Schedule 1

FORM ECSRC – K

ANNUAL REPORT
PURSUANT TO SECTION 98(1) OF THE SECURITIES ACT, 2001

For the financial year ended 31st March 2020

Issuer Registration number
HMB160990GR

EASTERN CARIBBEAN HOME MORTGAGE BANK (ECHMB)

(Exact name of reporting issuer as specified in its charter)

GRENADA

(Territory of incorporation)

ECCB COMPLEX, BIRD ROCK, BASSETERRE, ST. KITTS

(Address of principal office)

REPORTING ISSUER'S:

Telephone number (including area code): 1-869-466-7869

Fax number: 1-869-466-7518

Email address: info@ECHMB.com

(Provide information stipulated in paragraphs 1 to 14 hereunder)

Indicate whether the reporting issuer has filed all reports required to be filed by section 98 of the Securities Act, 2001 during the preceding 12 months

Yes ☑ No ☐

Indicate the number of outstanding shares of each of the reporting issuer's classes of common stock, as of the date of completion of this report.

CLASS	NUMBER
CLASS A	66,812
CLASS B	51,178
CLASS C	80,181
CLASS D	70,578

SIGNATURES

A Director, the Chief Executive Officer and Chief Financial Officer of the company shall sign this Annual Report on behalf of the company. By so doing each certifies that he has made diligent efforts to verify the material accuracy and completeness of the information herein contained.

The Chief Financial Officer by signing this form is hereby certifying that the financial statements submitted fairly state the company's financial position and results of operations, or receipts and disbursements, as of the dates and period(s) indicated. The Chief Financial Officer further certifies that all financial statements submitted herewith are prepared in accordance with International Accounting Standards consistently applied (except as stated in the notes thereto) and (with respect to year-end figures) including all adjustments necessary for fair presentation under the circumstances.

Name of Chief Executive Officer:

RANDY LEWIS

SIGNED AND CERTIFIED

11/09/2020

Date

Name of Director:

TIMOTHY ANTOINE

SIGNED AND CERTIFIED

Signature

September 14, 2020

Date

Name of Chief Financial Officer:

HEIDI HYPOLITE

SIGNED AND CERTIFIED

Signature

11 September 2020

Date

INFORMATION TO BE INCLUDED IN FORM ECSRC-K

1. Business.

Provide a description of the developments in the main line of business including accomplishments and future plans. The discussion of the development of the reporting issuer's business need only include developments since the beginning of the financial year for which this report is filed.

There are no new developments in the main line of business to report at 1 April 2019.

2. Properties.

Provide a list of properties owned by the reporting entity, detailing the productive capacity and future prospects of the facilities. Identify properties acquired or disposed of since the beginning of the financial year for which this report is filed.

The ECHMB does not own any properties or facilities nor are there any plans to acquire properties.

3. Legal Proceedings.

Furnish information on any proceedings that were commenced or were terminated during the current financial year. Information should include date of commencement or termination of proceedings. Also include a description of the disposition thereof with respect to the reporting issuer and its subsidiaries.

There is one (1) pending legal claim against the ECHMB for which the likelihood of settlement appears remote.

Claim No. SLUHCOM 2019/0087 BETWEEN:
CLICO INTERNATIONAL LIFE INSURANCE LIMITED (under Judicial Management) (claimant) v EASTERN CARIBBEAN HOME MORTGAGE BANK (defendant).

A claim filed by the claimant on 7 November 2019 in the High Court in Saint Lucia against the defendant (and served on the Bank on 21 November 2019) seeks inter alia:

a) a declaration by the Court that, through the Judicial Manager, it is entitled to deal with and sell the 20,000 Class F Shares owned by the Claimant in the Respondent for such sum and under such terms as the Claimant might think fit, subject only to the Bye-Laws of the Defendant and the Eastern Caribbean Home Mortgage Bank Agreement Act Cap. 19.08;

b) damages in the sum of $1,550,000.00 plus interest due and owing to the Claimant by the Defendant as dividends on 20,000 Class F shares numbered 074563 to 09452 for the financial years 2011,2012,2013,2014,2015,2016,2017,2018 and 2019; and

c) costs.

4. Submission of Matters to a Vote of Security Holders.

If any matter was submitted to a vote of security holders through the solicitation of proxies or otherwise during the financial year covered by this report, furnish the following information:

(a) The date of the meeting and whether it was an annual or special meeting.

The Bank's 24th Annual General Meeting (AGM) was held on 4 October 2019 at the Ocean Terrace Inn, St. Kitts.

(b) If the meeting involved the election of directors, the name of each director elected at the meeting and the name of each other director whose term of office as a director continued after the meeting.

The meeting did not involve the election of Directors.

(c) A brief description of each other matter voted upon at the meeting and a statement of the number of votes cast for or against as well as the number of abstentions as to each such matter, including a separate tabulation with respect to each nominee for office.

The following matters were voted upon and approved:

1) Shareholders declared a cash dividend of $7.50 for each unit of share for the financial year ended 31st March 2019 to be paid to shareholders on record date of 31st March 2019.

2) The Audit Firm, Grant Thornton, was re-appointed as the Bank's External Auditors for the year ending 31st March 2020.

All matters are approved by majority vote.

Then number of votes cast for or against and abstentions are unavailable.

(d) A description of the terms of any settlement between the registrant and any other participant.

Not applicable.

(e) Relevant details of any matter where a decision was taken otherwise than at a meeting of such security holders.

Not applicable.

5. Market for Reporting issuer's Common Equity and Related Stockholder Matters.

Furnish information regarding all equity securities of the reporting issuer sold by the reporting issuer during the period covered by the report.

There were no sales of equity securities by the ECHMB during the reporting period (1st April 2019 to 31st March 2020).

6. Financial Statements and Selected Financial Data.

Attach Audited Financial Statements, which comprise the following:

For the most recent financial year

(i) Auditor's report; and
(ii) Statement of Financial Position;

For the most recent financial year and for each of the two financial years preceding the date of the most recent audited Statement of Financial Position being filed

(iii) Statement of Profit or Loss and other Comprehensive Income;
(iv) Statement of Cash Flows;
(v) Statement of Changes in Equity; and
(vi) Notes to the Financial Statements.

7. Disclosure about Risk Factors.

Provide a discussion of the risk factors that may have an impact on the results from operations or on the financial conditions. Avoid generalised statements. Typical risk factors include untested products, cash flow and liquidity problems, dependence on a key supplier or customer, management inexperience, nature of business, absence of a trading market (specific to the securities of the reporting issuer), etc. Indicate if any risk factors have increased or decreased in the time interval between the previous and current filing.

Please see the attached document "Financial Risk Management 2020".

Please also see Note 5, Financial Risk Management, in the Audited Financial Statements for the year ended 31 March 2020.

Financial Risk Management

The Bank's aim is to achieve an appropriate balance between risk and return and minimize 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 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.

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 or group.

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 loans 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.

e) 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.

ii) 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.

f) 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. 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.

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.

g) 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 recognizes 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.

h) 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.

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.

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

i) Fair value estimation

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 loans 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.

8. Changes in Securities and Use of Proceeds.

(a) Where the rights of the holders of any class of registered securities have been materially modified, give the title of the class of securities involved. State briefly the general effect of such modification upon the rights of holders of such securities.

Not applicable.

(b) Where the use of proceeds of a security issue is different from that which is stated in the registration statement, provide the following:

- Offer opening date (provide explanation if different from date disclosed in the registration statement)

  Not applicable.

- Offer closing date (provide explanation if different from date disclosed in the registration statement)

  Not applicable.

- Name and address of underwriter(s)

  Not applicable.

- Amount of expenses incurred in connection with the offer Not applicable.

- Net proceeds of the issue and a schedule of its use

  Not applicable.

- Payments to associated persons and the purpose for such payments

  Not applicable.

(c) Report any working capital restrictions and other limitations upon the payment of dividends.

There are no working capital restrictions or other limitations upon the payment of dividends.

9. Defaults upon Senior Securities.

(a) If there has been any material default in the payment of principal, interest, a sinking or purchase fund instalment, or any other material default not satisfied within 30 days, with respect to any indebtedness of the reporting issuer or any of its significant subsidiaries exceeding 5 per cent of the total assets of the reporting issuer and its consolidated subsidiaries, identify the indebtedness. Indicate the nature of the default. In the case of default in the payment of principal, interest, or a sinking or purchase fund instalment, state the amount of the default and the total arrears on the date of filing this report.

There were no defaults upon Senior Securities.

(b) If any material arrears in the payment of dividends have occurred or if there has been any other material delinquency not satisfied within 30 days, give the title of the class and state the amount and nature of the arrears or delinquency.

There are no arrears with respect to the payment of dividends or any material delinquency.

10. Management's Discussion and Analysis of Financial Condition and Results of Operation.

Discuss the reporting issuer's financial condition covering aspects such as liquidity, capital resources, changes in financial condition and results of operations during the financial year of the filing. Discussions of liquidity and capital resources may be combined whenever the two topics are interrelated.

The Management's Discussion and Analysis should disclose sufficient information to enable investors to judge:

1. The quality of earnings;
2. The likelihood that past performance is indicative of future performance; and
3. The issuer's general financial condition and outlook.

It should disclose information over and above that which is provided in the management accounts and should not be merely a description of the movements in the financial statements in narrative form or an otherwise uninformative series of technical responses. It should provide management's perspective of the company that enables investors to view the business from the vantage point of management.

The discussion should focus on aspects such as liquidity; capital resources; changes in financial condition; results of operations; material trends and uncertainties and measures taken or to be taken to address unfavourable trends; key performance indicators; and non-financial indicators.

General Discussion and Analysis of Financial Condition

Please refer to "Management Discussion and Analysis 2020" insert.

MANAGEMENT'S DISCUSSION AND ANALYSIS 2020

Investment performance and Outlook FY 2020

"*It was the best of times; it was the worst of times!*" This quotation from Charles Dickens on the French Revolution might well apply to the performance of the international money and capital markets during the period March 2019 to March 2020.

It was the year 2019...the best of times!

Riding the momentum of a bullish era, the equity and bond markets exceeded expectations in 2019. Global stock markets posted their best year since 2013 reflected by returns of 25.2% on the MSCI World Index and 28.9% on the U.S.' S&P 500 Index. The euphoria extended to the bond markets with U.S. Investment Grade and Emerging Market bonds both registering returns of 13.0%. The quest for yield saw ballooned premiums and increased risk tolerance. Even within the Caribbean, capital markets became a hotspot for yield-starved international investors. Global Central banks outdid themselves; financial markets were on a high and investors were beyond thrilled. The ECHMB's Investment Portfolio benefited from these financial conditions as reflected by realized gains of EC$6.05M.

It is the year 2020...the worst of times!

Following these impressive returns, the impetus continued into the year 2020 with indices hitting a high at the beginning of March. Shortly after, the world was confronted with the Coronavirus Pandemic, one of the greatest health threats of our generation that brought the global economy to a halt. Stay-at-home orders, business closures, supply chain disruptions, and travel restrictions weighed heavily on economic activity pushing the global economy towards a recession. Across the world, financial markets plummeted into bear market territory as investors' jubilation turned into trepidation. As a result, the ECHMB recorded total losses (realized and unrealized) of EC$4.78M as at March 31st, 2020.

Global Central Banks sprang into action in mid-March 2020, rolling out monetary policies to avert a systemic collapse. In the U.S., the Federal Reserve's swift and far-ranging response surpassed those it took during the global financial crisis of 2007-2008. The Federal Reserve extended and introduced new plans to pump US$2.3 trillion into the economy while reducing rates to a range of 0%-0.25%. The European Central Bank also committed to injecting €870.0 billion into financial markets while providing an additional €3.0 trillion in liquidity at the lowest rate ever offered at -1.00%. These coordinated efforts helped stabilize financial markets and, as at 31st March 2020, both stock and bond markets had partially rebounded. However, these measures did not stop credit rating agencies, Moody's, S&P Global and Fitch, from slashing the ratings and outlooks of vulnerable corporates and countries. This unprecedented global event resulted in the fastest pace of downgrades in more than a decade. Within the Caribbean, the sovereign ratings of Bahamas and Trinidad were downgraded while the outlooks for Aruba, Jamaica and Dominican Republic were revised from stable to negative. The governments of Dominica, Grenada and St Lucia sought assistance from the IMF under the Rapid Credit Facility Mechanism. Once the highlight of the Caribbean markets a year ago, and the fifth best performing stock market of 2019 with returns of 34.3%, the Jamaican stock market plunged by 24.5% as of March 31st, 2020.

COVID-19's wrath was felt throughout the world!

Outlook

The pandemic brought the darkest economic outlooks since the Great Depression with it. The IMF projects a sharp contraction in global growth of 3.0%, much worse than during the financial crisis 2007-2008. The World Bank forecasts negative growth of 4.6% for the Latin America and Caribbean region. Within the ECCU, the ECCB anticipates a worst-case scenario of deceleration by 20.0%. While economic conditions within countries and regions are fluid due to the length and breadth of this pandemic, it is challenging to forecast the unforecastable. Even the prediction by IMF for a 'V' shaped recovery into 2021 vs a gradual 'U' shaped recovery seems quite debatable.

The ECHMB's response in such an unparalleled environment is one of great caution. At the end of the financial year, our investment portfolio had 56.0% exposure to developed economies and 44.0% exposure to emerging markets. The irrational rebound in developed financial markets without fully grasping the extent of the impact of COVID-19 is concerning. Are investors trading on optimism or realism? Without the extraordinary support extended to developed financial markets, our regional capital markets have been pricing in the economic shocks and harsh realities of the future as the premiums once enjoyed have quickly eroded.

Notwithstanding this, within recessionary troughs, there are always occasional bouts of market turmoil and numerous new debt issues which may present viable investment opportunities. The ECHMB is tasked with differentiating liquidity risk versus credit risk amidst selecting resilient issuers. Within heightened uncertainty, yield is secondary to safety and cash is always king! Risk management is key to navigating our investment portfolio through this crisis.

Significant Transactions FY 2020

- Commenced the active management of the investment portfolio and reported Other Income totaling $5.12M.
- Acquired investments totaling $204.03M.
- Sold and/or redeemed financial assets totaling $138.95M
- Engaged Allianz for management of the Bank's investments portfolio reported through profit and loss.

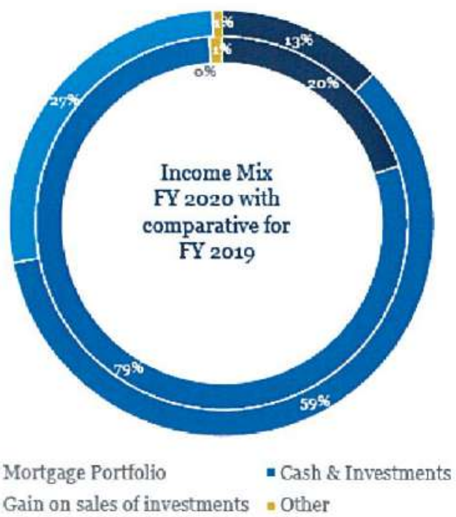
- Altered the pricing of the Bank's corporate papers ("CP") from competitive bid auction to fixed price auction at 2.50%. This resulted in additional subscriptions totaling $62.66M, an increase of 30.41%.

- Repaid matured Borrowings totaling $201.10M.
- Completed the Launch of the Bank's inaugural Repurchase Agreement Programme and secured subscriptions totaling $13.19M.
- Acquired Mortgage Loan Facilities ("MLF") totaling $13.81M
- Sold MLF totaling $3.32M.
- Implemented IFRS # 16 (Leases)
- Paid an inaugural interim dividend of $3.75 per share and a final dividend of $3.75 per share.

Interest Income

In FY 2020, the Bank's investment portfolio was reported at $274.89M, representing growth of $59.05M (27.36%) when compared to the $215.84M reported in FY 2019. As a result of the additional $59.05M placed therein, Interest Income increased from $9.82M in FY 2019 to $11.15M in FY 2020. The Bank also increased MLF by $7.51M (19.46%) from $38.59M in FY 2019 to $46.10M in FY 2020. Notwithstanding the aforesaid, income generated from MLF continued to decline in FY 2020 and, was reported at $2.37M compared to $2.49M in FY 2019, due to the buy-back of higher yielding pools by primary lenders. Given the increase in Interest from investments, Total Interest Income increased from $12.31M in FY 2019 to $13.53M in FY 2020; representing growth of $1.22M (9.91%).

The Bank also commenced the active management of Investment Securities. This enabled the realization of gains totaling $6.05M from the disposal of investments reported through other comprehensive income ("OCI") which was offset by losses of $0.95M from investments reported through the profit and loss ("through the P&L"). The net gains from the active management of Investment Securities (Other Gains) totaled $5.13M in FY 2020. In comparison, Other Gains contributed $0.92M to Total Income in FY 2019. Collectively, Interest Income and Other Gains generated Total Income of $18.65M in FY 2020 compared to $13.26M in FY 2019; representing an increase of $5.39M (40.65%).

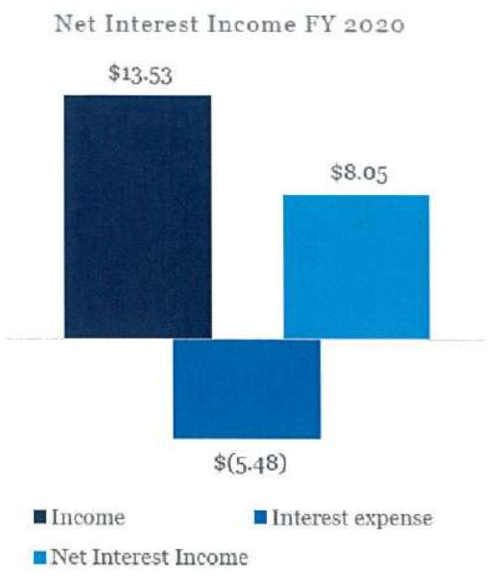


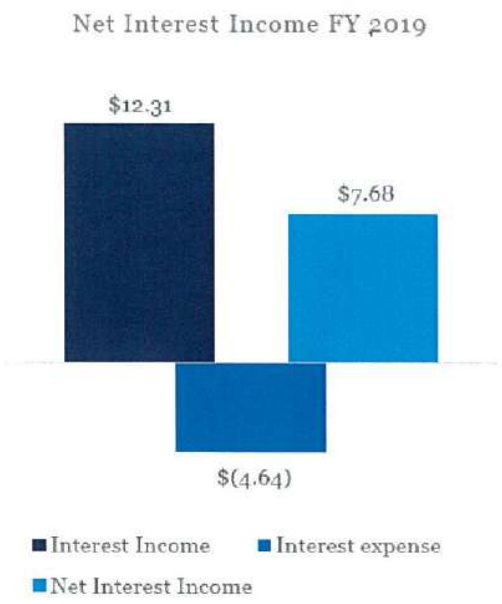
Interest Expense

During the second half of FY 2020, the Bank took the decision to discontinue the pricing of its Borrowings via competitive bid auctions and replaced same with fixed price auctions (2.50% to 2.70%). Other pertinent changes to the issuance of its Borrowings included the issuance of instruments by private prospectus and the elimination of transaction fees. In addition, the Bank commenced the diversification of its Borrowings in FY 2020 with the issuance of its inaugural repurchase agreements programme totaling $13.19M. These amendments contributed to a $62.66M (30.41%) increase in Borrowings from $206.08M in FY 2019 to $268.74M in FY 2020. As a result of the increased Borrowings, Interest Expense increased by $0.84m (18.10%) from $4.64M in FY 2019 to $5.48M in FY 2020.

Net Interest Income

Net Interest Income or the difference between Interest Income ($13.53M) and Interest Expense ($5.48M) amounted to $8.05M or 59.50% and represents a decline when compared to 62.39% reported for the comparative period of FY 2019. The decline in Net Interest Income Percentage is attributed to higher Interest Expense and the turnover rate of the Investment Portfolio due to the active management strategy.





Non-Interest Expenses

In FY 2020, major emphasis was placed on improving the ECHMB's brand recognition and awareness. This included the launch of the Bank's eMarketing platform and an extensive face-to-face marketing campaign in each of the eight (8) islands of the ECCU. In addition, the Bank recruited an officer with direct responsibility for customer interface and marketing of its financial instruments. Our increased marketing efforts were largely responsible for the $0.64M (29.63%) increase in General and Administrative Expenses from $2.16M in FY 2019 to $2 .80M in FY 2020. In addition, Net Impairment Losses on Financial Assets recorded an expense of $0. 06M in FY 2020, compared to a writeback of $0.92M in FY 2019.

Net Profit for the Year

In FY 2020, Net Profit for the Year ("Net Profit") increased by $3.82M (71.94%) from $5.31M reported in FY 2019 to $9.13M in FY 2020. This represents the fourth consecutive year of growth. As a result of the higher reported Net Profit, Earnings-per-share increased from $19.76 in FY 2019 to $33.98 in FY 2020. Given the impact of the COVID-19 pandemic on the international money and capital market in March 2020, the Bank recorded a loss of $3.83M on investment securities reported through OCI; as a result, Total Comprehensive Income for the Year was reported at $5.31M.

Capital Structure

In FY 2020, ECHMB's Borrowings increased by $62.66M (30.41%) to $268.74M. Equity increased by $3.29M (5.56%). Due to higher Borrowings, the Bank's Debt-to-Equity Ratio increased from 3.48:1 in FY 2019 to 4.58:1 in FY 2020. Given the existing capital structure, the ECHMB has the capacity to increase its debt capital by $214.06M (74.88%) before breaching its maximum Debt-to-Equity Ratio of 8.0:1.

Shareholders' Return

The Bank increased its Debt-to-Equity Ratio from 3.48:1 in FY 2019 to 4.58:1 in FY 2020; however, on account of the efficient allocation of the additional debt capital, Interest Cover Ratio improved from 2.14 times in FY 2019 to 2.67 times in FY 2020. Likewise, Return on Assets also improved from 2.0% in FY 2019 to 2.61% in FY 2020. In addition to the total dividends of $7.50 per share paid in FY 2020, shareholders also benefited from capital appreciation of 5.56% since Book-Value-per-Share increased from $220.18 in FY 2019 to $232.42 in FY 2020.

Liquidity and Capital Resources

Provide a narrative explanation of the following (but not limited to):

i) The reporting issuer's financial condition covering aspects such as liquidity, capital resources, changes in financial condition and results of operations.

ii) Any known trends, demands, commitments, events or uncertainties that will result in, or that are reasonably likely to result in, the issuer's liquidity increasing or decreasing in any material way. If a deficiency is identified, indicate the course of action that the reporting issuer has taken or proposes to take to remedy the deficiency.

iii) The issuer's internal and external sources of liquidity and any material unused sources of liquid assets.

iv) Provisions contained in financial guarantees or commitments, debt or lease agreements or other arrangements that could trigger a requirement for an early payment, additional collateral support, changes in terms, acceleration of maturity, or the creation of an additional financial obligation such as adverse changes in the issuer's financial ratios, earnings, cash flows or stock price or changes in the value of underlying, linked or indexed assets.

v) Circumstances that could impair the issuer's ability to continue to engage in transactions that have been integral to historical operations or are financially or operationally essential or that could render that activity commercially impracticable such as the inability to maintain a specified level of earnings, earnings per share, financial ratios or collateral.

vi) Factors specific to the issuer and its markets that the issuer expects will affect its ability to raise short-term and long-term financing, guarantees of debt or other commitment to third parties, and written options on non-financial assets.

vii) The relevant maturity grouping of assets and liabilities based on the remaining period at the balance sheet date to the contractual maturity date. Commentary should provide information about effective periods and the way the risks associated with different maturity and interest profiles are managed and controlled.

viii) The issuer's material commitments for capital expenditures as of the end of the latest fiscal period, and indicate the general purposes of such commitments and the anticipated source of funds needed to fulfil such commitments.

ix) Any known material trends, favorable or unfavorable, in the issuer's capital resources, including any expected material changes in the mix and relative cost of capital resources, considering changes between debt, equity and any off-balance sheet financing arrangements.

Liquidity Risk Management 2020

Liquidity risk represents the possibility that the Bank may not be able to gather sufficient cash resources when required and under reasonable conditions, to meet its financial obligations to debtholders and suppliers. The Bank's overall liquidity risk is managed by the Chief Financial Officer with oversight from the Board of Directors, in accordance with the Bank's Investment Policy Statement (the "Policy"). The main purpose of this Policy is to ensure that the Bank has sufficient cash resources to meet its current and future financial obligations, under both normal and stressed conditions.
Liquidity risk may be subdivided into two categories: -

1. Trading Liquidity Risk
2. Funding Liquidity Risk

Trading Liquidity Risk

Trading Liquidity risk is the risk that an asset or investment cannot be sold within a reasonable amount of time at a fair price. The Bank manages this liquidity risk through maintaining a buffer at the Eastern Caribbean Central Bank, a credit line facility with Raymond James and holding international investments that are fairly liquid and can be easily traded. A cashflow forecast is prepared annually and reviewed monthly to keep abreast of the anticipated inflows and outflows. The bank has also established a policy in the event of a liquidity crisis.

Funding Liquidity Risk

Funding liquidity risk is the risk that creditors either withdraw credit or change the terms on which it is granted. Funding liquidity can be put at risk because the borrower's credit quality is, or at least perceived to be, deteriorating, but also because financial conditions on a whole are deteriorating. ECHMB's funding relates mainly to issuance of debt instruments on the Eastern Caribbean Securities Market and Shareholders' Equity. Debt instruments continue to be the Bank's principal source of funds and accounted for 81.0% of total capital in 2020.

This liquidity risk is managed through the diversification of debtholders and maintaining a high creditworthiness as reflected by our investment grade credit rating. Although not a statutory requirement, the ECHMB has also imposed an internal Debt-to-Equity Ratio limit of 8.0:1 to manage its funding. Management's objective is to maintain an adequate level of capital, in line with the Bank's risk appetite, to support the Bank's activities while producing an acceptable return for shareholders. During the 2020 financial year, the Bank reported a Debt-to-Equity Ratio of 4.58:1; ECHMB has the capacity to increase its debt capital by $214.06m (74.88%) before breaching its guideline.

The negative liquidity gaps arise due to the Bank's strategy of funding its operations from corporate papers with a maximum tenor of 365 and the placement of investment and mortgage backed securities over tenors in excess of three (3) years in order to secure higher interest rates. The ECHMB mitigates the negative liquidity gaps by arranging a Revolving Credit Line.

Discussion of Liquidity and Capital Resources

i) Please see the attached document "Liquidity Risk Management 2020".

ii) Please see the attached document "Liquidity Risk Management 2020".

iii) In addition to the aforementioned internal liquidity sources, the Bank also maintains a Line of Credit with a reputable international financial services firm for liquidity support.

iv) There are no events or circumstances meeting the specified criteria.

v) There are no events or circumstances meeting the specified criteria.

vi) The ECHMB's ability to raise financing is predicated on its ability to preserve its investment grade rating. In FY 2020, the Caribbean Information and Credit Rating Services (CariCRIS) reaffirmed the ratings assigned to the USD30.00m debt issue of ECHMB of CariBBB+ 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.

vii) Note above.

viii) As at reporting date, there are no material commitments for capital expenditure.

ix) During the 2020 financial year, the Bank increased its capital base through the issuance of new tranches of Corporate Paper instruments and Repurchase Agreements. The Bank also altered the pricing of the Corporate Papers from competitive bid auction to fixed price auction (Private Placement), with an over-allotment option of EC$10 million. The proceeds were used to expand the Bank's operations.

Off Balance Sheet Arrangements

Provide a narrative explanation of the following (but not limited to):

i) Disclosures concerning transactions, arrangements and other relationships with unconsolidated entities or other persons that are reasonably likely to materially affect liquidity or the availability of, or requirements for capital resources.

ii) The extent of the issuer's reliance on off-balance sheet arrangements should be described fully and clearly where those entities provide financing, liquidity, market or credit risk support, or expose the issuer to liability that is not reflected on the face of the financial statements.

iii) Off-balance sheet arrangements such as their business purposes and activities, their economic substance, the key terms and conditions of any commitments, the initial on-going relationship with the issuer and its affiliates and the potential risk exposures resulting from its contractual or other commitments involving the off-balance sheet arrangements.

iv) The effects on the issuer's business and financial condition of the entity's termination if it has a finite life or it is reasonably likely that the issuer's arrangements with the entity may be discontinued in the foreseeable future.

There are no Off-Balance Sheet arrangements.

Results of Operations

In discussing results of operations, issuers should highlight the company's products and services, facilities and future direction. There should be a discussion of operating considerations and unusual events, which have influenced results for the reporting period. Additionally, any trends or uncertainties that might materially affect operating results in the future should be discussed.

Provide a narrative explanation of the following (but not limited to):

i) Any unusual or infrequent events or transactions or any significant economic changes that materially affected the amount of reported income from continuing operations and, in each case, the extent to which income was so affected.

ii) Significant components of revenues or expenses that should, in the company's judgment, be described in order to understand the issuer's results of operations.

iii) Known trends or uncertainties that have had or that the issuer reasonably expects will have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.

iv) Known events that will cause a material change in the relationship between costs and revenues (such as price increases, costs of labour or materials), and changes in relationships should be disclosed.

v) The extent to which material increases in net sales or revenues are attributable to increases in prices or to increases in the volume or amount of goods or services being sold or to the introduction of new products or services.

vi) Matters that will have an impact on future operations and have not had an impact in the past.

vii) Matters that have had an impact on reported operations and are not expected to have an impact upon future operations

viii) Off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships that have or are reasonably likely to have a current or future effect on the registrant's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

ix) Performance goals, systems and, controls, *Overview of Results of Operations*

i) Please see earlier insertion for "Management Discussion and Analysis 2020" which provides an overview of results of operations and addresses requirement i).

ii) Please see earlier insertion for "Management Discussion and Analysis 2020" which provides an overview of results of operations and addresses requirements ii).

iii) Please see earlier insertion for "Management Discussion and Analysis 2020" which provides an overview of results of operations and addresses requirements iii).

iv) There are no known events meeting the specified criteria.

v) Not applicable.

vi) There are no matters meetings the specified criteria.

viii) There are no matters meetings the specified criteria.

viii) There are no matters meetings the specified criteria.

ix) The ECHMB's Business Plan is implemented through Work Programmes, which outline team and individual performance goals. The Work Programmes are integral towards the preparation of the Operating Budget, with controls being monitored through Monthly Management Reporting.

11. Changes in and Disagreements with Auditors on Accounting and Financial Disclosure.

Describe any changes in auditors or disagreements with auditors, if any, on financial disclosure.

There have been no changes in auditors or disagreements with Auditors on financial disclosure.

12. Directors and Executive Officers of the Reporting Issuer. (*Complete Biographical Data Form attached in Appendix 1 and Appendix 1(a) for each director and executive officer)*

Furnish biographical information on directors and executive officers indicating the nature of their expertise.

13. Other Information.

The reporting issuer may, at its option, report under this item any information, not previously reported in a Form ECSRC – MC report provided that the material change occurred within seven days of the due date of the Form ECSRC – K report. If disclosure of such information is made under this item, it need not be repeated in a Form ECSRC – MC report which would otherwise be required to be filed with respect to such information.

There are no additional matters to report.

14. List of Exhibits

List all exhibits, financial statements, and all other documents filed with this report.

Financial Risk Management 2020;
Management's Discussion and Analysis 2020;
Liquidity Risk Management 2020;
Audited Financial Statements for the year ended 31 March 2020;
Biographical Data Form for Directors; and
Biographical Data Form for Executive Officers and Other Key Personnel.