation to each reserve fund of 20% of profits after the appropriation for dividends, effective March 31, 2005. On April 5, 2019, the Board of Directors took a decision to transfer the amount of \$5,479,902 to retained earnings to treat with the impairment of assets resulting from implementation of IFRS 9. The Board further approved the suspension of the annual allocation from retained earnings to the portfolio risk reserve for the year ended March 31, 2019, which resumed in the financial year ended March 31, 2020, at the rate of 20% of profits after the appropriation of dividends. On April 30, 2021, the Board agreed to the transfer of \$8,000,000 from Retained Earnings to the Portfolio Risk Reserve for the financial year ended March 31, 2021. On March 23, 2022, the Board agreed to transfer \$10,000,000 from Retained Earnings to the Portfolio Risk Reserve for the financial year ended March 31, 2022. In FY 2023, the Board agreed to resume the annual allocation to each reserve fund of 20% of profits after the appropriation for dividends.

	2023 \$	2022 \$
Balance at beginning of year	23,555,937	13,555,937
Transfer from retained earnings	347,064	10,000,000
Balance at end of year	23,903,001	23,555,937

Fair value reserve

The movement on the net change in fair value of investment securities at FVOCI is as follows:

	2023 \$	2022 \$
Loss at the beginning of year	38,232,507	11,415,857
Current year losses	29,756,816	23,166,610
Reclassification of net gains to profit and loss on disposal of investment securities	—	3,650,040
Loss at end of year	67,989,323	38,232,507

18 Dividends

At the Annual General Meeting on October 7, 2022 (2022: October 8, 2021), shareholders declared a dividend for the year ended March 31, 2022 to ordinary and preference shares of record dated March 31, 2022 of \$5.00 per share (2022: \$15.00) and 5.00% per share (2022: 0.00%) respectively amounting to \$1,811,344 (2022: \$4,031,236). Dividends paid during the financial year amounted to \$1,811,344 (2022: \$4,031,236). Management took the decision to offset dividends payable to CLICO Barbados of \$100,000 (2022: \$300,000) against a balance receivable for term deposits held with the Bank in the amount of \$5,000,000. As a result of this, the principal balance of the investment is now reflected as \$2,850,000 (2022: \$2,950,000).

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19 Interest income

	2023 \$	2022 \$
Investment securities and cash and cash equivalents	18,378,296	16,065,307
Mortgage loan facilities	1,556,430	1,811,306
	<u>19,934,726</u>	<u>17,876,613</u>

20 Other income

	2023 \$	2022 \$
Mortgage underwriting seminar income	161,805	—
Mortgage underwriting seminar expenses	(150,383)	—
	<u>11,422</u>	<u>—</u>
Gain on disposal of financial assets at FVTPL	772,495	3,712,622
Gain on disposal of money market instruments	52,545	—
Miscellaneous	—	50
(Loss)/gain on disposal of financial assets at amortised cost	(8,960)	222,232
Unrealised loss on FVTPL financial assets (note 9)	(4,557,811)	(5,499,934)
Gain on disposal of financial assets at FVOCI	—	3,650,040
Loss on disposal of motor vehicles and equipment	—	(7,686)
	<u>(3,730,309)</u>	<u>2,077,324</u>

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21 General and administrative expenses

	2023	2022
	\$	\$
Salaries and related costs	2,127,182	2,153,217
Commission and fees	472,957	656,765
Amortisation - right of use asset (note 12)	171,932	162,516
Advertising/promotion	93,237	90,732
Airfares	73,712	37,671
Consultancy	67,001	31,860
Miscellaneous	54,836	43,983
Telephone	53,752	61,802
Computer repairs and maintenance	53,161	55,928
Hotel accommodation	51,408	29,267
Subsistence	40,695	21,265
Legal and professional	38,451	41,822
Repairs and maintenance	34,606	48,703
Credit rating fee	34,204	40,539
Interest - lease liability (note 12)	10,588	18,935
Insurance	13,172	14,229
Internal audit fees	7,650	45,000
Printing and stationery	5,432	1,157
Dues and subscriptions	4,618	7,041
Courier services	140	3,013
	3,408,734	3,565,445

22 Other operating expenses

	2023	2022
	\$	\$
Directors fees and expenses	466,225	423,656
Sundry debt instrument listing, registry and processing fees	142,844	103,347
Depreciation of motor vehicles and equipment (note 11)	136,868	123,010
Professional fees	117,000	131,760
Foreign currency losses, net	628	1,142
	863,565	782,915

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23 Earnings per share (EPS)

Basic and diluted earnings per share are computed as follows:

	2023 \$	2022 \$
Net profit for the year	1,735,318	7,591,693
Weighted average number of shares issued	268,749	268,749
Basic and diluted earnings per share	6.46	28.25

The Bank has no dilutive potential ordinary shares as of March 31, 2023 and 2022.

24 Contingent liabilities and capital commitments

The budget as approved by the Board of Directors does not include capital expenditure for the year ended March 31, 2023 (2022: March 31, 2022).

There is a pending legal claim against the ECHMB for which the likelihood of settlement appears remote.

Claim No. GDAHCV2021/0111 BETWEEN: CLICO INTERNATIONAL LIFE INSURANCE LIMITED (under Judicial Management) (claimant) v EASTERN CARIBBEAN HOME MORTGAGE BANK (defendant). The Claimant filed the claim in the Supreme Court in Grenada against the defendant on March 29, 2021 and seeks inter alia:

- a) a declaration that the Claimant is entitled to deal with and sell the 20,000 Class F Shares owned by the Claimant in the Defendant for such sum and under such terms as the Claimant might think fit; and
- b) the sum of \$1,550,000 which the Claimant alleges is due and owing to it by the dividends on 20,000 Class F Shares numbered 074563 to 094562, for the financial years 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018 and 2019 together with interest.

No expense has been recorded pending the outcome of the claim, except for legal fees of \$33,000.

25 Related party balances and transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Related parties also include directors and key management of the Bank. Key management personnel are those persons having authority and responsibility for planning, directing and executing the activities of the Bank, directly or indirectly. Such persons comprise the Chief Executive Officer, the Chief Financial Officer, the Chief Operations Officer, and the Chief Investment Officer. The compensation paid or payable to key management for employee services includes gratuity which is computed with reference to annual basic salary at a rate determined by the Board of Directors. Provisions for these amounts are included in the statement of financial position within "Accrued expenses and other liabilities".

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25 Related party balances and transactions ...continued

The ECCB, which provided material support to the Bank in its formative years, holds 24.9% of its share capital and its representative holds the chairmanship of the Board of Directors. Additionally, the Bank is housed in the complex of the ECCB at an annual rent of \$180,000 (2022: \$180,000).

The Bank maintains a call account with the ECCB for the primary purpose of settlement of transactions relating to the investment portfolio. As at March 31, 2023, the balance held with the ECCB was \$19,439,281 (2022: \$6,007,031).

Compensation of key management personnel

The remuneration of directors and key management personnel during the year was as follows:

	2023 \$	2022 \$
Short-term benefits	859,253	851,823
Director fees	223,200	245,000
	<u>1,082,453</u>	<u>1,096,823</u>

Short-term loans to key management personnel

Short-term loans to key management personnel during the year were as follows:

	2023 \$	2022 \$
Short-term loans	<u>20,000</u>	<u>36,000</u>

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26 Prior year reclassification

The following table summarises the impact of prior year adjustments in respect of the reclassification of corporate paper issue and transaction costs from other operating expenses to interest expense. These amounts have been reclassified with the current year's presentation and had no effect on the reported results of the Bank.

Statement of Comprehensive Income	Note	March 31, 2022		
		As previously reported	Reclassification	As restated
		\$	\$	\$
Interest expense	13	(9,890,467)	(291,096)	(10,181,563)
Net interest income		7,986,146	(291,096)	7,695,050
Operating income		10,063,470	(291,096)	9,772,374
Other operating expenses	22	(1,074,011)	291,096	(782,915)
Total expenses		(2,471,777)	291,096	(2,180,681)
Net profit for the year		7,591,693	–	7,591,693
Other comprehensive loss for the year	17	(26,816,650)	–	(26,816,650)
Total comprehensive loss for the year		(19,224,957)	–	(19,224,957)

Statement of Cash Flows	Note	March 31, 2022		
		As previously reported	Reclassification	As restated
		\$	\$	\$
Amortisation of corporate paper issue and transaction costs	13	291,096	(291,096)	–
Operating income before working capital changes		2,585,219	(291,096)	2,294,123
Cash flows used in operations before interest		(22,868,341)	(291,096)	(23,159,437)
Interest paid		(9,558,292)	291,096	(9,267,196)

Other Operating Expenses	Note	March 31, 2022		
		As previously reported	Reclassification	As restated
		\$	\$	\$
Amortisation of corporate paper issue and transaction costs	13	291,096	(291,096)	–
		1,074,011	(291,096)	782,915

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27 Impacts of rising inflation and interest rates

In FY 2023, major global economies battled elevated inflation and central banks' reactions to curtailing inflationary pressures. In the United States in particular, inflation, as measured by the Personal Consumption Expenditure Index (PCE), the Federal Reserve's (Fed) preferred measure of inflation, and the Consumer Price Index (CPI) both rose to levels last seen 40 years prior. Given the Fed's dual mandate of price stability and full employment, the central bank embarked on an aggressive policy tightening cycle in an effort to combat inflation, by raising the policy interest rates.

The Bank's investment portfolio is predominantly investment grade and hence the coupons thereon reflect the low risk of the investments. Given the conservative nature of the Bank's investment portfolio, increasing interest rates had major implications on the mark-to-market valuations of the portfolio, with mark-to-market diminution of \$29.76M at year-end. It is to be noted that the mark-to-market losses are unrealised and would only be crystallised in the event the investments are sold.

28 Subsequent events

Management has assessed subsequent events through to the date of approval when these financial statements were available to be issued. The ongoing invasion of Ukraine by Russia since February 2022 has caused global macroeconomic instability and economic uncertainty with risks of severe adverse outcomes. To date, we have not seen a material impact on the operations of the Bank due to the ongoing conflict. Apart from the above, no matters have arisen since the end of the financial year which have significantly affected or may significantly affect the operations of the Bank.



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