Schedule 1

FORM ECSRC – K

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

For the financial year ended 31st March 2021

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

Signature

01/09/2021

Date

Name of Director:
TIMOTHY ANTOINE

SIGNED AND CERTIFIED

Signature

Sept. 03, 2021

Date

Name of Chief Financial Officer:
HEIDI HYPOLITE

SIGNED AND CERTIFIED

Signature

01/Sept/2021

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 2020.

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.

Please see Appendix 2 - Legal Proceedings.

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 25th Annual General Meeting (AGM) OF Shareholders of the Eastern Caribbean Home Mortgage Bank was held virtually on Friday 2, October 2020.

(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 Directors appointed for the following classes for the ensuing two years in accordance with Article 15 (1) of the ECHMB Agreement are as follows:

Class B - Stewart Haynes
Class C - Baldwin Taylor

The following Directors continued their term of office after the meeting held virtually on Friday 2, October 2020 :
Class A - Timothy N.J Antoine
Class C - Peter Blanchard
Class D - Alymer Irish

(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 Ten Dollars ($10.00) for each unit of share for the financial year ended 31st March 2020 to be paid to the shareholders on record date 31st March 2020.

2) The audit firm, KPMG, was appointed as the Bank's External Auditors for the year ending 31st March 2021.

All matters were approved by majority vote.

Then numbers 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 2020 to 31st March 2021).

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 refer to Appendix 3 - Managing ECHMB Capital's Risk 2021.

Please also refer to Note 5, Financial Risk Management, in the Audited Financial Statements for the year ended 31 March 2021.

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 Appendix 4 - Management Discussion and Analysis 2021.

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.

Discussion of Liquidity and Capital Resources

i) Please refer to Appendix 5 - Liquidity Risk Management 2021.

ii) Please refer to Appendix 5 - Liquidity Risk Management 2021.

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 2021, 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 ECHMB's ratings.

vii) Note above.

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

ix) During the 2021 financial year, the Bank increased its capital base through the issuance of new tranches of Corporate Paper instruments. Other pertinent changes to the funding " Marketing Mix " included the issuance of Corporate Notes totaling $30.00M to both corporate clients and retail investors at coupons of 2.70% and 3.00% respectively and the repeal of it Repurchse Agreement Programme of $15.00M. 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 2021" which provides an overview of results of operations and addresses requirement i).

ii) Please see earlier insertion for "Management Discussion and Analysis 2021" which provides an overview of results of operations and addresses requirements ii).

iii) Please see earlier insertion for "Management Discussion and Analysis 2021" 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 except as follows: The Board of Directors authorized the issuance of $15.0M Callable Preference Shares in July 2021. The Callable Preference Shares issue is expected to be fully subscribed.

14. List of Exhibits

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

Appendix 1 - Biographical Data Form for Directors;
Appendix 1 (a) Biographical Data Form for Executive Officers and Other Key Personnel;
Appendix 2 - Legal Proceedings;
Appendix 3 - Managing ECHMB Capital's Risk 2021;
Appendix 4 - Management's Discussion and Analysis 2021;
Appendix 5 - Liquidity Risk Management 2021;
Audited Financial Statements for the year ended 31 March 2021.

BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: Timothy N. J. Antoine

Position: Governor, ECCB

Age: 50

Mailing Address: C/O Eastern Caribbean Central Bank
ECCB Complex, Bird Rock, Basseterre
St. Kitts

Telephone No.: 1-869-465-2537

List jobs held during past five years (include names of employers and dates of employment).

Governor, Eastern Caribbean Central Bank: February 2016 - present
Permanent Secretary, Ministry of Finance, Grenada: August 1999 - October 2005; January 2008 - January 2016
Advisor to the Executive Director for Canada, Ireland and the Caribbean, World Bank Group: November 2005 - November 2007

Give brief description of **current** responsibilities

The Governor shall -
- Preside as Chairman at the meetings of the Board of Directors;
- Serve as Chief Executive Officer of the Bank and to be in charge of and responsible to the Board for the implementation of the policy and the day to day management of the Bank; and
- Attend all meetings of the Monetary Council.

Education (degrees or other academic qualifications, schools attended, and dates):

Small Countries Financial Management - Isle of Man: 2009
Training in Negotiations - SAID Business School, Oxford University: 2009
MSc. Social Policy and Planning in Development Countries - London School of Economics and Political Science: 1998
Certificate in Project Cycle Management - Caribbean Development Bank: 1994
BSc. Economics with Management - University of the West Indies: 1993

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: Stewart Haynes

Position: Director

Age: 41

Mailing Address: C/O National Insurance Services
NIS Building, Upper Bay Street, Kingstown
St. Vincent and the Grenadines

Telephone No.:

List jobs held during past five years (include names of employers and dates of employment).

Director of the National Insurance Services, St. Vincent and the Grenadines (2017 - Present)
National Insurance Services, St. Vincent and the Grenadines - various capacities (2005-2017)

Give brief description of **current** responsibilities

Director of the National Insurance Scheme, St. Vincent and the Grenadines.

Education (degrees or other academic qualifications, schools attended, and dates):

BSC in Actuarial Science from the London School of Economics and Political Science
MSc in Actuarial Management from CASS Business School London, with a specialty in Investment Management
Fellow of the Institute of Actuaries (FIA)
Chartered Financial Analyst (CFA)

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: Peter L. Blanchard

Position: Chairman / Owner (1984-present)

Age: 68

Mailing Address: C/O General Insurance Company Limited
Upper Redcliffe Street, P.O. Box 340
St. John's, Antigua

Telephone No.: 268-462-2345/6 or 268-562-0092

List jobs held during past five years (include names of employers and dates of employment).

Chairman / Owner, General Insurance Company Limited: 1984 - present

Give brief description of **current** responsibilities

Current responsibilities include:
- Presides over and sets dates for Board Meetings;
- Establishes various Board Sub-Committees while selecting committee members;
- Provides training for Directors, as necessary;
- Evaluates and oversees the direction of the business by providing advice to the Operations Manager; and
- Serves as a liaison between the Operations Manager and the Board for the day-today operations of the business.

Education (degrees or other academic qualifications, schools attended, and dates):

Accredited Director, Institute of Chartered Secretaries Association (ICSA): 2007
University of the West Indies (Open Campus) Antigua*
Insurance Institute of Trinidad*

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: Baldwin Taylor

Position: General Manager

Age: 53

Mailing Address: C/O Bank of Montserrat
P.O. Box 10
Brades, Montserrat.

Telephone No.:

List jobs held during past five years (include names of employers and dates of employment).

General Manager, Bank of Montserrat Limited: January 2020 - present
Senior Manager, Bank of Saint Lucia Limited: 1995 - 2020

Give brief description of **current** responsibilities

Current responsibilities include:

- Leading all aspects of the banking operations, including loans, IT, treasury management and investments.
- Ensuring that the bank meets or exceeds both its short-term and long-term financial and operational goals.
- Researching and presenting technological and other solutions that will ensure that the bank is operating at optimal efficiency.
- Ensuring compliance with all financial, regulatory, compliance and/or operational standards, and guidelines.
- Maintaining relationships with all key vendors and suppliers.

Education (degrees or other academic qualifications, schools attended, and dates):

MBA, University of Durham, United Kingdom
BSc Marketing and Human Resource Management, Saint Mary's University, Canada

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: Aylmer Irish

Position: Chief Executive Officer

Age: 59

Mailing Address: C/O National Cooperative Credit Union Ltd
31 - 37 Independence Street, P.O. Box 175
Roseau, Commonwealth of Dominica

Telephone No.: 767-255-2148 (work) 767-275-2549 (mobile)

List jobs held during past five years (include names of employers and dates of employment).

Chief Executive Officer, National Cooperative Credit Union Ltd: November 2010 - present
General Manager, Roseau Cooperative Credit Union: April 2009 - November 2010
Deputy General Manager, Roseau Cooperative Credit Union: May 1996 - March 2009
Accountant, National Development Foundation of Dominica: August 1994 - May 1996

Give brief description of **current** responsibilities

Current responsibilities include:

- Responsible for the overall management of the National Cooperative Credit Union (NCCU) Ltd and, in particular, to give direction to Executive Management, Branch Managers/Administrators and Heads of Support Departments whose services are shared among all Branches, inclusive of:

(a) Coordination of activities between the seven (7) Branches of the NCCU Ltd;
(b) To assist the Board of Directors in determining the strategic direction of the NCCU Ltd and in performing its governance role;
(c) Efficient Management of the NCCU Ltd's Financial Assets;
(d) Oversight of the operations of centralized Departments providing support services to all Branches;
(e) Provision of leadership in the staffing function to ensure maintenance and retention of a highly motivated work force; and
(f) Maintenance of effective relationships with other institutions.

Education (degrees or other academic qualifications, schools attended, and dates):

MBA, University of the West Indies, Cave Hill: 2000
Certificate in Project Implementation and Management, Caribbean Development Bank: 1991
BA (Hons) Accounting, University of the Virgin Islands St. Thomas: 1990

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: Mr. Randy Lewis

Position: Chief Executive Officer

Age: 47

Mailing Address: C/O Eastern Caribbean Home Mortgage Bank

P.O. Box 753, ECCB Complex, Bird Rock, Basseterre

St. Kitts

Telephone No.: 869-466-7859

List jobs held during past five years (including names of employers and dates of employment).
Give brief description of **current** responsibilities.

Chief Executive Officer, Eastern Caribbean Home Mortgage Bank: 2015 - present
General Manager (Ag), Eastern Caribbean Home Mortgage Bank: 2012 - 2015

Current responsibilities include:
- Providing financial oversight to ensure the optimal utilisation and management of the Bank's fund in accordance with established policies and procedures.

Education (degrees or other academic qualifications, schools attended, and dates):

Certificate, SAID Leadership, Oxford SAID Business School: 2016
Accredited Director, Institute of Chartered Secretaries and Administrations (ICSA): 2012
Fellow, The Institute of Chartered Accountants in England and Wales: 2011
MBA, University of Derby: 2009
Associate, Chartered Institute of Management Accountants: 2004
Associate, Chartered Institute of Certified Accountants: 2000

Also a Director of the company ☐ Yes ☑ No

If retained on a part time basis, indicate amount of time to be spent dealing with company matters:

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: Ms. Heidi Hypolite   Position: Chief Financial Officer

Age: 40

Mailing Address: C/O Eastern Caribbean Home Mortgage Bank

P.O. Box 753, ECCB Complex, Bird Rock, Basseterre

St. Kitts

Telephone No.: 869-466-7869

List jobs held during past five years (including names of employers and dates of employment). Give brief description of **current** responsibilities.

Chief Financial Officer, Eastern Caribbean Home Mortgage Bank: May 2019 - present
Accounting Officer II, Eastern Caribbean Central Bank: June 2016 - April 2019
Bank Examiner I, Eastern Caribbean Central Bank: November 2012 - May 2016

Current responsibilities include:
- Managing the accounting, finance and budgeting processes;
- Ensuring maintenance of appropriate financial management accounting systems and procedures for the Bank; and
- Ensuring financial reporting is completed in accordance with International Financial Reporting Standards.

Education (degrees or other academic qualifications, schools attended, and dates):

Fellow, Association of Charterd Certified Accountants: 2008
MBA Finance, University of Leicester: 2006
Associate, Association of Chartered Certified Accountants, Emile Woolfe Colleges: 2002

Also a Director of the company ☐ Yes ☑ No

If retained on a part time basis, indicate amount of time to be spent dealing with company matters:

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: Ms. Ava Beckles Position: Chief Investment Officer

Age: 37

Mailing Address: C/O Eastern Caribbean Home Mortgage Bank

P.O. Box 753, ECCB Complex, Bird Rock, Basseterre

St. Kitts

Telephone No.: 869-466-7869

List jobs held during past five years (including names of employers and dates of employment). Give brief description of **current** responsibilities.

Chief Investment Officer, Eastern Caribbean Home Mortgage Bank: November 2016 - present
Investment Analyst, RBC Investment Management (Caribbean) Ltd: December 2012 - October 2016

Current responsibilities include:
- Managing the Bank's Investment Function: analysing the corporate and sovereign financial and economic data to determine viable investments in line with the Bank's objectives.

Education (degrees or other academic qualifications, schools attended, and dates):

Chartered Financial Analyst, CFA Institute: 2015
B.Sc Actuarial Science, UWI Mona, Jamaica: 2007
Financial Risk Manager (FRM): Ongoing

Also a Director of the company ☐ Yes ☑ No

If retained on a part time basis, indicate amount of time to be spent dealing with company matters:

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: Mr. Justin Skeete Position: Systems Manager

Age: 35

Mailing Address: C/O Eastern Caribbean Home Mortgage Bank

P.O. Box 753, ECCB Complex, Bird Rock, Basseterre

St. Kitts

Telephone No.: 869-466-7869

List jobs held during past five years (including names of employers and dates of employment).
Give brief description of **current** responsibilities.

Systems Manager, Eastern Caribbean Home Mortgage Bank: January 2012 - present

Current responsibilities include:
- Maintain the Bank's IT Platform: compile, conceive, design and/or implement the operational application software and hardware infrastructure to achieve the Bank's goals.

Education (degrees or other academic qualifications, schools attended, and dates):

Microsoft Certified IT Professional (MCITP): 2007

Also a Director of the company ☐ Yes ☑ No

If retained on a part time basis, indicate amount of time to be spent dealing with company matters:

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: Ms. Sheena Regis

Position: Investment Manager

Age: 36

Mailing Address: C/O Eastern Caribbean Home Mortgage Bank

P.O. Box 753, ECCB Complex, Bird Rock, Basseterre

St. Kitts

Telephone No.: 869-466-7869

List jobs held during past five years (including names of employers and dates of employment). Give brief description of **current** responsibilities.

Investment Manager, Eastern Caribbbean Home Mortgage Bank: 2018 - present
Senior Rating Analyst, Caribbean Information and Credit Rating Services (CariCRIS):

Current responsibilities incluide:
- Assist with the management of ECMHB investment portfolio and perform due diligence on the securities held.

Education (degrees or other academic qualifications, schools attended, and dates):

Association of Chartered Certified Accountants (ACCA: 2004-2008)
Chartered Financial Analysts (CFA): Ongoing
Financial Risk Manager (FRM): Ongoing

Also a Director of the company ☐ Yes ☑ No

If retained on a part time basis, indicate amount of time to be spent dealing with company matters:

Use additional sheets if necessary.

ECSRC – K

Appendix 2 – Legal Proceedings

There are two (2) pending legal claims 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 November 7, 2019 in the High Court in Saint Lucia against the defendant (and served on the Bank on November 21, 2019) seeks inter alia:

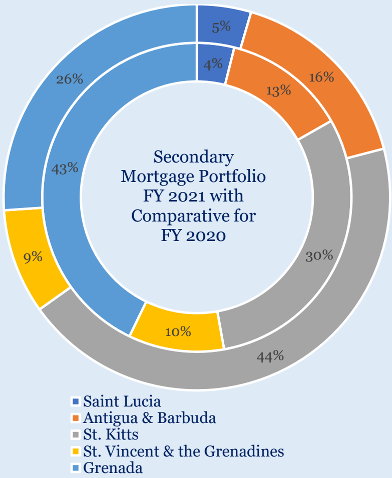
a) a declaration by the Court that, through the Judicial Manager, it is entitled to deal with and sell the 20,000 Class F Shares owned by the Claimant in the Respondent for such sum and under such terms as the Claimant might think fit, subject only to the By-Laws of the Defendant and the Eastern Caribbean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

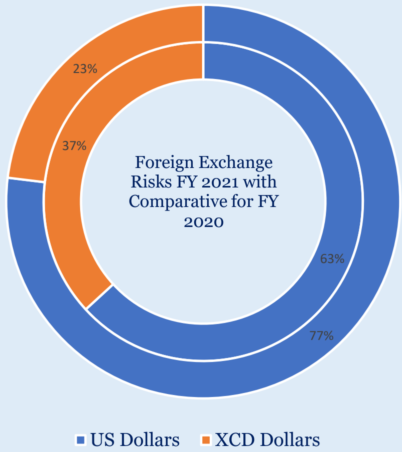
The matter was heard on October 16, 2020 and November 2, 2020, and the Court made the following orders:
a) The application to set aside service of the claim is dismissed.
b) The Court declared that is has no jurisdiction to try the claim and it is therefore dismissed.
c) The parties will each bear this cost of the proceedings.

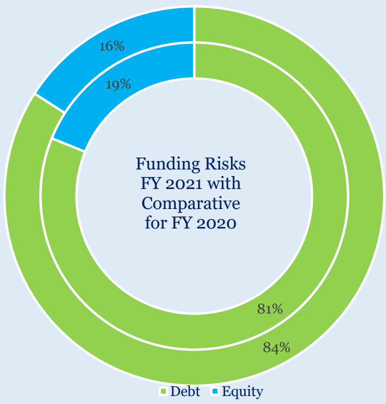
Claim No. GDAHCV2021/0111 BETWEEN: CLICO INTERNATIONAL LIFE INSURANCE LIMITED (under Judicial Management) (claimant) v EASTERN CARIBBEAN HOME MORTGAGE BANK (defendant). The Claimant filed the claim in the Supreme Court in Grenada against the defendant on March 29, 2021 and seeks inter alia:

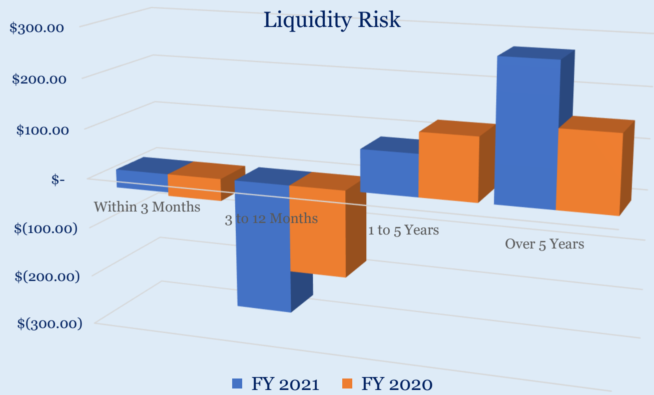
a) a declaration that the Claimant is entitled to deal with and sell the 20,000 Class F Shares owned by the Claimant in the Defendant for such sum and under such terms as the Claimant might think fit; and
b) the sum of $1,550,000 which the Claimant alleges is due and owing to it by the dividends on 20,000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

Appendix 3 - Managing ECHMB Capital’s Risk


Secondary Mortgage Portfolio FY 2021 with Comparative for FY 2020
5%
4%
16%
13%
30%
44%
10%
9%
43%
26%
Saint Lucia
Antigua & Barbuda
St. Kitts
St. Vincent & the Grenadines
Grenada


Foreign Exchange Risks FY 2021 with Comparative for FY 2020
23%
37%
63%
77%
US Dollars
XCD Dollars


Funding Risks FY 2021 with Comparative for FY 2020
16%
19%
81%
84%
Debt
Equity


Liquidity Risk
$300.00
$200.00
$100.00
$-
$(100.00)
$(200.00)
$(300.00)
Within 3 Months
3 to 12 Months
1 to 5 Years
Over 5 Years
FY 2021
FY 2020

Responding to the Impact of COVID-19

- ☐Instituted telecommuting in April 2020. This ensures that there was no major downtime in the Bank's operations.
- ☐Utilized the Eastern Caribbean Central Bank's Electronic Funds Transfer ("EFT") platform to ensure the timely payment of operating expenses.
- ☐ Upgraded the Bank's consolidated policies.
- ☐Strengthened the Bank's corporate governance with appointments of Asset and Liabilities and investment Committees.
- ☐Enhanced the risk and compliance functions of the Bank with the recruited a Risk and Compliance Officer.
- ☐Increased the headcount of the Investment Department.
- ☐Restructure the Bank's plant to ensure full COVID-19 compliance.

Managing Risk Strategically

ECHMB Capital Top 9 Risks FY 2021

Despite the tough and unprecedented operating environment in FY 2021, ECHMB Capital has successfully managed its major risks.

Overall, ECHMB Capital's internal control, balance sheet and risk management position continue be to sufficiently robust to enable the Bank to identify and mitigate emerging and current risks.

The Top 9 Risks Faced by ECHMB Capital In FY 2021

- Credit Risk
- Strategic Risk
- Operational Risk
- Liquidity Risk
- Market Risk
- Balance Sheet Risk
- Cyber Risk
- Regulatory, Accounting and Compliance
- Reputational Risk

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. COVID-19 resulted in an unprecedented shock in economic activity regionally and internationally, which in turn contributed to elevated credit risk in global markets. In FY 2021, ECHMB Capital was required to increase its provision for impairment loss by $1.78M.	**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 ▪ Recruited a Risk and Compliance Officer ▪ Expanded the Investment Department to enable ongoing risk monitoring at the individual counterparty and portfolio level. ▪ Increased diversification of the investment portfolio ▪ Acquisition of Bloomberg terminals
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.
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 operations in the short to medium term to empower conscious risk-taking. These risks are intricately linked to the Bank's strategy.	**Management's Response** ▪ Renovated the Bank's plant to ensure COVID-19 compliance. ▪ Instituted telecommuniting in April 2020. ▪ Most payments were made via Electronic Fund Transfer. ▪ Encouraged staff to be vaccinated.

Risk	Management's Response
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 an indigenous commercial bank and the Eastern Caribbean Central Bank. ▪ The Bank has negotiated favourable credit lines with international banks. ▪ 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.	▪ The Bank has appointed an 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 recruited a Risk and Compliance Officer.
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 30.0% of interest income. ▪ Operate with a non-interest /total expenses ratio of less than 45.0%. ▪ Achieve a rate of return of at least 1.5% on total assets. Ensure debt capital never exceed 8.0:1 times of shareholders' equity. ▪ Ensure the Bank maintains an interest cover ratio of 1.42:1

	▪ Ensure the Bank efficiency ratio is less than 30.0% ▪ Maintain a minimum portfolio risk reserve of 15.0% of shareholders' equity.
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 undertakes an Information technology audit at five (5) year intervals. ▪ Continued staff awareness on potential cyber-attack threats. ▪ Monthly changing of passwords.
Regulatory, Accounting and Compliance As a regional institution, it is imperative that ECHMB Capital is in compliance with applicable laws, accounting standards and their 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	Management's Response
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 sharholders' value.	▪ 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.

Appendix 4

Management's Discussion and Analysis

This Management's Discussion and Analysis (MD&A) is presented to enable stakeholders to assess material changes in the financial condition and operating results of ECHMB Capital for the year ended 31st March 2021, 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 2021.

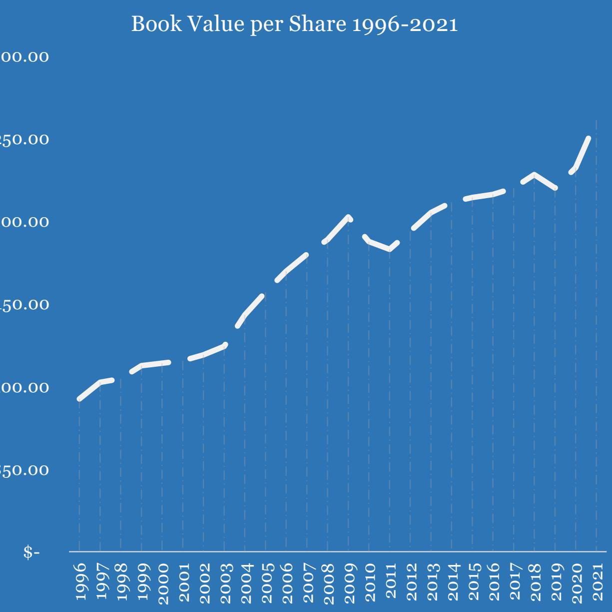
Unless otherwise indicated, all amounts are expressed in Eastern Caribbean Dollars and have been primarily derived from the Bank's Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

25 Years of Success in the Money and Capital Market in the Eastern Caribbean Currency Union

One of the objectives of the Eastern Caribbean Central Bank ("ECCB") is the creation of avenues for citizens of the Eastern Caribbean Currency Union ("ECCU") to generate wealth and improve their standard of living. This objective culminated in the launch of the Eastern Caribbean Home Mortgage Bank ("Trading as ECHMB Capital") in 1996 and the Eastern Caribbean Securities Exchange five (5) years thereafter.

In the succeeding twenty-five (25) years, ECHMB Capital had the distinction of increasing stakeholders' wealth in each year of operations. Initial investors in the Bank's equity paid $100.00 per share, the Bank's Book-Value-Per Share was projected at $257.49 at the sojourn of FY 2021.

addition, the Bank's cumulative dividend per re totaled $129.79. These impressive results re achieved notwithstanding the global financial sis of 2008 and the Coronavirus pandemic of 19.



The fact that the Bank has emerged from both crises as a stronger entity, is affirmation of the viability of our business model, rigidity of our Corporate Governance, quality of the HR Capital and effectiveness of our Enterprise Risk Management framework.

We are however mindful, that the quintessential objective of the Bank of wealth creation has largely been predisposed to corporates. This is most likely attributed to the fact the Bank's marketing strategies and resources have been devoted to the aforesaid market segment. Our intent is to change this status quo from FY 2021 by increasing our focus on the individual client segment of the Money and Capital Market ("MCM"). We believe that this strategic shift is imperative, given the prevailing economic environment, which is likely to result in significant diminution in individuals' wealth and standard of living.

However, for this shift in strategic focus to materialize, it is imperative that ECHMB Capital makes products and services more attractive to individuals.

)ur paramount commitment to our stakeholders from FY 2021 is to ensure that ECHMB Capital continues to strive for ustainable growth. We intend to achieve this by (i) increasing the Bank's market share in the MCM; (ii) driving nnovation; (iii) developing our HR Capital through the adoption of a performance culture; (iv) sustainable growth in rofitability; and (v) increasing the Bank's visibility through branding and the launch of a new corporate identity. This ncludes humanization of the Bank by putting stakeholders' objectives at the forefront of our strategic thrust and decision naking.

ll indications are the FY 2022 is likely to usher unprecedented headwinds, which if left unabated could adversely impact he Bank's risk profile and financial viability.

Iowever, we are confident that the strategies and tactics outlined in ECHMB Capital's strategic plan for the triennium 022 to 2024 are sufficiently robust to enable the Bank to achieve its stakeholders' goals and objectives.

2021 Performance Highlights

$461.93M
Total Assets
2020: $392.80

$31.23M
Total Revenue
2020: $18.64M

24.59%
Return on Shareholders' Equity
2020: 14.62%

$10.00
Dividend-per-share
2020: $7.50

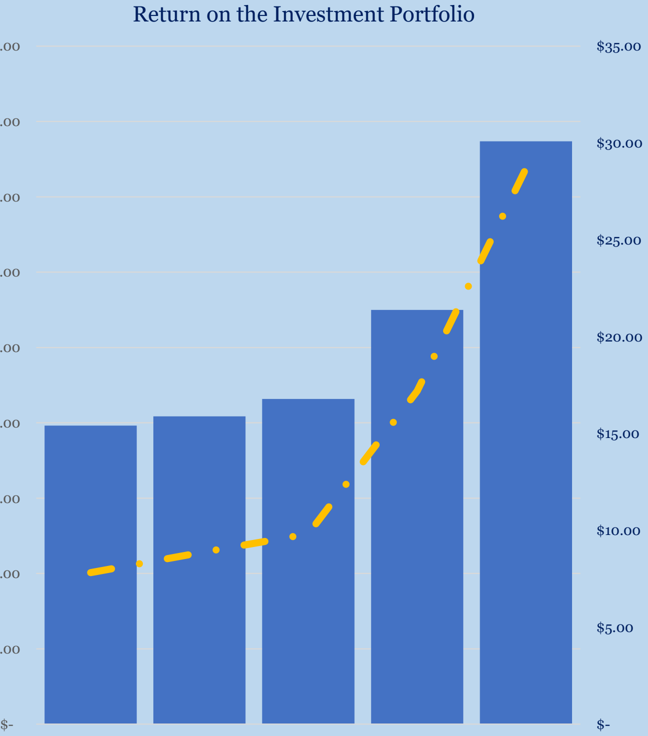
5.29:1
Debt-to-Equity Ratio
2020: 4.30:1

ECHMB Capital's Financial KPI 2021

Earnings per share **$63.31 up 86.32%**	Return on Investments **7.42% Up 25.47%**	Return on Assets **3.68% Up 41.22%**	Book value Per share **$257.49 Up 10.79%**
eighted Average Cost of Debt **$2.50%**	Interest Cover **3.28 times Up 22.91%**	Net Interest Income **53.63% Down 9.86%**	Efficiency Ratio **21.60% Up 0.14%**

Other Financial Measures

Interest Income **$16.11M** up 19.08%	Interest Expense **$7.47M** Up 36.34%	Net Interest Income **$8.64M** Up 7.33%	Net Profit for the Year **$17.01M** Up 86.31%



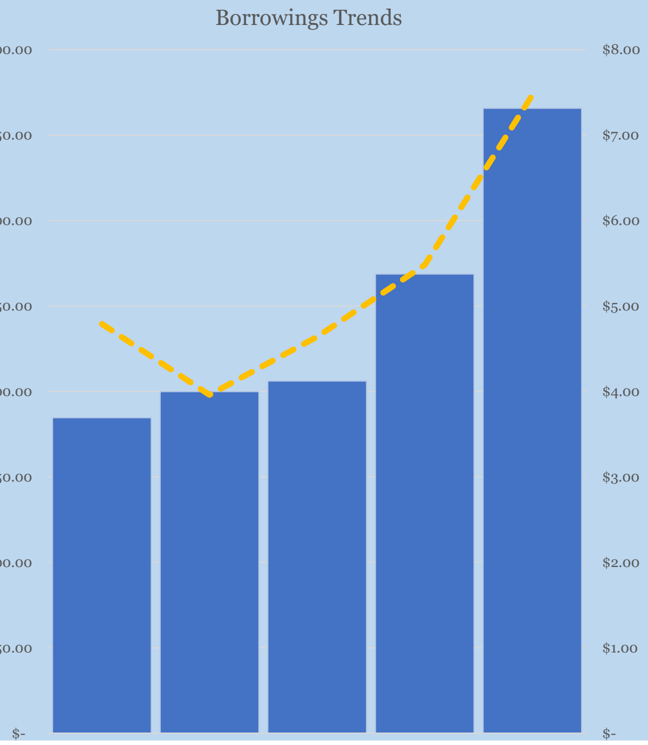
Income

In FY 2021, ECHMB Capital's Assets Under Management ("AUM") was reported at $461.93M, representing an increase of $111.79M (31.93%) from the $350.14M reported in FY 2020. The amount of $386.88M or 83.75% of AUM was placed in Investment Securities.

In FY 2021, Primary Lenders repurchased Mortgages Loans Facilities ("MLF") totaling $11.57M and the Bank acquired MLF totaling $2.17M. On account of the aforementioned transactions, MLF declined from $46.10M in FY 2020 to $34.19M in FY 2021. The cash inflows from the resale of MLF were placed in Investment Securities.

The Bank continued the active management of Investment Securities in FY 2021. Gains from assets disposal, Fair Value Adjustments and Interest Income amounted to $28.69M, or a 7.42% return on the Investment Portfolio, compared to $16.25M in FY 2020. Interest Income from MLF Increased from $2.37M in FY 2020 to $2.48M in FY 2021.

In FY 2021, the Bank's AUM combined to generated Total Revenue of $31.23M compared to $18.65M in FY 2020.

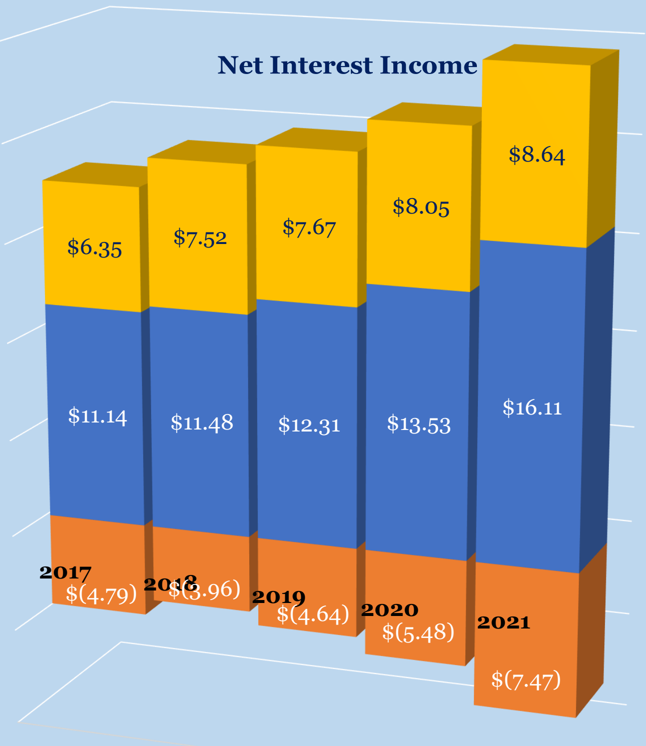


Interest Expense

One of the principal objectives of 2019 to 2021 strategic plan was organic growth. The Bank proposed to finance its growth aspiration primarily through Borrowings and Retained Earnings. The Bank's principal Borrowings strategy was predicated on increasing its market share in the Money and Capital Market in the Eastern Caribbean Currency Union. The principal strategies utilized by the Bank were increasing the attractiveness of its funding instruments by changing the incumbent marketing mix and enhancing the ECHMB Capital's market share through branding. In addition, the Bank maintained its credit ratings at BBB+.

To facilitate the implementation of ECHMB Capital's borrowing strategies, the Bank recruited a Treasury Manager.

In FY 2021, Borrowings increased by $96.99M (36.09%) from $268.74M to $365.73M. As a result. Interest Expense increased by $1.99M (36.31%) from $5.48M in FY 2020 to $7.47M in FY 2021.

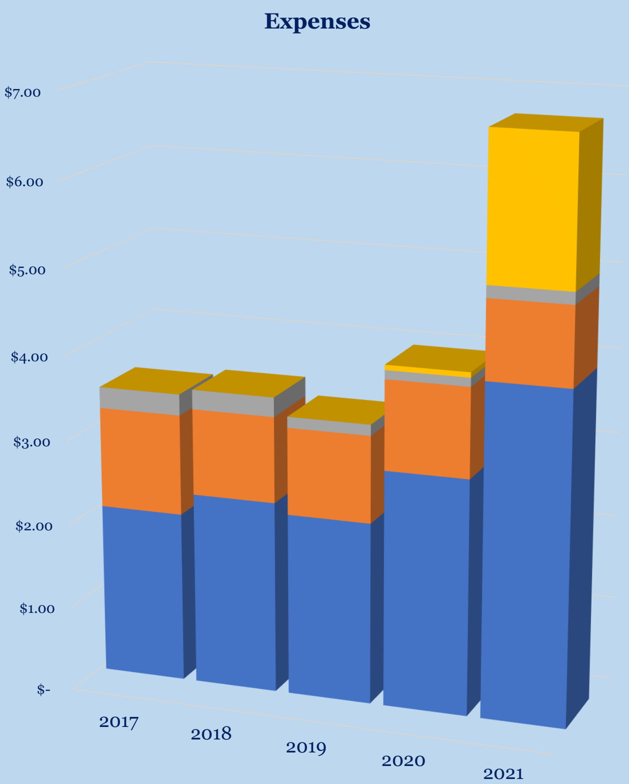


Net Interest Income

Net Interest Income or the difference between Interest Income ($16.11M) and Interest Expense ($7.47M) amounted to $8.64M or 53.63% and represented a decline compared to 59.50% reported for the comparative period of FY 2020.

The decline in Net Interest Income Percentage is attributed to higher Interest Expense and the placement of additional resources in equity (non-intyerest earning)

The Bank compensates for the declining trend in Net Interest Income through increased capital gains from its equity portfolio.

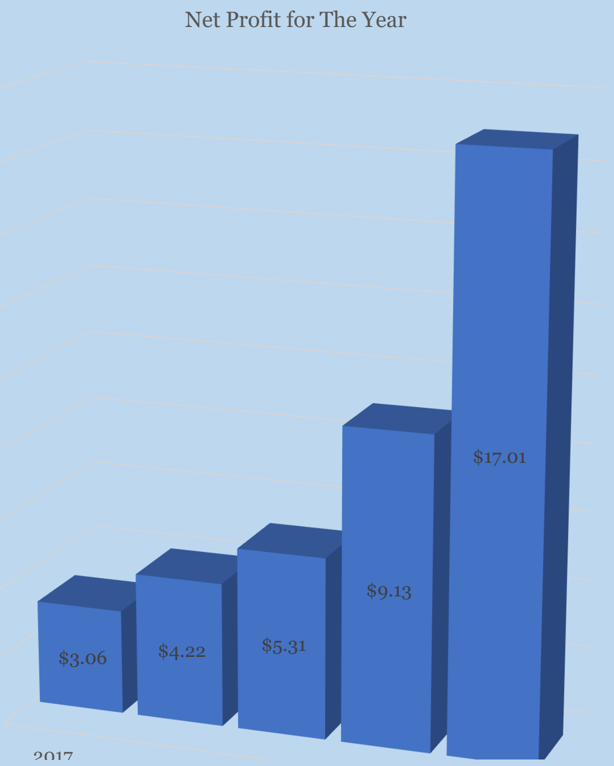


Expenses

Total Expenses increased from $4.03M in FY 2020 to $6.75M in FY 2021; this represents a growth of $2.72M (67.49%). The increase in Expenses was mainly credited to General and Administrative Expenses ("GAE"), which reported growth of $1.14M (40.71%) and Net Impairment Losses on Financial Assets which increased by $1.67M.

The increase in GAE was attributed to Salaries and Related Costs which increased from $1.88M in FY 2020 to $2.66M in FY 2021. The higher Salaries and Related Costs are due to annual staff inflation adjustment, recruitment of staff and annual bonus incentive scheme.

ECHMB Capital reported savings of $0.13M (11.98%) in Other Operating Expenses and attributed to lower Amortization of Corporate Paper Issue and Transaction Costs.



Net Profit for the Year

FY 2021 represents the fifth (5th) consecutive year of growth in ECHMB Capital's Net Profit for the Year ("NPY").

In FY 2021, ECHMB Capital reported NPY of $17.01M representing an increase of $7.88M (86.31%) from the $9.13M reported in FY 2020. The increase in NPY is attributed to the $12.59M (67.50%) growth in Total Income compared to the $4.71M (49.53%) increase in Total Expenses.

On account of the Bank's growth in profitability, Interest Cover improved from 2.67 times in FY 2020 to 3.28 times in FY 2021. In addition, Return on Assets improved from 2.61% in FY 2020 to 3.68% in FY 2021.

ECHMB Capital's Earnings-Per-Share was reported at $63.31 in FY 2021, up from the $33.98 reported in FY 2020.

Capital Structure

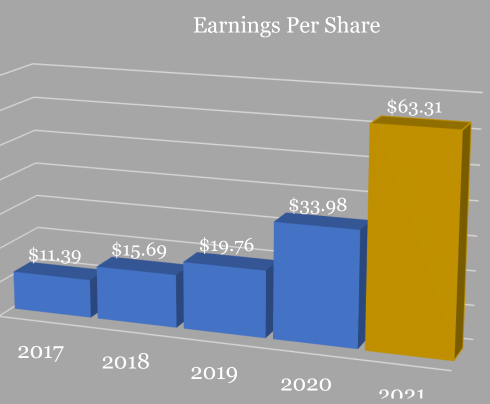
n FY 2021, ECHMB's Borrowings increased by $96.99M (36.09%) to $365.73M. Equity increased by $6.74M (10.79%). Due to fact growth in Equity trailed Borrowings, the Bank's Debt-to-Equity Ratio ("DER") increased from 4.30:1 in FY 020 to 5.29:1 in FY 2021. Notwithstanding the preceding, ECHMB Capital reported improved an Interest Cover in FY 021 of 3.41 times. Given ECHMB Capital's existing DER, the Bank has the capacity to increase its debt capital by 195.27M (53.39%) before breaching its ceiling DER of 8.0:1.

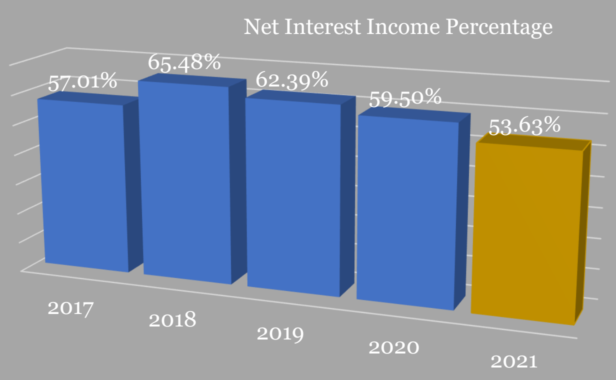
Shareholders' Return

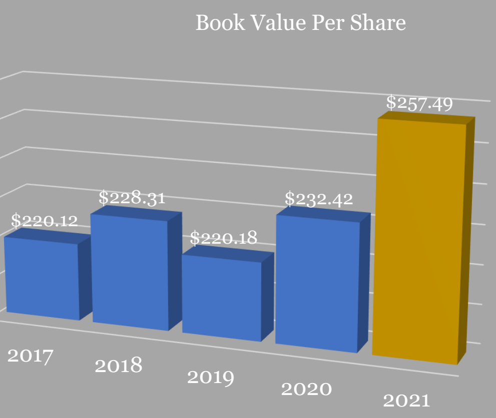
n FY 2021, ECHMB Capital paid total dividends of $10.00 per share. Shareholders also benefited from notional capital ppreciation of $23.07 (9.84%) since Book-Value-per-Share increased from $232.42 in FY 2020 to $257.49 in FY 2021.

Year Financial Trends

	2021	2020	2019	2018	2017
rest Income	16,106,192	13,525,456	12,313,216	11,480,370	11,141,929
rest Expense	7,468,564	5,477,981	4,637,522	3,962,620	4,790,392
Interest Income	8,637,628	8,047,475	7,675,694	7,517,750	6,351,537
er income	15,123,043	5,117,790	949,693	228,173	168,842
er Expenses	6,745,775	4,032,713	3,315,459	3,530,088	3,460,712
Profit for the Year	17,014,896	9,132,552	5,309,928	4,215,835	3,059,667
l Assets	461,927,985	350,137,718	265,802,954	261,901,801	244,172,894
l Liabilities	392,727,223	287,674,736	206,630,675	200,543,931	185,015,241
eholders' Equity	69,200,762	62,462,982	59,172,279	61,357,870	59,157,653
ings per share	63.31	33.98	19.76	15.69	11.39
Value per share	257.49	232.42	220.18	228.31	220.12
Interest Income	53.63%	59.50%	62.39%	65.48%	57.01%
iency Ratio	21.60%	21.63%	25.00%	30.15%	30.60%
rn on Assets	3.68%	2.61%	2.00%	1.61%	1.25%
rest Cover	3.28	2.67	2.14	2.06	1.64
-to-Equity Ratio	5.29	4.30:1	3.48:1	3.27:1	3.12:1







Earnings Per share (EPS)

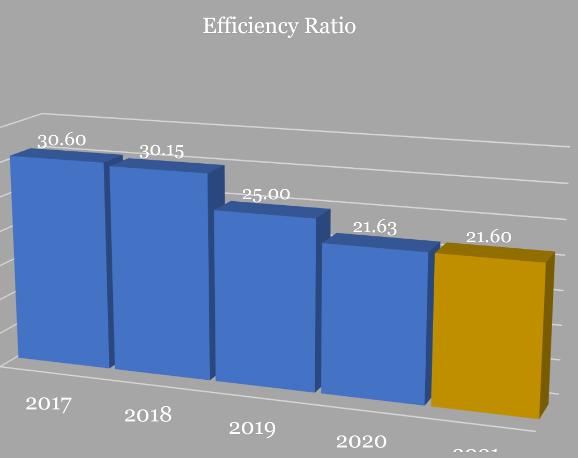
Earnings Per Share is the portion of the Bank's profit allocated to each outstanding share. The EPS serves as an indicator of ECHMB's profitability.

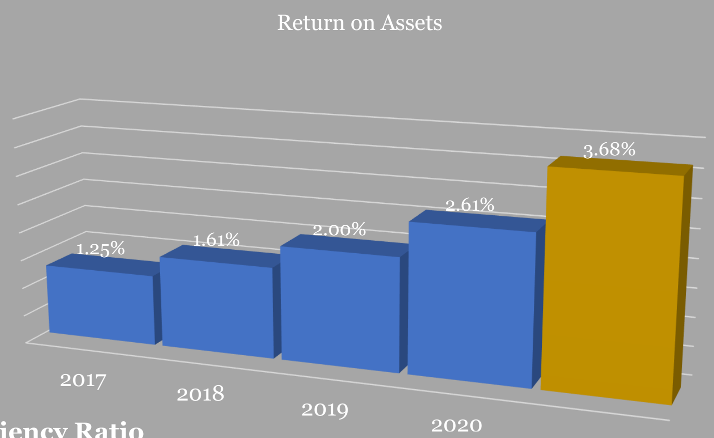
Net Interest Margin

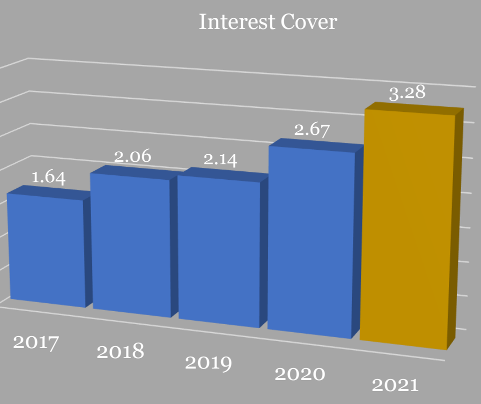
Net Interest Margin is the difference between the Income that is generated from the Bank's assets and the Interest Expense.

Book Value Per Share

Book value per share is a measure used by ECHMB's shareholders to determine the level of safety associated with each individual share after all debts are paid accordingly. Should the Bank decide to dissolve, the book value per share indicates the dollar value remaining for shareholders after all assets are liquidated and all debtors are paid.







Efficiency Ratio

Efficiency ratio measures the Bank's ability to turn resources into revenue. The lower the ratio, the better (50% is generally regarded as the maximum optimal ratio). An increase in the efficiency ratio indicates either increasing costs or decreasing revenues.

Return on Assets

Return on assets (ROA) is an indicator of how profitable ECHMB is relative to its total assets. ROA gives an idea the efficiency of the Bank’s Management in using its assets to generate earnings.

Interest Cover

Interest Cover is a measure of the adequacy of ECHMB's profits relative to interest payments on its debt. The lower the interest cover, the greater the risk that profit (before interest) will become insufficient to cover interest payments.

Appendix 5 - Liquidity Risk Management 2021

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

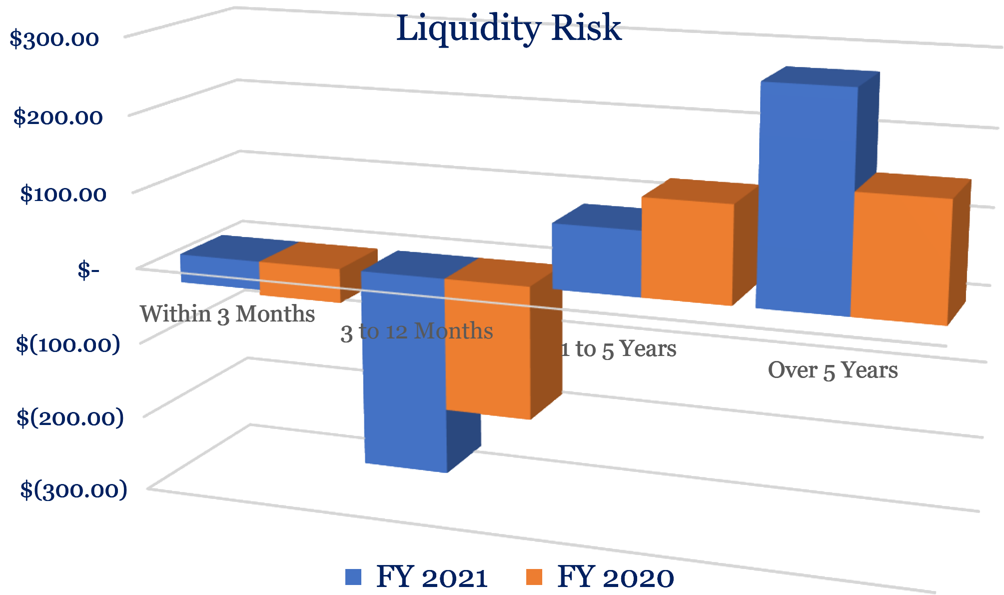
Trading Liquidity Risk

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 84.5% of total capital in 2021.

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 2021 financial year, the Bank reported a Debt-to-Equity Ratio of 5.29:1; ECHMB has the capacity to increase its debt capital by $195.27m (53.39%) 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.

Eastern Caribbean Home Mortgage Bank (Trading as ECHMB Capital)

Financial Statements
March 31, 2021
(expressed in Eastern Caribbean dollars)

Eastern Caribbean Home Mortgage Bank
(Trading as ECHMB Capital)

Statement of Management's Responsibility
For the year ended March 31, 2021

(expressed in Eastern Caribbean dollars)

Management is responsible for the following:

- Preparing and fair presenting the accompanying financial statements of Eastern Caribbean Home Mortgage Bank which comprise the statement of financial position as at March 31, 2021, the statement of profit or loss, the statement of other comprehensive income, 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
August 18, 2021

Chief Financial Officer
August 18, 2021

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, 2021, 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, 2021;
- 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.

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Our audit approach

Overview

- Overall materiality: $850,000, which represents 5% of profit before tax.

- 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

- IFRS 9 ‘Financial Instruments’ - Probabilities of Default and Loss Given 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	$850,000
How we determined it	5% of profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax 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 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 $42,500, 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 judgment, 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
IFRS 9 'Financial Instruments' - Probabilities of Default and Loss Given Default *Refer to notes 4(b), 5(d), 6, 9 and 10 to the financial statements for disclosures of related accounting policies and balances.*	
As at March 31, 2021, a total of $4.3 million of provision for expected credit losses (ECL) was accounted for within the mortgage loan facilities and $5.8 million within the investment securities portfolio. We have focused on this area as ECL models are subjective and require significant management judgements, in particular, to probability of default and loss given default.	With the assistance of our valuation specialists, we performed the following procedures, amongst others, over the Bank's ECL model and its calculation of ECL as follows: **Overall:** Developed our understanding of management's ECL model including the incorporation of assumptions and source data. Tested the completeness of mortgage loan facilities and investment securities to determine

Probability of default (PD):
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. The twelve month and lifetime PDs are determined similarly for mortgage loan facilities and investment securities.

Management 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.

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

In respect of unrated 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.

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. To consider the impact of COVID-19, management adjusted GDP growth rates including removal of outliers.

Loss given default (LGD):
Loss given default represents the amount which management is at risk of losing if a borrower defaults on its obligation. The LGDs are determined similarly for mortgage loan facilities and investment securities.

Management relies on data from reputable third party providers, where available, in determining the loss given default for corporate and sovereign investment securities.

whether all items were included in the ECL models by agreeing the models to detailed listings.

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

On a sample basis, agreed the ratings assigned to 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.

Independently developed PDs and compared to those recorded by management.

Loss given default:
Selected a sample of recovery rates used in the LGD determination of investment securities and agreed to reputable third party provider data.

Compared the LGDs for mortgage loan facilities and investment securities, where there is no external data available, to sovereign default history within the Caribbean region.

Agreed the legal status and financial condition of the borrower and financial institution under Stage 3 to publicly available information.

The results of our audit procedures indicated that the assumptions used by management for determining the probabilities of defaults and loss given default in relation to mortgage loan facilities and investment securities were not unreasonable.

In respect of mortgage loan facilities and investment securities, where there is no external data available, management derives its LGDs from the sovereign default history within 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.

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 judgment 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

St. George's, Grenada
August 18, 2021

Eastern Caribbean Home Mortgage Bank
(Trading as ECHMB Capital)

Statement of Financial Position

As at March 31, 2021

(Expressed in Eastern Caribbean dollars)

	2021 $	2020 $
Assets		
Cash and cash equivalents (note 7)	**35,531,194**	20,244,559
Receivables and prepayments (note 8)	**4,357,882**	7,893,850
Investment securities (note 9)	**386,878,273**	274,893,300
Mortgage loan facilities (note 10)	**34,188,854**	46,096,199
Motor vehicles and equipment (note 11)	**281,089**	147,598
Intangible assets (note 12)	**–**	9,004
Right of use assets (note 13)	**690,693**	853,208
Total assets	**461,927,985**	350,137,718
Liabilities		
Borrowings (note 14)	**365,728,680**	268,741,621
Other borrowings (note 15)	**24,570,000**	17,199,000
Lease liability (note 13)	**704,588**	860,898
Accrued expenses and other liabilities (note 16)	**1,723,955**	873,217
Total liabilities	**392,727,223**	287,674,736
Equity		
Share capital (note 17)	**36,999,940**	36,999,940
Portfolio risk reserve (note 18)	**13,555,937**	5,555,937
Fair value reserve (note 18)	**(11,415,857)**	(3,826,231)
Retained earnings	**30,060,742**	23,733,336
Total equity	**69,200,762**	62,462,982
Total liabilities and shareholders' equity	**461,927,985**	350,137,718

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

Approved for issue by the Board of Directors on August 18, 2021

Director Chairman

Eastern Caribbean Home Mortgage Bank
(Trading as ECHMB Capital)

Statement of Comprehensive Income

For the year ended March 31, 2021

(Expressed in Eastern Caribbean dollars)

	2021 $	2020 $
Interest income (note 20)	**16,106,192**	13,525,456
Interest expense (note 14)	**(7,468,564)**	(5,477,981)
Net interest income	**8,637,628**	8,047,475
Other income (note 21)	**15,123,043**	5,117,790
Operating income	**23,760,671**	13,165,265
Expenses		
General and administrative expenses (note 22)	**(3,935,086)**	(2,802,991)
Other operating expenses (note 23)	**(933,836)**	(1,062,932)
Mortgage administrative fees	**(144,027)**	(104,670)
Net impairment losses on financial assets	**(1,732,826)**	(62,120)
Total expenses	**(6,745,775)**	(4,032,713)
Net profit for the year	**17,014,896**	9,132,552
Earnings per share		
Basic and diluted per share (note 24)	**63.31**	33.98
Other comprehensive loss for the year:		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Investment securities at FVOCI - net change in fair value (note 18)	**(7,589,626)**	(3,826,231)
Total comprehensive income for the year	**9,425,270**	5,306,321

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, 2021

(Expressed in Eastern Caribbean dollars)	Share capital $	Portfolio risk reserve $	Fair value reserve $	Retained earnings $	Total $
Balance at March 31, 2019	**36,999,940**	**4,132,550**	–	**18,039,789**	**59,172,279**
Other comprehensive income					
Net profit for the year	–	–	–	9,132,552	9,132,552
Investment securities at FVOCI - net change in fair value (note 18)	–	–	(3,826,231)	–	(3,826,231)
Transfer to /(from) reserve (note 18)	–	1,423,387	–	(1,423,387)	–
Transaction with owners					
Dividends - $7.50 per share (note 19)	–	–	–	(2,015,618)	(2,015,618)
Balance at March 31, 2020	**36,999,940**	**5,555,937**	**(3,826,231)**	**23,733,336**	**62,462,982**
Other comprehensive income				-	
Net profit for the year	–	–	-	17,014,896	17,014,896
Investment securities at FVOCI - net change in fair value (note 18)	–	–	(7,589,626)	–	(7,589,626)
Transfer to/ (from) reserve (note 18)	–	8,000,000	–	(8,000,000)	–
Transaction with owners					
Dividends – $10.00 per share (note 19)	–	–	–	(2,687,490)	(2,687,490)
Balance at March 31, 2021	**36,999,940**	**13,555,937**	**(11,415,857)**	**30,060,742**	**69,200,762**

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, 2021

(Expressed in Eastern Caribbean dollars)

	2021 $	2020 $
Cash flows from operating activities		
Net profit for the year	**17,014,896**	9,132,552
Items not affecting cash:		
Interest expense (note 14)	**7,468,564**	5,477,981
Amortisation of corporate paper issue and transaction costs (note 14)	**440,919**	549,622
Amortisation of bond premium (note 9)	**915,167**	796,887
Unrealised (gain)/loss on FVTPL financial assets (note 9)	**(1,721,007)**	954,419
Depreciation of motor vehicles and equipment (note 11)	**64,097**	60,059
Amortisation of intangible assets (note 12)	**9,004**	9,822
Increase in provision for impairment on financial assets	**1,732,826**	62,120
Amortisation of right of use assets (note 13)	**162,515**	121,888
Interest expense on lease liability (note 13)	**23,690**	20,802
Gain on sale of motor vehicles and equipment (note 21)	**(50,833)**	(20,102)
Interest income (note 20)	**(16,106,192)**	(13,525,456)
Operating income before working capital changes	**9,953,646**	3,640,594
Changes in operating assets and liabilities:		
Decrease/(increase) in receivables and prepayments	**3,535,967**	(7,348,428)
Increase in accrued expenses and other liabilities	**850,738**	324,543
Cash from/(used in) operations before interest	**14,340,351**	(3,383,291)
Interest received	**15,315,663**	13,821,803
Interest paid	**(6,841,842)**	(5,032,562)
Net cash from operating activities	**22,814,172**	5,405,950
Cash flows from investing activities		
Proceeds from sales/maturity of financial assets (note 9)	**231,688,632**	138,951,477
Proceeds from the pool of mortgages repurchased by primary lenders (note 10)	**11,568,298**	3,317,036
Proceeds from principal repayment on mortgages (note 10)	**2,469,647**	2,330,401
Proceeds from sale of motor vehicles and equipment	**70,000**	55,000
(Decrease)/increase in mortgages repurchased and replaced (note 10)	**(688,271)**	605,073
Purchase of motor vehicles and equipment (note 11)	**(216,755)**	(117,735)
Purchase of mortgages (note 10)	**(2,165,000)**	(13,813,862)
Purchase of investment securities (note 9)	**(350,877,016)**	(204,033,085)
Net cash used in investing activities	**(108,150,465)**	(72,705,695)
Cash flows from financing activities		
Proceeds from borrowings (note 14)	**363,629,700**	263,446,700
Proceeds from other borrowed funds	**242,662,700**	17,199,000
Repayment of borrowings	**(267,446,700)**	(201,096,700)
Repayment of other borrowed funds	**(235,291,700)**	-
Payment for corporate paper issue costs and transaction costs (note 14)	**(263,582)**	(685,422)
Dividends paid	**(2,487,490)**	(1,865,618)
Principal portion of lease liability	**(156,310)**	(114,198)
Interest paid on lease liability (note 13)	**(23,690)**	(20,802)
Net cash from financing activities	**100,622,928**	76,862,960
Net increase in cash and cash equivalents	**15,286,635**	9,563,215
Cash and cash equivalents at beginning of year	**20,244,559**	10,681,344
Cash and cash equivalents at end of year (note 7)	**35,531,194**	20,244,559

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

(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 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, 2020

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.

(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, 2020 *...continued*

- **Amendments to IAS 1 and 8 on the definition of material** (effective for annual periods beginning on or after January 1, 2020).

  The amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRS: i) use a consistent definition of materiality throughout IFRS and the Conceptual Framework for Financial Reporting; ii) clarify the explanation of the definition of material; and iii) incorporate some of the guidance in IAS 1 about immaterial information. The amended definition is: "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendment clarifies that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information. It also states that an entity assesses materiality in the context of the financial statements as a whole. The amendment also clarifies the meaning of 'primary users of general-purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need. The Bank was not significantly impacted from the adoption of these amendments.

- **Amendments to IFRS 9, IAS 39 and IFRS 7** - Interest rate benchmark reform (effective for annual periods beginning on or after January 1, 2020).

  These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that Inter-Bank Offered Rate (IBOR) reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR based contracts, the reliefs will affect companies in all industries. The amendment however did not have a significant impact on the Bank.

- **Revised Conceptual Framework for Financial Reporting** (effective for annual periods beginning on or after January 1, 2020).

  The revised Conceptual Framework will be used in standard-setting decisions with immediate effect; however, no changes will be made to any of the current accounting standards. Entities that apply the Conceptual Framework in determining accounting policies, will need to consider whether their accounting policies are still appropriate under the revised Framework. The amendment is not expected to have a significant impact on the Bank.

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.

(Expressed in Eastern Caribbean dollars)

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

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, 2021 or later periods, but were not effective at the year end date, and which the Company has not early adopted.

- **Amendments to IFRS 16, 'Leases'-Covid-19 related rent concessions** (effective for annual periods beginning on or after June 1, 2020).

  As a result of coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On May 28, 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs. The amendment is not expected to have a significant impact on the Bank.

- **Amendments to IAS 1, Presentation of financial statements' on classification of liabilities** (effective for annual periods beginning on or after January 1, 2022).

  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 (for example, the receipt of a waiver or a breach of covenant). The amendment is not expected to have a significant impact on the Bank.

(Expressed in Eastern Caribbean dollars)

4 Significant accounting policies

The financial statements have been prepared using the significant accounting policies and measurement bases summarized 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 amortized 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.

(Expressed in Eastern Caribbean dollars)

4 Significant accounting policies *...continued*

b) Financial assets and liabilities *...continued*

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

Financial assets are derecognized 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 realized 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.

(Expressed in Eastern Caribbean dollars)

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 recognized 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 recognized in profit or loss.

(Expressed in Eastern Caribbean dollars)

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
- 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.

(Expressed in Eastern Caribbean dollars)

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.

(Expressed in Eastern Caribbean dollars)

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 recognized at time of receipt as "bad debts recovered" and are directly recognized in the statement of comprehensive income.

(Expressed in Eastern Caribbean dollars)

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 recognized 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. 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.

(Expressed in Eastern Caribbean dollars)

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.

(Expressed in Eastern Caribbean dollars)

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.

(Expressed in Eastern Caribbean dollars)

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	33 1/3%
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) Intangible assets

Intangible assets of the Bank pertain to computer software and website development. Acquired computer software and website development are capitalised on the basis of the costs incurred to acquire and bring to use the specific software and website. Subsequently, these intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. These costs are amortised over their estimated useful life of three years. The amortisation period and the amortisation method used for the computer software and website development are reviewed at least at each financial year-end.

Computer software and website development are assessed for impairment whenever there is an indication that they may be impaired. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. Costs associated with maintaining computer software programmes and website development are recognised as an expense when incurred.

j) 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.

(Expressed in Eastern Caribbean dollars)

4 Significant accounting policies *...continued*

k) 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.

l) 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.

m) Expenses

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

n) 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.

(Expressed in Eastern Caribbean dollars)

4 Significant accounting policies *...continued*

n) 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.

o) Share capital

Share capital represents the nominal value of ordinary shares that have been issued.

p) 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, 2021, the Board agreed to the one-off transfer of $8,000,000 (2019: $1,423,387) from Retained Earnings to the Portfolio Risk Reserve, and to increase the annual allocation to Portfolio Risk Reserve to 40% of profits after the appropriation for dividends, effective March 31, 2022.

Fair value reserve

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

q) Retained earnings

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

(Expressed in Eastern Caribbean dollars)

4 Significant accounting policies *…continued*

r) 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.

s) Reclassification

Where necessary, comparative figures have been adjusted to conform to the change in presentation in the current year There were no reclassifications during the year ended March 31, 2021.

t) 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.

u) 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.

v) 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.

(Expressed in Eastern Caribbean dollars)

5 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.

(Expressed in Eastern Caribbean dollars)

5 Financial risk management *...continued*

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 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 Probability 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.

(Expressed in Eastern Caribbean dollars)

5 Financial risk management *...continued*

d) Credit risk *...continued*

Credit risk measurement *...continued*

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 probability 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.

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 probability 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.

(Expressed in Eastern Caribbean dollars)

5 Financial risk management *...continued*

d) Credit risk *...continued*

Credit risk measurement *...continued*

Expected credit loss measurement ...continued

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 3). 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.

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 will use a maximum of a 12-month PD while Stage 2 estimates will use a lifetime PD. Stage 3 estimates will continue to leverage existing processes for estimating losses on impaired loans, however, these processes will be updated to reflect the requirements of IFRS 9, including the requirement to consider multiple forward-looking scenarios. An expected credit loss estimate will be 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 will 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 probability of defaults. 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.

(Expressed in Eastern Caribbean dollars)

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 amortized 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 will require 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.

(Expressed in Eastern Caribbean dollars)

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:

(Expressed in Eastern Caribbean dollars)

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 Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout the Bank's expected loss calculations. The Bank has not rebutted and maintains that default takes place when a financial asset is 90 days past due given its contractual obligations.

(Expressed in Eastern Caribbean dollars)

5 Financial risk management *...continued*

d) Credit risk *...continued*

Credit risk measurement *...continued*

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

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 table contains an 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.

Investment securities

Summary of Investment Securities
ECL Staging
2021

	Stage 1 $	Stage 2 $	Stage 3 $	Total $
Quoted corporate bonds	249,935,744		–	249,935,744
Quoted sovereign bonds	19,152,474	9,448,511	–	28.600,985
Term deposits	19,845,564	7,721,295	–	27,566,859
Unquoted bonds	23,451,716	28,511,474	3,250,000	55,213,190
Gross carrying amount	312,385,498	45,681,280	3,250,000	361,316,778
Provision for expected credit losses	(352,560)	(2,160,016)	(3,250,000)	(5,762,576)
Carrying amount	**312,032,938**	**43,521,264**	–	**355,554,202**

(Expressed in Eastern Caribbean dollars)

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 ...continued

Summary of Investment Securities
ECL Staging
2020

	Stage 1 $	Stage 2 $	Stage 3 $	Total $
Quoted corporate bonds	117,643,241	1,410,950	–	119,054,191
Quoted sovereign bonds	19,630,348	–	–	19,630,348
Term deposits	26,024,258	–	–	26,024,258
Unquoted bonds	53,421,017	8,168,889	3,450,000	65,039,906
Gross carrying amount	216,718,864	9,579,839	3,450,000	229,748,703
Provision for expected credit losses	(596,930)	(705,491)	(3,450,000)	(4,752,421)
Carrying amount	216,121,934	8,874,348	–	224,996,282

Mortgage loan facilities

Summary of Mortgage loan facilities
ECL Staging
2021

	Stage 1 $	Stage 2 $	Stage 3 $	Total $
Mortgage loans portfolio	12,432,994	6,554,516	2,941,834	21,929,344
Mortgage-pledged loan	2,444,007	8,413,499	–	10,857,506
Mortgage credit facility	5,739,711	–	–	5,739,711
Gross carrying amount	20,616,712	14,968,015	2,941,834	38,526,561
Provision for expected credit losses	(336,051)	(1,059,822)	(2,941,834)	(4,337,707)
Carrying amount	**20,280,661**	**13,908,193**	**–**	**34,188,854**

(Expressed in Eastern Caribbean dollars)

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 ...continued

Summary of Mortgage loan facilities
ECL Staging
2020

	Stage 1	Stage 2	Stage 3	Total
	$	$	$	$
Mortgage loans portfolio	29,167,558	–	3,472,584	32,640,142
Mortgage-pledged loan	11,188,561	–	–	11,188,561
Mortgage credit facility	5,882,532	–	–	5,882,532
Gross carrying amount	46,238,651	–	3,472,584	49,711,235
Provision for expected credit losses	(142,452)	–	(3,472,584)	(3,615,036)
Carrying amount	46,096,199	–	–	46,096,199

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.

(Expressed in Eastern Caribbean dollars)

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:

	2021 Investment securities			
	Stage 1 12-month ECL $	**Stage 2 Lifetime ECL $**	**Stage 3 Lifetime ECL $**	**Total $**
Loss allowance as at April 1, 2020	**(596,930)**	**(705,491)**	**(3,450,000)**	**(4,752,421)**
Movements with P/L impact:				
Transfers:				
Transfers from Stage 1 to Stage 2	353,634	(353,634)	–	–
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	(115,159)	–	–	(115,159)
Changes in PDs/ LGDs/EADs	(237,402)	(1,122,252)	200,000	(1,159,654)
Financial assets derecognised during the year	243,297	21,361	–	264,658
Total net P&L charge during the year	**244,370**	**(1,454,525)**	**200,000**	**(1,010,155)**
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, 2021	**(352,560)**	**(2,160,016)**	**(3,250,000)**	**(5,762,576)**

(Expressed in Eastern Caribbean dollars)

5 Financial risk management *...continued*

d) Credit risk *...continued*

Expected credit loss measurement *...continued*

Loss allowance ...continued

	2020 Investment securities			
	Stage 1 12-month ECL $	**Stage 2 Lifetime ECL $**	**Stage 3 Lifetime ECL $**	**Total $**
Loss allowance as at April 1, 2019	**(583,920)**	**(327,894)**	**(3,825,000)**	**(4,736,814)**
Movements with P/L impact:				
Transfers:				
Transfers from Stage 1 to Stage 2	432	(21,361)	–	(20,929)
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	(303,386)	(684,130)	–	(987,516)
Changes in PDs/ LGDs/EADs	157,451	–	150,000	307,451
Financial assets derecognised during the year	132,493	327,894	–	460,387
Total net P&L charge during the year	**(13,010)**	**(377,597)**	**150,000**	**(240,607)**
Other movements with no P/L impact				
Transfers from Stage 3 to Stage 2	–	–	–	–
Transfers from Stage 2 to Stage 3	–	–	–	–
Write-offs	–	–	(225,000)	(225,000)
Loss allowance as at March 31, 2020	**(596,930)**	**(705,491)**	**(3,450,000)**	**(4,752,421)**

(Expressed in Eastern Caribbean dollars)

5 Financial risk management *...continued*

d) Credit risk *...continued*

Expected credit loss measurement *...continued*

Loss allowance ...continued

	2021 Mortgage loan facilities			
	Stage 1 12-month ECL $	**Stage 2 Lifetime ECL $**	**Stage 3 Lifetime ECL $**	**Total $**
Loss allowance as at April 1, 2020	**(142,452)**	**-**	**(3,472,584)**	**(3,615,036)**
Movements with P/L impact:				
Transfers:				
Transfers from Stage 1 to Stage 2	22,605	(22,605)	–	–
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	(226,009)	(1,037,217)	530,750	(732,476)
Financial assets derecognised during the year	9,805			9,805
Total net P&L charge during the year	**(193,599)**	**(1,059,822)**	**530,750**	**(722,671)**
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, 2021	**(336,051)**	**(1,059,822)**	**(2,941,834)**	**(4,337,707)**

(Expressed in Eastern Caribbean dollars)

5 Financial risk management *...continued*

d) Credit risk *...continued*

Expected credit loss measurement *...continued*

Loss allowance ...continued

	2020 Mortgage loan facilities			
	Stage 1 12-month ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	Total $
Loss allowance as at April 1, 2019	**(121,750)**	–	**(3,671,773)**	**(3,793,523)**
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	(37,308)	–	–	(37,308)
Changes in PDs/ LGDs/EADs	13,940	–	199,189	213,129
Financial assets derecognised during the year	2,666	–	–	2,666
Total net P&L charge during the year	**(20,702)**	–	**199,189**	**178,487**
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, 2020	**(142,452)**	–	**(3,472,584)**	**(3,615,036)**

(Expressed in Eastern Caribbean dollars)

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.

(Expressed in Eastern Caribbean dollars)

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, categorized by geographical regions as of March 31, 2021 with comparatives for 2020. 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	33,879,480	501,807	172,678	976,229	–	–	35,530,194
Receivables	867,347	3,422,253	–	–	–	–	4,289,600
Investment securities							
Amortised cost	–	42,408,479	63,424,935	7,843,823	–	14,025,537	127,702,774
FVOCI	–	100,000	–	129,645,680	7,271,371	90,934,377	227,951,428
FVTPL	–	–	–	26,196,973	625,331	4,401,767	31,224,071
Mortgage loan facilities	15,107,764	19,081,090	–	–	–	–	34,188,854
As at March 31, 2021	**49,854,591**	**65,513,629**	**63,597,613**	**164,662,705**	**7,896,702**	**109,361,681**	**460,886,921**
Cash and cash equivalents	18,543,534	1,422,307	8,986	268,732	–	–	20,243,559
Receivables	1,322,761	2,750,000	3,750,000	–	–	–	7,822,761
Investment securities							
Amortised cost	–	54,572,756	66,460,270	23,673,934	–	24,470,916	169,177,876
FVOCI	–	–	–	44,586,749	5,428,419	5,803,238	55,818,406
FVTPL	–	–	–	46,904,891	1,520,267	1,371,860	49,797,018
Mortgage loan facilities	14,022,319	32,073,880	–	–	–	–	46,096,199
As at March 31, 2020	**33,888,614**	**90,818,943**	**70,219,256**	**115,434,306**	**6,948,686**	**31,646,014**	**348,955,819**

(Expressed in Eastern Caribbean dollars)

5 Financial risk management *...continued*

e) Management of credit risk *...continued*

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

	2021 **$**	**2021** **%**	**2020** **$**	**2020** **%**
Development banks	**19,657,690**	**57**	21,356,453	46
Credit unions	**12,979,767**	**38**	22,941,201	50
Finance company	**1,551,397**	**5**	1,798,545	4
	34,188,854	**100**	46,096,199	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 internal credit ratings assigned to investments are as follows:

Investment securities **Description of grade**	**Meaning**	**Internal rating**	**Range**	**2021** **$**	**2020** **$**
Investment grade	Very high grade	2	Aa1 to Aa3	**14,166,083**	8,498,244
Investment grade	High grade	3	A1 to A3	**66,311,159**	34,864,169
Investment grade	Good grade	4	Baa1 to Baa3	**179,612,932**	120,540,626
Speculative grade	Speculative grade	5	Ba1 to Ba3	**34,576,195**	42,784,640
Speculative grade	Highly speculative	6	B1 to B3	**45,398,743**	57,288,814
Speculative grade	Substantial risks	7	Caa1 to Caa3	**16,397,325**	8,000,000
Credit impaired				**3,250,000**	3,450,000
				359,712,437	275,426,493

(Expressed in Eastern Caribbean dollars)

5 Financial risk management *...continued*

e) Management of credit risk *...continued*

The internal credit ratings assigned to mortgages are as follows:

Mortgage loan facilities				**2021**	**2020**
Description of grade	**Meaning**	**Internal rating**	**Range**	**$**	**$**
Speculative grade	Speculative grade	5	Ba1 to Ba3	**-**	33,584,863
Speculative grade	Highly speculative	6	B1 to B3	**28,026,521**	12,653,788
Speculative grade	Substantial risks	7	Caa1 to Caa3	**7,558,206**	-
Credit impaired				**2,941,834**	3,472,584
				38,526,561	49,711,235

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.

(Expressed in Eastern Caribbean dollars)

5 Financial risk management *...continued*

f) Market risk *...continued*

i) Interest rate risk *...continued*

The following table summarizes 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.

	Within 3 months $	3 to 12 months $	1 to 5 years $	Over 5 years $	Non-interest bearing $	Total $
As at March 31, 2021						
Financial assets:						
Cash and cash equivalents	4,915,935	–	–	–	30,615,259	35,531,194
Receivables	–	–	–	–	4,289,600	4,289,600
Investment securities						
Amortised cost	17,331,488	12,478,044	78,516,512	19,376,730	–	127,702,774
FVOCI	–	1,410,578	1,612,752	224,828,098	100,000	227,951,428
FVTPL	–	508,027	–	–	30,716,044	31,224,071
Mortgage loan facilities	412,726	1,238,179	11,644,023	20,893,926	–	34,188,854
Total financial assets	**22,660,149**	**15,634,828**	**91,773,287**	**265,098,754**	**65,720,903**	**460,887,921**
Financial liabilities:						
Borrowings	86,738,980	278,989,700	–	–	–	365,728,680
Other borrowings	24,570,000	–	–	–	–	24,570,000
Accrued expenses and other liabilities	–	–	–	–	1,723,955	1,723,955
Lease liability	39,815	121,250	543,523	–	–	704,588
Total financial liabilities	**111,348,795**	**279,110,950**	**543,523**	–	**1,723,955**	**392,727,223**
Interest sensitivity gap	**(88,688,646)**	**(263,476,122)**	**91,229,764**	**265,098,754**	**63,996,948**	**68,160,698**

(Expressed in Eastern Caribbean dollars)

5 Financial risk management *...continued*

f) Market risk *...continued*

i) Interest rate risk *...continued*

	Within 3 months $	3 to 12 months $	1 to 5 years $	Over 5 years $	Non-interest bearing $	Total $
As at March 31, 2020						
Financial assets:						
Cash and cash equivalents	19,923,786	–	–	–	320,773	20,244,559
Receivables	–	–	–	–	7,822,761	7,822,761
Investment securities						
Amortised cost	16,908,622	17,997,986	74,942,307	59,328,961	–	169,177,876
FVOCI	–	2,725,704	1,433,084	51,659,618	100,000	55,918,406
FVTPL	–	2,339,249	36,530,430	10,927,339	–	49,797,018
Mortgage loan facilities	674,133	2,022,400	13,482,668	29,916,998	–	46,096,199
Total financial assets	**37,506,541**	**25,085,339**	**126,388,489**	**151,832,916**	**8,243,534**	**349,056,819**
Financial liabilities:						
Borrowings	73,079,921	195,661,700	–	–	–	268,741,621
Other borrowings	17,199,000	–	–	–	–	17,199,000
Accrued expenses and other liabilities	–	–	–	–	873,217	873,217
Lease liability	38,640	117,670	674,254	30,334	–	860,898
Total financial liabilities	**90,317,561**	**195,779,370**	**674,254**	**30,334**	**873,217**	**287,674,736**
Interest sensitivity gap	**(52,811,020)**	**(170,694,031)**	**125,714,235**	**151,802,582**	**7,370,317**	**61,382,083**

(Expressed in Eastern Caribbean dollars)

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 2021 $	2020 $
Interest rate - increase by 1.00% (2020: 1.00%)	294,427	720,728
Interest rate - decrease by 1.00% (2020: 1.00%)	(294,339)	(720,705)

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.

(Expressed in Eastern Caribbean dollars)

5 Financial risk management *...continued*

f) Market risk *...continued*

ii) Foreign currency risk *...continued*

The following table summarises the Bank's exposure to foreign currency risk as of March 31, 2021 and 2020. 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, 2021			
Financial assets			
Cash and cash equivalents	34,255,106	1,276,088	35,531,194
Receivables	4,289,600	–	4,289,600
Investment securities			
Amortised cost	39,063,601	88,639,173	127,702,774
FVOCI	100,000	227,851,428	227,951,428
FVTPL	–	31,224,071	31,224,071
Mortgage loan facilities	34,188,854	–	34,188,854
	111,897,161	**348,990,760**	**460,887,921**
Financial liabilities			
Borrowings	365,728,680	–	365,728,680
Other borrowings	–	24,570,000	24,570,000
Accrued expenses and other liabilities	1,723,955	–	1,723,955
Lease liability	704,588	–	704,588
	368,157,223	**24,570,000**	**392,727,223**
Net statement of financial position	**(256,260,062)**	**324,420,760**	**68,160,698**

(Expressed in Eastern Caribbean dollars)

5 Financial risk management *...continued*

f) Market risk *...continued*

ii) Foreign currency risk *...continued*

	Eastern Caribbean Dollar $	United States Dollar $	Total $
As at March 31, 2020			
Financial assets			
Cash and cash equivalents	19,949,096	295,463	20,244,559
Receivables	7,822,761	–	7,822,761
Investment securities			
Amortised cost	54,572,756	114,605,120	169,177,876
FVOCI	100,000	55,818,406	55,918,406
FVTPL	–	49,797,018	49,797,018
Mortgage loan facilities	46,096,199	–	46,096,199
	128,540,812	**220,516,007**	**349,056,819**
Financial liabilities			
Borrowings	268,741,621	–	268,741,621
Other borrowings	–	17,199,000	17,199,000
Accrued expenses and other liabilities	873,217	–	873,217
Lease liability	860,898	–	860,898
	270,475,736	**17,199,000**	**287,674,736**
Net statement of financial position	**(141,934,924)**	**203,317,007**	**61,382,083**

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. 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.

(Expressed in Eastern Caribbean dollars)

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, 2021					
Assets:					
Cash and cash equivalents	35,531,194	–	–	–	35,531,194
Receivables	4,289,600	–	–	–	4,289,600
Investment securities					
Amortised cost	17,331,488	12,478,044	78,516,512	19,376,730	127,702,774
FVOCI	–	1,510,578	1,612,752	224,828,098	227,951,428
FVTPL	30,716,044	508,027	–	–	31,224,071
Mortgage loan facilities	412,726	1,238,179	11,644,023	20,893,926	34,188,854
Total assets	**88,281,052**	**15,734,828**	**91,773,287**	**265,098,754**	**460,887,921**
Liabilities:					
Borrowings	88,693,260	281,952,885	–	–	370,646,145
Other borrowings	24,578,886	–	–	–	24,578,886
Accrued expenses and other liabilities	1,723,955	–	–	–	1,723,955
Lease liability	45,000	135,000	570,450	–	750,450
Total liabilities	**115,041,101**	**282,087,885**	**570,450**	–	**397,699,436**
Net liquidity gap	**(26,760,049)**	**(266,353,057)**	**91,202,837**	**265,098,754**	**63,188,485**

(Expressed in Eastern Caribbean dollars)

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, 2020					
Assets:					
Cash and cash equivalents	20,244,559	–	–	–	20,244,559
Receivables	7,822,761	–	–	–	7,822,761
Investment securities					
Amortised cost	16,908,622	17,997,986	74,942,307	59,328,961	169,177,876
FVOCI	–	2,725,704	1,433,084	51,759,618	55,918,406
FVTPL	–	2,339,249	36,530,430	10,927,339	49,797,018
Mortgage loan facilities	674,133	2,022,400	13,482,668	29,916,998	46,096,199
Total assets	**45,650,075**	**25,085,339**	**126,388,489**	**151,932,916**	**349,056,819**
Liabilities:					
Borrowings	73,639,423	198,709,141	–	–	272,348,564
Other borrowings	17,229,690	–	–	–	17,229,690
Accrued expenses and other liabilities	873,217	–	–	–	873,217
Lease liability	45,000	135,000	720,000	30,450	930,450
Total liabilities	**91,787,330**	**198,844,141**	**720,000**	**30,450**	**291,381,921**
Net liquidity gap	**(46,137,255)**	**(173,758,802)**	**125,668,489**	**151,902,466**	**57,674,898**

(Expressed in Eastern Caribbean dollars)

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 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.

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.

(Expressed in Eastern Caribbean dollars)

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.

	2021 $	2020 $
Total Debt	**390,298,680**	285,940,621
Total Equity	**69,200,762**	62,462,982
Debt to Equity ratio	**5.64**	4.58

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	
	2021 $	2020 $	2021 $	2020 $
Cash and cash equivalents	35,531,194	20,244,559	35,531,194	20,244,559
Receivables	4,289,600	7,822,761	4,289,600	7,822,761
Investment securities				
Amortised cost	127,702,774	169,177,876	131,877,142	164,659,200
FVOCI	239,367,284	59,744,637	227,951,428	55,918,406
FVTPL	30,852,824	50,302,426	31,224,071	49,797,018
Mortgage loan facilities	34,188,854	46,096,199	34,188,854	46,096,199
	471,932,530	353,388,458	465,062,289	344,538,143
Borrowings	365,728,680	268,741,621	365,728,680	268,741,621
Other borrowings	24,570,000	17,199,000	24,570,000	17,199,000
Accrued expenses and other liabilities	1,723,955	873,217	1,723,955	873,217
Lease liability	704,588	860,898	704,588	860,898
	392,727,223	287,674,736	392,727,223	287,674,736

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.

(Expressed in Eastern Caribbean dollars)

5 Financial risk management *...continued*

j) Fair value estimation *...continued*

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).

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

March 31, 2021	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets				
Financial assets at fair value through other comprehensive income (FVOCI)				
Quoted corporate bonds	215,954,796	–	–	215,954,796
Quoted sovereign bonds	9,516,015	–	–	9,516,015
Unquoted equity instrument	–	–	100,000	100,000
Financial assets at fair value through profit or loss (FVTPL)				
Common shares	27,918,662	–	–	27,918,662
Preferred shares	2,797,382	–	–	2,797,382
Quoted corporate bonds	504,539	–	–	504,539
Fair value	**256,691,394**	–	**100,000**	**256,791,394**

(Expressed in Eastern Caribbean dollars)

5 Financial risk management *...continued*

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

March 31, 2020	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through other comprehensive income (FVOCI)				
Quoted corporate bonds	55,037,691	–	–	55,037,691
Unquoted equity instrument	–	–	100,000	100,000
Financial assets at fair value through profit or loss (FVTPL)				
Quoted corporate bonds	35,854,874	–	–	35,854,874
Treasury securities	7,080,652	–	–	7,080,652
Government sponsored enterprise securities	4,094,324	–	–	4,094,324
Preferred shares	2,318,157	–	–	2,318,157
Fair value	104,385,698	–	100,000	104,485,698

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) Fair value of financial instruments

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period. The carrying values of the Bank's financial assets at FVOCI and the amounts of fair value changes recognised on those assets are disclosed in Note 9.

(Expressed in Eastern Caribbean dollars)

6 Critical accounting estimates and judgements *...continued*

ii) Evaluation of business model applied in managing financial instruments

The Bank has developed business models which reflect how it manages its portfolio of financial instruments. The Bank's business models need not be assessed at entity level or as a whole but shall be applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Bank) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

In determining the classification of a financial instrument under IFRS 9, the Bank evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Bank (e.g., held-for-trading, generating accrual income, direct matching to a specific liability) as those relate to the Bank's investment and trading strategies.

iii) Testing of cash flow characteristics of financial assets and continuing evaluation of the business model

In determining the classification of financial assets under IFRS 9, the Bank assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk) does not meet the amortised cost criteria. In cases where the relationship between the passage of time and the interest rate of the financial instrument may be imperfect, known as modified time value of money, the Bank assesses the modified time value of money feature to determine whether the financial instrument still meets the SPPI criterion. The objective of the assessment is to determine how different the undiscounted contractual cash flows could be from the undiscounted cash flows that would arise if the time value of money element was not modified (the benchmark cash flows). If the resulting difference is significant, the SPPI criterion is not met. In view of this, the Bank considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument.

In addition, IFRS 9 emphasizes that if more than an infrequent sale is made out of a portfolio of financial assets carried at amortised cost, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Bank considers certain circumstances documented in its business model manual to assess that an increase in the frequency or value of sales of financial instruments in a particular period is not necessarily inconsistent with a held-to-collect business model if the Bank can explain the reasons for those sales and why those sales do not reflect a change in the Bank's objective for the business model.

(Expressed in Eastern Caribbean dollars)

6 Critical accounting estimates and judgements *...continued*

iv) 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 economic impact of COVID-19 such as moratoriums and other accommodative measures;
- Establishing the number and relative weightings of forward-looking macroeconomic scenarios with increased uncertainties due to COVID-19 for each type of product or market and the associated ECL;
- The determination of the estimated time to sell the underlying collateral securing the financial assets;
- The determination of the fair value of the underlying collateral securing the financial assets; and
- The determination of the probabilities of default utilized in the assessment of 12-month and lifetime credit losses.

v) Extension options for leases

When the entity has the option to extend a lease, management uses its judgment to determine whether or not an option would be reasonably certain to be exercised. Management considers all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term. No potential lease payments have not been included in the lease liabilities as it is not reasonably certain the extension option will be exercised.

(Expressed in Eastern Caribbean dollars)

7 Cash and cash equivalents

	2021 $	2020 $
Cash on hand	**1,000**	1,000
Balances with commercial banks	**35,028,387**	18,821,252
Term deposit	**501,807**	-
Repurchase agreement	**–**	1,422,307
	35,531,194	20,244,559

Balances with commercial banks earned interest at rates ranging from 0% to 0.1% (2020: 0 % to 0.1%). During the year, the interest income earned on these financial assets was $132,221 (2020: $133,011).

In 2020, the Bank entered into a repurchase agreement with First Citizens Investment Services Ltd. collateralised by the Government of the Commonwealth of the Bahamas fixed rate Euro Bond. The Repurchase agreement was a three-month fixed income instrument which matured on the April 14, 2020.

8 Receivables and prepayments

	2021 $	2020 $
Other receivables	**4,031,000**	7,000,000
Receivables	**258,600**	822,761
Prepayments	**68,282**	71,089
	4,357,882	7,893,850

Other receivables represent amounts receivable from bondholders for their participation in the Bank's Corporate Paper HMB290322. 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.

(Expressed in Eastern Caribbean dollars)

9 Investment securities

	2021 $	2020 $
At amortised cost		
Unquoted bonds	**54,209,345**	63,733,737
Term deposits	**26,880,000**	25,534,144
Quoted corporate bonds	**31,140,248**	62,421,673
Quoted sovereign bonds	**18,710,105**	19,351,241
	130,939,698	171,040,795
Interest receivable	**2,428,557**	2,875,029
Total amortised cost (gross)	**133,368,255**	173,915,824
Less provision for expected credit losses	**(5,665,481)**	(4,737,948)
Total amortised cost (net)	**127,702,774**	169,177,876
At fair value through other comprehensive income		
Quoted corporate bonds	**215,954,796**	55,037,691
Quoted sovereign bonds	**9,516,015**	-
Unquoted equity investment	**100,000**	100,000
	225,570,811	55,137,691
Interest receivable	**2,477,712**	795,188
Total FVOCI (gross)	**228,048,523**	55,932,879
Less provision for expected credit losses	**(97,095)**	(14,473)
Total FVOCI (net)	**227,951,428**	55,918,406
At fair value through profit and loss		
Common Shares	**27,918,662**	-
Preferred shares	**2,797,382**	2,318,157
Quoted corporate bonds	**504,539**	35,854,874
Treasury securities	**-**	7,080,652
Government sponsored enterprise securities	**-**	4,094,324
	31,220,583	49,348,007
Interest receivable	**3,488**	449,011
Total FVTPL (net)	**31,224,071**	49,797,018
Total investment securities	**386,878,273**	274,893,300
Current	**62,544,181**	39,971,561
Non-current	**324,334,092**	234,921,739
Total investment securities	**386,878,273**	274,893,300

(Expressed in Eastern Caribbean dollars)

9 Investment securities *...continued*

The movement of the investment securities is shown below:

	2021			
	Amortised cost $	**FVOCI $**	**FVTPL $**	**Total $**
Principal				
Balance at beginning of year	**171,040,795**	**55,137,691**	**49,348,007**	**275,526,493**
Additions	**7,234,650**	**310,115,412**	**33,526,954**	**350,877,016**
Net change in fair value	**–**	**(7,589,626)**	**1,721,007**	**(5,868,619)**
Disposals	**(46,903,881)**	**(131,609,365)**	**(53,375,386)**	**(231,888,632)**
Bond premium amortisation	**(431,866)**	**(483,301)**	**-**	**(915,167)**
	130,939,698	**225,570,811**	**31,220,583**	**387,731,092**
Interest receivable	**2,428,557**	**2,477,712**	**3,488**	**4,909,757**
Less provision for expected credit losses	**(5,665,481)**	**(97,095)**	**–**	**(5,762,576)**
Balance at end of year	**127,702,774**	**227,951,428**	**31,224,071**	**386,878,273**

	2020			
	Amortised cost $	**FVOCI $**	**FVTPL $**	**Total $**
Principal				
Balance at beginning of year	**216,072,422**	**100,000**	**–**	**216,172,422**
Additions	**75,537,739**	**69,927,166**	**58,568,180**	**204,033,085**
Net change in fair value	**–**	**(3,826,231)**	**(954,419)**	**(4,780,650)**
Disposals	**(119,940,734)**	**(10,894,989)**	**(8,265,754)**	**(139,101,477)**
Bond premium amortisation	**(628,632)**	**(168,255)**	**–**	**(796,887)**
	171,040,795	**55,137,691**	**49,348,007**	**275,526,493**
Interest receivable	**2,875,029**	**795,188**	**449,011**	**4,119,228**
Less provision for expected credit losses	**(4,737,948)**	**(14,473)**	**–**	**(4,752,421)**
Balance at end of year	**169,177,876**	**55,918,406**	**49,797,018**	**274,893,300**

Included in the disposals for the years 2021 and 2020 is an amount of $200,000 (2020: $150,000) 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.

(Expressed in Eastern Caribbean dollars)

9 Investment securities *...continued*

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

	2021 $	2020 $
Balance at the beginning of year	**4,752,421**	4,736,814
Amounts written off	**-**	(225,000)
Loss allowance for the year	**1,010,155**	240,607
Balance at end of year	**5,762,576**	4,752,421

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% (2020: 2.60% to 8.88%) whilst, the effective interest rates for these bonds range from 2.21% to 6.76% (2020: 2.83% to 6.66%). Bonds have a weighted average maturity of 20.69 years and will mature between September 2021 into perpetuity while paying semi-annual coupon payments until maturity. As at March 31, 2021, the fair values of these amounted to $280,000,072 (2020: $172,665,479) 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% - 7.5% (2019: 5.0% - 7.5%) with maturity dates ranging from September 2021 to November 2027.

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 and the wider Caribbean and are expected to mature during the period April 2021 to March 2022. These deposits bear interest of 4.00% - 4.44% (2019: 2.00% - 4.50%).

(Expressed in Eastern Caribbean dollars)

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 $1,750,000 in yearly dividends related to the years 2020, 2019, 2017, 2016 and 2015 for $150,000 each as well as $200,000 relating to 2021, 2014, 2013, 2012 and 2011 were offset with the investment.

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.

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.

(Expressed in Eastern Caribbean dollars)

9 Investment securities *...continued*

d) Term deposits *...continued*

Depositors' Protection Trust (DPT) ...continued

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, 2021, the Bank held an outstanding principal of $2,697,326 (2020: $2,942,537). Interest earned in 2021 amounted to $57,216 (2020: $60,485).

10 Mortgage loan facilities

	2021 **$**	**2020** **$**
Mortgage loans portfolio	**21,929,344**	32,640,142
Mortgage-pledged loan	**10,857,506**	11,188,561
Mortgage credit facility	**5,739,711**	5,882,532
	38,526,561	49,711,235
Provision for expected credit losses	**(4,337,707)**	(3,615,036)
	34,188,854	46,096,199
Current	**1,650,905**	2,696,533
Non-current	**32,537,949**	43,399,666
	34,188,854	46,096,199

Territory analysis	**2021** **$**	**2020** **$**
St. Kitts and Nevis	**15,107,764**	14,022,319
Grenada	**8,913,865**	19,735,211
Antigua and Barbuda	**5,610,500**	5,927,679
St. Vincent and the Grenadines	**3,005,328**	4,612,444
St. Lucia	**1,551,397**	1,798,546
	34,188,854	46,096,199

(Expressed in Eastern Caribbean dollars)

10 Mortgage loan facilities *...continued*

	2021 $	2020 $
Movement in the balance is as follows:		
Balance at beginning of year	**46,096,199**	38,587,961
Add: Loans purchased	**2,165,000**	13,813,862
Less: Principal repayments	**(2,469,647)**	(2,562,002)
Mortgages that were repurchased and replaced	**688,271**	(605,073)
Mortgages pools repurchased	**(11,568,298)**	(3,317,036)
	34,911,525	45,917,712
(Increase)/decrease in provision for expected credit losses	**(722,671)**	178,487
Total	**34,188,854**	46,096,199

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

	2021 $
Balance at beginning of year	**3,615,036**
Change in expected credit losses for the year	**1,253,421**
Recoveries	**(530,750)**
Balance at end of year	**4,337,707**

	2020 $
Balance at beginning of year	**3,793,523**
Change in expected credit losses for the year	**20,702**
Recoveries	**(199,189)**
Balance at end of year	**3,615,036**

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.

(Expressed in Eastern Caribbean dollars)

10 Mortgage loan facilities *...continued*

Terms and conditions of mortgage loan facilities *...continued*

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% (2020: 6% to 11%). During the financial year, the Bank earned interest income of $2,473,016 (2020: $2,374,816) (see note 20).

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 have been classified under "Mortgage loan facilities". Under the agreement, the ABIB and subsequently ABIB under receivership collected monthly payments from the mortgagors on behalf of the Bank and remitted those to the Bank net of an administration fee. These have been classified under "Receivables and prepayments".

As at March 31, 2021, the mortgage loan balance amounted to $2,941,834 (2020: $3,472,584). Collections made on behalf of the Bank for these loans and outstanding amounted to $530,750 (2020: $199,189).

The balances associated with ABIB in receivership were assessed as being credit-impaired and categorized under stage 3 in the impairment model. As a result of this 100% provision for expected credit losses was recognized with respect to the principal and interest accrued balance.

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 3.50% (2020: 3.50%) 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.

(Expressed in Eastern Caribbean dollars)

10 Mortgage loan facilities *...continued*

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% (2020: 4.0%) with an average tenor of ten (10) years.

11 Motor vehicles and equipment

	Motor vehicles $	Computer equipment $	Furniture and fixtures $	Machinery and equipment $	Total $
Year ended March 31, 2020					
Opening net book value	103,208	9,523	12,089	–	124,820
Additions	107,000	10,735	–	–	117,735
Disposals	(123,170)	–	–	–	(123,170)
Depreciation charge (note 23)	(50,394)	(8,521)	(1,144)	–	(60,059)
Depreciation write back	88,272	–	–	–	88,272
Closing net book value	**124,916**	**11,737**	**10,945**	**-**	**147,598**
At March 31, 2020					
Cost	222,000	211,144	20,218	71,965	525,327
Accumulated depreciation	(97,084)	(199,407)	(9,273)	(71,965)	(377,729)
Net book value	**124,916**	**11,737**	**10,945**	**–**	**147,598**
Year ended March 31, 2021					
Opening net book value	124,916	11,737	10,945	–	147,598
Additions	210,000	6,755	–	–	216,755
Disposals	(115,000)	–	–	–	(115,000)
Depreciation charge (note 23)	(57,067)	(5,887)	(1,143)	–	(64,097)
Depreciation write back	95,833	–	–	–	95,833
Closing net book value	**258,682**	**12,605**	**9,802**		**281,089**
At March 31, 2021					
Cost	317,000	217,899	20,218	71,965	627,082
Accumulated depreciation	(58,318)	(205,294)	(10,416)	(71,965)	(345,993)
Net book value	**258,682**	**12,605**	**9,802**	**–**	**281,089**

(Expressed in Eastern Caribbean dollars)

12 Intangible assets

	Computer software $	Website development $	Total $
Year ended March 31, 2020			
Opening net book value	18,826	–	18,826
Amortisation charge (note 23)	(9,822)	–	(9,822)
Closing net book value	9,004	–	9,004
At March 31, 2020			
Cost	44,228	13,505	57,733
Accumulated amortisation	(35,224)	(13,505)	(48,729)
Net book value	9,004	–	9,004
Year ended March 31, 2021			
Opening net book value	9,004	–	9,004
Amortisation charge (note 23)	(9,004)	–	(9,004)
Closing net book value	–	–	–
At March 31, 2021			
Cost	44,228	13,505	57,733
Accumulated amortisation	(44,228)	(13,505)	(57,733)
Net book value	–	–	–

13 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. 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 present value of 3.00%.

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

	2021 $	2020 $
Right-of-use asset		
Opening balance	**853,208**	–
Additions	–	975,096
Amortisation	**(162,515)**	(121,888)
Closing balance	**690,693**	853,208

(Expressed in Eastern Caribbean dollars)

13 Leases ...*continued*

	2021 $	2020 $
Lease liability		
Opening balance	**860,898**	–
Additions	–	975,096
Interest expense	**23,690**	20,802
Lease payment	**(180,000)**	(135,000)
Closing balance	**704,588**	860,898

	2021 $	2020 $
Lease liability		
Current	**161,065**	156,310
Non-current	**543,523**	704,588
	704,588	860,898

The lease liabilities are secured by the related underlying assets. Future minimum lease payments as at March 31, 2021 were as follows:

	Minimum lease payments due						
	Within 1 year $	1-2 years $	2-3 years $	3- 4 years $	4-5 years $	After 5 years $	Total $
March 31, 2021							
Lease payments	180,000	180,000	180,000	180,000	30,450	–	750,450
Finance Charges	(18,935)	(14,036)	(8,988)	(3,787)	(116)	–	(45,862)
Net Present Value	**161,065**	**165,964**	**171,012**	**176,213**	**30,334**	–	**704,588**

The amounts recognised in profit and loss for the year ended March 31, 2021 are as follows:

	2021 $	2020 $
Amounts recognised in profit and loss		
Amortisation expense on right-of-use assets (note 22)	**162,515**	121,888
Interest expense on lease liability (note 22)	**23,690**	20,802
Expense relating to short-term leases (rent) (note 22)	–	45,000

(Expressed in Eastern Caribbean dollars)

14 Borrowings

	2021 $	2020 $
Corporate papers		
Balance at beginning of year	**254,261,700**	199,096,700
Add: Issues during the year	**333,845,700**	254,261,700
Less: Redemptions during the year	**(254,261,700)**	(199,096,700)
	333,845,700	254,261,700
Less: unamortised issue costs	**(210,254)**	(387,591)
	333,635,446	253,874,109
Other borrowed funds - Repurchase Agreements		
Balance at beginning of year	**13,185,000**	6,000,000
Add: Issues during the year	**13,600,000**	9,185,000
Less: Redemptions during the year	**(13,185,000)**	(2,000,000)
	13,600,000	13,185,000
Other borrowed funds - Corporate Note		
Balance at beginning of year	**–**	–
Add: Issues during the year	**16,184,000**	–
Less: Redemptions during the year	**–**	–
	16,184,000	–
Interest payable	**2,309,234**	1,682,512
Total	**365,728,680**	268,741,621
Current portion	**365,728,680**	268,741,621

Corporate papers are comprised of one-year debt instruments with maturity dates ranging from April 6, 2021 to March 29, 2022 (2020: April 6, 2020 to March 27, 2021).

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% (2020: 1.98% to 2.50%). Interest expense incurred during the year amounted to $7,468,564 (2020: $5,477,981).

During the period the Bank transitioned from the Repurchase Agreement to a Corporate Note. The tenor and rate of the Corporate Note are identical to the retired Repurchase Agreements, 365 days and 2.7% respectively, with interest payable in arrears. Corporate Notes are debt obligations of the Bank secured by its fixed and floating assets.

(Expressed in Eastern Caribbean dollars)

14 Borrowings *...continued*

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

	2021 $	2020 $
Capitalised issue costs		
Balance at beginning of year	**387,591**	251,791
Additions	**263,582**	685,422
	651,173	937,213
Less: amortisation for year (note 23)	**(440,919)**	(549,622)
Balance at end of year	**210,254**	387,591

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 (1) year (2020: one year) which carry an interest rate of 2.50% (2020: 1.98% to 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.

15 Other borrowings

	2021 $	2020 $
Revolving line of credit	**24,570,000**	17,199,000

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 1.10% to 1.19% 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.

(Expressed in Eastern Caribbean dollars)

16 Accrued expenses and other liabilities

	2021 $	2020 $
Accrued expenses	**710,645**	663,300
Other liabilities	**1,013,310**	209,917
	1,723,955	873,217
Current portion	**1,723,955**	873,217

17 Share capital

The Bank is authorised to issue 400,000 (2020: 400,000) ordinary shares of no par value.

As at March 31, 2021, there were 268,749 (2020: 268,749) ordinary shares of no par value issued and outstanding.

	Number of shares	2021 $	2020 $
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
	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 authorized shares capital of the Bank is $40,000,000 divided into 400,000 shares of the $100 each, in the following classes:

(a) 100,000 Class A shares which may be issued only to the Central Bank;
(b) 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;
(c) 80,000 Class C shares which may be issued only to commercial banks, other than a Government owned or controlled commercial bank;
(d) 40,000 Class D shares which may be issued only to insurance companies and credit institutions;
(e) 40,000 Class E shares which may be issued only to the International Finance Corporation; and,
(f) 80,000 Class F shares which may be issued only to the Home Mortgage Bank of Trinidad and Tobago.

(Expressed in Eastern Caribbean dollars)

18 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, and to increase the annual allocation to Portfolio Risk Reserve to 40% of profits after the appropriation for dividends, effective March 31, 2022.

	2021 $	2020 $
Balance at beginning of year	**5,555,937**	4,132,550
Transfer from retained earnings	**8,000,000**	1,423,387
Balance at end of year	**13,555,937**	5,555,937

Fair value reserve

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

	2021 $	2020 $
Balance at the beginning of year	**(3,826,231)**	-
Current year losses	**(5,782,242)**	(4,072,792)
Reclassification of net (losses) gains to profit and loss on disposal of investment securities	**(1,807,384)**	246,561
Balance at end of year	**(11,415,857)**	(3,826,231)

19 Dividends

At the Annual General Meeting on October 2, 2020 (2020: October 4, 2019), an interim dividend of $5.00 per share and a final dividend of $5.00 per share (2020: $7.50) were approved amounting to $2,687,490 (2020: $2,015,618).

Dividends paid during the financial year amounted to $2,687,490 (2020: $2,015,618). Management took the decision to offset dividends payable to CLICO Barbados of $200,000 (2020: $150,000) 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 $3,250,000 (2020: $3,450,000).

(Expressed in Eastern Caribbean dollars)

20 Interest income

	2021 $	2020 $
Investment securities and cash and cash equivalents	**13,633,176**	11,150,640
Mortgage loan facilities (note 10)	**2,473,016**	2,374,816
	16,106,192	13,525,456

21 Other income

	2021 $	2020 $
Mortgage underwriting seminar income	–	120,000
Mortgage underwriting seminar expenses	–	(126,687)
	–	(6,687)
Gain on disposal of financial assets at FVOCI	**10,267,004**	246,561
Gain on disposal of financial assets at amortised cost	**2,016,705**	5,518,629
Gain on disposal of financial assets at FVTPL	**1,056,881**	288,030
Unrealised gain (loss) on FVTPL financial assets (note 9)	**1,721,007**	(954,419)
Gain on disposal of motor vehicles and equipment	**50,833**	20,102
Miscellaneous	**10,613**	5,574
	15,123,043	5,117,790

(Expressed in Eastern Caribbean dollars)

22 General and administrative expenses

	2021 $	2020 $
Salaries and related costs	**2,661,125**	1,876,248
Advertising/promotion	**504,484**	235,612
Commission and fees	**215,423**	44,460
Amortisation - right-of-use (note 13)	**162,515**	121,888
Legal and professional	**120,069**	90,338
Telephone	**41,210**	32,621
Credit rating fee	**40,539**	50,266
Computer repairs and maintenance	**34,961**	14,664
Miscellaneous	**34,781**	43,533
Printing and stationery	**26,672**	38,775
Interest - lease liability (note 13)	**23,690**	20,802
Repairs and maintenance	**20,189**	22,019
Insurance	**15,270**	11,759
Dues and subscriptions	**11,002**	10,107
Airfares	**9,493**	51,897
IT Audit	**7,500**	8,775
Courier services	**3,627**	5,990
Hotel accommodation	**2,536**	39,387
Rent (note 13)	**–**	45,000
Internal audit fees	**–**	38,850
	3,935,086	2,802,991

23 Other operating expenses

	2021 $	2020 $
Amortisation of corporate paper issue and transaction costs (note 14)	**440,919**	549,622
Directors fees and expenses	**226,171**	265,486
Professional fees	**112,113**	58,908
Sundry debt instrument listing, registry and processing fees	**80,421**	117,372
Depreciation of motor vehicles and equipment (note 11)	**64,097**	60,059
Amortisation of intangible assets (note 12)	**9,004**	9,822
Foreign currency losses/(gains), net	**1,111**	1,663
	933,836	1,062,932

(Expressed in Eastern Caribbean dollars)

24 Earnings per share (EPS)

Basic and diluted earnings per share are computed as follows:

	2021 $	2020 $
Net profit for the year	**17,014,896**	9,132,552
Weighted average number of shares issued	**268,749**	268,749
Basic and diluted earnings per share	**63.31**	33.98

The Bank has no dilutive potential ordinary shares as of March 31, 2021 and 2020.

25 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, 2021 (2020: nil).

There are two (2) pending legal claims 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 November 7, 2019 in the High Court in Saint Lucia against the defendant (and served on the Bank on November 21, 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 By-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;
c) costs.

The matter was heard on October 16, 2020 and November 2, 2020, and the Court made the following orders:
a) The application to set aside service of the claim is dismissed.
b) The Court declared that is has no jurisdiction to try the claim and it is therefore dismissed.
c) The parties will each bear this cost of the proceedings.

(Expressed in Eastern Caribbean dollars)

25 Contingent liabilities and capital commitments *...continued*

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 $100,000.

26 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 Investment Officer, and the Executive Assistant. 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".

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 (2020: $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, 2021, the balance held with the ECCB was $30,412,584 (2020: $18,014,373).

Compensation of key management personnel

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

	2021 **$**	**2020** **$**
Short-term benefits	**1,163,113**	931,386
Director fees	**168,000**	160,500
	1,331,113	1,091,886

(Expressed in Eastern Caribbean dollars)

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

Short-term loans to key management personnel

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

	2021 $	2020 $
Short-term loans	**19,600**	10,000
	19,600	10,000

27 Impact of COVID-19

In December 2019, a novel strain of coronavirus (COVID-19) began to spread around the world, resulting in business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organisation (WHO) on January 30, 2020. WHO subsequently declared COVID-19 a pandemic on March 11, 2020.

Since the outbreak of COVID-19 in the first quarter of 2020, global financial markets have experienced, and may continue to experience significant volatility and there are significant consequences for the global economy from travel and border restrictions, quarantines, supply chain disruptions, lower consumer demand and general market uncertainty. The extent and duration of the impact of COVID-19 on the global economy, financial markets, and sectors and specific positions in which the Bank invests is uncertain at this time, but it has the potential to adversely affect the value of the Bank's investment portfolio and performance. Management is not aware of any significant adverse effects on the financial statements for the year ended March 31, 2021, as a result of COVID-19. Management will continue to monitor the situation and the impact on the Plan.

28 Subsequent events

Management has assessed subsequent events through to the date of approval when these financial statements were available to be issued.

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, and to increase the annual allocation to Portfolio Risk Reserve to 40% of profits after the appropriation for dividends, effective March 31, 2022.