PROSPECTUS

FOR THE ISSUE OF CORPORATE PAPER OF EC $280,772,700 (Private Placement) BY THE EASTERN CARIBBEAN HOME MORTGAGE BANK ("ECHMB") (Trading as ECHMB Capital)

ECCB Complex, Bird Rock Road
P.O. Box 753
Basseterre
ST. KITTS & NEVIS

E-mail:info@echmb.com
Tel:1-869-466-7869
Fax:1-869-466-7518

The Prospectus has been drawn up in accordance with the Securities ("Prospectus") Regulations SRO 54 of 2001 of the laws of Grenada. The Eastern Caribbean Securities Regulatory Commission (ECSRC) accept no responsibility for the contents of this Prospectus, make no representations as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss whatsoever arising from or reliance upon the whole or any part of the contents of this Prospectus. If you are in doubt about the contents of this document or need financial or investment advice you should consult a person licensed under the Securities Act or any other duly qualified person who specializes in advising on the acquisition of corporate instruments or other securities.

January 2021

NOTICE TO INVESTORS

This Prospectus is issued for the purpose of giving information to the list of prospective investors in ECHMB $280,772,700 Corporate Paper by private prospectus.

Statements contained in this Prospectus describing documents are provided in summary form only and such documents are qualified in their entirety by reference to such documents. The ultimate decision and responsibility to proceed with any transaction with respect to this offering rests solely with the investor. Therefore, prior to entering the proposed investment, the investor should determine the economic risks and merits, as well as the legal, and accounting characteristics and consequences of this Corporate Paper offering, and the ability to assume those risks.

This Prospectus and its contents are issued for the Corporate Paper described herein. Should you need advice, consult an intermediary licensed under the Securities Act of an Eastern Caribbean Currency Union ("ECCU") Member Territory or any other duly qualified person who specializes in advising on the acquisition of corporate instruments or other securities. The Prospectus has been delivered to the ECSRC for approval in accordance with the Securities Act 2001 Chap. 299A of the laws of Grenada.

TABLE OF CONTENTS

1.0 GENERAL INFORMATION ON THE CORPORATE PAPER 4

2.0 THE MORTGAGE BANK STATEMENT 5

3.0 CORPORATE PAPER TERMS AND CONDITIONS ....6 - 7

4.0 CORPORATE PAPER ADMINISTRATION AND MANAGEMENT 8

5.0 TITLE AND DENOMINATIONS ....8 - 11
- 5.1 STATUS 8
- 5.2 INTEREST ....8 - 9
- 5.3 REDEMPTION AND PURCHASE 10
- 5.4 PAYMENTS 10
- 5.5 PRESCRIPTION 10
- 5.6 REPLACEMENT OF CORPORATE PAPER 10
- 5.7 FURTHER ISSUES 10
- 5.8 NOTICES 10
- 5.9 USE OF PROCEEDS 11

6.0 FINANCIAL PERFORMANCE ....12 - 17

6.10 RISK FACTORS..................... ....18 - 27
- 6.10 RISK MANAGEMENT 18
- 6.11 RISK GOVERNANCE 18
- 6.15 RISK CLASSIFICATION 20
- 6.16 CREDIT RISK MANAGEMENT 21
- 6.17 MORTGAGE LOAN PORTFOLIO 21
- 6.18 INVESTMENT PORTFOLIO 22
- 6.19 OPERATIONAL RISK MANAGEMENT 22– 24
- 6.20 FOREIGN ECHANGE RISK 24
- 6.21 LIQUIDITY RISK 25-26
- 6.24 REPUTATIONAL RISK 26

7.0 COMPANY BACKGROUND INFORMATION 27

8.0 PARTICULARS OF LISTED AND UNLISTED SECURITIES ISSUED 28

9.0 INCORPORATION ....28 – 29

10.0 SHAREHOLDING ....29 - 30

11.0 CORPORATE GOVERNANCE .... 31 - 37
- 11.1.2 BOARD OF DIRECTORS 31
- 11.1.3 BOARD CHARTER 31
- 11. 2 ROLES AND RESPONSIBILITIES OF THE BOARD ....31 - 33
- 11. 3 DIRECTOR INDEPENDENCE AND NON-EXECUTIVE DIRECTORS 33
- 11.4 QUALITY AND SUPPLY OF INFORMATION TO THE BOARD 33
- 11. 5 CORPORATE SECRETARY 34
- 11.6 CONFLICT OF INTEREST 34
- 11.7 STRUCTURED TRANING PROGRAMME FOR DIRECTORS 34
- 11.8 AUDIT & RISK COMMITEE ....34 - 35
- 11.10 THE MORTGAGE BANK'S BEST PRACTICE 35
- 11.11 BUSINESS EXPERIENCE OF DIRECTORS 36– 38
- 11.12 OTHER DIRECTORSHIPS HELD BY DIRECTORS 38
- 11.13 SUMMARY OF BY-LAWS RELEVANT TO DIRECTORS 39
- 11.14 INTERNAL RELATIONSHIPS 39
- 11.15 DIRECTORS' REMUNERATION 39
- 11.16 LEGAL PROCEEDINGS 39
- 11.17 MATERIAL CONTRACTS 39
- 11.17 MATERIAL CONTRACTS 39
- 11.18 PATENTS OR INTELLECTUAL PROPERTY RIGHTS 39

12.0 MANAGEMENT 40

13.0 OPERATIONAL POLICIES 40

14.0 FUNDING, PROJECTIONS AND FINANCIAL POSITIONS 41

15.0 SECURITY ISSUANCE PROCEDURES .... 41 - 42

16.0 SPECIAL NOTICE 42

17.0 STATEMENT BY THE DIRECTORS OF THE MORTGAGE BANK 43

APPENDICES

APPENDIX - 1 AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2018

APPENDIX - 2 AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2019

APPENDIX - 3 AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2020

APPENDIX - 4 UNAUDITED FINANCIAL STATEMENTS FOR THE EIGHT MONTHS ENDED 30TH NOVEMBER 2020

APPENDIX - 5 ECSE'S LIST OF LICENSED INTERMEDIARIES

**********************oOo***********************

1.0 GENERAL INFORMATION ON THE CORPORATE PAPER

Issuer: Eastern Caribbean Home Mortgage Bank (The Mortgage Bank)

Address: ECCB Complex, Bird Rock Road
P.O. Box 753, Basseterre, St. Kitts

Email: info@echmb.com

Telephone No.: 1-869-466-7869
Facsimile No.: 1-869-466-7518

Prospectus Contact Persons:
Randy Lewis, ACA; FCCA; MBA; AccDir – Chief Executive Officer
Heidi Hypolite, FCCA; MBA – Chief Financial Officer
Shaka St. Ange, BBA. – Treasury Officer

ECCB Complex, Bird Rock Road, P.O. Box 753, Basseterre
St. Kitts

Date of Publication: January 2021

Purpose of Issues: To redeem the following Corporate Papers:

Tranche	Amount	Redemption Date
1st Tranche	$30,005,000	30th January 2021
2nd Tranche	$2,550,000	26th February 2021
3rd Tranche	$24,098,700	27th March 2021
4th Tranche	$30,565,000	6th April 2021
5th Tranche	$32,000,000	1st June 2021
6th Tranche	$9,090,000	18th June 2021
7th Tranche	$35,006,000	6th July 2021
8th Tranche	$11,050,000	26th August 2021
9th Tranche	$18,770,000	28th September 2021
10th Tranche	$30,000,000	22nd October 2021
11th Tranche	$30,000,000	26th November 2021
12th Tranche	$27,638,000	29th December 2021

Offer Period: 1st January 2021 to 31st December 2021

Method of Pricing Fixed price at 2.5% (Tranches 1 to 12)

Amount of Issues: Two hundred and eighty million, seven hundred and seventy-two thousand, seven hundred dollars ($280,772,700)

Expense of the Offer The Corporate Paper of $280,772,700 is expected to be fully subscribed and the expected expenses of the issue are estimated at $300,000, (Net proceeds $280,472,700) including costs of marketing the issues and preparation and printing of the Prospectus, payable by ECHMB.

Underwriter for Issues: There are no underwriters for the Corporate Paper Issues.

2.0 THE MORTGAGE BANK STATEMENT

EC$280,772,700 (Private Placement)
Secured Fixed Rate (Tax Free) Corporate Paper
due 2022
Issue Price: 100.00

2.1 This document captioned "Prospectus of the Corporate Paper" provides information with regard to the Issue of EC$280,772,700 Secured Fixed Rate (Tax Free) Corporate Paper of Eastern Caribbean Home Mortgage Bank (the "Mortgage Bank").

2.2 The Mortgage Bank has taken all reasonable care to ensure that the facts stated herein in relation to the Bank are true and accurate in all material respects and that there are no other facts the omission of which makes misleading any statement herein in relation as aforesaid whether of fact or opinion. The Mortgage Bank accepts responsibility accordingly. In connection with the issue and sale of the Issue of $280,772,700 Secured Fixed Rate (Tax Free) Corporate Paper due 2022, no person is authorised to give any information or to make any representations not contained in this document, and the Mortgage Bank accepts no responsibility for any such information or representation.

2.3 The Corporate Paper will issue and mature on the following dates: -

Tranche	Issue Date	Maturity Date
1st Tranche	29 January, 2021	28 January, 2022
2nd Tranche	25 February, 2021	25 February, 2022
3rd Tranche	29 March, 2021	29 March, 2022
4th Tranche	8 April, 2021	8 April, 2022
5th Tranche	31 May, 2021	31 May, 2022
6th Tranche	21 June, 2021	21 June, 2022
7th Tranche	7 July, 2021	7 July, 2022
8th Tranche	26 August, 2021	26 August, 2022
9th Tranche	28 September, 2021	28 September, 2022
10th Tranche	25 October, 2021	25 October, 2022
11th Tranche	25 November, 2021	25 November, 2022
12th Tranche	29 December, 2021	29 December, 2022

2.4 An over-subscription option of $10,000,000 is assigned to each tranche. The Mortgage Bank reserves the right without the consent of the applicants of the tranche under consideration, to exercise the over-subscription option. In the event the over-subscription option is exercised, the aggregate tranche will rank *pari passu*.

2.5 In this document all references to "dollars" or "$" are to Eastern Caribbean Dollars, and all references to "Member Territories" refer to Member Territories encompassed by the Eastern Caribbean Home Mortgage Bank Act of 1994.

3.0 CORPORATE PAPER TERMS AND CONDITIONS

Issuer	:	Eastern Caribbean Home Mortgage Bank (the Mortgage Bank)		
Instrument Type	:	Secured Fixed Rate (Tax-Free) Corporate Paper 2020		
Issue Dates & Issue Amounts	:	**Tranche**	**Amount**	**Issue Date**
		1st Tranche	$30,005,000	29 January, 2021
		2nd Tranche	$2,550,000	25 February, 2021
		3rd Tranche	$24,098,700	29 March, 2021
		4th Tranche	$30,565,000	8 April, 2021
		5th Tranche	$32,000,000	31 May, 2021
		6th Tranche	$9,090,000	21 June, 2021
		7th Tranche	$35,006,000	7 July, 2021
		8th Tranche	$11,050,000	26 August, 2021
		9th Tranche	$18,770,000	28 September, 2021
		10th Tranche	$30,000,000	25 October, 2021
		11th Tranche	$30,000,000	25 November, 2021
		12th Tranche	$27,638,000	29 December, 2021
Coupon Rate	:	Fixed Rate of 2.50%		
Day-Count Convention	:	Interest basis is Actual/365.		
Over-Allotment Option	:	An over-subscription option of $10,000,000 is assigned to each tranche. The Mortgage Bank reserves the right without the consent of the applicants of the tranche under consideration, to exercise the over-subscription option. In the event the over-subscription option is exercised, the aggregate tranche will rank *pari passu*		
Registrar, Transfer and Paying Agent	:	Eastern Caribbean Central Securities Depository ("ECCSD") ECCB Complex, P.O. Box 94, Bird Rock Road, Basseterre, St. Kitts.		
Use of Proceeds	:	To redeem the following Corporate Papers issued in 2020:		
		Tranche	**Amount**	**Redemption Date**
		1st Tranche	$30,005,000	30 January, 2021
		2nd Tranche	$2,550,000	26 February, 2021
		3rd Tranche	$24,098,700	27 March, 2021
		4th Tranche	$30,565,000	06 April, 2021
		5th Tranche	$32,000,000	01 June, 2021
		6th Tranche	$9,090,000	18 June, 2021
		7th Tranche	$35,006,000	05 July, 2021
		8th Tranche	$11,050,000	26 August, 2021
		9th Tranche	$18,770,000	28 September, 2021
		10th Tranche	$30,000,000	22 October, 2021
		11th Tranche	$30,000,000	26 November, 2021
		12th Tranche	$27,637,000	29 December, 2021

Interest Payments & Due Dates	:	Semi-annually in arrears commencing six (6) months after each Issue Date, for the duration of the Corporate Paper. If the applicable Interest Payment Date would otherwise fall on a day which is not a Business Day, it shall be postponed to the next Business Day. Payment dates are:

Tranche	Interest Payment (1st)	Interest Payment (final)
1st Tranche	30 July, 2021	28 January, 2022
2nd Tranche	26 August, 2021	25 February, 2022
3rd Tranche	27 September, 2021	29 March, 2022
4th Tranche	7 October, 2021	8 April, 2022
5th Tranche	29 November, 2021	31 May, 2022
6th Tranche	20 December, 2021	21 June, 2022
7th Tranche	5 January, 2022	7 July, 2022
8th Tranche	24 February, 2022	26 August, 2022
9th Tranche	29 March, 2022	28 September, 2022
10th Tranche	25 April, 2022	25 October, 2022
11th Tranche	26 May, 2022	25 November, 2022
12th Tranche	29 June, 2022	29 December, 2022

Transferability	:	Transfer of securities will be limited to the participants of each respective Tranche.
Principal Repayment	:	Bullet at maturity
Security	:	The Corporate Paper are secured by floating charges on the assets of the Bank, save and except assets pledged to secure other debt obligations.
Issuer Rating	:	On the 18th September 2020, CariCRIS reaffirmed the ratings of CariBBB+ (Foreign and Local Currency Rating) for the debt issue of the size of USD$30,000,000.
Minimum subscription	:	The Corporate Paper will be issued with a minimum bid amount of $5,000.
Governing Law	:	The Issue will be governed according to the Securities Act 2001 Chap. 299A of the laws of Grenada.

4.0 CORPORATE PAPER ADMINISTRATION AND MANAGEMENT

4.1 The issue was authorized by the Board of Directors of the Mortgage Bank on 30th September 2020 in conformity with the provisions of the Eastern Caribbean Home Mortgage Bank Agreement Act, No. 8 of 1995, and is also guided by the following: -

- The Registrar, Transfer and Paying Agency Agreement;
- Corporate Resolution dated 30th September 2020.

4.2 The foregoing documents will be made available via email upon request by investors in the Corporate Paper.

5.0 TITLE AND DENOMINATIONS

The Corporate Paper shall be transferable as personal property, and title will pass upon registration of a proper instrument of transfer. The Corporate Paper will be held in a dematerialized form and the instrument of transfer will be accompanied by Certification of Ownership delivered to the investor by the Eastern Caribbean Central Securities Depository ("ECCSD"). The Mortgage Bank and the ECCSD may treat the registered holder of any Corporate Paper as the absolute owner thereof (whether or not such Corporate Paper shall be overdue and notwithstanding any notice of ownership or writing thereon or any notice of previous loss or theft or of trust or other interest therein) and the Register of Investors shall (in the absence of willful default, bad faith or manifest error) at all times be conclusive evidence of the ownership interest of each investor for the purpose of making payment and for all other purposes. The Corporate Paper will be issued with the minimum bid of $5,000. Each investor will be notified by the ECCSD of the amount of their investment and provide Certification of ownership and investor identification account information.

5.1 Status

The principal monies and interest represented by the Corporate Paper will be direct, unconditional and secured obligations of the Mortgage Bank and will rank *pari passu*, without any preference among themselves.

5.2 Interest

5.2.1 Accrual of Interest

The Corporate Paper will bear interest from and including the "Issue Date" for its respective Tranche. Interest in respect of the amount of Corporate Paper represented by each registered Issue will accrue from day to day and will cease to accrue from the due date for repayment thereof.

5.2.2 Interest Payment Dates, Interest Periods and Arrears of Interest

Interest in respect of the Corporate Paper shall be payable on each Interest Payment Date, in respect of the Interest Period ending on the day immediately preceding such date. Any interest in respect of the Corporate Paper not paid on an Interest Payment Date, together with any other interest in respect thereof not paid on any other Interest Payment Date shall, so long as the same remains unpaid constitute "Arrears of Interest". Arrears of Interest may at the option of the Mortgage Bank be paid in whole or in part at any time upon the expiration of not less than seven days' notice to such effect given to the Investors, but all Arrears of Interest in respect of all Issues for the time being outstanding shall become due in full on the date fixed for any repayment pursuant to Section 5.3 below or on maturity of the Corporate Paper whichever is the earlier. If notice is given by the Mortgage Bank of its intention to pay the whole or any part of Arrears of Interest, the Mortgage Bank shall be obliged to do so upon the expiration of such notice. Arrears of Interest shall not themselves bear interest.

As used herein:

"Interest Payment Date" means the date falling six calendar months after the Issue Date and thereafter each date which falls six calendar months after the immediately preceding Interest Payment Date i.e.

Tranche	Interest Payment (1st)	Interest Payment (final)
1st Tranche	30 July, 2021	28 January, 2022
2nd Tranche	26 August, 2021	25 February, 2022
3rd Tranche	27 September, 2021	29 March, 2022
4th Tranche	7 October, 2021	8 April, 2022
5th Tranche	29 November, 2021	31 May, 2022
6th Tranche	20 December, 2021	21 June, 2022
7th Tranche	5 January, 2022	7 July, 2022
8th Tranche	24 February, 2022	26 August, 2022
9th Tranche	29 March, 2022	28 September, 2022
10th Tranche	25 April, 2022	25 October, 2022
11th Tranche	26 May, 2022	25 November, 2022
12th Tranche	29 June, 2022	29 December, 2022

If the applicable Interest Payment Date would otherwise fall on a day which is not a Business Day (as defined below) it shall be postponed to the next day which is a Business Day. If for any reason an Interest Payment Date is so determined by the Paying Agent (as defined in sub-paragraph below) to be, or to be deemed to be, the last Business Day of any calendar month all subsequent Interest Payment Dates shall (subject as provided below) be the last Business Day. If, however, after the determination of an Interest Payment Date the same is declared or determined not to be a Business Day then that Interest Payment Date will be re-determined on the above basis (mutatis mutandis) except that, if such re-determination fails to be made 14 days or less before that Interest Payment Date, as originally determined, then that Interest Payment Date as re-determined will be postponed to the next day which is a Business Day even though such Business Day falls in the next calendar month. Subsequent Interest Payment Dates will, in such event nevertheless, be determined as if that re-determined Interest Payment Date had fallen on the last Business Day of the calendar month in which it was originally determined to fall.

"Interest Period" means the period from and including one Interest Payment Date (or, as the case may be, the Issue Date) up to but excluding the next (or first) Interest Payment Date. "Business Day" means a day on which Commercial Banks are open for business in the Federation of St. Christopher and Nevis.

5.2.3 Rates of Interest

The Coupon rates are fixed for the duration of the Corporate Paper at 2.5% per annum

5.2.4 Notifications to be Final

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Section 5, by the Paying Agent, shall (in the absence of willful default, bad faith or manifest error) be binding on the Mortgage Bank, and (in the absence as aforesaid) no liability to the investors shall attach to the Paying Agent in connection with the exercise or non-exercise by them of their powers, duties and discretion.

5.3 Redemption and Purchase

5.3.1 Services of Registrar, Transfer and Paying Agent

Upon purchase of the Corporate Paper by investors, the ECCSD will provide the services of Registrar, Transfer and Paying Agent to the Mortgage Bank's Corporate Paper. Accordingly, the register of Investors will be transferred and maintained electronically by the ECCSD. The ECCSD is a subsidiary of the ECSE. The ECCSD operates in a dematerialized environment.

The ECCSD will send to each investor a notification regarding the investors' investments in the Mortgage Bank's Corporate Paper and provide them with an update of their ownership every six (6) months. Furthermore, every time there is a movement in the respective Accounts, the ECCSD will send the investors an activity statement confirming the transactions, which will represent certification of ownership.

Investors will be given an Investor ID and Registry Account Number. The Investor will be given a Unique Identifier. All joint account holders are required to designate one of the account holders to have responsibility for operating the Account, or both account holders shall have equal responsibility for the operation of the Account.

5.4 Payments

Payments in respect of the Principal and Interest will be made by cheque drawn on a bank in any of the Eastern Caribbean Territories and by direct deposit to designated accounts. Cheques in respect of interest payments only will be mailed to investors at the addresses appearing in the register of Investors.

5.5 Prescription

Any Principal and Interest payable that remains outstanding after the maturity date of the Corporate Paper shall be held by ECSE in trust for the benefit of the Investor, for a period not exceeding seven (7) years after which all such amounts will be transferred to the Eastern Caribbean Central Bank (ECCB), for the benefit of the Investors.

5.6 Replacement of Corporate Paper

Confirmation of ownership of a Corporate Paper to be replaced or otherwise shall be obtained directly from the Registrar, Transfer and Paying Agent at all times, on payment of such costs as may be incurred in connection therewith.

5.7 Further Issues

The Mortgage Bank will be at liberty from time to time without the consent of the Investors to create and issue further Issues either ranking *pari passu* in all respects (or in all respects save for the first payment of interest thereon) with the Corporate Paper upon such terms as to interest, conversion, repayment and otherwise as the Mortgage Bank may at the time of the issue thereof determine.

5.8 Notices

All notices to the Investors and Corporate Paper holders will be valid if transmitted electronically. Such notice shall be deemed to have been given on the date of such transmission or, if issued more than once, on the date of the first such transmission.

5.9 Use of Proceeds

To redeem the following Corporate Papers:

Tranche	Amount	Redemption Date
1st Tranche	$30,005,000	30 January, 2021
2nd Tranche	$2,550,000	26 February, 2021
3rd Tranche	$24,098,700	27 March, 2021
4th Tranche	$30,565,000	06 April, 2021
5th Tranche	$32,000,000	01 June, 2021
6th Tranche	$9,090,000	18 June, 2021
7th Tranche	$35,006,000	05 July, 2021
8th Tranche	$11,050,000	26 August, 2021
9th Tranche	$18,770,000	28 September, 2021
10th Tranche	$30,000,000	22 October, 2021
11th Tranche	$30,000,000	26 November, 2021
12th Tranche	$27,637,000	29 December, 2021

6.0 FINANCIAL PERFORMANCE FY 2020

ECHMB 2020-2019 Performance Highlights

Growth in mortgage loans facilities **19.46%**	Growth in investment securities **27.36%**	**$18.65M** Operating revenue
Growth in Borrowings **30.41%**	Growth in Equity **5.56%**	**$8.05M** Net Interest Income
Return on Shareholders' equity **14.62%**	Book Value Per share **$232.42**	**$5.12M** Other Income
Dividend per share **$7.50**	Return on Assets Under Management **$2.61%**	**$9.13M** Net profit for the year

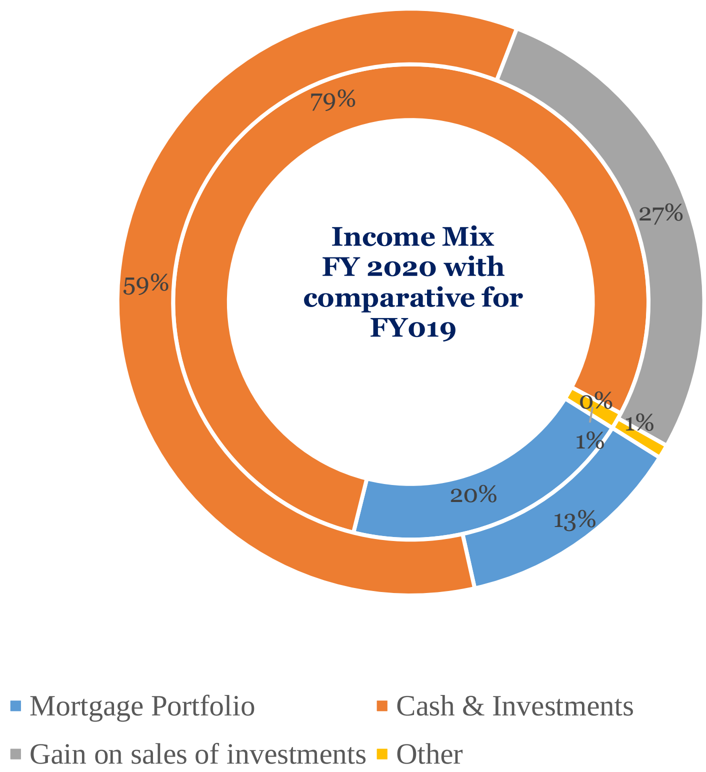
6.1 Significant Transactions FY 2020

- Commenced the active management of the investment portfolio and reported Other Income totaling $5.12M.
- Acquired investments totaling $204.03M.
- Sold and/or redeemed Financial Assets totaling $138.95M
- Engaged Allianz for management of the Bank's investments portfolio reported through profit and loss.
- Altered the pricing of the Bank's Corporate Papers ("CP") from competitive bid auction to fixed price auction at 2.50%. This resulted in additional subscriptions totaling $62.66M, an increase of 30.41%.
- Repaid matured CPs totaling $201.10M.
- Completed the Launch of the Bank's inaugural Repurchase Agreement Programme and secured subscriptions totaling $13.19M.
- Acquired Mortgage Loan Facilities ("MLF") totaling $13.81M
- Sold MLF totaling $3.32M.
- Implemented IFRS # 16 (Lease)
- Paid an inaugural interim dividend of $3.75 per share and a final dividend of $3.75 per share.

6.2 Interest Income

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

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

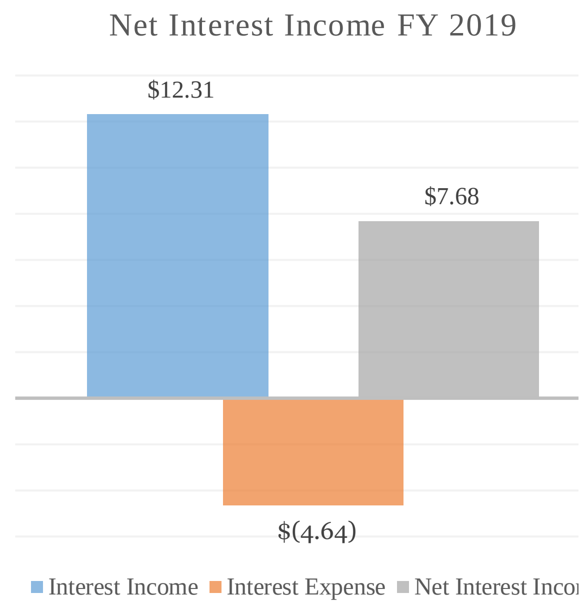


6.4 Interest Expenses

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

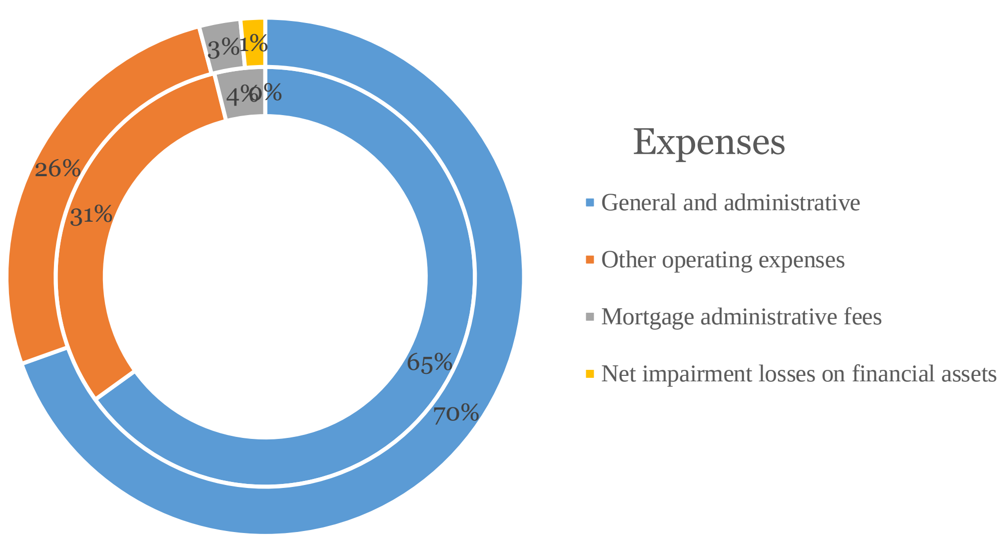
6.5 Net Interest Income

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



6.6 Non-Interest Expenses

6.6.2 In FY 2020, major emphasis was placed on improving the ECHMB's brand recognition and awareness. This included the launch of the Bank's eMarketing platform and an extensive face-to-face marketing campaign in each of the eight (8) islands of the ECCU. In addition, the Bank recruited an officer with direct responsibility for customer interface and marketing of its financial instruments. Our increased marketing efforts were largely responsible for the $0.64M (29.63%) increase in General and Administrative Expenses from $2.16M in FY 2019 to $2.80M in FY 2020. In addition, Net Impairment Losses on Financial Assets recorded an expense of $0.06M in FY 2020, compared to a writeback of $0.92M in FY 2019.



6.7 Net Profit for the Year

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

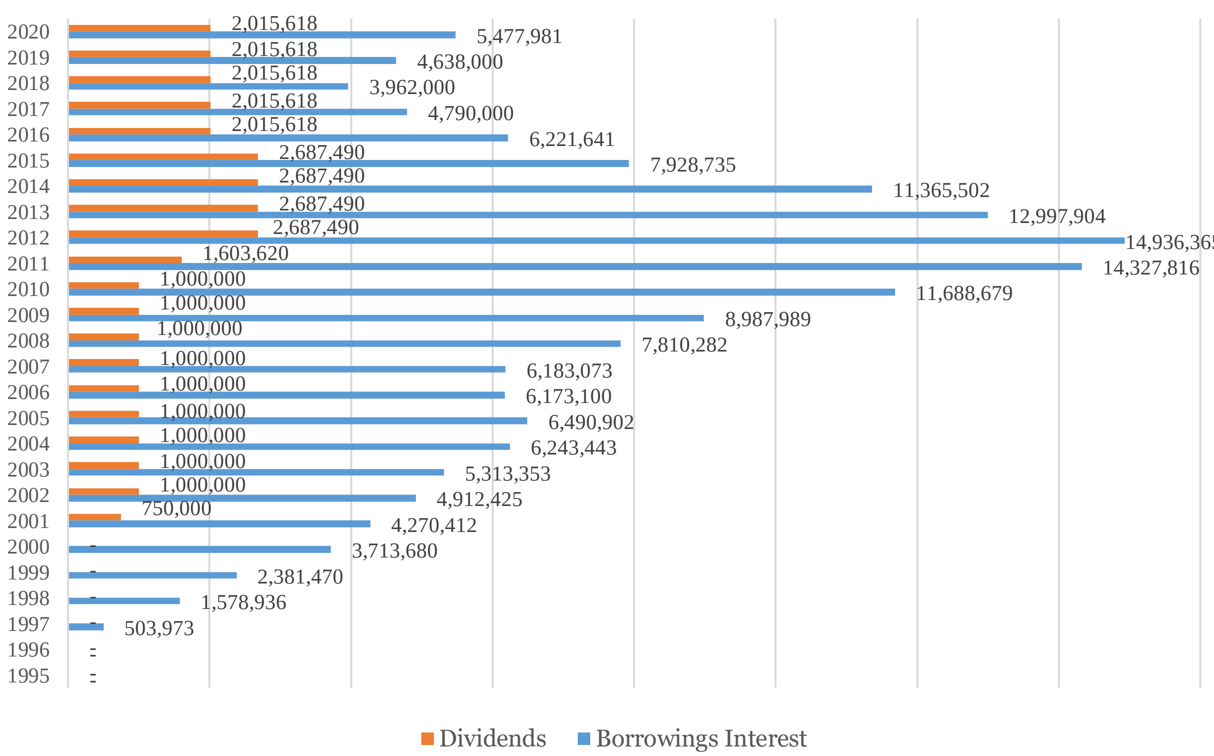
6.8 Capital Structure

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

6.8.3 Shareholders' Return

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

Return to providers of capital 1995-2020



6.9 Outlook

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

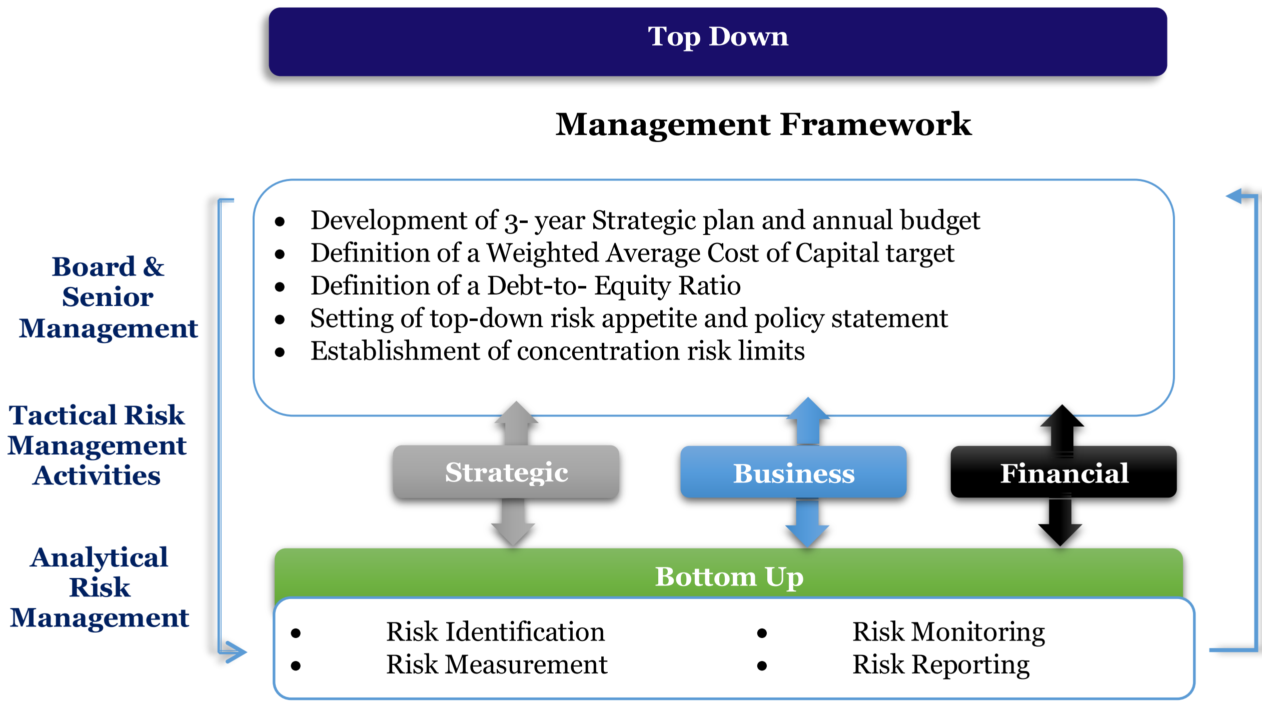
6.9.3 The ECHMB's response in such an unparalleled environment is one of great caution. At the end of the financial year, our investment portfolio had 56.0% exposure to developed economies and 44.0% exposure to emerging markets. The irrational rebound in developed financial markets without fully grasping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

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

6.10 Risk Management

6.10.2 ECHMB's enterprise risk management framework seeks to promote sound stewardship of the Bank and ensures a consistent approach to managing risks. We take a holistic and forward-looking view of risks by continuously assessing both current and emerging risks.

ECHMB's Risk Management Framework



6.10.3 The Framework also details the Bank's risk governance structure and risk management processes. We have adopted a clearly articulated risk appetite that is closely tied to the strategic planning process from which the Bank's strategic and business plans are derived. The Bank's risk appetite statement considers various risk types and is operationalized via thresholds, policies and controls. Effective thresholds are essential in managing risks within acceptable levels.

6.10.4 The Framework enhances the Bank's risk management strategy by strengthening its internal control structure and corporate governance. In essence, the Framework not only facilitates the identification of the risks the Bank faces but sets the foundation for the development and application of adequate and efficient internal controls to ensure that sound and prudent risk management strategies are implemented.

6.11 Risk Governance

6.11.2 ECHMB's Board of Directors guides the conduct of our affairs and provides sound leadership to the management team. The Board has delegated some of its authority to Board committees and management to enable them to oversee specific responsibilities based on clearly defined terms of reference.

➔ **The Board** governs the organization by broad policies and objectives. In addition, the Board:

- Establishes the Bank's risk appetite;
- Provides oversight and supports management by overseeing the facilitation and coordination of ERM and strategic planning activities across ECHMB; and
- Reviews ECHMB's risk exposures to ensure that the policies implemented remain relevant and prudent.

➔ **The Audit and Risk Committee (ARC)** has oversight of the Bank's financial position and makes recommendations to the Board on all financial matters, risks, internal financial controls and compliance. In addition, the ARC:

- Monitors and reviews the adequacy and effectiveness of accounting policies, financial and other internal control systems and financial reporting processes;
- Reviews risk reports and discusses issues related to strategic, business, financial and other risk issues relative to established strategic risk targets;
- Reviews the independence and effectiveness of the Bank's external audit and internal audit;
- Obtains reasonable assurance that policies for significant risks are being adhered to through management reporting and periodic reports from the Internal Auditors.

➔ **Senior Management** is responsible for the effective performance of all the Bank's operations and the management of all risks and implementation of risk governance processes, standards, policies and frameworks. In addition, management:

- Champions a risk management culture within the organization;
- Ensures that the significant risks that may impact objectives are being consistently and continuously identified, assessed, managed, monitored and reported on;
- Ensures an appropriate level of resources are allocated, in alignment with established risk appetite targets, for assessing and managing risks;
- Develops and implements a risk management plan for the organization; and
- Communicates relevant risk policies to employees and are effectively integrated in their daily operations

In the last three months of the 2020 financial year, the rapid spread and global reach of Covid-19 has illustrated the importance of implementing a forward-looking approach to risk management.

6.12 ECHMB's enterprise risk management framework seeks to promote sound stewardship of the Bank and ensures a consistent approach to managing risks. We take a holistic and forward-looking view of risks by continuously assessing both current and emerging risks.
ECHMB's risk appetite statement is an integral part of the governance framework covering the Bank's strategy, business objectives, risk and financial management.

6.13 Risk appetite refers to the type and aggregate level of risk that the Bank is prepared to take on within the framework of its strategic objectives. It is one of the major considerations of the Board of Directors and Management in charting ECHMB's growth trajectory and devising related operating strategies. The Bank's risk appetite is determined, in particular, with reference to its financial and risk management policies, which reflect:

- A financing policy, consistent with the Bank's mandate, that combines responsible investment decisions and a prudent lending approach.
- A focus on maintaining low exposure to market risk.
- Strict management of exposure to operational risk.
- Consistent monitoring of the Bank's capital position.
- Control of asset-liability management risks.

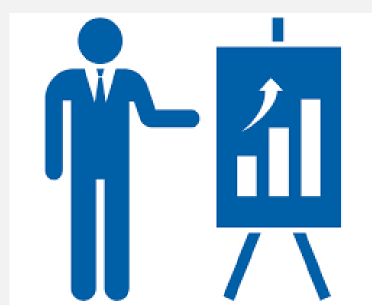
6.14 Risk management is an integral part of ECHMB's internal control system. The Bank implements the necessary resources to manage risks and maintain an appropriate alignment with risk appetite by leveraging the three lines of defense that participate in internal control: -

1. Operational Business Lines
2. Risk Management Function
3. The Audit Function

Although the occurrence, extent and unprecedented impact of the virus was unforeseen, the key takeaway is the need to include these types of scenarios in ECHMB's future strategic discussions given its effect on credit, market, liquidity and operational risks.

6.15 Risk Classification

6.15.2 ECHMB's business is influenced by many risk factors that are difficult to predict and may materially affect actual results. Investments may not perform as expected, resulting in a loss of capital or income or a failure to meet your investment objectives. The Directors recommend potential investors consider the risk factors outlined in this Prospectus and to consult their professional advisers, before deciding whether to apply for securities.

Credit Risk 	**Operational Risk** 	**Liquidity Risk** 
Foreign Exchange Risk 		**Reputational Risk** 

6.16 Credit Risk Management

6.16.2 Credit risk is the most significant measurable risk faced by ECHMB. Credit risk is the risk that because of default by the issuer, the investor will not receive all or part of the scheduled interest and principal that the issuer is obligated to pay. Payments on the instruments are to be made indirectly from collections on the mortgage loans that are secured by properties in the member territories, as well as cash flows generated from investments. The mortgage loan payments may be adversely affected by, among other things, a failure by primary lending institutions to perform their servicing duties and their obligations to repurchase the mortgage loans that are in arrears. This could materially impair the servicing of the mortgage loans, resulting in losses on the mortgage loans and indirectly resulting in losses on the Corporate Paper. Cash flows generated from investments would be adversely affected if a counterparty to a financial instrument fails to meet its contractual obligations, which can also indirectly have an impact on the Corporate Paper. Covid-19 resulted in an unprecedented shock in economic activity regionally and internationally, which in turn contributed to elevated credit and liquidity risks in global markets and adversely affected the performance of Bank's portfolios in the last three months of the financial year as the level of uncertainty grew.

6.16.3 This high level of uncertainty also currently surrounds forward-looking information relevant to applying the IFRS 9, particularly in the estimation of expected credit losses (ECLs). Consequently, in the determination of the ECL recognized in the Bank's financial statements, the ECHMB has:

- Incorporated downward or negative short-term economic growth forecasts based on projections and scenarios published by reputable international bodies.

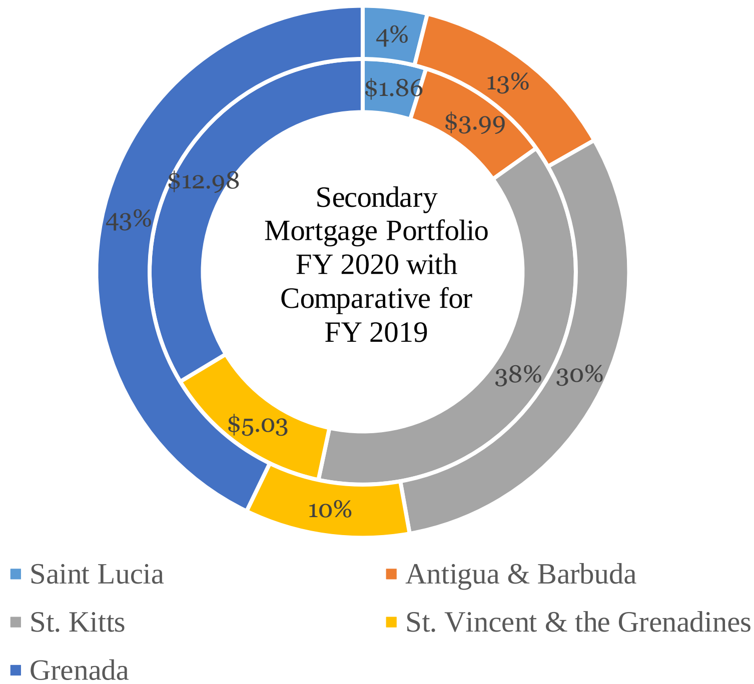
- Applied downward rating revisions made by international rating agencies following significant declines in performance. Higher probability of defaults were therefore used for corporates whose ratings were lowered by the end of the 2020 financial year.

- Payment moratoriums granted on a case-by-case basis to our primary lenders, in keeping with the decision by the Eastern Caribbean Central Bank (ECCB) and financial institutions to extend moratoriums on mortgage loans throughout the ECCU. The agreements to suspend payments to these lenders in the short-term did not automatically result in exposures moving from a 12-month ECL to a lifetime ECL measurement.

6.16.4 The environment in which we now operate is subject to rapid change. Updated facts and credit events will continue to be monitored and applied to our IFRS 9 provisioning as new information becomes available.

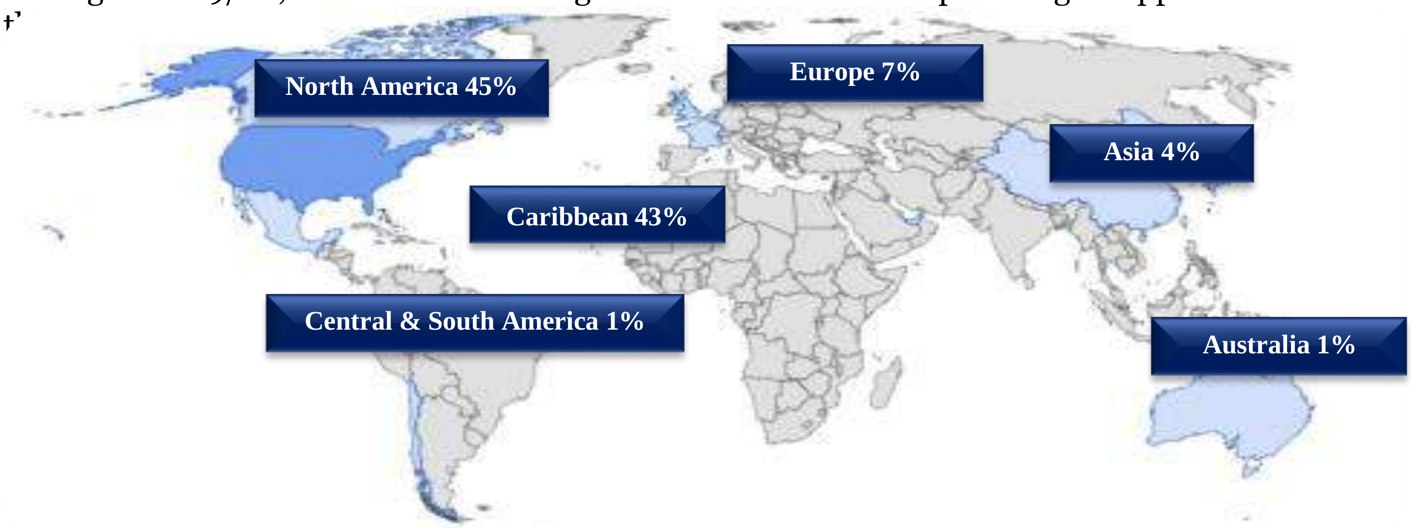
6.17 Mortgage Loans Portfolio

6.17.2 The secondary mortgage portfolio grew moderately during the year indicative of a pick-up in demand for mortgages in the primary mortgage market. This trend tapered off in February 2020, when the potential scale of Covid-19 came to head. Loans to institutional lenders increased by $7.51m or 19.46%, which primarily reflected new loans totaling $13.81M partly offset by principal payments of $2.33M and an impairment of $3.32M. Consequently, our geographical exposure of the Bank's mortgage portfolio shifted.



6.18 Investment Portfolio

During FY 2019/20, risk reduction through diversification while capitalizing on opportunities in t'

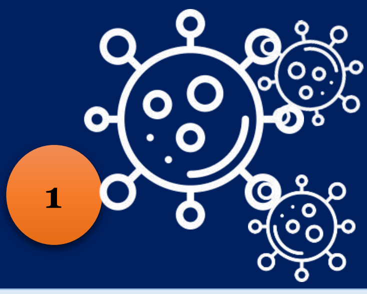


We also aim to minimize this risk by investing our international exposures primarily in investment grade instruments and limiting total exposure per investee to 15.0% of total shareholders' equity. The credit quality of the portfolio is monitored continuously throughout the year.

6.19 Operational Risk Management

6.19.2 Operational risk is inherent within the activities of any institution. It results from inadequacy or failure attributable to processes, people, systems or external events. We identified risks that are likely to affect our operations in the short to medium-term to empower conscious risk-taking. These risks are closely linked to the Bank's strategy.

Key Issues

Risk drivers	Risk drivers	Risk drivers
Novel Coronavirus - Global Pandemic	**Disruptions from natural disasters**	**Emergence of NBFIs as major players in the ECCU**
		
Impact	**Impact**	**Impact**
• Disruptions in normal day-to-day activities and lower employee productivity associated with physical distancing and work-from-home orders • Economic instability contributing to lower demand for secondary mortgages	• Disruption of ECHMB's operations. • Significant infrastructural damage and deterioration of asset quality of primary lender may lead to higher impairment.	• Decline in traditional markets. • Emergence of new target market. • Higher risk assumed from growing exposure to NBFIs.
Mitigants	**Mitigants**	**Mitigants**
• Revised business continuity plans and creation of work-from-home policy. • Ongoing assessments of banking behavior and investor needs during this turbulent time.	• Formalize business continuity plan. • Invested in offsite backup and increase insurance coverage on property and equipment. • Increase diversification of assets outside of the ECCU.	• Target NBFIs to grow mortgage loans portfolio. • • Tailor eligibility assessments to NBFIs while limiting concentration per primary lender.

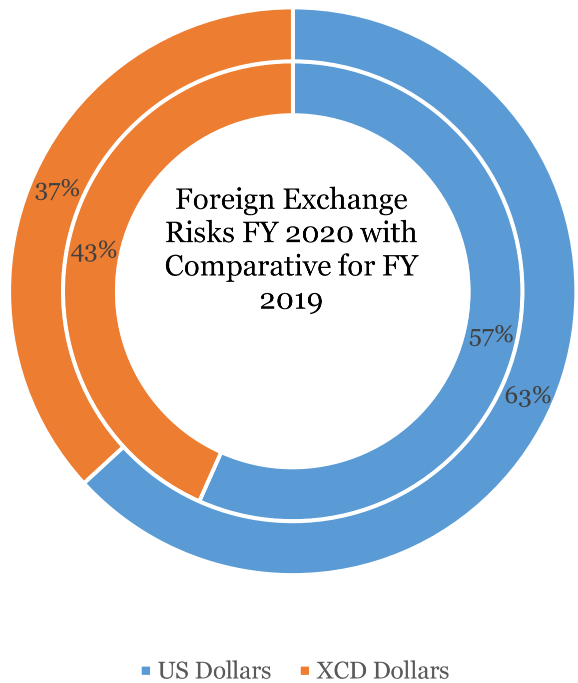
Key Issues continued

Risk drivers	Risk drivers	Risk drivers
New Entrants to the Money and Capital Market ("MCM") in the ECCU	**Increased bargaining power of customers**	**Lackluster Secondary Mortgage Market**

		
Impact	**Impact**	**Impact**
• ECHMB may be required to pay higher costs to attract funding due to the increased competition. • Increased expenditure on marketing and product propositioning.	• Customers are demanding higher interest rates. • Existing investors can divest instruments in the ECCU and switch resources to regional and international issuers.	• Erosion of our traditional source of income.
Mitigants	**Mitigants**	**Mitigants**
• The Bank is working towards increasing its credit ratings. • Adopted a new marketing strategy of increasing face-to-face contact with its target market. • The Bank intends to fill the existing void for investment grade instruments on the MCM. • The Bank intends to seek symbiotic relationships with new entrants.	• Continually and actively monitor the external environment in order to identify customer needs and anticipate competitive actions. • Offer more attractive instruments on the Eastern Caribbean Securities Market (ECSM).	• The Bank has switched its main emphasis to investing in fixed income instruments on the international capital market. • The Bank has targeted NBFIs to grow its mortgage loans portfolio

6.20 Foreign exchange risk

6.20.2 Foreign exchange risk is the loss that the Bank may incur subsequent to adverse exchange rate fluctuations. It originates mainly from holding investments denominated in United States dollars. ECHMB's foreign exchange risk exposure is managed by a "natural currency hedge" in which the Bank's transactions are completed in the same currency.



6.21 Liquidity Risk Management

6.21.2 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.

6.21.3 Liquidity risk may be subdivided into two categories: -

1. Trading Liquidity Risk
2. Funding Liquidity Risk

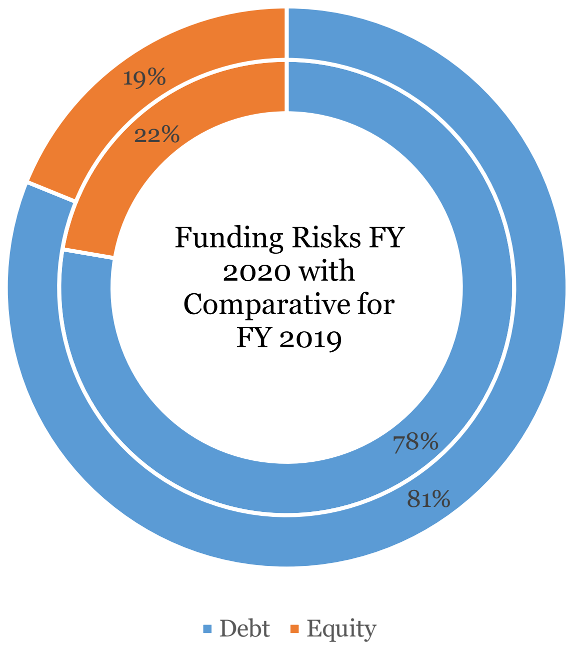
6.22 Trading Liquidity Risk

6.22.2 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.

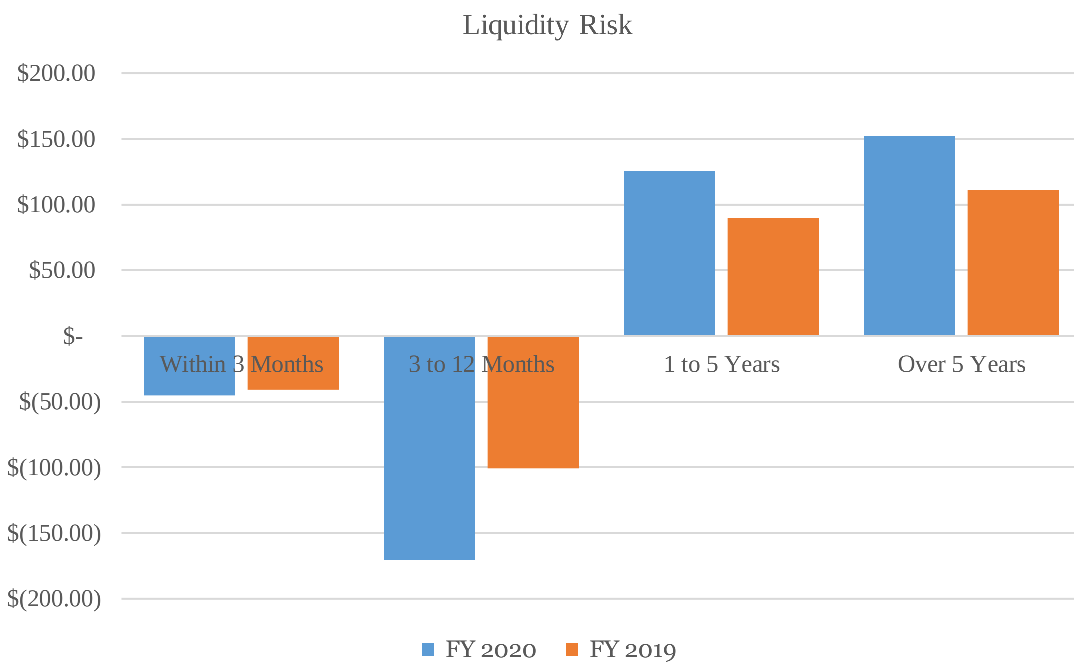
6.23 Funding Liquidity Risk

6.23.2 Funding liquidity risk is the risk that creditors either withdraw credit or change the terms on which it is granted. Funding liquidity can be put at risk because the borrower's credit quality is, or at least perceived to be, deteriorating, but also because financial conditions on a whole are deteriorating. ECHMB's funding relates mainly to issuance of debt instruments on the Eastern Caribbean Securities Market and

Shareholders' Equity. Debt instruments continue to be the Bank's principal source of funds and accounted for 81.0% of total capital in 2020.



6.23.3 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 2019 financial year, the Bank reported a Debt-to-Equity Ratio of 4.58:1. ECHMB has the capacity to increase its debt capital by $214.06M (74.88%) before breaching its guideline.



The negative liquidity gaps arise due to the Bank's strategy of funding its operations from corporate papers with a maximum tenor of 365 and the placement of investment and mortgage backed securities over tenors in excess of three (3) years in order to secure higher interest rates. The ECHMB mitigates the negative liquidity gaps by arranging a Revolving Credit Line in the amount of $32.0m to meet large cash outlays.

6.24 Reputational Risk Management

6.24.2 Reputational risk is the risk that a decision, an event or a series of events may affect, either directly or indirectly, the Bank's image with shareholders, Primary Lenders, employees, the general public or any other stakeholders, and negatively impact the Bank's revenues, operations and, ultimately, its value.

6.24.3 Reputation is a critical asset that favours the ECHMB's growth as well as continued trust from Primary Lenders, debt holders and the general investing public, and which also optimizes the Bank's value for shareholders. At the ECHMB, reputation is considered a strategic resource. In order to protect the Bank from any impairment to its reputation, Management ensures that all other risks are adequately managed.

7.0 COMPANY BACKGROUND INFORMATION

7.1 The Mortgage Bank was established as an independent shareholder-owned and privately managed institution. Its mandate is to operate the secondary mortgage market by mobilizing resources for housing finance and providing support to primary lenders. The secondary mortgage market helps to accomplish the following important housing objectives:

(7.3.1) Correcting cross country imbalances of mortgage credit within ECCU by making funds available to capital deficient areas to finance new mortgage origination;

(7.3.2) Allowing primary lenders to originate mortgages for sale rather than to be kept on their books as portfolio investment; and

(7.3.3) Standardizing mortgage loans thereby attracting investors who traditionally have not invested in the primary market, thus strengthening the market.

7.2 The Mortgage Bank is expected to maintain its presence in the capital market, and thereby replenish its capacity to generate new funding for mortgages. So far, most of the debt securities issued have been fully subscribed and have been taken up primarily by institutional investors such as commercial banks, insurance companies and pension funds, including regional institutions operating outside the jurisdiction of the ECCU. Individuals have also shown interest in the debt securities offered by the Mortgage Bank. The steady expansion of the investor base is also the result of the favorable disposition of taxes in all the member countries of the ECCU.

7.3 On a broader level, the ECSE continues to operate a highly automated regional stock exchange, with supporting infrastructure to facilitate secondary market trading in equity and debt instruments. This initiative provides a platform for creating a secondary market in The Mortgage Bank's debt securities for the benefit of investors.

8.0 PARTICULARS OF LISTED AND UNLISTED SECURITIES ISSUED

The Eastern Caribbean Home Mortgage Bank				
Outstanding Securities				
November 30th 2020				
Instrument	*Amount*	*Rate*	*Issue Date*	*Maturity Date*
Corporate Paper (HMB260821)	$11,050,000.00	2.50%	26-Aug-20	26-Aug-21
Corporate Paper (HMB060721)	$35,006,000.00	2.50%	6-Jul-20	6-Jul-21
Corporate Paper (HMB180621)	$9,090,000.00	2.50%	18-Jun-20	18-Jun-21
Corporate Paper (HMB010621)	$32,000,000.00	2.50%	1-Jun-20	1-Jun-21
Corporate Paper (HMB270321)	$24,098,700.00	2.50%	27-Mar-20	27-Mar-21
Corporate Paper (HMB060421)	$30,565,000.00	2.50%	6-Apr-20	6-Apr-21
Corporate Paper (HMB260221)	$2,550,000.00	2.50%	26-Feb-20	26-Feb-21
Corporate Paper (HMB300121)	$30,005,000.00	2.50%	30-Jan-20	30-Jan-21
Corporate Paper (HMB301220)	$27,638,000.00	2.50%	30-Dec-19	30-Dec-20
Corporate Paper (HMB261121)	$37,462,000.00	2.50%	26-Nov-19	26-Nov-20
Corporate Paper (HMB221021)	$40,000,000.00	2.50%	22-Oct-19	22-Oct-20
Corporate Paper (HMB280921)	$21,470,000.00	1.98%	30-Sep-19	30-Sep-20
Repurchase Agreement (HMR300721)	$615,000.00	2.70%	30-Jul-20	30-Jul-21
Repurchase Agreement(HMR270421))	$3,785,000.00	2.70%	27-Apr-20	27-Apr-21
Repurchase Agreement (HMR150421)	$5,200,000.00	2.70%	15-Apr-20	15-Apr-21
Repurchase Agreement (HMR020421)	$4,000,000.00	2.70%	2-Apr-20	2-Apr-21
Repurchase Agreement (HMR130321)	$1,400,000.00	2.70%	13-Mar-20	13-Mar-21
Total	**$315,934,700.00**			

9.0 INCORPORATION

9.1 The Eastern Caribbean Home Mortgage Bank was established by the Eastern Caribbean Home Mortgage Agreement 1994, assented to on 27th May 1994 by the Governments of Anguilla, Antigua and Barbuda, The Commonwealth of Dominica, Grenada, Montserrat, Saint Christopher and Nevis, Saint Lucia and Saint Vincent and the Grenadines (collectively referred to as 'the Member Territories').

9.2 The Mortgage Bank began commercial operations in April 1996. The purposes of the The Mortgage Bank, as described in the Eastern Caribbean Home Mortgage Bank Agreement Act are:

(9.2.1) to develop and maintain a secondary mortgage market for residential mortgages in member territories;

(9.2.2) to contribute to the mobilization and allocation of long-term savings for investment in housing;

(9.2.3) to support the development of a system of housing finance and provide leadership in the housing and home finance industry;

(9.2.4) to promote the growth and development of the money and capital market; and

(9.2.5) to improve underwriting practices and to promote services and benefits related to such mortgages.

9.3 The Mortgage Bank adopted the trading name ECHMB Capital in October 2020. The rebranding is synonymous with the Bank's increased emphasis on development of the money and capital markets of the ECCU as demand in the secondary mortgage market has abated in the last several years.

10.0 SHAREHOLDING

10.1 The present shareholders of the Mortgage Bank fall into four (4) categories in accordance with the Eastern Caribbean Home Mortgage Bank Agreement Act, No. 8 of 1995. The authorised capital of the Bank is forty million dollars divided into four hundred thousand shares of one hundred dollars each, in the following classes:

(a) one hundred thousand Class A shares which may be issued only to the ECCB;

(b) sixty thousand Class B shares out of which forty thousand may be issued only to the Social Security Scheme or National Insurance Board and twenty thousand to any Government owned or controlled commercial bank;

(c) eighty thousand Class C shares which may be issued only to commercial banks, other than a Government owned or controlled commercial bank;

(d) forty thousand Class D shares which may be issued only to insurance companies and credit institutions;

(e) forty thousand Class E shares which may be issued only to the International Finance Corporation; and,

(f) eighty thousand Class F shares which may be issued only to the Home Mortgage Bank of Trinidad and Tobago.

10.2 Transfer of shares

All shares in the Bank are transferable.

(1) Class A shares are transferable to a Class B, Class C or Class D shareholder or to a company or institution qualified to be a Class B, Class C or Class D shareholder.

(2) Class B shares are transferable to a Class A, Class B, Class C or Class D shareholder or to a company or institution qualified to be a Class A, Class B, Class C or Class D shareholder.

(3) Class C shares are transferable only to Class C or Class D shareholder or to a company or institution qualified to be a Class C or Class D shareholder.

(4) Class D shares are transferable only to Class C or Class D shareholder or to a company or institution qualified to be a Class C or Class D shareholder.

(5) Class E and F shares are transferrable to Class C or Class D shareholder or to a company or institution qualified to be a Class C or D shareholder.

(6) Class E and F shares and such other shares as may be determined by the Council are transferable to non-government related companies or institutions or to other private sector investors and where these shares are transferred to other private sector investors, these investors shall become ordinary shareholders.

SHAREHOLDINGS AS AT 31st MARCH 2019

Class	Institutions	Number	Amount ($)	%
A	Eastern Caribbean Central Bank	66,812	9,189,920	24.84%
B	Social Security Schemes and National			
	Insurance Boards and Government			
	Controlled Commercial Banks	51,178	7,562,200	20.44%
C	Other Commercial Banks	80,181	11,062,800	29.90%
D	Insurance Companies and Credit Institutions	70,578	9,185,020	24.82%
		268,749	36,999,940	100.00%

The structure of the Mortgage Bank's shareholding fulfils the recommendation that each shareholder has a reasonable chance in participating in the financial and operating policies of the Bank. ECCB is the largest single shareholder and holds 24.84% of the equity of the Mortgage Bank.

The Directors hold no beneficial interest in the Mortgage Bank's share capital. However, each director represents a specific class of shares.

11.0 CORPORATE GOVERNANCE

11.1 Board of Directors

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

11.1.3 Board Charter

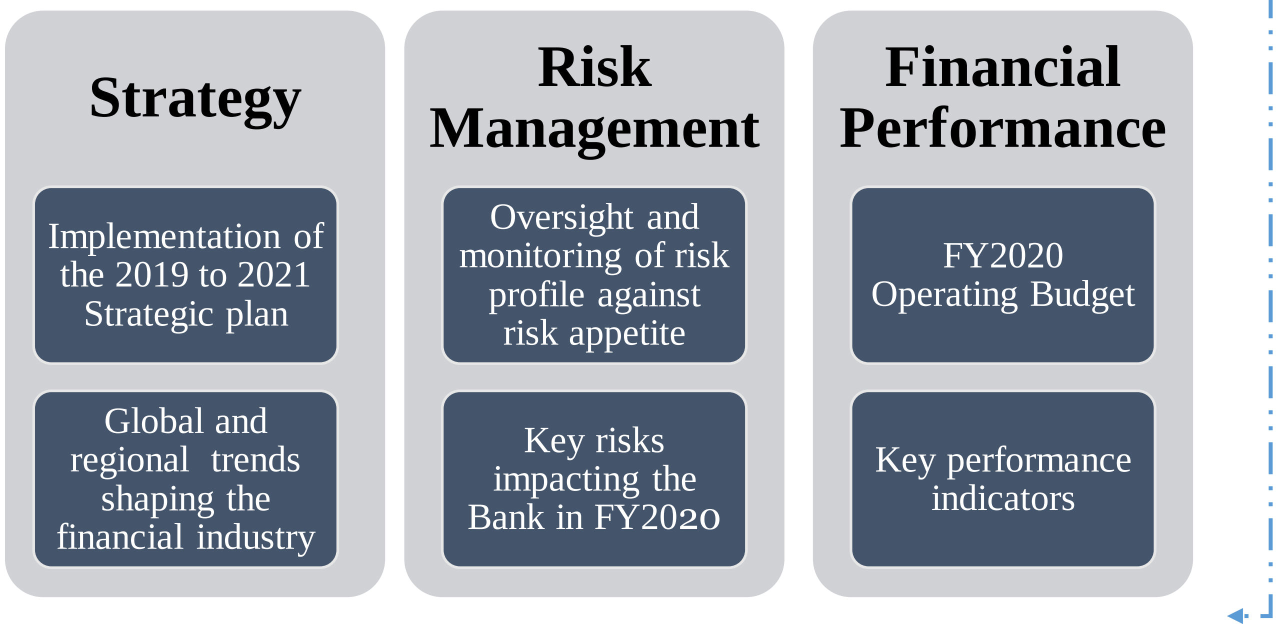
The Board is guided by its Charter and the Eastern Caribbean Home Mortgage Bank Agreement which provide references for directors in relation to their roles, powers, duties and functions. Apart from reflecting current best practices and applicable rules and regulations, the Charter and the Eastern Caribbean Home Mortgage Bank Agreement outline processes and procedures to ensure the effectiveness and efficiency of the Bank's Board and its Committees. The Charter is updated at regular intervals to reflect changes to the Bank's policies, procedures and processes, as well as, to incorporate amended relevant rules and regulations.

11.2 Roles and Responsibilities of the Board

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

- reviewing and approving the strategic business plans for the Bank;
- identifying and managing principal risks affecting the Bank;
- reviewing the adequacy and integrity of the Bank's internal controls' systems;
- approving the appointment and compensation of the Chief Executive Officer and Senior Management Staff;
- approving new policies pertaining to staff salaries and benefits; and
- approving changes to the corporate organization structure.

Focus areas FY 2020



11.3 Director Independence

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

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

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

11.4 Quality and Supply of Information to the Board

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

11.5 Corporate Secretary

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

11.6 Conflict of Interest

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

11.7 Structured Training Programme for Directors

Directors are expected to participate in the Directors Education & Accreditation Programme ("DEAP"). This is an advanced director training course, aimed at preparing directors for the important role that they play in the governance of the Bank. The DEAP was developed by the Institute of Chartered Secretaries and Administrators/Chartered Secretaries Canada (ICSA/CSC), in partnership with the law firm of Borden Ladner Gervais, and with contributions from AON Canada.

11.7.2 The composition of the Board and Committees are as follows: -

	Board of Directors	Audit & Risk Committee	Human Resource
Timothy N. J Antoine	Chairman	-	-
Stewart Haynes	*	*	-
Peter Blanchard	*	*	Chairman
Baldwin Taylor	*	-	*
Aylmer A. Irish	*	-	*

11.8 Audit and Risk Committee

The Audit Committee provides guidance on the Bank's systems of accounting and internal controls, thus ensuring the integrity of financial reporting. This Committee also serves as an effective liaison between Senior Management and the External Auditors. The Audit and Risk Committee approves and reviews risk appetite and risk management policies. The Board delegates the role of identifying, assessing and managing risk to Senior Management.

11.9 The 2020 activities of the Committee included:

- the review of the Bank's compliance with financial covenants;
- the approval of the 2020 audit engagement letter;
- the review and approval of the external audit plan and timetable;
- the evaluation of the performance of the External Auditors and approval of their remuneration;
- the review of the External Auditors' 2020 management letter and report on the 2020 audit;
- the examination of the implications of changes to International Financial Reporting Standards; and
- the approval of the 2020 Internal Audit Plan, Internal Audit report, and, monitoring of Management's implementation of Internal Auditors' recommendations.

11.10 The Mortgage Bank's Best Practice

- Since incorporation, the mortgage Bank's Board of Directors has been chaired by a non-executive Chairman to ensure independent leadership.
- Shareholders appoint directors every two (2) years in accordance with the Eastern Caribbean Home Mortgage Bank Agreement.
- The five (5) directors are non-executive and are required to declare their interests in any transaction that the Mortgage Bank undertakes.
- Board Committees have the authority to retain independent advisors, as deemed necessary by each Committee.
- The Internal Audit function is undertaken by an independent contractor.
- The Audit Committee meets separately with the Internal Auditor.

11.11 Business Experience of Directors

Mr. Timothy N. J. Antoine

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

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

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

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

Mr. Antoine holds a MSc Degree in Social Policy and Planning in Development Countries from the London School of Economics and a BSc Degree in Economics with Management from the University of the West Indies. He has also received training from the Small Countries Financial Management Centre in the Isle of Man and training in Negotiations at the Said International School of Business, Oxford University. He also has a Certificate in Project Cycle Management from the Caribbean Development Bank (CDB). Other passions include reading, music, speaking with youth and sports. Mr. Antoine is a man of deep faith. He has served as Chairman of the Board of the St George's Bible Holiness Church.

He is married to Charmaine Antoine née Rouse. They have two daughters: Chereece and Yaana.

Mailing Address: Eastern Caribbean Home Mortgage Bank, ECCB Complex, Bird Rock Road, P.O. Box 753, Basseterre, St. Kitts
Telephone No. 1-869-466-7869

Mr. Stewart Haynes
Director

Mr. Haynes was appointed to the Board of Directors in October 2020, representing Class B shareholders. Mr. Haynes holds a BSC in Actuarial Science from the London School of Economics and Political Science and a MSc in Actuarial Management from CASS Business School London, with a specialty in Investment Management. He is also a Fellow of the Institute of Actuaries (FIA), and a Chartered Financial Analyst (CFA).

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

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

Mailing Address: Upper Bay Street, Kingstown, St. Vincent & the Grenadines
Telephone No: 1-784-456-1514

Mr. Peter Blanchard
Director

Mr. Blanchard was appointed to the Board of Directors in November 2016, representing Class C shareholders. Mr. Blanchard, who was born in Antigua, is an insurance specialist. Since 1984, he has been the principal shareholder and Chairman of the Board of General Insurance Company Ltd, a locally registered insurance company authorized to conduct business in Antigua and Barbuda. He has also been the Chairman of Design Properties Ltd., a property development management company since 1991.

He has served on various boards in Antigua and abroad, viz. the Board of the ACB Mortgage & Trust Company from its inception in 1987 until 2005. Mr. Blanchard was subsequently elevated to serve on the Board of Antigua Commercial Bank (ACB) on May 05, 2005. In January 2007, he was once again appointed to the ACB Mortgage and Trust Board and was elected Chairman of that Board in October 2008. In February 2016, due to law regulations, Mr. Blanchard retired from the ACB Board where he had been Chairman of the Credit Committee from October 2008 – February 2016. In April 2016, he was re-appointed to the ACB Mortgage & Trust Company Ltd Board as a Non-ACB Director and since October 2016 has since been re-appointed as its Chairman.

During the period 2005-2006, Mr. Blanchard represented ACB and the other indigenous banks operating in the Organization of Eastern Caribbean States (OECS) group on the Board of Directors of the East Caribbean Financial Holding Company Ltd, a company which is based in Saint Lucia, West Indies. In 2006, Mr. Blanchard was appointed a Director of the Board of the Eastern Caribbean Securities Exchange located in St Kitts and in 2007, he was elected the Chairman of its Intermediary Development and Market Structure Committee.

Mailing Address: P.O. Box 340, Upper Redcliffe St., St John's, Antigua
Telephone No.: 1-268-462-2346

Mr. Baldwin Taylor
Director

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

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

Baldwin has a Bachelor of Commerce Degree majoring in Marketing and Human Resource Management from Saint Mary's University in Nova Scotia, Canada and a Master's Degree in Business Administration from the University of Durham in the United Kingdom.

Mailing Address: c/o Bank of Montserrat, P.O. Box 10, Brades, Montserrat
Telephone No.: 1-664-491-3843

Mr. Aylmer A. Irish
Director

Mr. Irish was appointed to the Board of Directors in September 2018, representing Class D shareholders. Mr. Irish holds a BA (Hons) in accounting from the University of the Virgin Islands – St Thomas and an MBA from the University of the West Indies – Cave Hill. Mr. Irish has completed several training courses including a Certificate in Project Implementation & Management at the Caribbean Development Bank – Barbados.

Mr. Irish has in excess of twenty-six (26) years progressive senior executive experience in the field of banking, accounting and finance and presently holds the position of Chief Executive Officer of the National Co-Operative Credit Union Limited in the Commonwealth of Dominica.

Mailing Address: 31-37 Independence Street, P.O. Box 175. Roseau, Commonwealth of Dominica.
Telephone No: 1-767-255-2148 (direct) 255 2172

11.12 Other Directorships held by Directors

Mr. Timothy N. J. Antoine

- Caribbean Catastrophe Risk Insurance Facility
- Eastern Caribbean Securities Exchange

Mr. Peter Blanchard

- ACB Mortgage & Trust Company
- Eastern Caribbean Securities Exchange

Apart from the "Other Directorships held by Directors" listed in this section of the Prospectus, the Board of Directors is not aware of any other Directorships held by Directors.

11.13 Summary of By-laws Relevant to Directors

In accordance with Article 27 of Eastern Caribbean Home Mortgage Bank Agreement Act, No.8 of 1995, the following applies:

11.13.1 A Director who is any way interested, whether directly or indirectly in a contract or proposed contract with the Bank or whose material interest in a company partnership, undertaking or other business is likely to be affected by a decision of the Board shall disclose the nature of his interest at the first meeting of the Board at which he is present after the relevant facts come to his knowledge;

11.13.2 A disclosure under paragraph one (1) of this article shall be recorded in the minutes of the meeting and after the disclosure the director making it shall not vote on the matter, unless the Board otherwise directs, shall not be present or take part in the proceedings of any meeting at which the matter is being discussed or decided by the Board;

11.13.3 A Director shall be treated as having an indirect interest in a contract or proposed contract with the Bank in any matter with which the Bank is concerned if he is director, shareholder, agent or employee of the company or undertaking that is a party to the contract or proposed contract with the Bank or where his spouse, parent, child, brother, or sister or the parent, child, brother or sister of his spouse holds an interest in the company or undertaking;

11.13.4 For the purpose of this article, a general notice given to the Board by a director to the effect that he is a member of or otherwise associated with a specified company or undertaking and is to be regarded as interested in any contract which may after the date of the notice, be made with that company or undertaking shall be deemed to be a sufficient declaration of interest in relation to any contract so made.

The Rules of the Mortgage Bank prohibit directors from trading with the company and there are no service contracts between Directors and the Mortgage Bank.

11.14 Internal Relationships

There is no family relationship between any Director and member of Staff of the Mortgage Bank

11.15 Directors' Remuneration

For the year ended 31st March 2020, an amount of $265,486 (2018-$297,074) was paid as directors fees and expenses.

11.16 Legal Proceedings

There is no legal proceeding at present against the Bank.

11.17 Material Contracts

Outside of the ordinary course of business, no material contracts have been entered into by the Directors within the last two (2) years immediately preceding the issue of this prospectus nor are there any existing service contracts with the Directors.

11.18 Patents or Intellectual Property Rights

The Mortgage Bank is not dependent on patents or other intellectual property rights.

12.0 MANAGEMENT

12.1 Randy Lewis was appointed Chief Executive Officer on the 1st May 2015. Prior to his appointment as Chief Executive Officer, he held the positions of Manager, Corporate Finance and Chief Financial Officer. Mr. Lewis joined the Bank in 2006.

Mr. Randy Lewis, who is a Fellow of the Association of Chartered Certified Accountants of the UK, as well as an Associate of the Institute of Chartered Accountants in England and Wales and holds a Master's in Business Administration from the University of Derby. Mr. Lewis attended the Strategic Leadership programme offered by the University of Oxford (Saïd Business School) and is an Accredited Director, having completed the directors' programme with the Institute of Chartered Secretaries and Administrators (ISCA), Canada. He has more than 20 years' experience in the banking, retailing, manufacturing and financial services industries.

12.2 The business of the Mortgage Bank is managed through the services of (4) Departments, each headed by the following persons:

Finance	–	**Ms. Heidi Hypolite, FCCA; MBA**
Investment	–	**Ms. Ava Beckles, CFA; BSc**
Information Technology	–	**Mr. Justin Skeete, MCITP**
Treasury	–	**Mr. Shaka St. Ange, BBA**
Administration	–	**Ms. Jewel Wattley**

The Mortgage Bank has the capacity to provide technology services to primary lenders that are involved in originating and underwriting mortgage loans. As the technology continues to develop, investors can expect to see a closer integration of the respective national markets. The Mortgage Bank is well positioned with qualified professionals to operate successfully in an integrated regional marketplace, and particularly well equipped to meet investors' needs and interests.

13.0 OPERATIONAL POLICIES

13.1 The Mortgage Bank has concentrated on purchasing mortgages in the lower middle to upper income category (i.e. homes with minimum appraised values of $100,000 and the value of the mortgage loan should not exceed $1,250,000). The limits are reviewed annually to reflect changes in house prices.

13.2 In conformity with The Mortgage Bank's primary function of buying residential mortgage loans, The Mortgage Bank has established standards which financial institutions should meet in order to sell and service loans for The Mortgage Bank. These standards are designed to provide assurances that the financial institution will be qualified to originate mortgages of good quality and to service them and be able to carry out the obligations of an eligible lender.

13.3 Eligible lenders are permitted to sell mortgage loans without The Mortgage Bank becoming involved in detailed reviews of each borrower's credit-worthiness.

13.4 The Mortgage Bank also gives commitments to purchase mortgages in order to help builders and developers who may require a firm advance commitment from the primary mortgage lenders.

13.5 The Mortgage Bank supervises servicing by the mortgage lenders of all the mortgage loans, which it purchases and is obligated to perform annual audit checks to ensure that mortgage loans offered for sale are maintained on its underwriting standards.

14.0 FUNDING, PROJECTIONS AND FINANCIAL POSITIONS

14.1 Under the Eastern Caribbean Home Mortgage Bank Agreement Act, No. 8 of 1995, The Mortgage Bank is authorized to issue financial instruments up to a maximum aggregate capital value of $1,000,000,000 and the interest payable on those instruments is exempt from income tax and any other tax including unemployment levy. The Board of The Mortgage Bank, on the advice of the Monetary Council, may vary the maximum aggregate capital value of the instruments.

14.2 The major expenses of the Mortgage Bank are its cost of borrowing and the fees paid to primary lenders for servicing and administration of the mortgages. The latter has generally been low, given the wholesale nature of the Mortgage Bank's operations.

14.3 Financial Statements appearing in Appendix – 1 through 3 contains Audited Financial Statements for years ended March 2018 to March 2020. Appendix – 4 contains Unaudited Financial Statements of the Mortgage Bank for the eight months ended November 30th 2020.

14.4 Material Transactions

14.5 There is presently no investment in progress which exceeds 10.0% of assets under management.

15.0 SECURITY ISSUANCE PROCEDURES

15.1 The process of allocation for the Corporate Paper close at the end of business day on the following dates:

Tranche	Issue Date	Closing Date
1st Tranche	29 January, 2021	5 February 2021
2nd Tranche	25 February, 2021	4 March 2021
3rd Tranche	29 March, 2021	1 April 2021
4th Tranche	8 April, 2021	14 April 2021
5th Tranche	31 May, 2021	7 June 2021
6th Tranche	21 June, 2021	28 June 2021
7th Tranche	7 July, 2021	14 July 2021
8th Tranche	26 August, 2021	2 September 2021
9th Tranche	28 September, 2021	5 October 2021
10th Tranche	25 October, 2021	29 October 2021
11th Tranche	25 November, 2021	2 December 2021
12th Tranche	29 December, 2021	5 January 2022

15.2 An application becomes valid upon submission of signed Application form to Lead Broker or The Mortgage Bank.

15.3 Each Tranche is allocated on a First Come, First Served upon submission of valid Application Form.

15.4 The full purchase price is payable on application.

15.5 Application must be for minimum $5,000 face value with multiples of $1,000 thereafter and will be irrevocable.

15.6 The Grenada Co-operative Bank Limited is selected as the Lead Broker responsible for interfacing with prospective investors, collecting applications for subscription and processing of same. Investors must provide the Lead Broker with funds to cover the cost of the transaction. For this particular offering, all commissions and brokerage fees are to be borne by investors. ECHMB is not responsible for any commissions charged by Lead Broker, the cost of which is the responsibility of the investors. Clients that are successful will be informed of their payment obligations and funds deducted from their respective accounts held with the Lead Broker. In the case where all or part of an investor's application is not successful, the Lead Broker will inform the investor and will reimburse the funds to the investor by cheque or direct deposit within two (2) business days upon receipt of issue date. There will be no fees deducted from the issue amount. Details of the Lead Broker and other License Intermediaries are appendage.

16.0 SPECIAL NOTE

16.1 An over-subscription option of $10,000,000 is assigned to each tranche. The Mortgage Bank reserves the right without the consent of the applicants of the tranche under consideration, to exercise the over-subscription option. In the event the over-subscription option is exercised, the aggregate tranche will rank *pari passu*.

16.3 The Corporate Paper and application forms will be distributed to prospective investors through the Mortgage Bank and may be obtained at the office of the Eastern Caribbean Home Mortgage Bank, ECCB Complex, Bird Rock Road, Basseterre in St Kitts.

16.4 This Corporate Paper has been filed with the Eastern Caribbean Securities Regulatory Commission (ECSRC), Basseterre, St. Kitts pursuant to Section 92(1)(c)of the Securities Act No. 23 of 2001.The ECSRC accepts no responsibility for the content of this Prospectus, make no representations as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss whatsoever arising from or reliance upon the whole or any part of the contents of this Prospectus.

17.0 STATEMENT BY THE DIRECTORS OF THE MORTGAGE BANK

We, the undersigned Directors of Eastern Caribbean Home Mortgage Bank, collectively and individually declare that to the best of our knowledge the information contained in the Prospectus is in accordance with the facts and the Prospectus makes no omission likely to affect the import of the information. The Financial Statements for the three (3) years ended 31st March 2018, 31st March 2019 and 31st March 2020 have been prepared in accordance with the Securities Act Chap. 299A of the laws of Grenada and the Regulations issued by the Eastern Caribbean Securities Regulatory Commission and accordingly we accept responsibility for them.

Director	Approved	Date
Timothy Antoine	Approved	Dec. 11, 2020
Stewart Haynes		14th December 2020
Baldwin Taylor		17.12.2020
Peter Blanchard		11/12/2020
Aylmer Irish		Dec. 10, 2020

APPENDICES

Appendix-1

Audited Financial Statements

for year ended 31st March 2018

Grant Thornton

An instinct for growth™

Grant Thornton
Corner Bank Street and West
Independence Square
P.O. Box 1038
Basseterre, St. Kitts
West Indies

T + 1 869 466 8200
F + 1 869 466 9822

October 16, 2020

The Directors
Eastern Caribbean Home Mortgage Bank
ECCB Complex
Bird Rock
P.O. Box 753
Basseterre
St. Kitts

Dear Sirs,

Re: Eastern Caribbean Home Mortgage Bank

We give our consent, and have not withdrawn such consent, to being named as the Independent Auditors of Eastern Caribbean Home Mortgage Bank for the year ended March 31, 2018 in the Prospectus dated January 2021 and issued by Eastern Caribbean Home Mortgage Bank (the "Prospectus") and for the inclusion in the Prospectus of our Independent Auditor's Report (the "Report") to the Shareholders of the Eastern Caribbean Home Mortgage Bank dated July 6, 2018 in respect of the Financial Statements for the year ended March 31, 2018.

We are responsible for the Report included in the Prospectus and have not become aware, since the date of the Report, of any matters affecting the validity of that Report at that date.

We further consent to, and authorise the use of, the Report in the Prospectus.

Yours truly,

Grant Thornton

Chartered Accountants
Basseterre
St. Kitts

Eastern Caribbean Home Mortgage Bank

Financial Statements
March 31, 2018
(expressed in Eastern Caribbean dollars)

Grant Thornton
Corner Bank Street and West
Independence Square
P.O. Box 1038
Basseterre, St. Kitts
West Indies

T + 1 869 466 8200
F + 1 869 466 9822
www.grantthornton.kn

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Eastern Caribbean Home Mortgage Bank

Opinion

We have audited the financial statements of **Eastern Caribbean Home Mortgage Bank** (the "Bank") which comprise the statement of financial position as at March 31, 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at March 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Key Audit Matters

We have determined there are no key audit matters to communicate in our report.

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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's 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, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Jefferson E. Hunte.

Grant Thornton

Chartered Accountants
July 6, 2018
Basseterre, St. Kitts

Eastern Caribbean Home Mortgage Bank

Statement of Financial Position

For the year ended March 31, 2018

(expressed in Eastern Caribbean dollars)

	2018 $	2017 $
Assets		
Cash and cash equivalents (note 5)	**8,981,323**	6,699,810
Receivables and prepayments (note 6)	**5,578,573**	1,675,943
Investment securities (note 7)	**204,270,832**	198,157,055
Mortgage loans facilities (note 8)	**42,849,476**	37,396,223
Motor vehicles and equipment (note 9)	**192,952**	243,863
Intangible assets (note 10)	**28,648**	–
Total assets	**261,901,804**	244,172,894
Liabilities		
Borrowings (note 11)	**199,828,256**	184,659,909
Accrued expenses and other liabilities (note 12)	**715,677**	355,332
Total liabilities	**200,543,933**	185,015,241
Equity		
Share capital (note 13)	**36,999,940**	36,999,940
Portfolio risk reserve (note 14)	**9,612,452**	9,171,644
Retained earnings	**14,745,479**	12,986,069
Total equity	**61,357,871**	59,157,653
Total liabilities and equity	**261,901,804**	244,172,894

The notes on pages 1 to 47 are an integral part of these financial statements.

Approved for issue by the Board of Directors on July 6, 2018.

Chairman

Director

Eastern Caribbean Home Mortgage Bank

Statement of Comprehensive Income

For the year ended March 31, 2018

(expressed in Eastern Caribbean dollars)

	2018 $	2017 $
Interest income (note 16)	**11,480,370**	11,141,929
Interest expense	**(3,962,620)**	(4,790,392)
Net interest income	**7,517,750**	6,351,537
Other income (note 17)	**228,173**	168,842
Operating income	**7,745,923**	6,520,379
Expenses		
General and administrative expenses (note 18)	**(2,276,976)**	(2,016,163)
Other operating expenses (note 19)	**(1,022,696)**	(1,194,252)
Mortgage administrative fees	**(230,415)**	(250,297)
Total expenses	**(3,530,087)**	(3,460,712)
Net profit for the year	**4,215,836**	3,059,667
Other comprehensive income	**–**	–
Total comprehensive income for the year	**4,215,836**	3,059,667
Earnings per share		
Basic and diluted per share (note 20)	**15.69**	11.38

The notes on pages 1 to 47 are an integral part of these financial statements.

Eastern Caribbean Home Mortgage Bank

Statement of Changes in Equity

For the year ended March 31, 2018

(expressed in Eastern Caribbean dollars)

	Share capital $	Portfolio risk reserve $	Retained earnings $	Total $
Balance at March 31, 2016	**36,999,940**	**8,962,834**	**12,150,830**	**58,113,604**
Other comprehensive income				
Net profit for the year	–	–	3,059,667	3,059,667
Transfer to reserve	–	208,810	(208,810)	–
Transaction with owners				
Dividends – $7.50 per share (note 15)	–	–	(2,015,618)	(2,015,618)
Balance at March 31, 2017	**36,999,940**	**9,171,644**	**12,986,069**	**59,157,653**
Other comprehensive income				
Net profit for the year	–	–	4,215,836	4,215,836
Transfer to reserve	–	440,808	(440,808)	–
Transaction with owners				
Dividends – $7.50 per share (note 15)	–	–	(2,015,618)	(2,015,618)
Balance at March 31, 2018	**36,999,940**	**9,612,452**	**14,745,479**	**61,357,871**

The notes on pages 1 to 47 are an integral part of these financial statements.

Eastern Caribbean Home Mortgage Bank

Statement of Cash Flows

For the year ended March 31, 2018

(expressed in Eastern Caribbean dollars)

	2018 $	2017 $
Cash flows from operating activities		
Net profit for the year	**4,215,836**	3,059,667
Items not affecting cash:		
Interest expense	**3,962,620**	4,790,392
Amortisation of corporate paper issue and transaction costs (note 11)	**489,029**	651,976
Amortisation of bond premium (note 7)	**377,498**	193,738
Depreciation of motor vehicles and equipment (note 9)	**79,428**	81,034
Amortisation of intangible assets (note 10)	**819**	6,281
Gain on disposal of equipment (note 17)	–	(36,905)
Unrealised fair value gains on equity investments (note 17)	–	(54,604)
Impairment credit on investment securities(note 17)	**(12,500)**	–
Dividend income (note 17)	**(23,932)**	(4,521)
Interest income (note 16)	**(11,480,370)**	(11,141,929)
Operating loss before working capital changes	**(2,391,572)**	(2,485,075)
Changes in operating assets and liabilities:		
(Increase)/decrease in receivables and prepayments	**(3,902,630)**	639,415
Increase in accrued expenses and other liabilities	**360,345**	204,576
Cash used in operations before interest	**(5,933,857)**	(1,610,880)
Interest received	**12,536,339**	9,825,287
Interest paid	**(3,749,821)**	(5,523,571)
Net cash from operating activities	**2,852,661**	2,690,836
Cash flows from investing activities		
Proceeds from sales/maturity of investment securities	**61,747,292**	86,796,702
Proceeds from the pool of mortgages repurchased by primary lenders	**10,320,614**	15,104,392
Proceeds from principal repayment on mortgages	**2,295,171**	2,557,128
Increase in mortgages repurchased/replaced	**836,688**	2,749,076
Principal redemptions	**290,460**	–
Dividend income received	**23,932**	4,521
Proceeds from disposal of equipment	–	105,000
Purchase of motor vehicles and equipment	**(28,517)**	(260,765)
Purchase of intangible assets	**(29,467)**	–
Purchase of mortgages	**(18,905,726)**	(6,000,000)
Purchase of investment securities	**(69,722,496)**	(133,798,016)
Net cash used in investing activities	**(13,172,049)**	(32,741,962)
Cash flows from financing activities		
Proceeds from corporate papers	**199,096,700**	184,096,700
Payment for corporate paper issue costs and transaction costs	**(533,481)**	(469,967)
Dividends paid	**(1,865,618)**	(1,865,618)
Repayment of corporate papers	**(184,096,700)**	(184,096,700)
Repayment of borrowings	–	(4,341,903)
Net cash from/(used in) financing activities	**12,600,901**	(6,677,488)
Net increase/(decrease) in cash and cash equivalents	**2,281,513**	(36,728,614)
Cash and cash equivalents at beginning of year	**6,699,810**	43,428,424
Cash and cash equivalents at end of year (note 5)	**8,981,323**	6,699,810

The notes on pages 1 to 47 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 activity of the Bank is to buy and sell mortgage loans on residential properties, in order to develop and maintain a secondary market in mortgages.

The registered office of the Bank is located at ECCB Agency Office, Monckton Street, St. George's, Grenada.

2 Significant 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.

a) Basis of preparation

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (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 4.

b) Changes in accounting policies

New and revised standards that are effective for the financial year beginning April 1, 2017

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The Bank has assessed the relevance of such new standards and amendments and has concluded that these will not be relevant. Accordingly, the Bank has made no changes to its accounting policies in 2018.

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies *...continued*

b) 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, certain new standards, and amendments to existing standards have been published by the IASB that are not yet effective, and have not been adopted early by the Bank. Information on those expected to be relevant to the Bank's financial statements is provided below.

Management anticipates that all relevant pronouncements will be adopted in the Bank's accounting policies for the first period beginning after the effective date of the pronouncement. New standards, interpretations and amendments either not adopted or listed below are not expected to have a material impact on the Bank's financial statements.

- IFRS 9, 'Financial Instruments', (effective for annual periods beginning on or after January 1, 2018). In July 2014, the IASB issued IFRS 9 which is the comprehensive standard to replace International Accounting Standard (IAS) 39 'Financial Instruments: Recognition and Measurement', and includes requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (OCI) and fair value through Profit or Loss (FVTPL). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in OCI, for liabilities designated at FVTPL. The standard is effective for annual accounting periods beginning on or after January 1, 2018. The full impact of IFRS 9 is yet to be assessed.

- IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statement about the nature, amount, timing and uncertainty of revenue and cash flow arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard is effective for annual accounting periods beginning on or after January 1, 2018. The full impact of IFRS 15 is being assessed by the Bank.

- IFRS 16, 'Leases' eliminates the current dual accounting model for lessees, which distinguishes between on-statement of financial position finance leases and off-statement of financial position operating leases. Instead, there is a single, on-statement of financial position accounting model that is similar to current finance lease accounting.

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies *...continued*

b) Changes in accounting policies *...continued*

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

Lessor accounting remains similar to current practice i.e. lessors continue to classify leases as finance and operating leases. For lessees, the lease becomes an on-statement of financial position liability that attracts interest, together with a right-of-use asset also being recognized on the statement of financial position. In other words, lessees will appear to become more asset-rich but also more heavily indebted. The impacts are not limited to the statement of financial position. There are also changes in accounting over the life of the lease. In particular, companies will now recognise a front-loaded pattern of expense for most leases, even when they pay constant annual rentals. The standard is effective for annual accounting periods beginning on or after January 1, 2019. The full impact of IFRS 16 is being assessed by 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.

c) Cash and cash equivalents

Cash comprises cash on hand and demand and call deposits with banks. Cash equivalents are short-term, highly liquid investments 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.

d) Financial assets and liabilities

In accordance with IAS 39, all financial assets and liabilities – which include derivative financial instruments – are recognised in the statement of financial position and measured in accordance with their assigned category.

Financial assets

The Bank allocates its financial assets to the IAS 39 categories of fair value through profit or loss (FVTPL), held-to-maturity (HTM), loans and receivables and available-for-sale (AFS) financial asset. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies *…continued*

d) Financial assets and liabilities *…continued*

Financial assets *…continued*

(i) FVTPL

Financial assets at FVTPL include financial assets that are either classified as held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition. Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions. The Bank had certain equity instruments under this classification which were disposed of during the financial year.

(ii) HTM

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as HTM if the Bank has the intention and ability to hold them until maturity. The Bank currently holds listed bonds designated into this category.

HTM investments are measured subsequently at amortised cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes in the carrying amount of the investment, including impairment losses, are recognised in the statement of comprehensive income.

The Bank's HTM investments include sovereign and corporate bonds and are presented as part of investment securities.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than: (a) those that the Bank intends to sell immediately or in the short term, which are classified or held for trading and those that the Bank upon initial recognition designates at fair value through profit or loss; (b) those that the Bank upon initial recognition designates as AFS; and (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

The Bank's loans and receivables include cash and cash equivalents, term deposits, government and corporate papers, treasury bills, receivables and mortgage loans facilities.

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies *...continued*

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

Financial assets *...continued*

(iv) AFS financial asset

AFS financial asset is intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Recognition and measurement

Regular purchase and sales of financial assets are recognized on settlement-date, being the date on when the purchase or sell of the asset occurs. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit and loss. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Bank has transferred substantially all risks and reward of ownership.

AFS financial asset is unquoted and carried at cost. Loans and receivables are subsequently carried at amortised cost using the effective interest method. However, interest calculated using the effective interest method is recognized in the statement of comprehensive income. Dividends on AFS equity instruments are recognized in the statement of comprehensive income when the Bank's right to receive payment is established.

When securities classified as AFS are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the statement of comprehensive income as part of 'other income' as 'gains/(losses) from investment securities'.

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Assets are classified as HTM if the Bank has a positive intention and ability to hold the investment until maturity. HTM investments are comprised of listed bonds.

HTM investments are measured at amortised cost using the effective interest rate. The Bank assesses its intention and ability to hold its HTM investments to maturity at the time of initial recognition and at the end of each reporting period. Any changes in the carrying amount of the investment, including impairment losses, are recognised in profit or loss.

Financial assets at FVTPL include financial assets that are either classified as held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies *...continued*

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

Financial liabilities

The Bank's financial liabilities are carried at amortised cost. Financial liabilities measured at amortised cost are borrowings and accrued expenses and other liabilities.

Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Bank tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition). Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

Reclassification of financial assets

The Bank may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or AFS categories if the Bank has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

The Bank may also reclassify financial assets from fair value through profit or loss when those assets are no longer held for the purpose of selling or repurchasing in the near term if the financial assets meets the criteria for classification as loans and receivables and if the Bank has both an intention and ability to hold the financial asset for the foreseeable future or until maturity. If such a reclassification takes place, the Bank reclassifies the financial asset at its fair value on the date of reclassification, which becomes its new cost or amortised cost. Any gain or loss recognised in profit or loss prior shall not be reversed.

If as a result of a change in intention or ability to classify a financial asset as HTM then it is reclassified as AFS and measured at fair value. Additionally, whenever sales or reclassifications of more than an insignificant amount of HTM investments takes place, then the Bank reclassifies the remaining HTM investments as available for sale. The difference(s) between the carrying amount and fair value shall be recognised in other comprehensive income, except for impairment losses and foreign exchange gains and loss until the financial asset is derecognised.

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies *…continued*

e) Classes of financial instruments

The Bank classifies the financial instruments into classes that reflect the nature of information disclosed and take into account the characteristics of those financial instruments. The classification hierarchy can be seen in the table below.

Financial assets	FVTPL	Equity instruments	Quoted - corporations	International
	HTM	Investment securities	Government fixed rate bonds, quoted corporate bonds	Regional and international
	Loans and receivables	Cash and cash equivalents	Bank accounts and short-term fixed deposit	Local and regional
		Receivables	Primary lenders	Regional
		Investment securities	Financial institutions, Government fixed rate bonds and treasury bills	Local, regional and international
		Mortgage loans facilities	Primary lenders, financial institutions	Local and regional
	AFS financial asset	AFS investment	Unquoted	Local
Financial liabilities	Financial liabilities at amortised cost	Borrowings	Unquoted	
		Accrued expenses and other liabilities		

f) Impairment of financial assets

The Bank assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies *...continued*

f) Impairment of financial assets *...continued*

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Bank may measure impairment on the basis of an instrument's fair value using an observable market price. For all HTM investments, if there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes in the carrying amount of the investment including impairment losses are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

g) 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.

h) 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 eligible employees at retirement is computed with reference to find salary and calibrated percentage rates based on the number of years of service. Provisions for these amounts are included in the statement of financial position.

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies *...continued*

i) Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, 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.

j) 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.

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.

k) Impairment of non-financial assets

Non-financial assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies *...continued*

l) 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.

m) 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.

n) 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.

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies *…continued*

o) 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.

p) Expenses

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

q) Operating lease – Bank as a lessee

Where the Bank is a lessee, payments on the operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

r) Foreign currency translation

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

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange 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.

Foreign currency gains and losses that relate to borrowings, cash and cash equivalents and investment securities are presented in the statement of comprehensive income within 'Other operating expenses'.

s) Share capital

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

t) 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.

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies *...continued*

u) Retained earnings

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

v) 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.

w) Reclassification

Where necessary, comparative figures have been adjusted to conform with the change in presentation in the current year (see note 23).

3 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).

(expressed in Eastern Caribbean dollars)

3 Financial risk management *…continued*

a) Enterprise risk management approach *…continued*

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

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

The Board carries out its risk management oversight function by:

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

b) Risk measurement and reporting systems

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

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

c) Excessive risk concentration

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

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

(expressed in Eastern Caribbean dollars)

3 Financial risk management *…continued*

d) Credit risk

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

The table below shows the maximum exposure to credit risk for the components of the statement of financial position.

	Gross Maximum Exposure 2018 $	**Gross Maximum Exposure 2017 $**
Credit risk exposure relating to on-balance sheet position		
Cash and cash equivalents	**8,980,823**	6,699,310
Receivables	**5,483,140**	1,578,834
Investment securities	**204,270,832**	198,157,055
Mortgage loans facilities	**42,849,476**	37,396,223
	261,584,271	243,831,422

The above table represents a worst case scenario of credit exposure to the Bank as at March 31, 2018 and 2017, without taking into account any collateral held or other enhancements attached. The exposure set out above is based on net carrying amounts as reported in the statement of financial position.

As shown above, 78% (2017: 81%) of the total maximum exposure is derived from the investments securities and 16% (2017: 15%) of the total maximum exposure represents mortgage loans facilities.

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

- *Cash and cash equivalents*
  Some accounts are held with banks regulated by the Eastern Caribbean Central Bank (ECCB) and collateral is not required for such accounts as management regards the institutions as strong.

(expressed in Eastern Caribbean dollars)

3 Financial risk management *…continued*

d) Credit risk *…continued*

- *Mortgage loans facilities and receivables*
  A due diligence assessment is undertaken before a pool of mortgages is purchased from the Primary Lender who has to meet the standard requirements of the Bank. Subsequently, annual assessments are conducted to ensure that the quality standards of the loans are maintained.

  Additionally, all financial institutions which are issued by mortgage loan facilities are subjected to a due diligence assessment. Such financial institutions are further subjected to annual assessments to assess the credit worthiness of the institutions.

- *Investment securities*
  The Bank's investment securities are held in a diverse range of financial institutions, corporations and governments both locally, regionally and internationally. Equity instruments are held with a reputable company. These companies and governments with which investment securities are held operate in a wide cross section of geographical regions and industries which manages credit risk. The Bank does not purchase junk bonds and ensures bonds are rated at a high level to further mitigate credit risk. These bonds are held with regional and international corporations which are deemed to be reputable and of a high credit rating as well as with regional governments. Before an investment is purchased it must meet the standard requirements of the Bank as outlined in its investment policy statement under consultation with the Executive Committee.

There were no changes to the Bank's approach to managing credit risk during the year.

e) Management of credit risk

The Bank enters into Sale and Administration Agreements with Primary Lending Institutions for the purchase of residential mortgages with recourse. The terms of the Agreement warrants that any default, loss or title deficiency occurring during the life of a mortgage loan will be remedied by the Primary Lending Institution and the Bank is protected against any resulting loss. As a result of the recourse provision, management believes that no provision is required.

The Bank manages and controls credit risk by limiting concentration exposure to any one Organisation of Eastern Caribbean States (OECS) member state or primary lending institution (for mortgages) or corporation or country (for investment securities). It places limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations by monitoring exposures in relation to such limits.

The Bank monitors concentration of credit risk by geographic location and by primary lending institutions, financial institutions, corporation or governments. The Bank's credit exposure for mortgage loans at their carrying amounts, categorised by individual ECCU territory is disclosed in Note 8. Credit exposure for all other financial assets is disclosed subsequently in Note 3 e).

(expressed in Eastern Caribbean dollars)

3 Financial risk management *...continued*

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

The table below breaks down the Bank's main credit exposure at the carrying amounts, categorized by geographical regions as of March 31, 2018 with comparatives for 2017. 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	8,382,094	–	36,166	562,563	–	–	8,980,823
Receivables	35,642	1,338,576	4,108,922	–	–	–	5,483,140
Investment securities							
HTM	–	–	33,479,925	29,995,774	8,390,362	25,543,714	97,409,775
AFS	100,000	–	–	–	–	–	100,000
Loans and receivables	–	90,609,149	16,151,908	–	–	–	106,761,057
Mortgage loans facilities	16,344,799	26,504,677	–	–	–	–	42,849,476
As at March 31, 2018	**24,862,535**	**118,452,402**	**53,776,921**	**30,558,337**	**8,390,362**	**25,543,714**	**261,584,271**
Cash and cash equivalents	5,542,563	–	10,745	1,146,002	–	–	6,699,310
Receivables	53,944	1,524,890	–	–	–	–	1,578,834
Investment securities							
FVTPL	–	–	–	984,845	44,158	34,256	1,063,259
HTM	–	–	24,402,840	5,829,964	1,397,197	7,156,100	38,786,101
AFS	100,000	–	–	–	–	–	100,000
Loans and receivables	4,392,058	139,106,994	14,708,643	–	–	–	158,207,695
Mortgage loans facilities	6,824,040	18,572,183	–	–	–	–	37,396,223
As at March 31, 2017	**16,912,605**	**159,204,067**	**39,122,228**	**7,960,811**	**1,441,355**	**7,190,356**	**243,831,422**

(expressed in Eastern Caribbean dollars)

3 Financial risk management *...continued*

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

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

	2018 $	2018 %	2017 $	2017 %
Development bank	**25,232,752**	**59**	6,824,040	18
Commercial banks	**8,478,882**	**20**	18,151,315	49
Credit unions	**6,836,427**	**16**	3,394,684	9
Finance company	**2,301,415**	**5**	2,242,968	6
Building society	–	–	6,783,216	18
	42,849,476	**100**	37,396,223	100

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)

3 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 31 March 2018						
Financial assets:						
Cash and cash equivalents	7,325,674	–	–	–	1,655,649	8,981,323
Receivables	–	–	–	–	5,483,140	5,483,140
Investment securities						
HTM	–	–	16,536,362	79,796,897	1,076,516	97,409,775
AFS	–	–	–	–	100,000	100,000
Loans and receivables	5,899,955	20,415,742	60,641,589	16,720,354	3,083,417	106,761,057
Mortgage loans facilities	644,049	1,834,124	11,080,698	29,290,605	–	42,849,476
Total financial assets	**13,869,678**	**22,249,866**	**88,258,649**	**125,807,856**	**11,398,722**	**261,584,771**
Financial liabilities:						
Borrowings	60,000,000	139,096,700	–	–	731,556	199,828,256
Accrued expenses and other liabilities	–	–	–	–	715,677	715,677
Total financial liabilities	**60,000,000**	**139,096,700**	–	–	**1,447,233**	**200,543,933**
Interest sensitivity gap	**(46,130,322)**	**(116,846,834)**	**88,258,649**	**125,807,856**	**9,951,489**	**61,040,838**

(expressed in Eastern Caribbean dollars)

3 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 31 March 2017						
Financial assets:						
Cash and cash equivalents	6,401,288	–	–	–	298,522	6,699,810
Receivables	–	–	–	–	1,578,834	1,578,834
Investment securities						
FVTPL	–	–	–	–	1,063,259	1,063,259
HTM	–	–	–	38,357,720	428,381	38,786,101
AFS	–	–	–	–	100,000	100,000
Loans and receivables	72,136,745	22,888,613	52,944,068	5,313,246	4,925,021	158,207,695
Mortgage loans facilities	561,394	1,640,317	12,967,051	22,227,461	–	37,396,223
Total financial assets	**79,099,427**	**24,528,930**	**65,911,119**	**65,898,427**	**8,394,017**	**243,831,922**
Financial liabilities:						
Borrowings	60,000,000	124,096,700	–	–	563,209	184,659,909
Accrued expenses and other liabilities	–	–	–	–	355,332	355,332
Total financial liabilities	**60,000,000**	**124,096,700**	–	–	**918,541**	**185,015,241**
Interest sensitivity gap	**19,099,427**	**(99,567,770)**	**65,911,119**	**65,898,427**	**7,475,476**	**58,816,681**

(expressed in Eastern Caribbean dollars)

3 Financial risk management *...continued*

f) Market risk *...continued*

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.

The following table summarises the Bank's exposure to foreign currency risk as of March 31, 2018 and 2017. 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, 2018			
Financial assets			
Cash and cash equivalents	7,555,159	1,426,164	8,981,323
Receivables	1,374,218	4,108,922	5,483,140
Investment securities			
HTM	–	97,409,775	97,409,775
AFS	100,000	–	100,000
Loans and receivables	90,609,149	16,151,908	106,761,057
Mortgage loans facilities	41,627,255	1,222,221	42,849,476
	141,265,781	**120,318,990**	**261,584,771**
Financial liabilities			
Borrowings	199,828,256	–	199,828,256
Accrued expenses and other liabilities	715,677	–	715,677
	200,543,933	**–**	**200,543,933**
Net statement of financial position	**(59,278,152)**	**120,318,990**	**61,040,838**

(expressed in Eastern Caribbean dollars)

3 Financial risk management *…continued*

f) Market risk *...continued*

ii) Foreign currency risk *...continued*

	Eastern Caribbean Dollar $	United States Dollar $	Total $
At at March 31, 2017			
Financial assets			
Cash and cash equivalents	5,421,163	1,278,647	6,699,810
Receivables	1,578,834	–	1,578,834
Investment securities			
FVTPL	–	1,063,259	1,063,259
HTM	–	38,786,101	38,786,101
AFS	100,000	–	100,000
Loans and receivables	143,636,350	14,571,345	158,207,695
Mortgage loans facilities	36,140,382	1,255,841	37,396,223
	186,876,729	**56,955,193**	**243,831,922**
Financial liabilities			
Borrowings	184,659,909	–	184,659,909
Accrued expenses and other liabilities	355,332	–	355,332
	185,015,241	**–**	**185,015,241**
Net statement of financial position	**1,861,488**	**56,955,193**	**58,816,681**

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)

3 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, 2018					
Assets:					
Cash and cash equivalents	8,981,323	–	–	–	8,981,323
Receivables	5,483,140	–	–	–	5,483,140
Investment securities					
HTM	1,134,719	3,927,884	35,658,622	112,027,258	152,748,483
AFS	–	–	–	100,000	100,000
Loans and receivables	9,041,654	24,195,996	76,419,088	6,208,753	115,865,491
Mortgage loans facilities	1,531,385	3,785,266	17,853,962	40,175,567	63,346,180
Total assets	**26,172,221**	**31,909,146**	**129,931,672**	**158,511,578**	**346,524,617**
Liabilities:					
Borrowings	61,157,171	141,102,469	–	–	202,259,640
Accrued expenses and other liabilities	715,677	–	–	–	715,677
	61,872,848	**141,102,469**	**–**	**–**	**202,975,317**
Net liquidity gap	**(35,700,627)**	**(109,193,323)**	**129,931,672**	**158,511,578**	**143,549,300**

(expressed in Eastern Caribbean dollars)

3 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, 2017					
Assets:					
Cash and cash equivalents	6,699,848	–	–	–	6,699,848
Receivables	1,675,943	–	–	–	1,675,943
Investment securities					
FVTPL	1,063,259	–	–	–	1,063,259
HTM	219,200	1,627,764	7,387,856	42,152,872	51,387,692
AFS	–	–	–	100,000	100,000
Loans and receivables	71,683,155	32,825,416	55,496,900	6,557,812	166,563,283
Mortgage loans facilities	1,251,736	3,721,182	16,844,266	37,290,813	59,107,997
Total assets	**82,593,141**	**38,174,362**	**79,729,022**	**86,101,497**	**286,598,022**
Liabilities:					
Borrowings	60,872,292	127,425,932	–	–	188,298,224
Accrued expenses and other liabilities	355,333	–	–	–	355,333
	61,227,625	**127,425,932**	–	–	**188,653,557**
Net liquidity gap	**21,365,516**	**(89,251,570)**	**79,729,022**	**86,101,497**	**97,944,465**

(expressed in Eastern Caribbean dollars)

3 Financial risk management approach *…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.

(expressed in Eastern Caribbean dollars)

3 Financial risk management approach …*continued*

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.

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.

	2018	**2017**
	$	**$**
Total Debt	**199,828,256**	184,659,909
Total Equity	**61,357,871**	59,157,653
Debt to Equity ratio	**3.26**	3.12

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

(expressed in Eastern Caribbean dollars)

3 Financial risk management …*continued*

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	
	2018 **$**	**2017** **$**	**2018** **$**	**2017** **$**
Cash and cash equivalents	**8,981,323**	6,699,810	**8,981,323**	6,699,810
Receivables	**5,483,140**	1,578,834	**5,483,140**	1,578,834
Investment securities				
FVTPL	**–**	1,063,259	**–**	1,063,259
HTM	**97,409,775**	38,357,720	**95,389,626**	37,699,692
AFS	**100,000**	100,000	**100,000**	100,000
Loans and receivable	**106,761,057**	158,636,076	**106,761,057**	158,636,076
Mortgage loans facilities	**42,849,476**	37,396,223	**42,849,476**	37,396,223
	261,584,771	243,831,922	**259,564,622**	243,173,894
Borrowings	**199,828,256**	184,659,909	**199,828,256**	184,659,909
Accrued expenses and other liabilities	**715,677**	355,332	**715,677**	355,332
	200,543,933	185,015,241	**200,543,933**	185,015,241

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

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

The Bank's AFS investment is not actively traded in an organised financial market, and fair value is determined at cost.

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.

(expressed in Eastern Caribbean dollars)

3 Financial risk management …*continued*

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

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, 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).

	2018		
	Level 1	**Level 3**	**Total**
	$	**$**	**$**
HTM	95,389,626	–	95,389,626
AFS	–	100,000	100,000
	95,389,626	**100,000**	**95,489,626**

	2017		
	Level 1	**Level 3**	**Total**
	$	**$**	**$**
HTM	37,699,692	–	37,699,692
FVTPL	1,063,259	–	1,063,259
AFS	–	100,000	100,000
	38,762,951	**100,000**	**38,862,951**

4 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.

(expressed in Eastern Caribbean dollars)

4 Critical accounting estimates and judgements *…continued*

(a) Impairment losses on Investment Securities – Loan and Receivables and Held-to-Maturity Investments

The Bank reviews its portfolio of assets for impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Bank makes judgement as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio before the decrease can be identified with an individual investment in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of investees or local economic conditions that correlate with defaults on assets in the group.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences in estimates and actual loss experienced.

(b) Impairment losses on mortgage loan facilities

(i) Mortgage loans portfolio

The Bank reviews its mortgage loans portfolio to assess impairment on a periodic basis. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of mortgage loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers, or local economic conditions that correlate with defaults on assets in the Bank.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. There was no provision recorded as at March 31, 2018 (2017: Nil).

(ii) Mortgage credit facility and mortgage-pledged loans

The Bank reviews its mortgage credit facility and mortgage-pledged loans to assess impairment on a regular and periodic basis. In determining whether an impairment loss should be recorded, the Bank makes judgments as to whether there is any observable data indicating an impairment trigger followed by a measurable decrease in the estimated future cash flows from investment securities. Such observable data may indicate that there has been an adverse change in the payment ability and financial condition of the counterparty. Management uses experienced judgment and estimates based on objective evidence of impairment when assessing future cash flows. There were no impairment losses on investment securities as at March 31, 2018 (2017: Nil).

(expressed in Eastern Caribbean dollars)

5 Cash and cash equivalents

	2018 $	2017 $
Cash on hand	**500**	500
Balances with commercial banks	**7,959,806**	5,688,459
Short-term deposit	**1,021,017**	1,010,851
	8,981,323	6,699,810

Balances with commercial banks earned interest at rates ranging from 0 % to 0.1% (2017: 0 % to 0.1%) during the year. The short-term deposit is a three-month fixed deposit at St. Kitts-Nevis-Anguilla National Bank Limited maturing on April 14, 2018 bearing interest at a rate of 1.0% (2017: 1.5%).

6 Receivables and prepayments

	2018 $	2017 $
Other assets	**4,108,922**	–
Receivables	**1,374,218**	1,578,834
Prepayments	**95,433**	97,109
	5,578,573	1,675,943

As at March 31, 2018, other assets amounted to $4,108,922 (USD$1,521,823) and represents the partial purchase of three (3) corporate bonds that were settled on April 3, 2018.

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

(expressed in Eastern Caribbean dollars)

7 Investment securities

	2018 $	2017 $
Held for trading		
FVTPL		
Quoted equity instruments	–	1,063,259
HTM		
Quoted corporate bonds	**82,270,850**	24,195,140
Quoted sovereign bonds	**14,062,409**	14,162,580
	96,333,259	38,357,720
AFS		
Unquoted equity investment	**100,000**	100,000
Loans and receivables		
Term deposits	**56,141,926**	102,182,674
Bonds	**45,285,714**	46,000,000
Treasury bills	**6,000,000**	9,000,000
	107,427,640	157,182,674
	203,860,899	196,703,653
Less provision for impairment – CLICO	**(3,750,000)**	(3,762,500)
Total investment securities – principal	**200,110,899**	192,941,153
Interest receivable	**4,384,933**	5,440,902
Less provision for impairment – CLICO	**(225,000)**	(225,000)
Total investment securities	**204,270,832**	198,157,055
Current	**30,475,630**	101,304,519
Non-current	**173,795,202**	96,852,536
	204,270,832	198,157,055

(expressed in Eastern Caribbean dollars)

7 Investment securities *…continued*

The movement of the investment securities is shown below:

	2018				
	FVTPL	HTM	AFS	Loans and receivables	Total
Principal					
Balance at beginning of year	1,063,259	38,357,720	100,000	157,182,674	196,703,653
Additions	1,197,423	58,638,235	–	9,886,838	69,722,496
Redemptions	–	(290,460)	–	–	(290,460)
Disposals	(2,260,682)	–	–	(59,486,610)	(61,747,292)
Bond premium amortisation	–	(372,236)	–	(5,262)	(377,498)
Reclassification/transfer	–	–	–	(150,000)	(150,000)
Balance at end of year	**–**	**96,333,259**	**100,000**	**107,427,640**	**203,860,899**
Interest					
Balance at beginning of year	–	428,381	–	5,012,521	5,440,902
Interest earned	–	2,960,527	–	5,861,728	8,822,255
Interest received/collected	–	(2,312,388)	–	(7,565,836)	(9,878,224)
Balance at end of year	**–**	**1,076,520**	**–**	**3,308,413**	**4,384,933**

(expressed in Eastern Caribbean dollars)

7 Investment securities *...continued*

	2017				
	FVTPL	**HTM**	**AFS**	**Loans and receivables**	**Total**
Principal					
Balance at beginning of year	–	7,355,233	100,000	142,536,240	149,991,473
Additions	1,917,685	31,196,225	–	100,684,106	133,798,016
Disposals	(909,030)	–	–	(85,887,672)	(86,796,702)
Bond premium amortisation	–	(193,738)	–	–	(193,738)
Fair value gains	54,604	–	–	–	54,604
Reclassification/transfer	–	–	–	(150,000)	(150,000)
Balance at end of year	**1,063,259**	**38,357,720**	**100,000**	**157,182,674**	**196,703,653**
Interest					
Balance at beginning of year	–	–	–	4,124,260	4,124,260
Interest earned	–	1,070,127	–	6,965,556	8,035,683
Interest received/collected	–	(641,746)	–	(6,077,295)	(6,719,041)
Balance at end of year	**–**	**428,381**	**–**	**5,012,521**	**5,440,902**

(expressed in Eastern Caribbean dollars)

7 Investment securities *…continued*

The movement in the provision for impairment is as follows:

	2018 $	2017 $
Balance at the beginning of year	**3,987,500**	3,987,500
Impairment credit for the year (note 17)	**(12,500)**	–
Balance at end of year	**3,975,000**	3,987,500

FVTPL

Balances which are classified as fair value through profit or loss are equity instruments purchased in a diverse range of corporations and are traded in United States Dollars. The Bank also realised gains on disposal of $173,456 (2017: $15,102) as well as dividend income of $23,932 (2017: $4,521) (note 17). The fair value of the equity instruments increased during the previous financial year by $54,604.

HTM

Held-to-maturity investments are comprised of quoted corporate and sovereign fixed rate bonds trading in United States Dollar. Bonds have coupon rates of 3.15% to 8.88%; whilst, the effective interest rate for these bonds ranges from 3.15% to 6.66%. Bonds have an average tenor of ten (10) years and will mature between November 2022 and May 2028. As at March 31, 2018, the fair values of these amounted to $95,389,626 (2017: $37,699,692) were derived using level 1 inputs as these bonds are quoted in active markets.

Bonds pay semi-annual coupon interest payments and interest income earned on these investments securities for the year amounted to $2,960,527 (2017: $1,070,127) (see note 16).

AFS

The available-for-sale investment is comprised of 10,000 Class C shares of $10 each in the Eastern Caribbean Securities Exchange (ECSE) Limited carried at cost.

Loans and receivables

The balances included in loans and receivables comprise of term deposits, regional bonds and treasury bills which are all denominated in Eastern Caribbean dollars.

a) Term deposits

Term deposits are held in various financial institutions in the ECCU region and the wider Caribbean and will mature from May 2018 to June 2019. These deposits bear interest of 3.50% – 7.75% (2017: 3.00% – 7.75%). During the financial year, interest earned on term deposits amounted to $2,808,400 (2017: $3,885,111) (see note 16).

(expressed in Eastern Caribbean dollars)

7 Investment securities *…continued*

Loans and receivables

a) 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. 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 have adopted a prudent approach to this matter and have established an impairment provision of 100% (2017: 97%) of the deposit balance and 100% (2017: 100%) of the accrued interest.

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 $1,250,000 in yearly dividends related to the years 2017, 2016 and 2015 for $150,000 each as well as $200,000 relating to 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 "Deed") 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 will now become a liability to the DPT, subject to the completion of the Deed of Subrogation.

(expressed in Eastern Caribbean dollars)

7 Investment securities *…continued*

Loans and receivables

a) Term deposits *…continued*

Depositors Protection Trust (DPT) …continued

Under the Deed, depositors held 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.

During the financial year, the DPT's Deed was executed and the Bank received principal and interest payments based on terms noted. As at March 31, 2018, the Bank held an outstanding principal of $3,923,383. Interest gained in 2018 amounted to $65,353.

b) Bonds

Bonds denominated in Eastern Caribbean Dollars are held with regional governments and yield interest rates of 5.0% – 7.5% (2017: 5.5% – 7%). During the financial year, interest earned on these bonds amounted to $2,695,506 (2017: $2,416,603) (see note 16). Bonds have maturity dates from May 2019 to May 2024.

c) Treasury bills

Treasury bills are held with a regional government and yield interest rates of 5.0% (2017: 5.0%). During the financial year, interest earned on these treasury bills amounted to $357,822 (2017: $439,852) (see note 16). Treasury bills mature in August 2018.

8 Mortgage loans facilities

	2018 $	2017 $
Mortgage loans portfolio	**26,365,477**	31,396,223
Mortgage-pledged loan	**10,483,999**	–
Mortgage credit facility	**6,000,000**	6,000,000
	42,849,476	37,396,223
Current	**2,478,172**	2,201,711
Non-current	**40,371,304**	35,194,512
	42,849,476	37,396,223

(expressed in Eastern Caribbean dollars)

8 Mortgage loans facilities *…continued*

Territory analysis	2018 $	2017 $
St. Kitts and Nevis	**16,344,799**	6,824,040
Grenada	**13,755,303**	6,000,000
Anguilla	**5,892,081**	6,126,818
Antigua and Barbuda	**2,586,801**	6,024,497
St. Lucia	**2,301,415**	2,242,967
St. Vincent and the Grenadines	**1,969,077**	10,177,901
	42,849,476	37,396,223

Movement in the balance is as follows:	2018 $	2017 $
Balance at beginning of year	**37,396,223**	51,806,819
Add: Loans purchased	**18,905,726**	6,000,000
Less: Principal repayments	**(2,295,171)**	(2,557,128)
Mortgages that were repurchased and replaced	**(836,688)**	(2,749,076)
Mortgages pools repurchased	**(10,320,614)**	(15,104,392)
Balance at end of year	**42,849,476**	37,396,223

Terms and conditions of mortgage loans facilities

a) Purchase of mortgages

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

b) Recourse to primary lending institutions

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

c) Administration fees

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

(expressed in Eastern Caribbean dollars)

8 Mortgage loans facilities *…continued*

Terms and conditions of mortgage loans facilities *…continued*

d) Rates of interest

Rates of interest earned vary from 6% to 11% (2017: 6% to 11%). During the financial year, the Bank earned interest income of $2,635,553 (2017: $3,317,972) (see note 16).

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 loans 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, 2018, the mortgage loan balance amounted to $2,586,801 (2017: $6,024,497). Collections made on behalf of the Bank for these loans amounted to $1,259,748 (2017: $1,128,476).

As it relates to the mortgage loan balance which remains with ABIB under receivership, the Bank believes that these balances are not impaired based on the Bank’s first right to the underlying collateral supporting the loans. Furthermore, based on reports received from the ABIB under receivership, the mortgages continue to be serviced. Collections made on behalf of the loans are to be remitted to the Bank.

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% (2017: 3.50%) with an average tenor of sixteen (16) years.

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

(expressed in Eastern Caribbean dollars)

9 Motor vehicles and equipment

	Motor vehicles $	Computer equipment $	Furniture and fixtures $	Machinery and equipment $	Total $
Year ended March 31, 2017					
Opening net book value	71,190	35,467	895	24,675	132,227
Additions	238,170	22,595	–	–	260,765
Disposals	(290,000)	(24,857)	–	–	(314,857)
Written off of accumulated depreciation	221,816	24,946	–	–	246,762
Depreciation charge (note 19)	(42,700)	(28,101)	(486)	(9,747)	(81,034)
Closing net book value	**198,476**	**30,050**	**409**	**14,928**	**243,863**
At March 31, 2017					
Cost	238,170	186,366	5,744	71,965	502,245
Accumulated depreciation	(39,694)	(156,316)	(5,335)	(57,037)	(258,382)
Net book value	**198,476**	**30,050**	**409**	**14,928**	**243,863**
Year ended March 31, 2018					
Opening net book value	198,476	30,050	409	14,928	243,863
Additions	–	14,043	14,474	–	28,517
Depreciation charge (note 19)	(47,634)	(22,718)	(1,651)	(7,425)	(79,428)
Closing net book value	**150,842**	**21,375**	**13,232**	**7,503**	**192,952**
At March 31, 2018					
Cost	238,170	200,409	20,218	71,965	530,762
Accumulated depreciation	(87,328)	(179,034)	(6,986)	(64,462)	(337,810)
Net book value	**150,842**	**21,375**	**13,232**	**7,503**	**192,952**

(expressed in Eastern Caribbean dollars)

10 Intangible assets

	Computer software $	Website development $	Total $
Year ended March 31, 2017			
Opening net book value	3,281	3,000	6,281
Amortisation charge (note 19)	(3,281)	(3,000)	(6,281)
Closing net book value	**–**	**–**	**–**
At March 31, 2017			
Cost	14,761	13,505	28,266
Accumulated amortisation	(14,761)	(13,505)	(28,266)
Net book value	**–**	**–**	**–**
Year ended March 31, 2018			
Opening net book value	–	–	–
Additions	29,467		29,467
Amortisation charge (note 19)	(819)	–	(819)
Closing net book value	**28,648**	–	**28,648**
At March 31, 2018			
Cost	44,228	13,505	57,733
Accumulated amortisation	(15,580)	(13,505)	(29,085)
Net book value	**28,648**	–	**28,648**

(expressed in Eastern Caribbean dollars)

11 Borrowings

	2018 $	2017 $
Corporate papers		
Balance at beginning of year	**184,096,700**	184,096,700
Add: Issues during the year	**199,096,700**	184,096,700
Less: Redemptions during the year	**(184,096,700)**	(184,096,700)
	199,096,700	184,096,700
Less: unamortised issue costs	**(300,670)**	(256,218)
	198,796,030	183,840,482
Interest payable	**1,032,226**	819,427
Balance at end of year	**199,828,256**	184,659,909

	2018 $	2017 $
Corporate papers	**200,128,926**	184,916,127
Less: unamortised issue costs	**(300,670)**	(256,218)
Total	**199,828,256**	184,659,909

Corporate papers are comprised of one-year debt instruments with maturity dates ranging from April 4, 2018 to March 27, 2019.

Corporate papers issued by the Bank are secured by debentures over its fixed and floating assets. Interest is payable semi-annually in arrears at rates varying between 1.50% to 3% (2017: 1.50% to 4%). Interest expense incurred during the year amounted to $3,962,620 (2017: $4,790,392).

(expressed in Eastern Caribbean dollars)

11 Borrowings *...continued*

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

	2018 $	2017 $
Capitalised issue costs		
Balance at beginning of year	**256,218**	342,972
Additions	**533,481**	419,545
	789,699	762,517
Less: amortisation for year (note 19)	**(489,029)**	(506,299)
Balance at end of year	**300,670**	256,218
Transaction costs on other borrowed funds		
Balance at beginning of year	–	95,255
Additions	–	50,422
	–	145,677
Less: amortisation for year (note 19)	–	(145,677)
Balance at end of year	–	–
	300,670	256,218

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 (2017: 277 days to four (4) years) which carry an interest rate ranging from 1.50% to 3.0% (2017: 1.5% to 3.0%).

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.

(expressed in Eastern Caribbean dollars)

11 Borrowings *...continued*

Revolving line of credit

During the financial year, the Bank commenced the use of a Securities Based Line of Credit (SBLC) held with the United States Brokers, Raymond James & Associates Inc. This facility serves as an alternative source of liquidity and is secured by the assets held in custody of Raymond James and Associates Inc.

The $30.0 million Revolving Line of Credit which was established in 2017 with the Grenada Co-operative Bank Limited was renewed during the year.

12 Accrued expenses and other liabilities

	2018 $	2017 $
Accrued expenses	**595,090**	311,222
Other liabilities	**120,587**	44,110
	715,677	355,332

13 Share capital

The Bank is authorised to issue 400,000 (2017: 400,000) ordinary shares of no par value.

As at March 31, 2018, there were 268,749 (2017: 268,749) ordinary shares of no par value issued and outstanding.

	Number of shares	2018 $	2017 $
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

(expressed in Eastern Caribbean dollars)

13 Share capital *…continued*

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.

14 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.

The movement of portfolio risk reserve is shown below.

	2018 $	2017 $
Balance at beginning of year	**9,171,644**	8,962,834
Transfer during the year	**440,808**	208,810
Balance at end of year	**9,612,452**	9,171,644

15 Dividends

At the Annual General Meeting on October 6, 2017 (2017: November 7, 2016), dividends of $7.50 (2017: $7.50) per share were approved amounting to $2,015,618 (2017: $2,015,618).

Dividends paid during the financial year amounted to $2,015,618 (2017: $2,015,618). The dividends payable amounted to $150,000 at March 31, 2018 (2017: $150,000). In 2018, management took the decision to offset dividends payable to CLICO Barbados of $150,000 (2017: $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 $3,750,000 (2017: $3,900,000).

(expressed in Eastern Caribbean dollars)

16 Interest income

	2018 $	2017 $
Quoted bonds (note 7)	**2,960,527**	1,070,127
Term deposits (note 7)	**2,808,400**	3,885,111
Bonds (note 7)	**2,695,506**	2,416,603
Mortgage loans facilities (note 8)	**2,635,553**	3,317,972
Treasury bills (note 7)	**357,822**	439,852
Bank deposits	**22,562**	12,264
	11,480,370	11,141,929

17 Other income

	2018 $	2017 $
Mortgage underwriting seminar income	**131,995**	177,000
Mortgage underwriting seminar expenses	**(113,710)**	(119,290)
	18,285	57,710
Realised fair value gain on disposal of equity instruments (note 7)	**173,456**	15,102
Dividend income (note 7)	**23,932**	4,521
Impairment credit on investment securities(note 7)	**12,500**	–
Unrealised fair value gains on equity investments	–	54,604
Gain on disposal of equipment	–	36,905
	228,173	168,842

(expressed in Eastern Caribbean dollars)

18 General and administrative expenses

	2018 $	2017 $
Salaries and related costs	**1,488,213**	1,446,050
Rent (note 22)	**180,000**	180,000
Advertising/promotion	**159,186**	28,870
Legal and professional	**63,133**	5,737
Credit rating fee	**51,798**	62,436
Consultancy	**40,500**	–
Telephone	**40,329**	55,834
Internal audit fees	**38,850**	35,700
Miscellaneous	**37,461**	33,463
Commission and fees	**32,793**	21,466
IT Audit	**29,737**	–
Computer repairs and maintenance	**23,279**	5,741
Repairs and maintenance	**20,759**	11,532
Printing and stationery	**16,433**	17,085
Hotel accommodation	**14,131**	13,874
Airfares	**13,593**	28,855
Dues and subscriptions	**7,811**	7,895
Insurance	**7,160**	6,900
Office supplies	**6,833**	11,767
Courier services	**4,977**	7,958
Home Ownership Day	–	35,000
	2,276,976	2,016,163

19 Other operating expenses

	2018 $	2017 $
Amortisation of corporate paper issue and transaction costs (note 11)	**489,029**	651,976
Directors fees and expenses	**334,598**	312,508
Depreciation of motor vehicles and equipment (note 9)	**79,428**	81,034
Professional fees	**59,660**	57,700
Sundry debt instrument listing, registry and processing fees	**59,248**	84,382
Amortisation of intangible assets (note 10)	**819**	6,281
Foreign currency (gains)/losses, net	**(86)**	371
	1,022,696	1,194,252

(expressed in Eastern Caribbean dollars)

20 Earnings per share (EPS)

Basic and diluted earnings per share are computed as follows:

	2018 $	2017 $
Net profit for the year	**4,215,835**	3,059,667
Weighted average number of shares issued	**268,749**	268,749
Basic and diluted earnings per share	**15.69**	11.38

The Bank has no dilutive potential ordinary shares as of March 31, 2018 and 2017.

21 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, 2018 (2017: nil). There were no outstanding contingent liabilities as of March 31, 2018 (2017: Nil).

22 Related party 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.

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 (2017: $180,000).

The Bank maintains a call account with the ECCB for the primary purpose of settlement of transactions relating to the mortgage loan portfolio with some of its Primary Lenders. As at March 31, 2018, the balance held with the ECCB was $21,636 (2017: $69,450).

Compensation of key management personnel

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

	2018 $	2017 $
Short-term benefits	**1,076,350**	1,039,291
Director fees	**168,000**	165,000
	1,244,350	1,204,291

(expressed in Eastern Caribbean dollars)

23 Reclassifications

Mortgage credit facility in "Investment securities" was reclassified to "Mortgage loans facilities" in the financial statements in order to achieve a clearer or more appropriate presentation. The comparative figures have been similarly formatted and reclassified in order to achieve comparability with the current period. The items reclassified are as follows:

a) Mortgage credit facility in "Investment securities" was reclassified to "Mortgage loans facilities".

The summary of reclassifications is shown below.

	As previously classified 2017 $	**Reclassifications 2017 $**	**As reclassified 2017 $**
Effect on statement of financial position			
Investment securities	204,157,055	(6,000,000)	198,157,055
Mortgage loans facilities	31,396,223	6,000,000	37,396,223

Appendix-2

Audited Financial Statements

for year ended 31st March 2019

Grant Thornton

An instinct for growth™

Grant Thornton
Corner Bank Street and West
Independence Square
P.O. Box 1038
Basseterre, St. Kitts
West Indies

T + 1 869 466 8200
F + 1 869 466 9822

October 16, 2020

The Directors
Eastern Caribbean Home Mortgage Bank
ECCB Complex
Bird Rock
P.O. Box 753
Basseterre
St. Kitts

Dear Sirs,

Re: Eastern Caribbean Home Mortgage Bank

We give our consent, and have not withdrawn such consent, to being named as the Independent Auditors of Eastern Caribbean Home Mortgage Bank for the year ended March 31, 2019 in the Prospectus dated January 2021 and issued by Eastern Caribbean Home Mortgage Bank (the "Prospectus") and for the inclusion in the Prospectus of our Independent Auditor's Report (the "Report") to the Shareholders of the Eastern Caribbean Home Mortgage Bank dated July 8, 2019 in respect of the Financial Statements for the year ended March 31, 2019.

We are responsible for the Report included in the Prospectus and have not become aware, since the date of the Report, of any matters affecting the validity of that Report at that date.

We further consent to, and authorise the use of, the Report in the Prospectus.

Yours truly,

Grant Thornton

Chartered Accountants
Basseterre
St. Kitts

Eastern Caribbean Home Mortgage Bank

Financial Statements
March 31, 2019
(expressed in Eastern Caribbean dollars)

Eastern Caribbean Home Mortgage Bank

Statement of Management's Responsibility

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 31st March 2019, the statement of 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	**Chief Financial Officer**
July 5, 2019	**July 5, 2019**

Grant Thornton
Corner Bank Street and West
Independence Square
P.O. Box 1038
Basseterre, St. Kitts
West Indies

T + 1 869 466 8200
F + 1 869 466 9822

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Eastern Caribbean Home Mortgage Bank

Opinion

We have audited the financial statements of **Eastern Caribbean Home Mortgage Bank** (the "Bank") which comprise the statement of financial position as at March 31, 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at March 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

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.

Impairment of financial assets

Description of the Matter

As at March 31, 2019, the Bank's financial assets included investment securities and mortgage loans facilities of $215,844,581 and $38,587,961, representing 96% of total assets and net of allowances for impairment of $4,736,814 and $3,793,523, respectively.

The allowance for impairment of loans to customers is considered to be a matter of significance, as it requires the application of critical management judgement and use of subjective estimates in determining the amount of impairment losses that are required to be recognised in the financial statements. These judgment and estimates are disclosed in the Bank's accounting policies in Note 6 to the financial statements.

On April 1, 2019, the Bank adopted IFRS 9, which introduced the expected credit loss ("ECL") model in determining the impairment of financial assets. Accordingly, the Bank used the ECL model in determining the impairment allowance for the investment securities and mortgage loans facilities portfolios. Under IFRS 9, the assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of default occurring, the associated loss ratio and of default correlation between counterparties. Furthermore, the Bank incorporated forward-looking information into the assessment of whether the credit risk of an instrument has increased significantly from its initial recognition to the measurement of ECL. The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables, credit risk and credit losses.

The disclosures relating to the impairment allowances on the investment securities and mortgage loans facilities, and the related credit risk are included in notes 4, 5, 9 and 10 to the financial statements.

How the Matter was addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to the adequacy of the impairment allowance on investment securities and mortgage loans facilities, which was considered to be a significant risk, included the following:

- Obtained an understanding and critically assessed the Bank's updated accounting policies relating to the classification, measurement and impairment;
- Assessed and evaluated the effectiveness of controls over the approval, recording and monitoring of financial assets, classification into credit risk stages, and calculation of impairment allowances;
- Evaluated the inputs and assumptions, as well as the formulas used in the development of the ECL model for the loan portfolio. This includes assessing the appropriateness of design of the ECL impairment model and formula used in determining the expected credit losses; and
- Assessed the key credit risk factors such as default history, macro-economic factors and financial capability of counterparties.

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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's 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.

Grant Thornton

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, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Jefferson E. Hunte.

Grant Thornton

Chartered Accountants
July 8, 2019
Basseterre, St. Kitts

Eastern Caribbean Home Mortgage Bank

Statement of Financial Position

As at March 31, 2019

(expressed in Eastern Caribbean dollars)

	2019 $	2018 $
Assets		
Cash and cash equivalents (note 7)	**10,681,344**	8,981,323
Receivables and prepayments (note 8)	**545,422**	5,578,573
Investment securities (note 9)	**215,844,581**	204,270,832
Mortgage loans facilities (note 10)	**38,587,961**	42,849,476
Motor vehicles and equipment (note 11)	**124,820**	192,952
Intangible assets (note 12)	**18,826**	28,648
Total assets	**265,802,954**	261,901,804
Liabilities		
Borrowings (note 13)	**206,082,002**	199,828,256
Accrued expenses and other liabilities (note 14)	**548,673**	715,677
Total liabilities	**206,630,675**	200,543,933
Equity		
Share capital (note 15)	**36,999,940**	36,999,940
Portfolio risk reserve (note 16)	**4,132,550**	9,612,452
Retained earnings	**18,039,789**	14,745,479
Total equity	**59,172,279**	61,357,871
Total liabilities and equity	**265,802,954**	261,901,804

The notes on pages 1 to 70 are an integral part of these financial statements.

Approved for issue by the Board of Directors on July 5, 2019.

Chairman **Director**

Eastern Caribbean Home Mortgage Bank
Statement of Comprehensive Income
For the year ended March 31, 2019

(expressed in Eastern Caribbean dollars)

	2019 $	2018 $
Interest income (note 18)	**12,313,216**	11,480,370
Interest expense	**(4,637,522)**	(3,962,620)
Net interest income	**7,675,694**	7,517,750
Other income (note 19)	**949,693**	228,173
Operating income	**8,625,387**	7,745,923
Expenses		
General and administrative expenses (note 20)	**(2,160,645)**	(2,276,976)
Other operating expenses (note 21)	**(1,025,239)**	(1,022,696)
Mortgage administrative fees	**(129,575)**	(230,415)
Total expenses	**(3,315,459)**	(3,530,087)
Net profit for the year	**5,309,928**	4,215,836
Other comprehensive income	–	–
Total comprehensive income for the year	**5,309,928**	4,215,836
Earnings per share		
Basic and diluted per share (note 22)	**19.76**	15.69

The notes on pages 1 to 70 are an integral part of these financial statements.

Eastern Caribbean Home Mortgage Bank

Statement of Changes in Equity

For the year ended March 31, 2019

(expressed in Eastern Caribbean dollars)

	Share capital $	Portfolio risk reserve $	Retained earnings $	Total $
Balance at March 31, 2017	**36,999,940**	**9,171,644**	**12,986,069**	**59,157,653**
Other comprehensive income				
Net profit for the year	–	–	4,215,836	4,215,836
Transfer to reserve (note 16)	–	440,808	(440,808)	–
Transaction with owners				
Dividends – $7.50 per share (note 17)	–	–	(2,015,618)	(2,015,618)
Balance at March 31, 2018	**36,999,940**	**9,612,452**	**14,745,479**	**61,357,871**
Adjustments from the adoption of IFRS 9 (note 3c)	–	–	(5,479,902)	(5,479,902)
Balance at April 1, 2018, as restated	**36,999,940**	**9,612,452**	**9,265,577**	**55,877,969**
Other comprehensive income				
Net profit for the year	–	–	5,309,928	5,309,928
Transfer from reserve (note 16)		(5,479,902)	5,479,902	–
Transaction with owners				
Dividends – $7.50 per share (note 17)	–	–	(2,015,618)	(2,015,618)
Balance at March 31, 2019	**36,999,940**	**4,132,550**	**18,039,789**	**59,172,279**

The notes on pages 1 to 70 are an integral part of these financial statements.

Eastern Caribbean Home Mortgage Bank

Statement of Cash Flows

For the year ended March 31, 2019

(expressed in Eastern Caribbean dollars)

	2019 $	2018 $
Cash flows from operating activities		
Net profit for the year	**5,309,928**	4,215,836
Items not affecting cash:		
Interest expense	**4,637,522**	3,962,620
Amortisation of corporate paper issue and transaction costs (note 13)	**467,606**	489,029
Amortisation of bond premium (note 9)	**566,950**	377,498
Depreciation of motor vehicles and equipment (note 11)	**68,132**	79,428
Amortisation of intangible assets (note 12)	**9,822**	819
Reduction in provision for impairment on financial assets (note 19)	**(924,565)**	(12,500)
Dividend income (note 19)	–	(23,932)
Interest income (note 18)	**(12,313,216)**	(11,480,370)
Operating loss before working capital changes	**(2,177,821)**	(2,391,572)
Changes in operating assets and liabilities:		
Decrease in receivables and prepayments	**3,802,641**	(3,902,630)
(Decrease)/increase in accrued expenses and other liabilities	**(167,004)**	360,345
Cash used in operations before interest	**1,457,816**	(5,933,857)
Interest received	**12,281,640**	12,536,339
Interest paid	**(4,432,655)**	(3,749,821)
Net cash from operating activities	**9,306,801**	2,852,661
Cash flows from investing activities		
Proceeds from sales/maturity of investment securities	**20,269,793**	61,747,292
Proceeds from the pool of mortgages repurchased by primary lenders	**7,416,674**	10,320,614
Proceeds from principal repayment on mortgages	**2,554,409**	2,295,171
Principal redemptions of mortgages	**129,623**	290,460
Increase in mortgages repurchased/replaced	–	836,688
Dividend income received	–	23,932
Purchase of motor vehicles and equipment	–	(28,517)
Purchase of intangible assets	–	(29,467)
Purchase of mortgages	**(8,402,204)**	(18,905,726)
Purchase of investment securities	**(33,290,730)**	(69,722,496)
Net cash used in investing activities	**(11,322,435)**	(13,172,049)
Cash flows from financing activities		
Proceeds from corporate papers	**199,096,700**	199,096,700
Proceeds from repurchase agreements	**6,000,000**	–
Payment for corporate paper issue costs and transaction costs	**(418,727)**	(533,481)
Dividends paid	**(1,865,618)**	(1,865,618)
Repayment of corporate papers	**(199,096,700)**	(184,096,700)
Net cash used in financing activities	**3,715,655**	12,600,901
Net increase in cash and cash equivalents	**1,700,021**	2,281,513
Cash and cash equivalents at beginning of year	**8,981,323**	6,699,810
Cash and cash equivalents at end of year (note 7)	**10,681,344**	8,981,323

The notes on pages 1 to 70 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 activity of the Bank is to buy and sell mortgage loans on residential properties, in order to develop and maintain a secondary market in mortgages.

The registered office of the Bank is located at 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 International Financial Reporting Standards (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, 2018

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The Bank has assessed the relevance of all such new interpretations and amendments, and has adopted the following, which are 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, 2018 *…continued*

- ***New standards adopted during the accounting year***

  IFRS 9, Financial Instruments

  The Bank has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of April 1, 2018. IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement*. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for the impairment of financial assets.

  When adopting IFRS 9, the Bank has applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of IFRS 9 in relation to classification, measurement, and impairment are recognised in opening retained earnings. Consequently, for note disclosures, the consequential amendments to IFRS 7 disclosures have also been applied to the current period. The comparative period note disclosures repeat those disclosures made in the prior year.

  IFRS 9 also contains new requirements on the application of hedge accounting. The new requirements look to align hedge accounting more closely with entities' risk management activities by increasing the eligibility of both hedged items and hedging instruments and introducing a more principles-based approach to assessing hedge effectiveness. The Bank has no hedge instruments, therefore hedge accounting is not applicable to the Bank.

  The adoption of IFRS 9 has impacted the following areas:

- **Investment securities reclassified from available-for-sale (AFS) financial assets to fair value through other comprehensive income (FVOCI)**

  AFS financial assets included unquoted equity investments. Under IAS 39, the equity investment was previously carried at cost less impairment. This treatment is no longer permitted under IFRS 9, and accordingly the investment has been restated as at April 1, 2018. Management has undertaken an assessment of the fair value of the equity investments and have determined that there is no significant difference between the fair value and the cost. Therefore, no further adjustment was made to the carrying value.

  The Bank elected to irrevocably designate these non-trading equity investment securities at FVOCI, as the assets are held by the Bank with the objective of selling in the future for liquidity purposes. There were no accumulated fair value gains as the equity securities were previously measured at cost and as such there was no transfer from a revaluation reserves account to a revaluation reserve: FVOCI account.

(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, 2018 *…continued*

- ***New standards adopted during the accounting year*** *…continued*

  IFRS 9, Financial Instruments …continued

- **Credit losses on investment securities, mortgage loans facilities and other financial assets measured at amortised cost**

  The impairment of financial assets applying the expected credit loss model affects the Bank's investment securities, mortgage loans facilities and other financial assets as presented under "receivables and prepayments" in the statement of financial position. These assets are shown measured at amortised cost. For investment securities and mortgage loans facilities, the Bank applies the lifetime expected credit losses based on the stages as identified in the impairment assessment. For other financial assets at amortised cost, the Bank applies the 12-month loss model of recognising lifetime expected credit losses as these items do not have a significant financing component.

  The application of the expected credit loss methodology based on the stages of impairment assessment for investment securities, mortgage loans facilities and other financial assets at amortised cost resulted in the recognition of additional allowance for credit losses for mortgage loans facilities amounting to $3,893,757 and investment securities amounting to $1,586,145 as at April 1, 2018. Such amount totalling $5,479,902 was charged against the opening balance of the retained earnings account.

  The quantitative impact of applying IFRS 9 as at April 1, 2018 is disclosed in the transition disclosures below.

  IFRS 7, Financial Instruments: Disclosures Revised

  To reflect the differences between IFRS 9 and IAS 39, IFRS 7 – *Financial Instruments: Disclosures Revised* was updated and the Bank has adopted it, together with IFRS 9, for the year beginning April 1, 2018. Changes include transition disclosures as shown in this Note.

(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, 2018 *…continued*

IFRS 7, Financial Instruments: Disclosures Revised …continued

- ***Transition disclosures***

a) *Classification and measurement of financial instruments*

On the date of initial application, April 1, 2018, the measurement category and the carrying amount of the financial instruments of the Bank in accordance with IAS 39 and IFRS 9 are compared as follows:

	Original IAS 39 Category	New IFRS 9 Category	Balance at March 31, 2018 $	Adoption of IFRS 9 $	Balance at April 1, 2018 $
Cash and cash equivalents	Amortised cost (loans and receivables)	Amortised cost	8,981,323	–	8,981,323
Receivables	Amortised cost (loans and receivables)	Amortised cost	5,483,140	–	5,483,140
Investment securities	Amortised cost (loans and receivables)	Amortised cost	106,761,053	(1,531,216)	105,229,837
Investment securities	Amortised cost (Held-to-maturity)	Amortised cost	97,409,779	(54,929)	97,354,850
Investment securities	Available-for-sale	Fair value through other comprehensive income	100,000	–	100,000
Mortgage loans facilities	Amortised cost (loans and receivables)	Amortised cost	42,849,476	(3,893,757)	38,955,719
Total financial assets			**261,584,771**	**(5,479,902)**	**256,104,869**

There have been no changes to the classification or measurement of financial liabilities as a result of the application of IFRS 9.

b) *Reconciliation of statement of financial position from IAS 39 to IFRS 9*

The Bank performed a detailed analysis of its business models for managing financial assets as well as an analysis of their cash flow characteristics. The new classification requirements of IFRS 9 are outlined under the summary of significant accounting policies. For more details see note 4 (b).

(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, 2018 *…continued*

IFRS 7, Financial Instruments: Disclosures Revised …continued

- ***Transition disclosures*** *…continued*

b) Reconciliation of statement of financial position from IAS 39 to IFRS 9 …continued

The following table reconciles the carrying amounts of the financial instruments, from their previous measurement category in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on April 1, 2018:

	IAS 39 carrying amount March 31, 2018 $	Reclassification $	Remeasure-ment $	IFRS 9 carrying amount April 1, 2018 $	Retained Earnings effect $
Financial assets					
Amortised cost					
Cash and cash equivalents	8,981,323	–	–	8,981,323	–
Receivables	5,483,140	–	–	5,483,140	–
Investment securities	204,170,832	–	(1,586,145)	202,584,687	(1,586,145)
Mortgage loans facilities	42,849,476	–	(3,893,757)	38,955,719	(3,893,757)
Total financial assets measured at amortised cost	**261,484,771**	**–**	**(5,479,902)**	**256,004,869**	**(5,479,902)**
Available-for-sale investment securities					
Investment securities – equity instruments	100,000	(100,000)	–	–	–
Financial assets measured at FVOCI					
Investment securities – equity instruments	–	100,000	–	100,000	–
Total financial assets	**261,584,771**	–	**(5,479,902)**	**256,104,869**	**(5,479,902)**
Financial liabilities					
Amortised cost					
Borrowings	199,828,256	–	–	199,828,256	–
Accrued expenses and other liabilities	715,677	–	–	715,677	–
Total financial liabilities	**200,543,933**	–	–	**200,543,933**	**–**

(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, 2018 *...continued*

IFRS 7, Financial Instruments: Disclosures Revised ...continued

- ***Transition disclosures*** *...continued*

b) Reconciliation of statement of financial position from IAS 39 to IFRS 9 ...continued

All remeasurements are related to the recognition of expected credit losses under IFRS 9.

c) Reconciliation of impairment allowance balance from IAS 39 to IFRS 9

The following table reconciles the prior period's closing impairment allowance measured in accordance with the IAS 39 incurred loss model to the new impairment allowance measured in accordance with the IFRS 9 expected loss model at April 1, 2018:

	Loan loss allowance under IAS 39 $	**Remeasurement $**	**Loan loss allowance under IFRS 9 $**
Loans and receivables (IAS 39)/ Financial assets at amortised cost (IFRS 9)			
Cash and cash equivalents	–	–	–
Receivables	–	–	–
Investment securities	3,975,000	1,586,145	5,561,145
Mortgage loans facilities	–	3,893,757	3,893,757
Total	**3,975,000**	**5,479,902**	**9,454,902**
Available for sale financial instruments (IAS 39)/Financial assets at FVOCI (IFRS 9)			
Investment securities – equity instruments	–	–	–
Total	**3,975,000**	**5,479,902**	**9,454,902**

(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, 2018 *…continued*

IFRS 15, Revenue from Contracts with Customers

IFRS 15 and the related Clarifications to IFRS 15 replace International Accounting Standard (IAS) 18, *Revenue*, IAS 11, *Construction Contracts*, and several revenue-related interpretations. The new standard has been applied retrospectively, without restatement or an adjustment to the opening balance of retained earnings at April 1, 2018.

The Company adopted the new guidance for the recognition of revenue from contracts with customers under IFRS 15 and these did not have any impact on the amounts recognised in prior periods and did not significantly affect the current period.

Other amendments to standards

Other standards and amendments that are effective for the first time in 2019 are as follows:

- Annual Improvements 2014-2016 Cycle (Amendments to IFRS 1 and IAS 28);
- Applying IFRS 9, *Financial Instruments*, with IFRS 4, *Insurance Contracts*, (Amendments to IFRS 4);
- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2);
- IFRIC 22, *Foreign Currency Transactions and Advance Consideration;* and
- Transfer to Investment Property (Amendments to IAS 40).

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

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

At the date of authorisation of these financial statements, certain new standards, and amendments to existing standards have been published by the IASB that are not yet effective and have not been adopted early by the Bank. Information on those expected to be relevant to the Bank's financial statements is provided below.

Management anticipates that all relevant pronouncements will be adopted in the Bank's accounting policies for the first period beginning after the effective date of the pronouncement. New standards, interpretations and amendments either not adopted or listed below are not expected to have a material impact on the Bank's financial statements.

(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 *…continued*

- ***IFRS 16, Leases (effective from January 1, 2019)***

  IFRS 16 eventually replaces IAS 17, *Leases*, and its related interpretation IFRIC 4, *Determining Whether an Arrangement Contains a Lease*. For lessees, it requires that entities account for leases "on-balance sheet" by recognizing a "right-of-use" asset and a lease liability. The lease liability is initially measured as the present value of future lease payments. For this purpose, lease payments include fixed, non-cancellable payments for lease elements, amounts due under residual value guarantees, certain types of contingent payments and amounts due during optional periods to the extent that extension is reasonably certain. In subsequent periods, the "right-of-use" asset is accounted for similar to a purchased asset subject to depreciation or amortisation. The lease liability is accounted for similar to a financial liability which is amortised using the effective interest method. However, the new standard provides important reliefs or exemptions for short-term leases and leases of low value assets. If these exemptions are used, the accounting is similar to operating lease accounting under IAS 17 where lease payments are recognised as expenses on a straight-line basis over the lease term or another systematic basis (if more representative of the pattern of the lessee's benefit).

  For lessors, lease accounting is similar to IAS 17. In particular, the distinction between finance and operating leases is retained. The definitions of each type of lease, and the supporting indicators of a finance lease, are substantially the same as IAS 17. The basic accounting mechanics are also similar, but with some different or more explicit guidance in few areas. These include variable payments, sub-leases, lease modifications, the treatment of initial direct costs and lessor disclosures.

  Management plans to adopt the modified retrospective application of IFRS 16 where the cumulative effect of initially applying the standard will be recognised as an adjustment to the opening balance of retained earnings account at the date of initial application. The Bank will elect to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

  Management is currently assessing the financial impact of this new standard on the Bank's financial statements.

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)

4 Summary of 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 income' or 'General and administrative expenses'.

b) Financial assets and liabilities

(i) Initial recognition and derecognition

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. These categories replace the existing IAS 39 classification of FVTPL, available-for-sale, loans and receivables and held-to-maturity.

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.

In the current and prior periods presented, the Company does not have any financial assets categorised as FVTPL. All income and expenses relating to financial assets that are recognised in the statement of comprehensive income are presented within interest income whereas loss allowance is presented within "operating expenses" or "other income" where there is a reduction in the expected credit loss "ECL" and are presented 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.

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.

(expressed in Eastern Caribbean dollars)

4 Summary of significant accounting policies *…continued*

b) Financial assets and liabilities *…continued*

(ii) Classification and measurement of financial assets

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 or financial liability 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 or financial liability such as fees and commissions. Transaction costs of financial assets and financial liabilities 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 and liabilities 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.

Financial assets are classified into the following categories:

- amortised cost;
- fair value through profit or loss (FVTPL); or
- fair value through other comprehensive income (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 Summary of significant accounting policies *…continued*

b) Financial assets and liabilities *…continued*

(ii) Classification and 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.

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.

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.

(expressed in Eastern Caribbean dollars)

4 Summary of significant accounting policies *…continued*

b) Financial assets and liabilities *…continued*

(ii) Classification and measurement of financial assets …continued

Debt instruments…continued

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.

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

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 which were previously provided for under IAS 39 *Financial Assets: Recognition and Measurement*.

Recognition of credit losses is no longer dependent on the Bank first identifying a credit loss event. Instead, 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').

(expressed in Eastern Caribbean dollars)

4 Summary of significant accounting policies *…continued*

b) Financial assets and liabilities *…continued*

(iii) Impairment of financial assets measured at amortised cost …continued

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 financial assets at amortised cost on a collective basis as 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 accounts receivables are mostly short-term with minimal expose to risk. The ECL on these instruments were therefore determined to be zero.

(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.

(expressed in Eastern Caribbean dollars)

4 Summary of significant accounting policies *...continued*

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

(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 Summary of 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 Company'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

In both the current and prior periods, financial liabilities are classified as subsequently measured at amortised cost.

(expressed in Eastern Caribbean dollars)

4 Summary of 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.

Financial assets – Policies under IAS 39

The Bank classifies its financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets, and available-for-sale financial assets.

Management determines the classification of its financial assets at initial recognition.

(i) Financial asset at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profittaking. Derivatives are also categorised as held for trading unless they are designated as hedging instruments.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. They arise when the Bank provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans and receivables are initially recognised at fair value, which is the cash consideration to originate or purchase the loan including any transaction costs.

(expressed in Eastern Caribbean dollars)

4 Summary of significant accounting policies *…continued*

b) Financial assets and liabilities *…continued*

Financial assets – Policies under IAS 39 *…continued*

(iii) Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity. Were the Bank to sell other than an insignificant amount of held-to-maturity assets, the entire category would be re-classified as available-for-sale. Held-to-maturity investments are initially recognised at fair value, which is the cash consideration including any transaction costs.

(iv) Available-for-sale financial assets

Available-for-sale investments are non-derivative financial assets intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. Available-for-sale investments are initially recognised at fair value, which is the cash consideration including any transaction costs.

Purchases and sales of available-for-sale financial assets are recognised at the trade date – the date on which the Bank commits the purchase or sell the asset. Mortgage loans and receivables are recognised when cash is advanced to the borrowers.

Subsequent to initial recognition at cost, financial assets at fair value through profit or loss and available-for-sale financial assets are carried at fair value. Loans and receivables and held-to-maturity financial assets are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in the statement of comprehensive income, until the financial asset is derecognised or impaired. At this time, the cumulative gain or loss previously recognised in the statement of comprehensive income is recognised in profit or loss. However, interest calculated using the effective interest method and foreign currency gains and losses on monetary assets classified as available for sale are recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the Bank's right to receive payment is established.

The fair values amounts represents the price (or estimates thereof) that would be agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidence by a quoted market value, if one exists. The estimate fair values of the financial assets are based on quoted bid prices of securities as at March 31 where available.

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.

(expressed in Eastern Caribbean dollars)

4 Summary of significant accounting policies *…continued*

b) Financial assets and liabilities *…continued*

Financial assets – Policies under IAS 39 *…continued*

(iv) Available-for-sale financial assets …continued

The Bank may choose to reclassify a non-derivative financial asset held for trading out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near-term. In addition, the Bank may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Bank has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification. Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

c) Financial liabilities

When financial liabilities are recognised they are measured at fair value of the consideration given plus transactions costs directly attributable to the acquisition of the liability. Financial liabilities are re- measured at amortised cost using the effective interest rate. Financial liabilities are derecognized when they are extinguished, that is when the obligation specified in the contract as discharged, cancelled or expired. The difference between the carrying amount of a financial liability extinguished and the consideration price is recognised in the statement of comprehensive consideration price is recognised in the statement of comprehensive income.

d) 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.

e) Cash and cash equivalents

Cash comprises cash on hand and demand and call deposits with banks. Cash equivalents are short-term, highly liquid investments 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.

f) 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 Summary of significant accounting policies *…continued*

g) 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 eligible employees at retirement is computed with reference to final salary and calibrated percentage rates based on the number of years of service. Provisions for these amounts are included in the statement of financial position.

h) Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, 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.

i) 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 Summary of significant accounting policies *…continued*

i) 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.

j) 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.

k) 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 Summary of significant accounting policies *...continued*

l) 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.

m) 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.

n) Expenses

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

o) Operating lease – Bank as a lessee

Where the Bank is a lessee, payments on the operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

p) Share capital

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

q) 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.

(expressed in Eastern Caribbean dollars)

4 Summary of significant accounting policies *...continued*

r) Retained earnings

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

s) 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.

t) Reclassification

Where necessary, comparative figures have been adjusted to conform with the change in presentation in the current year.

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.

(expressed in Eastern Caribbean dollars)

5 Financial risk management *...continued*

a) Enterprise risk management approach *...continued*

The Board carries out its risk management oversight function by:

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

b) Risk measurement and reporting systems

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

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

c) Excessive risk concentration

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

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

(expressed in Eastern Caribbean dollars)

5 Financial risk management *...continued*

d) Credit risk

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

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

Credit risk measurement

Mortgage loans 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.

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.

(expressed in Eastern Caribbean dollars)

5 Financial risk management *...continued*

d) Credit risk *...continued*

Credit risk measurement *...continued*

Credit risk grading ...continued

The Bank relies on external rating 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.

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.

(expressed in Eastern Caribbean dollars)

5 Financial risk management *…continued*

d) Credit risk *…continued*

Credit risk measurement *…continued*

Expected credit loss measurement …continued

The PD, LGD and EAD models which support these determinations are reviewed regularly in light of differences between loss estimates and actual loss experience but given that IFRS 9 requirements have only just been applied, there has been little time available to make these comparisons. 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 exposures and mortgage loans 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 CariCRIS

(expressed in Eastern Caribbean dollars)

5 Financial risk management *...continued*

d) Credit risk *...continued*

Credit risk measurement *...continued*

Measuring ECL – Explanation of inputs, assumptions and estimation techniques

The LGDs for International Corporate Bond Exposures was obtained from a reputable third party provider. Where there is no reliable estimate, 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.
- Trade 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

(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

calculation will have forecasts of the relevant macroeconomic variables – including, but not limited to, unemployment rates and gross domestic product.

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 3 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 ECHMB 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.

The Bank has not used the low credit risk exemption for any financial instruments in the year ended March 31, 2019.

(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

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.

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.

(expressed in Eastern Caribbean dollars)

5 Financial risk management *...continued*

d) Credit risk *...continued*

Expected credit loss measurement *...continued*

Investment securities

Summary of Investment Securities ECL Staging 2019

	Stage 1 $	Stage 2 $	Stage 3 $	Total $	March 31, 2018 Total $	Adoption of IFRS 9 Total $	April 1, 2018 Total $
Quoted corporate bonds	99,899,217	1,381,112	–	101,280,329	73,930,377	–	73,930,377
Quoted sovereign bonds	14,088,485	–	–	14,088,485	14,196,535	–	14,196,535
Term Deposits	44,084,039	–	3,825,000	47,909,039	54,752,777	–	54,752,777
Unquoted Bonds	44,973,295	12,230,247	–	57,203,542	59,266,143	–	59,266,143
Treasury bills	–	–	–	–	6,000,000	–	6,000,000
Gross carrying amount	203,045,036	13,611,359	3,825,000	220,481,395	208,145,832	–	208,145,832
Provision for expected credit losses	(583,920)	(327,894)	(3,825,000)	(4,736,814)	(3,975,000)	(1,586,145)	(5,561,145)
Carrying amount	**202,461,116**	**13,283,465**	**–**	**215,744,581**	**204,170,832**	**(1,586,145)**	**202,584,687**

(expressed in Eastern Caribbean dollars)

5 Financial risk management *...continued*

d) Credit risk *...continued*

Expected credit loss measurement *...continued*

Mortgage loans facilities

Summary of Mortgage loans facilities ECL Staging 2019

	Stage 1 $	Stage 2 $	Stage 3 $	Total $	March 31, 2018 Total $	Adoption of IFRS 9 Total $	April 1, 2018 Total $
Mortgage loans portfolio	15,246,544	–	3,671,773	18,918,317	17,616,724	–	17,616,724
Mortgage-pledged loan	14,748,255	–	–	14,748,255	16,344,799	–	16,344,799
Mortgage credit facility	8,714,912	–	–	8,714,912	8,887,953	–	8,887,953
Gross carrying amount	38,709,711	–	3,671,773	42,381,484	42,849,476	–	42,849,476
Provision for expected credit losses	(121,750)	–	(3,671,773)	(3,793,523)	–	(3,893,757)	(3,893,757)
Carrying amount	**38,587,961**	–	–	**38,587,961**	**42,849,476**	**(3,893,757)**	**38,955,719**

(expressed in Eastern Caribbean dollars)

5 Financial risk management *...continued*

d) Credit risk *...continued*

Expected credit loss measurement *...continued*

Loss allowance

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

- Transfers between Stages 1, 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

(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:

	Investment securities			
	Stage 1 12-month ECL $	**Stage 2 Lifetime ECL $**	**Stage 3 Lifetime ECL $**	**Total $**
Loss allowance as at April 1, 2018	**(910,623)**	**(675,522)**	**(3,975,000)**	**(5,561,145)**
Movements with P/L impact:				
Transfers:				
Transfers from Stage 1 to Stage 2	378	(23,816)	–	(23,438)
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	(2,364)	–	–	(2,364)
Changes in PDs/ LGDs/EADs	287,368	371,444	150,000	808,812
Financial assets derecognised during the year	41,321	–	–	41,321
Total net P&L charge during the year	**326,703**	**347,628**	**150,000**	**824,331**
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, 2019	**(583,920)**	**(327,894)**	**(3,825,000)**	**(4,736,814)**

(expressed in Eastern Caribbean dollars)

5 Financial risk management *...continued*

d) Credit risk *...continued*

Expected credit loss measurement *...continued*

Loss allowance ...continued

	Mortgage loans facilities			
	Stage 1 12-month ECL $	**Stage 2 Lifetime ECL $**	**Stage 3 Lifetime ECL $**	**Total $**
Loss allowance as at April 1, 2018	**(47,208)**	–	**(3,846,549)**	**(3,893,757)**
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	(57,256)	–	–	(57,256)
Changes in PDs/ LGDs/EADs	(21,933)	–	174,776	152,843
Financial assets derecognised during the year	4,647	–	–	4,647
Total net P&L charge during the year	**(74,542)**	–	**174,776**	**100,234**
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, 2019	**(121,750)**	–	**(3,671,773)**	**(3,793,523)**

(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.

Accounting policies applied until March 31, 2018

The table below shows the maximum exposure to credit risk for the components of the statement of financial position.

	Gross Maximum Exposure 2018 $
Credit risk exposure relating to on-balance sheet position	
Cash and cash equivalents	8,980,823
Receivables	5,483,140
Investment securities	204,270,832
Mortgage loans facilities	42,849,476
	261,584,271

The above table represents a worst-case scenario of credit exposure to the Bank as at March 31, 2018, without taking into account any collateral held or other enhancements attached. The exposure set out above is based on net carrying amounts as reported in the statement of financial position.

As shown above, 78% of the total maximum exposure is derived from the investment securities and 16% of the total maximum exposure represents mortgage loans facilities.

(expressed in Eastern Caribbean dollars)

5 Financial risk management *…continued*

d) Credit risk *…continued*

Accounting policies applied until March 31, 2018

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

- *Cash and cash equivalents*
  Some accounts are held with banks regulated by the Eastern Caribbean Central Bank (ECCB) and collateral is not required for such accounts as management regards the institutions as strong.

- *Mortgage loans facilities and receivables*
  A due diligence assessment is undertaken before a pool of mortgages is purchased from the Primary Lender who has to meet the standard requirements of the Bank. Subsequently, annual assessments are conducted to ensure that the quality standards of the loans are maintained. Additionally, all financial institutions which are issued by mortgage loan facilities are subjected to a due diligence assessment. Such financial institutions are further subjected to annual assessments to assess the credit worthiness of the institutions.

  The Bank enters into Sale and Administration Agreements with Primary Lending Institutions for the purchase of residential mortgages with recourse. The terms of the Agreement warrants that any default, loss or title deficiency occurring during the life of a mortgage loan will be remedied by the Primary Lending Institution and the Bank is protected against any resulting loss. As a result of the recourse provision, management believes that no provision is required.

  The Bank manages and controls credit risk by limiting concentration exposure to any one Organisation of Eastern Caribbean States (OECS) member state or primary lending institution (for mortgages) or corporation or country (for investment securities). It places limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations by monitoring exposures in relation to such limits. The Bank monitors concentration of credit risk by geographic location and by primary lending institutions, financial institutions, corporation or governments. The Bank's credit exposure for mortgage loans at their carrying amounts, categorised by individual ECCU territory is disclosed in Note 10. Credit exposure for all other financial assets is disclosed subsequently in Note 5 e).

  Debt securities treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and other similar instruments, which are included under mortgage loans facilities.

- *Investment securities*
  The Bank's investment securities are held in a diverse range of financial institutions, corporations and governments both locally, regionally and internationally. Equity instruments are held with a reputable company. These companies and governments with which investment securities are held operate in a wide cross section of geographical regions and industries which manages credit risk. The Bank does not purchase junk bonds and ensures bonds are rated at a high level to further mitigate credit risk. These bonds are held with regional and international corporations which are deemed to be reputable and of a high credit rating as well as with regional governments. Before an investment is purchased it must meet the standard requirements of the Bank as outlined in its investment policy statement under consultation with the Executive Committee. There were no changes to the Bank's approach to managing credit risk during the year.

(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, 2019 with comparatives for 2018. 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	8,274,220	1,365,858	163,626	877,140	–	–	10,680,844
Receivables	471,784	–	–	–	–	–	471,784
Investment securities							
Amortised cost	–	66,429,174	58,972,896	35,034,258	12,329,225	42,979,028	215,744,581
FVOCI	100,000	–	–	–	–	–	100,000
Mortgage loans facilities	14,736,331	23,851,630	–	–	–	–	38,587,961
As at March 31, 2019	**23,582,335**	**91,646,662**	**59,136,522**	**35,911,398**	**12,329,225**	**42,979,028**	**265,585,170**
Cash and cash equivalents	8,382,094	–	36,166	562,563	–	–	8,980,823
Receivables	35,642	1,338,576	4,108,922	–	–	–	5,483,140
Investment securities							
HTM	–	–	33,479,925	29,995,774	8,390,362	25,543,714	97,409,775
AFS	100,000	–	–	–	–	–	100,000
Loans and receivables	–	90,609,149	16,151,908	–	–	–	106,761,057
Mortgage loans facilities	16,344,799	26,504,677	–	–	–	–	42,849,476
As at March 31, 2018	**24,862,535**	**118,452,402**	**53,776,921**	**30,558,337**	**8,390,362**	**25,543,714**	**261,584,271**

(expressed in Eastern Caribbean dollars)

5 Financial risk management *...continued*

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

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

	2019 $	2019 %	2018 $	2018 %
Development bank	**23,451,247**	**61**	25,232,752	59
Credit unions	**13,279,878**	**34**	6,836,427	16
Finance company	**1,856,836**	**5**	2,301,415	5
Commercial banks	–	–	8,478,882	20
	38,587,961	**100**	42,849,476	100

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 31 March 2019						
Financial assets:						
Cash and cash equivalents	10,278,773	–	–	–	402,571	10,681,344
Receivables	–	–	–	–	471,784	471,784
Investment securities						
Amortised cost	9,040,105	42,066,224	79,746,133	84,892,119	–	215,744,581
FVOCI	–	–	–	–	100,000	100,000
Mortgage loans facilities	627,859	1,883,576	10,045,737	26,030,789	–	38,587,961
Total financial assets	**19,946,737**	**43,949,800**	**89,791,870**	**110,922,908**	**974,355**	**265,585,670**
Financial liabilities:						
Borrowings	60,000,000	146,082,002	–	–	–	206,082,002
Accrued expenses and other liabilities	–	–	–	–	548,673	548,673
Total financial liabilities	**60,000,000**	**146,082,002**	–	**–**	**548,673**	**206,630,675**
Interest sensitivity gap	**(40,053,263)**	**(102,132,202)**	**89,791,870**	**110,922,908**	**425,682**	**58,954,995**

(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 31 March 2018						
Financial assets:						
Cash and cash equivalents	7,325,674	–	–	–	1,655,649	8,981,323
Receivables	–	–	–	–	5,483,140	5,483,140
Investment securities						
HTM	–	–	16,536,362	79,796,897	1,076,516	97,409,775
AFS	–	–	–	–	100,000	100,000
Loans and receivables	5,899,955	20,415,742	60,641,589	16,720,354	3,083,417	106,761,057
Mortgage loans facilities	644,049	1,834,124	11,080,698	29,290,605	–	42,849,476
Total financial assets	**13,869,678**	**22,249,866**	**88,258,649**	**125,807,856**	**11,398,722**	**261,584,771**
Financial liabilities:						
Borrowings	60,000,000	139,096,700	–	–	731,556	199,828,256
Accrued expenses and other liabilities	–	–	–	–	715,677	715,677
Total financial liabilities	**60,000,000**	**139,096,700**	–	–	**1,447,233**	**200,543,933**
Interest sensitivity gap	**(46,130,322)**	**(116,846,834)**	**88,258,649**	**125,807,856**	**9,951,489**	**61,040,838**

(expressed in Eastern Caribbean dollars)

5 Financial risk management *...continued*

f) Market risk *...continued*

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.

The following table summarises the Bank's exposure to foreign currency risk as of March 31, 2019 and 2018. 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, 2019			
Financial assets			
Cash and cash equivalents	9,120,668	1,560,676	10,681,344
Receivables	471,784	–	471,784
Investment securities			
Amortised cost	66,431,310	149,313,271	215,744,581
FVOCI	100,000	–	100,000
Mortgage loans facilities	38,587,961	–	38,587,961
	114,711,723	**150,873,947**	**265,585,670**
Financial liabilities			
Borrowings	206,082,002	–	206,082,002
Accrued expenses and other liabilities	548,673	–	548,673
	206,630,675	–	**206,630,675**
Net statement of financial position	**(91,918,952)**	**150,873,947**	**58,954,995**

(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, 2018			
Financial assets			
Cash and cash equivalents	7,555,159	1,426,164	8,981,323
Receivables	1,374,218	4,108,922	5,483,140
Investment securities			
HTM	–	97,409,775	97,409,775
AFS	100,000	–	100,000
Loans and receivables	90,609,149	16,151,908	106,761,057
Mortgage loans facilities	41,627,255	1,222,221	42,849,476
	141,265,781	**120,318,990**	**261,584,771**
Financial liabilities			
Borrowings	199,828,256	–	199,828,256
Accrued expenses and other liabilities	715,677	–	715,677
	200,543,933	**–**	**200,543,933**
Net statement of financial position	**(59,278,152)**	**120,318,990**	**61,040,838**

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, 2019					
Assets:					
Cash and cash equivalents	10,681,344	–	–	–	10,681,344
Receivables	471,784	–	–	–	471,784
Investment securities					
Amortised cost	8,778,580	42,066,224	79,711,094	85,088,683	215,644,581
FVOCI	–	–	–	100,000	100,000
Mortgage loans facilities	627,858	1,883,576	10,045,737	26,030,790	38,587,961
Total assets	**20,559,566**	**43,949,800**	**89,756,831**	**111,219,473**	**265,485,670**
Liabilities:					
Borrowings	61,098,293	144,983,709	–	–	206,082,002
Accrued expenses and other liabilities	548,673	–	–	–	548,673
	61,646,966	**144,983,709**	–	–	**206,630,675**
Net liquidity gap	**(41,087,400)**	**(101,033,909)**	**89,756,831**	**111,219,473**	**58,854,995**

(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, 2018					
Assets:					
Cash and cash equivalents	8,981,323	–	–	–	8,981,323
Receivables	5,483,140	–	–	–	5,483,140
Investment securities					
HTM	1,076,516	–	16,536,362	79,796,897	97,409,775
AFS	–	–	–	100,000	100,000
Loans and receivables	8,983,372	20,415,742	60,641,589	16,720,354	106,761,057
Mortgage loans facilities	1,531,385	3,785,266	17,853,962	40,175,567	63,346,180
Total assets	**26,055,736**	**24,201,008**	**95,031,913**	**136,792,818**	**282,081,475**
Liabilities:					
Borrowings	60,731,556	139,096,700	–	–	199,828,256
Accrued expenses and other liabilities	715,677	–	–	–	715,677
	61,447,233	**139,096,700**	**–**	**–**	**200,543,933**
Net liquidity gap	**(35,391,497)**	**(114,895,692)**	**95,031,931**	**136,792,818**	**81,537,542**

(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.

	2019 $	2018 $
Total Debt	**206,082,002**	199,828,256
Total Equity	**59,174,279**	61,357,871
Debt to Equity ratio	**3.48**	3.26

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	
	2019 $	2018 $	2019 $	2018 $
Cash and cash equivalents	**10,681,344**	8,981,323	**10,681,344**	8,981,323
Receivables	**471,784**	5,483,140	**471,784**	5,483,140
Investment securities				
Amortised cost	**215,744,581**	–	**214,004,527**	–
FVOCI	**100,000**	–	**100,000**	–
HTM	–	97,409,775	–	95,389,626
AFS	–	100,000	–	100,000
Loans and receivable	–	106,761,057	–	106,761,057
Mortgage loans facilities	**38,587,961**	42,849,476	**38,587,961**	42,849,476
	265,585,670	261,584,771	**263,845,616**	259,564,622
Borrowings	**206,082,002**	199,828,256	**206,082,002**	199,828,256
Accrued expenses and other liabilities	**548,673**	715,677	**548,673**	715,677
	206,630,675	200,543,933	**206,630,675**	200,543,933

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

In the financial year ended March 31, 2019, due to the application of IFRS 9, Management has assessed the fair value of the equity instrument measured at FVOCI using level 3 inputs. As at March 31, 2019, however, the Bank's AFS investment was not actively traded in an organised financial market, and fair value was determined at cost under IAS 39.

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).

During the financial year only equity securities classified as FVOCI under investment securities were measured at fair value. Fair value was determined using level 3 measurements.

(expressed in Eastern Caribbean dollars)

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.

ii) Evaluation of business model applied in managing financial instruments

Upon adoption of IFRS 9, the Bank 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.

(expressed in Eastern Caribbean dollars)

6 Critical accounting estimates and judgements *…continued*

iii) Testing of cash flow characteristics of financial assets and continuing evaluation of the business model (2019)

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.

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 behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is 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.

(expressed in Eastern Caribbean dollars)

6 Critical accounting estimates and judgements *…continued*

iv) Measurement of the expected credit loss allowance …continued

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 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
- The determination of the probabilities of default utilized in the assessment of 12-month and lifetime credit losses.

			Base Case		
		$	**$**		**$**
Mortgage loans facilities					
PDs	+0.05%	3,802,846	3,793,523	-0.05%	3,784,723
LGDs	+5%	3,795,662	3,793,523	-5%	3,773,784
Investment securities					
PDs	+0.05%	4,558,203	4,511,814	-0.05%	4,494,676
LGDs	+5%	4,615,165	4,511,814	-5%	4,350,624

Accounting policies applied until March 31, 2018

(a) Impairment losses on investment securities – Loans and Receivables and Held-to-Maturity Investments

The Bank reviews its portfolio of assets for impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Bank makes judgement as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio before the decrease can be identified with an individual investment in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of investees or local economic conditions that correlate with defaults on assets in the group.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences in estimates and actual loss experienced.

(expressed in Eastern Caribbean dollars)

6 Critical accounting estimates and judgements *…continued*

iv) Measurement of the expected credit loss allowance …continued

(b) Impairment losses on mortgage loan facilities

(i) Mortgage loans portfolio

The Bank reviews its mortgage loans portfolio to assess impairment on a periodic basis. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of mortgage loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers, or local economic conditions that correlate with defaults on assets in the Bank.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. There was no provision recorded as at March 31, 2018.

(ii) Mortgage credit facility and mortgage-pledged loans

The Bank reviews its mortgage credit facility and mortgage-pledged loans to assess impairment on a regular and periodic basis. In determining whether an impairment loss should be recorded, the Bank makes judgments as to whether there is any observable data indicating an impairment trigger followed by a measurable decrease in the estimated future cash flows from investment securities. Such observable data may indicate that there has been an adverse change in the payment ability and financial condition of the counterparty. Management uses experienced judgment and estimates based on objective evidence of impairment when assessing future cash flows. There were no impairment losses on investment securities as at March 31, 2018

7 Cash and cash equivalents

	2019 **$**	**2018** **$**
Cash on hand	**500**	500
Balances with commercial banks	**9,314,986**	7,959,806
Repurchase agreement	**1,365,858**	–
Short-term deposit	–	1,021,017
	10,681,344	8,981,323

Balances with commercial banks earned interest at rates ranging from 0 % to 0.1% (2018: 0 % to 0.1%). During the year the interest income earned on these financial assets was $16,311(2018: $22,561).

(expressed in Eastern Caribbean dollars)

7 Cash and cash equivalents *...continued*

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. This Agreement may result in credit exposure in the event that First Citizens Investment Services Ltd. is unable to fulfil its contractual obligation. The Repurchase agreement is a three-months fixed income instrument scheduled to mature on the April 16, 2019. Interest is payable in arrears at maturity at 2.70%.

The short-term deposit was a three-month fixed deposit at St. Kitts-Nevis-Anguilla National Bank Limited which matured on April 14, 2018; the coupon rate was 1.0%.

8 Receivables and prepayments

	2019	**2018**
	$	**$**
Receivables	**471,784**	1,374,218
Prepayments	**73,638**	95,433
Other assets	**–**	4,108,922
	545,422	5,578,573

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

	2019 $	2018 $
At amortised cost		
Quoted corporate bonds (2018: HTM)	**100,200,515**	82,270,850
Unquoted bonds (2018: loans and receivables)	**56,412,063**	45,285,714
Term deposits (2018: loans and receivables)	**45,497,999**	56,141,926
Quoted sovereign bonds (2018: HTM)	**13,954,309**	14,062,409
Treasury bills (2018: loans and receivables)	**–**	6,000,000
	216,064,886	203,760,899
Interest receivable	**4,416,509**	4,384,933
Total debt investments (gross)	**220,481,395**	208,145,832
Less provision for expected credit losses	**(4,736,814)**	–
Less provision for impairment – CLICO – principal	**–**	(3,750,000)
Less provision for impairment – CLICO – interest receivable	**–**	(225,000)
Total debt investments (net)	**215,744,581**	204,170,832
FVOCI (2018: AFS)		
Unquoted equity investment	**100,000**	100,000
Total investment securities	**215,844,581**	204,270,832
Current	**52,408,002**	30,475,630
Non-current	**163,436,579**	173,795,202
Total investment securities	**215,844,581**	204,270,832

(expressed in Eastern Caribbean dollars)

9 Investment securities *…continued*

The movement of the investment securities is shown below:

	2019		
	Amortised Cost	**FVOCI**	**Total**
Principal			
Balance at beginning of year	**203,760,899**	**100,000**	**203,860,899**
Additions	**33,290,730**	**–**	**33,290,730**
Disposals	**(20,269,793)**	**–**	**(20,269,793)**
Bond premium amortisation	**(566,950)**	**–**	**(566,950)**
Reclassification/transfer	**(150,000)**	–	**(150,000)**
Balance at end of year	**216,064,886**	**100,000**	**216,164,886**
Interest receivable			
Balance at beginning of year	**4,384,933**	**–**	**4,384,933**
Interest earned	**9,821,916**	**–**	**9,821,916**
Interest received/collected	**(9,790,340)**	**–**	**(9,790,340)**
		–	
Balance at end of year	**4,416,509**	**–**	**4,416,509**

(expressed in Eastern Caribbean dollars)

9 Investment securities *…continued*

	2018				
	FVTPL	**HTM**	**AFS**	**Loans and receivables**	**Total**
Principal					
Balance at beginning of year	1,063,259	38,357,720	100,000	157,182,674	196,703,653
Additions	1,197,423	58,638,235	–	9,886,838	69,722,496
Redemptions	–	(290,460)	–	–	(290,460)
Disposals	(2,260,682)	–	–	(59,486,610)	(61,747,292)
Bond premium amortisation	–	(372,236)	–	(5,262)	(377,498)
Reclassification/transfer	–	–	–	(150,000)	(150,000)
Balance at end of year	**–**	**96,333,259**	**100,000**	**107,427,640**	**203,860,899**
Interest receivable					
Balance at beginning of year	–	428,381	–	5,012,521	5,440,902
Interest earned	–	2,960,527	–	5,861,728	8,822,255
Interest received/collected	–	(2,312,388)	–	(7,565,836)	(9,878,224)
Balance at end of year	**–**	**1,076,520**	**–**	**3,308,413**	**4,384,933**

The movement in the provision for impairment is as follows:

	2019 **$**	**2018** **$**
Balance at the beginning of year	**3,975,000**	3,987,500
Amounts restated through opening retained earnings	**1,586,145**	–
Restated opening balance under IFRS 9 as at April 1, 2018	**5,561,145**	–
Recovery during the year (note 19)	**–**	(12,500)
Recovery of expected credit losses during the year (note 19)	**(824,331)**	–
Balance at end of year	**4,736,814**	3,975,000

a) Quoted corporate and sovereign bonds

The Bank has certain investment securities which comprise of quoted corporate and sovereign fixed rate bonds trading in United States Dollar. Bonds have coupon rates of 3.15% to 8.88%; whilst, the effective interest rate for these bonds ranges from 3.15% to 6.50%. Bonds have an average term of ten (10) years and will mature between August 2022 and May 2028 and pay semi-annual coupon interest payments until maturity. As at March 31, 2019, the fair values of these amounted to $113,623,005 (2018: $95,389,626) which were derived using level 1 inputs as these bonds are quoted in active markets.

(expressed in Eastern Caribbean dollars)

9 Investment securities *…continued*

b) Bonds

Bonds denominated in Eastern Caribbean Dollars are held with regional governments and yield interest rates of 5.0% – 7.5% (2018: 5.0% – 7%).

c) Term deposits

Term deposits are held in various financial institutions in the ECCU region and the wider Caribbean and will mature from May 2018 to June 2019. These deposits bear interest of 3.50% – 4.75% (2018: 3.5% – 7.75%).

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. 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 have 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 $1,250,000 in yearly dividends related to the years 2017, 2016 and 2015 for $150,000 each as well as $200,000 relating to 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.

(expressed in Eastern Caribbean dollars)

9 Investment securities *…continued*

c) Term deposits *…continued*

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 $1/10^{th}$ 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.

During the financial year, the DPT's Deed was executed and the Bank received principal and interest payments based on terms noted. As at March 31, 2019, the Bank held an outstanding principal of $3,432,960. Interest gained in 2019 amounted to $65,353.

d) Treasury bills

Treasury bills were held with a regional government and yielded interest of 5.0%. The Treasury bill matured in August 2018.

During the financial year the interest income earned on these financial assets measured at amortised cost was $9,805,605 (2018: $8,822,255) (note 18).

FVOCI (2018: AFS)

Investment securities measured at FVOCI (2018: AFS) comprise of 10,000 Class C shares of $10 each in the Eastern Caribbean Securities Exchange (ECSE) Limited. Management has assessed the fair value of the equity instruments and has determined that there was no material difference between the fair value of these financial instruments and their cost.

(expressed in Eastern Caribbean dollars)

10 Mortgage loans facilities

	2019 $	2018 $
Mortgage loans portfolio	**20,286,348**	26,365,477
Mortgage-pledged loan	**12,301,613**	10,483,999
Mortgage credit facility	**6,000,000**	6,000,000
	38,587,961	42,849,476
Current	**2,511,435**	2,478,172
Non-current	**36,076,526**	40,371,304
	38,587,961	42,849,476

Territory analysis	2019 $	2018 $
St. Kitts and Nevis	**14,736,335**	16,344,799
Grenada	**12,975,488**	13,755,303
St. Vincent and the Grenadines	**5,031,889**	1,969,077
Antigua and Barbuda	**3,991,666**	2,586,801
St. Lucia	**1,852,583**	2,301,415
Anguilla	–	5,892,081
	38,587,961	42,849,476

Movement in the balance is as follows:	2019 $	2018 $
Balance at beginning of year	**42,849,476**	37,396,223
Add: Loans purchased	**8,402,204**	18,905,726
Less: Principal repayments	**(2,554,409)**	(2,295,171)
Mortgages that were repurchased and replaced	**1,100,887**	(836,688)
Mortgages pools repurchased	**(7,416,674)**	(10,320,614)
	42,381,484	42,849,476
Provision for expected credit losses	**(3,793,523)**	–
Total	**38,587,961**	42,849,476

(expressed in Eastern Caribbean dollars)

10 Mortgage loans facilities *…continued*

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

	2019 $
Balance at beginning of year	**–**
Amounts restated through opening earnings	**3,893,757**
Opening provision for expected credit losses as at April 1, 2018	**3,893,757**
Write back of expected credit losses for the year (note 19)	**(100,234)**
Total	**3,793,523**

Terms and conditions of mortgage loans facilities

a) *Purchase of mortgages*

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

b) *Recourse to primary lending institutions*

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

c) *Administration fees*

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

d) *Rates of interest*

Rates of interest earned vary from 6% to 11% (2018: 6% to 11%). During the financial year, the Bank earned interest income of $2,491,300 (2018:$2,635,554) (see note 18).

(expressed in Eastern Caribbean dollars)

10 Mortgage loans facilities …*continued*

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 loans 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, 2019, the mortgage loan balance amounted to $3,671,773 (2018: $3,846,549). Collections made on behalf of the Bank for these loans and outstanding amounted to $1,259,748 (2018: $1,259,748).

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% (2018: 3.50%) with an average tenor of sixteen (16) years.

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% (2018: 4.0%) with an average tenor of ten (10) years.

(expressed in Eastern Caribbean dollars)

11 Motor vehicles and equipment

	Motor vehicles $	Computer equipment $	Furniture and fixtures $	Machinery and equipment $	Total $
At March 31, 2017					
Cost	238,170	186,366	5,744	71,965	502,245
Accumulated depreciation	(39,694)	(156,316)	(5,335)	(57,037)	(258,382)
Net book value	**198,476**	**30,050**	**409**	**14,928**	**243,863**
Year ended March 31, 2018					
Opening net book value	198,476	30,050	409	14,928	243,863
Additions	–	14,043	14,474	–	28,517
Depreciation charge (note 21)	(47,634)	(22,718)	(1,651)	(7,425)	(79,428)
Closing net book value	**150,842**	**21,375**	**13,232**	**7,503**	**192,952**
At March 31, 2018					
Cost	238,170	200,409	20,218	71,965	530,762
Accumulated depreciation	(87,328)	(179,034)	(6,986)	(64,462)	(337,810)
Net book value	**150,842**	**21,375**	**13,232**	**7,503**	**192,952**
Year ended March 31, 2019					
Opening net book value	150,842	21,375	13,232	7,503	192,952
Depreciation charge (note 21)	(47,634)	(11,852)	(1,143)	(7,503)	(68,132)
Closing net book value	**103,208**	**9,523**	**12,089**	**–**	**124,820**
At March 31, 2019					
Cost	238,170	200,409	20,218	71,965	530,762
Accumulated depreciation	(134,962)	(190,886)	(8,129)	(71,965)	(405,942)
Net book value	**103,208**	**9,523**	**12,089**	**–**	**124,820**

(expressed in Eastern Caribbean dollars)

12 Intangible assets

	Computer software $	Website development $	Total $
At March 31, 2017			
Cost	14,761	13,505	28,266
Accumulated amortisation	(14,761)	(13,505)	(28,266)
Net book value	**–**	**–**	**–**
Year ended March 31, 2018			
Opening net book value	–	–	–
Additions	29,467	–	29,467
Amortisation charge (note 21)	(819)	–	(819)
Closing net book value	**28,648**	–	**28,648**
At March 31, 2018			
Cost	44,228	13,505	57,733
Accumulated amortisation	(15,580)	(13,505)	(29,085)
Net book value	**28,648**	–	**28,648**
Year ended March 31, 2019			
Opening net book value	28,648	–	28,648
Amortisation charge (note 21)	(9,822)	–	(9,822)
Closing net book value	**18,826**	–	**18,826**
At March 31, 2019			
Cost	44,228	13,505	57,733
Accumulated amortisation	(25,402)	(13,505)	(38,907)
Net book value	**18,826**	–	**18,826**

(expressed in Eastern Caribbean dollars)

13 Borrowings

	2019 $	2018 $
Corporate papers		
Balance at beginning of year	**199,096,700**	184,096,700
Add: Issues during the year	**199,096,700**	199,096,700
Less: Redemptions during the year	**(199,096,700)**	(184,096,700)
	199,096,700	199,096,700
Less: unamortised issue costs	**(251,791)**	(300,670)
	198,844,909	198,796,030
Other borrowed funds		
Repurchase agreements	**6,000,000**	–
Interest payable	**1,237,093**	1,032,226
Total	**206,082,002**	199,828,256
Current portion	**206,082,002**	199,828,256

Corporate papers are comprised of one-year debt instruments with maturity dates ranging from April 4, 2019 to March 27, 2020.

Corporate papers issued by the Bank are secured by debentures over its fixed and floating assets. Interest is payable semi-annually in arrears at rates varying between 1.50% to 3% (2018: 1.50% to 3%). Interest expense incurred during the year amounted to $4,637,522 (2018: $3,962,620).

During the financial year, the Bank entered into repurchase agreements collateralised by Governments of Saint Lucia and St. Vincent and the Grenadines securities. The Repurchase agreements are comprised of one-year debt instruments with maturity dates ranging from April 4, 2019 to March 27, 2020. Interest is payable in arrears at maturity of the respective instruments at 2.70%. Interest expense incurred during the year amounted to $7,693.

(expressed in Eastern Caribbean dollars)

13 Borrowings *...continued*

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

	2019 $	2018 $
Capitalised issue costs		
Balance at beginning of year	**300,670**	256,218
Additions	**418,727**	533,481
	719,397	789,699
Less: amortisation for year (note 21)	**(467,606)**	(489,029)
Balance at end of year	**251,791**	300,670

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 (2018: one year) which carry an interest rate ranging from 1.50% to 3.0% (2018: 1.5% to 3.0%).

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.

Revolving line of credit

During the financial year, the Bank commenced the use of a Securities Based Line of Credit (SBLC) held with the United States Brokers, Raymond James & Associates Inc. 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.

14 Accrued expenses and other liabilities

	2019 $	2018 $
Accrued expenses	**284,600**	595,090
Other liabilities	**264,073**	120,587
	548,673	715,677
Current portion	**548,673**	715,677

(expressed in Eastern Caribbean dollars)

15 Share capital

The Bank is authorised to issue 400,000 (2018: 400,000) ordinary shares of no par value.

As at March 31, 2019, there were 268,749 (2018: 268,749) ordinary shares of no par value issued and outstanding.

	Number of shares	2019 $	2018 $
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.

16 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 the 5th April 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 will resume in the financial year ended March 31, 2020, at a reduced rate of 10% of profits after the appropriation of dividends.

(expressed in Eastern Caribbean dollars)

16 Portfolio risk reserve *…continued*

The movement of portfolio risk reserve is shown below.

	2019 $	2018 $
Balance at beginning of year	**9,612,452**	9,171,644
Transfer from retained earnings	**–**	440,808
Transfer to retained earnings	**(5,479,902)**	–
Balance at end of year	**4,132,550**	9,612,452

17 Dividends

At the Annual General Meeting on September 6, 2018 (2018: October 6, 2017), dividends of $7.50 (2018: $7.50) per share were approved amounting to $2,015,618 (2018: $2,015,618).

Dividends paid during the financial year amounted to $2,015,618 (2018: $2,015,618). The dividends payable amounted to $150,000 at March 31, 2019 (2018: $150,000). In 2018, management took the decision to offset dividends payable to CLICO Barbados of $150,000 (2018: $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 $3,600,000 (2018: $3,750,000).

18 Interest income

	2019 $	2018 $
Investments and cash and cash equivalents (notes 7 and 9)	**9,821,916**	8,844,816
Mortgage loans facilities (note 10)	**2,491,300**	2,635,554
	12,313,216	11,480,370

(expressed in Eastern Caribbean dollars)

19 Other income

	2019 $	2018 $
Mortgage underwriting seminar income	**134,945**	131,995
Mortgage underwriting seminar expenses	**(110,417)**	(113,710)
	24,528	18,285
Reduction in provision for impairment on financial assets		
Investment securities	**824,331**	12,500
Mortgage loans facilities	**100,234**	–
Miscellaneous	**600**	–
Realised fair value gain on disposal of equity instruments	–	173,456
Dividend income	–	23,932
	949,693	228,173

20 General and administrative expenses

	2019 $	2018 $
Salaries and related costs	**1,513,871**	1,488,213
Rent (note 24)	**180,000**	180,000
Legal and professional	**62,998**	63,133
Airfares	**53,573**	13,593
Hotel accommodation	**52,960**	14,131
Credit rating fee	**48,840**	51,798
Miscellaneous	**39,887**	37,461
Advertising/promotion	**39,386**	159,186
Internal audit fees	**38,850**	38,850
Telephone	**32,954**	40,329
Repairs and maintenance	**30,587**	20,759
Printing and stationery	**17,447**	16,433
Computer repairs and maintenance	**14,930**	23,279
Insurance	**14,610**	7,160
Commission and fees	**9,347**	32,793
Dues and subscriptions	**8,049**	7,811
Courier services	**2,356**	4,977
Consultancy	–	40,500
IT Audit	–	29,737
Office supplies	–	6,833
	2,160,645	2,276,976

(expressed in Eastern Caribbean dollars)

21 Other operating expenses

	2019 $	2018 $
Amortisation of corporate paper issue and transaction costs (note 13)	**467,606**	489,029
Directors fees and expenses	**297,074**	334,598
Sundry debt instrument listing, registry and processing fees	**125,532**	59,248
Depreciation of motor vehicles and equipment (note 11)	**68,132**	79,428
Professional fees	**54,170**	59,660
Amortisation of intangible assets (note 12)	**9,822**	819
Foreign currency losses/(gains), net	**2,903**	0(86)
	1,025,239	1,022,696

22 Earnings per share (EPS)

Basic and diluted earnings per share are computed as follows:

	2019 $	2018 $
Net profit for the year	**5,309,928**	4,215,835
Weighted average number of shares issued	**268,749**	268,749
Basic and diluted earnings per share	**19.76**	15.69

The Bank has no dilutive potential ordinary shares as of March 31, 2019 and 2018.

23 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, 2019 (2018: nil). There were no outstanding contingent liabilities as of March 31, 2019 (2018: nil).

24 Related party 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.

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 (2018: $180,000).

(expressed in Eastern Caribbean dollars)

24 Related party transactions *…continued*

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, 2019, the balance held with the ECCB was $6,440,613 (2018: $21,636).

Compensation of key management personnel

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

	2019 **$**	**2018** **$**
Short-term benefits	**701,096**	1,076,350
Director fees	**168,000**	168,000
	869,096	1,244,350

Appendix-3

Audited Financial Statements

for year ended 31st March 2020

Grant Thornton

An instinct for growth™

Grant Thornton
Corner Bank Street and West
Independence Square
P.O. Box 1038
Basseterre, St. Kitts
West Indies

T + 1 869 466 8200
F + 1 869 466 9822

October 16, 2020

The Directors
Eastern Caribbean Home Mortgage Bank
ECCB Complex
Bird Rock
P.O. Box 753
Basseterre
St. Kitts

Dear Sirs,

Re: Eastern Caribbean Home Mortgage Bank

We give our consent, and have not withdrawn such consent, to being named as the Independent Auditors of Eastern Caribbean Home Mortgage Bank for the year ended March 31, 2020 in the Prospectus dated January 2021 and issued by Eastern Caribbean Home Mortgage Bank (the "Prospectus") and for the inclusion in the Prospectus of our Independent Auditor's Report (the "Report") to the Shareholders of the Eastern Caribbean Home Mortgage Bank dated August 7, 2020 in respect of the Financial Statements for the year ended March 31, 2020.

We are responsible for the Report included in the Prospectus and have not become aware, since the date of the Report, of any matters affecting the validity of that Report at that date.

We further consent to, and authorise the use of, the Report in the Prospectus.

Yours truly,

Grant Thornton

Chartered Accountants
Basseterre
St. Kitts

Eastern Caribbean Home Mortgage Bank

Financial Statements
March 31, 2020
(Expressed in Eastern Caribbean dollars)

Eastern Caribbean Home Mortgage Bank

Statement of Management's Responsibility

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 31st March 2020, 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 7, 2020

Chief Financial Officer
August 7, 2020

Grant Thornton
Corner Bank Street and West
Independence Square
P.O. Box 1038
Basseterre, St. Kitts
West Indies

T + 1 869 466 8200
F + 1 869 466 9822

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Eastern Caribbean Home Mortgage Bank

Opinion

We have audited the financial statements of **Eastern Caribbean Home Mortgage Bank** (the "Bank") which comprise the statement of financial position as at March 31, 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at March 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

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

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 Matters *...continued*

Impairment of financial assets

Description of the Matter

As at March 31, 2020, the Bank's financial assets included debt investment securities and mortgage loans facilities that are subject to impairment of $229,748,703 and $46,096,199, representing 79% of total assets and net of allowances for impairment of $4,752,421 and $3,615,036, respectively.

The provision for expected credit losses for the mortgage loans facilities and the debt investment securities classified as amortised cost and fair value through other comprehensive income is considered to be a matter of significance, as it requires the application of critical management judgement and use of subjective estimates in determining the amount of impairment losses that are required to be recognised in the financial statements. These judgment and estimates are disclosed in Note 6 to the financial statements.

Under IFRS 9, *Financial Instruments*, the Bank used the Expected Credit Loss (ECL) model in determining the impairment allowance for the debt investment securities and mortgage loans facilities portfolios. The assessment of the credit risk of a portfolio of assets entails further estimations as to the likelihood of default occurring, the associated loss ratio and of default correlation between counterparties. Furthermore, the Bank incorporated forward-looking information into the assessment of whether the credit risk of an instrument has increased significantly from its initial recognition to the measurement of ECL. The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables, credit risk and credit losses.

The disclosures relating to the impairment allowances on the debt investment securities and mortgage loans facilities, and the related credit risk are included in Notes 5, 9 and 10 to the financial statements.

How the Matter was addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to the adequacy of the impairment allowances on the debt investment securities and mortgage loans facilities, which were considered to be a significant risk, included the following:

- Obtained an understanding and critically assessed the Bank's accounting policies relating to the classification, measurement and impairment of financial assets;

- Assessed and evaluated the effectiveness of controls over the approval, recording and monitoring of financial assets, classification into credit risk stages, and calculation of impairment allowances;

- Evaluated the inputs and assumptions, as well as the formulas used in the development of the ECL model for the debt investment securities and mortgage loans facilities. This includes assessing the appropriateness of the design of the ECL impairment model, classification based on credit risk, and formula used in determining the expected credit losses; and

- Assessed the key credit risk factors such as payment history, macro-economic factors and financial capability of counterparties.

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 IFRSs, 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

Auditor's Responsibilities for the Audit of the Financial Statements *...continued*

- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate 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, related safeguards.

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 auditor's 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.

The engagement partner on the audit resulting in this independent auditor's report is Lisa Roberts.

Grant Thornton

Chartered Accountants
August 7, 2020
Basseterre, St. Kitts

Eastern Caribbean Home Mortgage Bank

Statement of Financial Position

As at March 31, 2020

(Expressed in Eastern Caribbean dollars)

	2020 $	2019 $
Assets		
Cash and cash equivalents (note 7)	**20,244,559**	10,681,344
Receivables and prepayments (note 8)	**7,893,850**	545,422
Investment securities (note 9)	**274,893,300**	215,844,581
Mortgage loans facilities (note 10)	**46,096,199**	38,587,961
Motor vehicles and equipment (note 11)	**147,598**	124,820
Intangible assets (note 12)	**9,004**	18,826
Right of use assets (note 13)	**853,208**	–
Total assets	**350,137,718**	265,802,954
Liabilities		
Borrowings (note 14)	**268,741,621**	206,082,002
Other borrowings (note 15)	**17,199,000**	–
Lease liability (note 13)	**860,898**	–
Accrued expenses and other liabilities (note 16)	**873,217**	548,673
Total liabilities	**287,674,736**	206,630,675
Equity		
Share capital (note 17)	**36,999,940**	36,999,940
Portfolio risk reserve (note 18)	**5,555,937**	4,132,550
Fair value reserve (note 18)	**(3,826,231)**	–
Retained earnings	**23,733,336**	18,039,789
Total equity	**62,462,982**	59,172,279
Total liabilities and shareholders' equity	**350,137,718**	265,802,954

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

Approved for issue by the Board of Directors on August 7, 2020.

Chairman

Director

Eastern Caribbean Home Mortgage Bank

Statement of Comprehensive Income

For the year ended March 31, 2020

(Expressed in Eastern Caribbean dollars)

	2020 $	2019 $
Interest income (note 20)	**13,525,456**	12,313,216
Interest expense (note 14)	**(5,477,981)**	(4,637,522)
Net interest income	**8,047,475**	7,675,694
Other income (note 21)	**5,117,790**	949,693
Operating income	**13,165,265**	8,625,387
Expenses		
General and administrative expenses (note 22)	**(2,802,991)**	(2,160,645)
Other operating expenses (note 23)	**(1,062,932)**	(1,025,239)
Mortgage administrative fees	**(104,670)**	(129,575)
Net impairment losses on financial assets	**(62,120)**	–
Total expenses	**(4,032,713)**	(3,315,459)
Net profit for the year	**9,132,552**	5,309,928
Earnings per share		
Basic and diluted per share (note 24)	**33.98**	19.76
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)	**(3,826,231)**	–
Total comprehensive income for the year	**5,306,321**	5,309,928

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

Eastern Caribbean Home Mortgage Bank

Statement of Changes in Equity

For the year ended March 31, 2020

(Expressed in Eastern Caribbean dollars)

	Share capital $	Portfolio risk reserve $	Fair value reserve $	Retained earnings $	Total $
Balance at March 31, 2018	**36,999,940**	**9,612,452**	–	**14,745,479**	**61,357,871**
Adjustments from the adoption of IFRS 9	–	–	–	(5,479,902)	(5,479,902)
Balance at April 1, 2018, as restated	**36,999,940**	**9,612,452**	–	**9,265,577**	**55,877,969**
Other comprehensive income					
Net profit for the year	–	–	–	5,309,928	5,309,928
Transfer from reserve (note 18)	–	(5,479,902)	–	5,479,902	–
Transaction with owners					
Dividends – $7.50 per share (note 19)	–	–	–	(2,015,618)	(2,015,618)
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 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**

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

Eastern Caribbean Home Mortgage Bank

Statement of Cash Flows

For the year ended March 31, 2020

(Expressed in Eastern Caribbean dollars)

	2020 $	2019 $
Cash flows from operating activities		
Net profit for the year	**9,132,552**	5,309,928
Items not affecting cash:		
Interest expense (note 14)	**5,477,981**	4,637,522
Amortisation of corporate paper issue and transaction costs (note 14)	**549,622**	467,606
Amortisation of bond premium (note 9)	**796,887**	566,950
Unrealised loss on FVTPL financial assets (note 9)	**954,419**	–
Depreciation of motor vehicles and equipment (note 11)	**60,059**	68,132
Amortisation of intangible assets (note 12)	**9,822**	9,822
Increase/(reduction) in provision for impairment on financial assets	**62,120**	(924,565)
Amortisation of right of use assets (note 13)	**121,888**	–
Interest expense on lease liability (note 13)	**20,802**	–
Gain on sale of motor vehicles and equipment (note 21)	**(20,102)**	–
Interest income (note 20)	**(13,525,456)**	(12,313,216)
Operating income/(loss) before working capital changes	**3,640,594**	(2,177,821)
Changes in operating assets and liabilities:		
(Increase)/decrease in receivables and prepayments	**(7,348,428)**	3,802,641
Increase/(decrease) in accrued expenses and other liabilities	**324,543**	(167,004)
Cash (used in)/from operations before interest	**(3,383,291)**	1,457,816
Interest received	**13,821,803**	12,281,640
Interest paid	**(5,032,562)**	(4,432,655)
Net cash from operating activities	**5,405,950**	9,306,801
Cash flows from investing activities		
Proceeds from sales/maturity of financial assets (note 9)	**138,951,477**	20,269,793
Proceeds from the pool of mortgages repurchased by primary lenders (note 10)	**3,317,036**	7,416,674
Proceeds from principal repayment on mortgages (note 10)	**2,330,401**	2,554,409
Proceeds from sale of motor vehicles and equipment	**55,000**	–
Increase in mortgages repurchased and replaced (note 10)	**605,073**	–
Principal redemptions of mortgages	**–**	129,623
Purchase of motor vehicles and equipment (note 11)	**(117,735)**	–
Purchase of mortgages (note 10)	**(13,813,862)**	(8,402,204)
Purchase of investment securities (note 9)	**(204,033,085)**	(33,290,730)
Net cash used in investing activities	**(72,705,695)**	(11,322,435)
Cash flows from financing activities		
Proceeds from borrowings (note 14)	**263,446,700**	205,096,700
Proceeds from other borrowed funds (note 15)	**17,199,000**	–
Repayment of borrowings	**(201,096,700)**	(199,096,700)
Payment for corporate paper issue costs and transaction costs (note 14)	**(685,422)**	(418,727)
Dividends paid	**(1,865,618)**	(1,865,618)
Principal portion of lease liability	**(114,198)**	–
Interest paid on lease liability (note 13)	**(20,802)**	
Net cash from financing activities	**76,862,960**	3,715,655
Net increase in cash and cash equivalents	**9,563,215**	1,700,021
Cash and cash equivalents at beginning of year	**10,681,344**	8,981,323
Cash and cash equivalents at end of year (note 7)	**20,244,559**	10,681,344

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, 2019

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The Bank has assessed the relevance of all such new interpretations and amendments, and has adopted the following, which is 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, 2019 *…continued*

- ***New standards adopted during the accounting year***

  IFRS 16, Leases

  In the current year, the Bank has applied IFRS 16 (as issued by the IASB in January 2016) that is effective for annual periods beginning on or after January 1, 2019. IFRS 16 replaces IAS 17, *Leases*, and its related interpretation IFRIC 4, *Determining Whether an Arrangement Contains a Lease.*

  IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease lability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

  The adoption of IFRS 16 from April 1, 2019 resulted in changes in accounting polices and adjustments to the amounts recognised in the financial statements. This resulted in the Bank recognising a right-of-use asset and related lease liability in connection with its operating lease. In accordance with the transitional provisions in IFRS16, comparative figures have not been restated.

  On transition, the lease previously accounted for as an operating lease with a remaining lease term of less than 12 months, the Bank has applied the optional exemption to not recognise right-of-use asset but to account for the lease expense on a straight line basis over the remaining lease term. As the lease term was less than 12 months with no purchase option, payment was recognised in the profit and loss.

  The Bank entered into a new lease effective July 1, 2019 and has recognised a right-of-use asset and the related lease liability.

  Details of the new accounting policy in relation to IFRS 16 are outlined in Note 4 (n) and the impact on the financial statements on adoption of the new standard is disclosed in Note 13.

  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*

New and revised standards and amendments that are effective for the financial year beginning April 1, 2019 *…continued*

Other amendments to standards

Other standards and amendments that are effective for the first time in April 1, 2019 are as follows:

- IFRS 9, *Prepayment features with Negative Compensation* (Amendments to IFRS 1);
- IAS 28, *Long-term interests in Associates and Joint Ventures* (Amendments to IAS 28);
- IFRIC 28, *Uncertainty over Income Tax Treatments*;
- Annual improvements to IFRS 2015-2017 cycle (IAS 12, IAS 23, IFRS 3 and IFRS 11); and
- IAS 19, *Plan Amendment, Curtailment or Settlement* (Amendments to IAS 19).

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

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

At the date of authorisation of these financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards or amendments to existing Standards have been adopted early by the Bank.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Bank's financial statements.

4 Summary of 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 income' or 'General and administrative expenses'.

(Expressed in Eastern Caribbean dollars)

4 Summary of significant accounting policies*…continued*

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.

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, in the case the financial instruments was not measured at fair value through profit or loss. 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.

(Expressed in Eastern Caribbean dollars)

4 Summary of significant accounting policies *...continued*

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

(i) Initial recognition, derecognition and measurement

- 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.

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.

(Expressed in Eastern Caribbean dollars)

4 Summary of significant accounting policies *…continued*

b) Financial assets and liabilities *…continued*

(ii) Classification and subsequent measurement of financial assets…continued

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.

The Bank reclassifies debt investments when and only when its business model for managing those assets 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.

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.

(Expressed in Eastern Caribbean dollars)

4 Summary of significant accounting policies *…continued*

b) Financial assets and liabilities *…continued*

(ii) Classification and measurement of financial assets …continued

Solely payments of principal and interest ("SPPI")…continued

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.

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').

(Expressed in Eastern Caribbean dollars)

4 Summary of significant accounting policies *…continued*

b) Financial assets and liabilities *…continued*

(iii) Impairment of financial assets measured at amortised cost …continued

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 financial assets at amortised cost and FVOCI on a collective basis as 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.

(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.

(Expressed in Eastern Caribbean dollars)

4 Summary of significant accounting policies *...continued*

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

(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 Summary of 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 Summary of 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 90 days 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 Summary of 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 eligible employees at retirement is computed with reference to final salary and calibrated percentage rates based on the number of years of service. Provisions for these amounts are included in the statement of financial position.

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 Summary of 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 Summary of 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

Accounting policy effective from April 1, 2019

IFRS 16 replaces IAS 17, *Leases*, and its related interpretation IFRIC 4, *Determining Whether an Arrangement Contains a Lease.* For lessees, it requires that entities account for leases “on-balance sheet” by recognizing a “right-of-use” asset and a lease liability. The lease liability is initially measured as the present value of future lease payments. For this purpose, lease payments include fixed, non-cancellable payments for lease elements, amounts due under residual value guarantees, certain types of contingent payments and amounts due during optional periods to the extent that extension is reasonably certain. In subsequent periods, the “right-of-use” asset is accounted for similar to a purchased asset subject to depreciation or amortisation. The lease liability is accounted for similar to a financial liability which is amortised using the effective interest method. However, the new standard provides important reliefs or exemptions for short-term leases and leases of low value assets. If these exemptions are used, the accounting is similar to operating lease accounting under IAS 17 where lease payments are recognised as expenses on a straight-line basis over the lease term or another systematic basis (if more representative of the pattern of the lessee’s benefit).

(Expressed in Eastern Caribbean dollars)

4 Summary of significant accounting policies *…continued*

n) Leases – As lessee*…continued*

Accounting policy effective from April 1, 2019…continued

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.

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 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.

Accounting policy for the year ended March 31, 2019

Operating lease – As lessee

Where the Bank is a lessee, payments on the operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

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.

Fair value reserve

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

(Expressed in Eastern Caribbean dollars)

4 Summary of significant accounting policies *…continued*

q) Retained earnings

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

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.

t) Post report date events

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

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.

(Expressed in Eastern Caribbean dollars)

5 Financial risk management *...continued*

a) Enterprise risk management approach *...continued*

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

The Board carries out its risk management oversight function by:

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

b) Risk measurement and reporting systems

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

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

c) Excessive risk concentration

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

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

(Expressed in Eastern Caribbean dollars)

5 Financial risk management *…continued*

d) Credit risk

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

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

Credit risk measurement

Mortgage loans 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.

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.

(Expressed in Eastern Caribbean dollars)

5 Financial risk management *...continued*

d) Credit risk *...continued*

Credit risk measurement *...continued*

Credit risk grading ...continued

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

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

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

Expected credit loss measurement

Expected credit losses are calculated by multiplying three main components, being the 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.

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.

(Expressed in Eastern Caribbean dollars)

5 Financial risk management *...continued*

d) Credit risk *...continued*

Credit risk measurement *...continued*

Expected credit loss measurement ...continued

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

The main difference between Stage 1 and Stage 2 expected credit losses is the respective PD horizon. Stage 1 estimates 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 exposures and mortgage loans 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 CariCRIS.

(Expressed in Eastern Caribbean dollars)

5 Financial risk management *...continued*

d) Credit risk *...continued*

Credit risk measurement *...continued*

Measuring ECL – Explanation of inputs, assumptions and estimation techniques

The LGDs for International Corporate Bond Exposures was obtained from a reputable third party provider. Where there is no reliable estimate, 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.

The Bank has not used the low credit risk exemption for any financial instruments in the year ended March 31, 2020.

(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

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.

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.

(Expressed in Eastern Caribbean dollars)

5 Financial risk management *...continued*

d) Credit risk *...continued*

Expected credit loss measurement *...continued*

Investment securities

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**

Summary of Investment Securities ECL Staging 2019

	Stage 1 $	Stage 2 $	Stage 3 $	Total $
Quoted corporate bonds	99,899,217	1,381,112	–	101,280,329
Quoted sovereign bonds	14,088,485	–	–	14,088,485
Term deposits	44,084,039	–	3,825,000	47,909,039
Unquoted bonds	44,973,295	12,230,247	–	57,203,542
Gross carrying amount	203,045,036	13,611,359	3,825,000	220,481,395
Provision for expected credit losses	(583,920)	(327,894)	(3,825,000)	(4,736,814)
Carrying amount	**202,461,116**	**13,283,465**	**–**	**215,744,581**

(Expressed in Eastern Caribbean dollars)

5 Financial risk management *...continued*

d) Credit risk *...continued*

Expected credit loss measurement *...continued*

Mortgage loans facilities

Summary of Mortgage loans 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**

Summary of Mortgage loans facilities ECL Staging 2019

	Stage 1 $	Stage 2 $	Stage 3 $	Total $
Mortgage loans portfolio	20,408,098	–	3,671,773	24,079,871
Mortgage-pledged loan	12,301,613	–	–	12,301,613
Mortgage credit facility	6,000,000	–	–	6,000,000
Gross carrying amount	38,709,711	–	3,671,773	42,381,484
Provision for expected credit losses	(121,750)	–	(3,671,773)	(3,793,523)
Carrying amount	**38,587,961**	**–**	**–**	**38,587,961**

(Expressed in Eastern Caribbean dollars)

5 Financial risk management *...continued*

d) Credit risk *...continued*

Expected credit loss measurement *...continued*

Loss allowance

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

- Transfers between Stages 1, 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent “step up” (or “step down”) between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis; and,
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

(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:

	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

	2019 Investment securities			
	Stage 1 12-month ECL $	**Stage 2 Lifetime ECL $**	**Stage 3 Lifetime ECL $**	**Total $**
Loss allowance as at April 1, 2018	**(910,623)**	**(675,522)**	**(3,975,000)**	**(5,561,145)**
Movements with P/L impact:				
Transfers:				
Transfers from Stage 1 to Stage 2	378	(23,816)	–	(23,438)
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	(2,364)	–	–	(2,364)
Changes in PDs/ LGDs/EADs	287,368	371,444	150,000	808,812
Financial assets derecognised during the year	41,321	–	–	41,321
Total net P&L charge during the year	**326,703**	**347,628**	**150,000**	**824,331**
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, 2019	**(583,920)**	**(327,894)**	**(3,825,000)**	**(4,736,814)**

(Expressed in Eastern Caribbean dollars)

5 Financial risk management *…continued*

d) Credit risk *…continued*

Expected credit loss measurement *…continued*

Loss allowance …continued

	2020 Mortgage loans 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

		2019 Mortgage loans facilities		
	Stage 1 12-month ECL $	**Stage 2 Lifetime ECL $**	**Stage 3 Lifetime ECL $**	**Total $**
Loss allowance as at April 1, 2018	**(47,208)**	**–**	**(3,846,549)**	**(3,893,757)**
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	(57,256)	–	–	(57,256)
Changes in PDs/ LGDs/EADs	(21,933)	–	174,776	152,843
Financial assets derecognised during the year	4,647	–	–	4,647
Total net P&L charge during the year	**(74,542)**	**–**	**174,776**	**100,234**
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, 2019	**(121,750)**	**–**	**(3,671,773)**	**(3,793,523)**

(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, 2020 with comparatives for 2019. 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	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 loans 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**
Cash and cash equivalents	8,274,220	1,365,858	163,626	877,140	–	–	10,680,844
Receivables	398,146	–	–	–	–	–	398,146
Investment securities							
Amortised cost	–	66,429,174	58,972,896	35,034,258	12,329,225	42,979,028	215,744,581
FVOCI	–	–	–	–	–	–	–
FVTPL	–	–	–	–	–	–	–
Mortgage loans facilities	14,736,331	23,851,630	–	–	–	–	38,587,961
As at March 31, 2019	**23,408,697**	**91,646,662**	**59,136,522**	**35,911,398**	**12,329,225**	**42,979,028**	**265,411,532**

(Expressed in Eastern Caribbean dollars)

5 Financial risk management *...continued*

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

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

	2020 $	2020 %	2019 $	2019 %
Credit unions	**22,941,201**	**50**	13,279,878	34
Development banks	**21,356,453**	**46**	23,451,247	61
Finance company	**1,798,545**	**4**	1,856,836	5
	46,096,199	**100**	38,587,961	100

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, 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 loans 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*

	Within 3 months $	3 to 12 months $	1 to 5 years $	Over 5 years $	Non-interest bearing $	Total $
As at 31 March 2019						
Financial assets:						
Cash and cash equivalents	10,278,773	–	–	–	402,571	10,681,344
Receivables	–	–	–	–	398,146	398,146
Investment securities						
Amortised cost	9,040,105	42,066,224	79,746,133	84,892,119	–	215,744,581
FVOCI	–	–	–	–	100,000	100,000
FVTPL	–	–	–	–	–	
Mortgage loans facilities	627,859	1,883,576	10,045,737	26,030,789	–	38,587,961
Total financial assets	**19,946,737**	**43,949,800**	**89,791,870**	**110,922,908**	**900,717**	**265,512,032**
Financial liabilities:						
Borrowings	60,000,000	146,082,002	–	–	–	206,082,002
Accrued expenses and other liabilities	–	–	–	–	548,673	548,673
Total financial liabilities	**60,000,000**	**146,082,002**	–	**–**	**548,673**	**206,630,675**
Interest sensitivity gap	**(40,053,263)**	**(102,132,202)**	**89,791,870**	**110,922,908**	**352,044**	**58,881,357**

(Expressed in Eastern Caribbean dollars)

5 Financial risk management *...continued*

f) Market risk *...continued*

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.

The following table summarises the Bank's exposure to foreign currency risk as of March 31, 2020 and 2019. 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, 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 loans 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**

(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, 2019			
Financial assets			
Cash and cash equivalents	9,120,668	1,560,676	10,681,344
Receivables	471,784	–	471,784
Investment securities			
Amortised cost	66,431,310	149,313,271	215,744,581
FVOCI	100,000	–	100,000
FVTPL	–	–	–
Mortgage loans facilities	38,587,961	–	38,587,961
	114,711,723	**150,873,947**	**265,585,670**
Financial liabilities			
Borrowings	206,082,002	–	206,082,002
Accrued expenses and other liabilities	548,673	–	548,673
	206,630,675	–	**206,630,675**
Net statement of financial position	**(91,918,952)**	**150,873,947**	**58,954,995**

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, 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 loans 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
	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*

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, 2019					
Assets:					
Cash and cash equivalents	10,681,344	–	–	–	10,681,344
Receivables	471,784	–	–	–	471,784
Investment securities					
Amortised cost	8,778,580	42,066,224	79,711,094	85,088,683	215,644,581
FVOCI	–	–	–	100,000	100,000
FVTPL	–	–	–	–	–
Mortgage loans facilities	627,858	1,883,576	10,045,737	26,030,790	38,587,961
Total assets	**20,559,566**	**43,949,800**	**89,756,831**	**111,219,473**	**265,485,670**
Liabilities:					
Borrowings	92,775,805	116,474,873	–	–	209,250,678
Accrued expenses and	548,673	–	–	–	548,673
Lease liability	–	–	–	–	–
	93,324,478	**116,474,873**	–	–	**209,799,351**
Net liquidity gap	**(72,764,912)**	**(72,525,073)**	**89,756,831**	**111,219,473**	**55,684,619**

(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.

	2020 $	2019 $
Total Debt	**285,940,621**	206,082,002
Total Equity	**62,462,982**	59,172,279
Debt to Equity ratio	**4.58**	3.48

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	
	2020 $	**2019 $**	**2020 $**	**2019 $**
Cash and cash equivalents	**20,244,559**	10,681,344	**20,244,559**	10,681,344
Receivables	**7,822,761**	471,784	**7,822,761**	471,784
Investment securities				
Amortised cost	**169,177,876**	215,744,581	**164,659,200**	214,004,527
FVOCI	**59,744,637**	100,000	**55,918,406**	100,000
FVTPL	**50,302,426**	–	**49,797,018**	–
Mortgage loans facilities	**46,096,199**	38,587,961	**46,096,199**	38,587,961
	353,388,458	265,585,670	**344,538,143**	263,845,616
Borrowings	**268,741,621**	206,082,002	**268,741,621**	206,082,002
Other borrowings	**17,199,000**	–	**17,199,000**	–
Accrued expenses and other liabilities	**873,217**	548,673	**873,217**	548,673
Lease liability	**860,898**	–	**860,898**	–
	287,674,736	206,630,675	**287,674,736**	206,630,675

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

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

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

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

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, 2020	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets				
Listed securities	104,385,698	–	–	104,385,698
Unquoted security	–	–	100,000	100,000
Fair value	**104,385,698**	–	**100,000**	**104,485,698**

March 31, 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets				
Listed securities	–	–	–	–
Unquoted security	–	–	100,000	100,000
Fair value	**–**	**–**	**100,000**	**100,000**

(Expressed in Eastern Caribbean dollars)

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.

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.

(Expressed in Eastern Caribbean dollars)

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

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.

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.

(Expressed in Eastern Caribbean dollars)

6 Critical accounting estimates and judgements *…continued*

iv) Measurement of the expected credit loss allowance …continued

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 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
- The determination of the probabilities of default utilized in the assessment of 12-month and lifetime credit losses.

			Base Case		
		$	**$**		**$**
Mortgage loans facilities					
PDs	+0.05%	3,802,846	3,793,523	-0.05%	3,784,723
LGDs	+5%	3,795,662	3,793,523	-5%	3,773,784
Investment securities					
PDs	+0.05%	4,558,203	4,511,814	-0.05%	4,494,676
LGDs	+5%	4,615,165	4,511,814	-5%	4,350,624

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.

7 Cash and cash equivalents

	2020	**2019**
	$	**$**
Cash on hand	**1,000**	500
Balances with commercial banks	**18,821,252**	9,314,986
Repurchase agreement	**1,422,307**	1,365,858
	20,244,559	10,681,344

Balances with commercial banks earned interest at rates ranging from 0 % to 0.1% (2019: 0 % to 0.1%). During the year, the interest income earned on these financial assets was $133,011 (2019: $16,311).

(Expressed in Eastern Caribbean dollars)

7 Cash and cash equivalents *...continued*

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. This Agreement may result in credit exposure in the event that First Citizens Investment Services Ltd. is unable to fulfil its contractual obligation. The Repurchase agreement is a three-month fixed income instrument scheduled to mature on the April 14, 2020. Interest is payable in arrears at maturity at 2.50% (2019: 2.5%).

8 Receivables and prepayments

	2020 **$**	**2019** **$**
Other receivables	**7,000,000**	–
Receivables	**822,761**	471,784
Prepayments	**71,089**	73,638
	7,893,850	545,422

Other receivables represent amounts receivable from bondholders for their participation in the Bank’s Corporate Paper HMB270321. 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

	2020 $	2019 $
At amortised cost		
Quoted corporate bonds	**62,421,673**	100,200,515
Unquoted bonds	**63,733,737**	56,412,063
Term deposits	**25,534,144**	45,497,999
Quoted sovereign bonds	**19,351,241**	13,954,309
	171,040,795	216,064,886
Interest receivable	**2,875,029**	4,416,509
Total amortised cost (gross)	**173,915,824**	220,481,395
Less provision for expected credit losses	**(4,737,948)**	(4,736,814)
Total amortised cost (net)	**169,177,876**	215,744,581
At fair value through other comprehensive income		
Quoted corporate bonds	**55,037,691**	–
Unquoted equity investment	**100,000**	100,000
	55,137,691	100,000
Interest receivable	**795,188**	–
Total FVOCI (gross)	**55,932,879**	100,000
Less provision for expected credit losses	**(14,473)**	–
Total FVOCI (net)	**55,918,406**	100,000
At fair value through profit and loss		
Quoted corporate bonds	**35,854,874**	–
Treasury securities	**7,080,652**	–
Government sponsored enterprise securities	**4,094,324**	–
Preferred shares	**2,318,157**	–
	49,348,007	–
Interest receivable	**449,011**	–
Total FVTPL (net)	**49,797,018**	–
Total investment securities	**274,893,300**	215,844,581
Current	**39,971,561**	52,408,002
Non-current	**234,921,739**	163,436,579
Total investment securities	**274,893,300**	215,844,581

(expressed in Eastern Caribbean dollars)

9 Investment securities *...continued*

The movement of the investment securities is shown below:

	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)**
Balance at end of year	**171,040,795**	**55,137,691**	**49,348,007**	**275,526,493**
Interest receivable				
Balance at beginning of year	**4,416,509**	**–**	**–**	**4,416,509**
Interest earned (note 20)	**7,629,349**	**2,084,397**	**1,302,949**	**11,016,695**
Interest received/collected	**(9,170,829)**	**(1,289,209)**	**(853,938)**	**(11,313,976)**
Balance at end of year	**2,875,029**	**795,188**	**449,011**	**4,119,228**

	2019			
	Amortised cost $	**FVOCI $**	**FVTPL $**	**Total $**
Principal				
Balance at beginning of year	**203,760,899**	**100,000**	**–**	**203,860,899**
Additions	**33,290,730**	**–**	**–**	**33,290,730**
Disposals	**(20,419,793)**	**–**	**–**	**(20,419,793)**
Bond premium amortisation	**(566,950)**	**–**	**–**	**(566,950)**
Balance at end of year	**216,064,886**	**100,000**	**–**	**216,164,886**
Interest receivable				
Balance at beginning of year	**4,384,933**	**–**	**–**	**4,384,933**
Interest earned	**9,805,605**	**–**	**–**	**9,805,605**
Interest received/collected	**(9,774,029)**	**–**	**–**	**(9,774,029)**
Balance at end of year	**4,416,509**	**–**	**–**	**4,416,509**

Included in the disposals for the years 2019 and 2018 is an amount of $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 impairment is as follows:

	2020 $	2019 $
Balance at the beginning of year	**4,736,814**	3,975,000
Amounts restated through opening retained earnings	–	1,586,145
Restated opening balance under IFRS 9 as at April 1, 2018	**4,736,814**	5,561,145
Amounts written off	**(225,000)**	–
Recovery in loss allowance presented in other income (note 21)	**240,607**	(824,331)
Balance at end of year	**4,752,421**	4,736,814

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 2.60% to 8.88% (2019: 3.15% to 8.88%); whilst, the effective interest rates for these bonds range from 2.83% to 6.66% (2019: 3.15% to 6.50%). Bonds have a weighted average maturity of 9.5 years and will mature between December 2020 and December 2066 while paying semi-annual coupon payments until maturity. As at March 31, 2020, the fair values of these amounted to $172,665,479 (2019:$113,623,005) which were derived using level 1 inputs as these bonds are quoted in active markets.

b) Bonds

Bonds denominated in Eastern Caribbean Dollars are held with regional governments and yield interest rates of 5.0% – 7.5% (2019: 5.0% – 7.5%) with maturity dates ranging from May 2024 to September 2026.

c) Treasury Securities

Treasury Securities are held with the US Treasury Department and have coupon interest rates of 6.1% – 8.0% with maturity dates ranging from November 2021 to November 2027.

d) Government sponsored enterprise securities

Government sponsored enterprise securities have coupon interest rates of 5.0% – 6.75% with maturity dates ranging from December 2020 to May 2029.

e) Preferred shares

The Bank obtained Class D preference shares in a global management fund.

f) 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 2020 to March 2021. These deposits bear interest of 2.00% – 4.50% (2019: 2.00% – 4.75%).

(Expressed in Eastern Caribbean dollars)

9 Investment securities *…continued*

f) 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. 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 have 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 $1,550,000 in yearly dividends related to the years 2020, 2019, 2017, 2016 and 2015 for $150,000 each as well as $200,000 relating to 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*

f) 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, 2020, the Bank held an outstanding principal of $2,942,537 (2019: $3,432,960). Interest gained in 2020 amounted to $60,485 (2019: $65,353).

10 Mortgage loans facilities

	2020 $	2019 $
Mortgage loans portfolio	**32,640,142**	24,079,871
Mortgage-pledged loan	**11,188,561**	12,301,613
Mortgage credit facility	**5,882,532**	6,000,000
	49,711,235	42,381,484
Provision for expected credit losses	**(3,615,036)**	(3,793,523)
	46,096,199	38,587,961
Current	**2,696,533**	2,511,435
Non-current	**43,399,666**	36,076,526
	46,096,199	38,587,961

Territory analysis	2020 $	2019 $
Grenada	**19,735,211**	12,975,488
St. Kitts and Nevis	**14,022,319**	14,736,335
Antigua and Barbuda	**5,927,679**	3,991,666
St. Vincent and the Grenadines	**4,612,444**	5,031,889
St. Lucia	**1,798,546**	1,852,583
	46,096,199	38,587,961

	2020 $	2019 $
Movement in the balance is as follows:		
Balance at beginning of year	**38,587,961**	42,849,476
Add: Loans purchased	**13,813,862**	8,402,204
Less: Principal repayments	**(2,562,002)**	(2,554,409)
Mortgages that were repurchased and replaced	**(605,073)**	1,100,887
Mortgages pools repurchased	**(3,317,036)**	(7,416,674)
	45,917,712	42,381,484
Decrease/(increase) in provision for expected credit losses	**178,487**	(3,793,523)
Total	**46,096,199**	38,587,961

(Expressed in Eastern Caribbean dollars)

10 Mortgage loans facilities *…continued*

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

	2020 $
Balance at beginning of year	**3,793,523**
Write back of expected credit losses for the year	**(178,487)**
Balance at end of year	**3,615,036**

	2019 $
Balance at beginning of year	**–**
Amounts restated through opening earnings	**3,893,757**
Opening provision for expected credit losses as at April 1, 2018	**3,893,757**
Write back of expected credit losses for the year (note 21)	**(100,234)**
Balance at end of year	**3,793,523**

Terms and conditions of mortgage loans facilities

a) *Purchase of mortgages*

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

b) *Recourse to primary lending institutions*

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

c) *Administration fees*

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

d) *Rates of interest*

Rates of interest earned vary from 6% to 11% (2019: 6% to 11%). During the financial year, the Bank earned interest income of $2,374,816 (2019: $2,491,300) (see note 20).

(Expressed in Eastern Caribbean dollars)

10 Mortgage loans facilities *…continued*

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 loans 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, 2020, the mortgage loan balance amounted to $3,472,584 (2019: $3,671,773). Collections made on behalf of the Bank for these loans and outstanding amounted to $199,189 (2019: $1,259,748).

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% (2019: 3.50%) with an average tenor of sixteen (16) years.

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% (2019: 4.0%) with an average tenor of ten (10) years.

(Expressed in Eastern Caribbean dollars)

11 Motor vehicles and equipment

	Motor vehicles $	Computer equipment $	Furniture and fixtures $	Machinery and equipment $	Total $
At March 31, 2018					
Cost	238,170	200,409	20,218	71,965	530,762
Accumulated depreciation	(87,328)	(179,034)	(6,986)	(64,462)	(337,810)
Net book value	**150,842**	**21,375**	**13,232**	**7,503**	**192,952**
Year ended March 31, 2019					
Opening net book value	150,842	21,375	13,232	7,503	192,952
Depreciation charge (note 23)	(47,634)	(11,852)	(1,143)	(7,503)	(68,132)
Closing net book value	**103,208**	**9,523**	**12,089**	–	**124,820**
At March 31, 2019					
Cost	238,170	200,409	20,218	71,965	530,762
Accumulated depreciation	(134,962)	(190,886)	(8,129)	(71,965)	(405,942)
Net book value	**103,208**	**9,523**	**12,089**	–	**124,820**
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**

(Expressed in Eastern Caribbean dollars)

12 Intangible assets

	Computer software $	Website development $	Total $
At March 31, 2018			
Cost	44,228	13,505	57,733
Accumulated amortisation	(15,580)	(13,505)	(29,085)
Net book value	**28,648**	–	**28,648**
Year ended March 31, 2019			
Opening net book value	28,648	–	28,648
Amortisation charge (note 23)	(9,822)	–	(9,822)
Closing net book value	**18,826**	–	**18,826**
At March 31, 2019			
Cost	44,228	13,505	57,733
Accumulated amortisation	(25,402)	(13,505)	(38,907)
Net book value	**18,826**	–	**18,826**
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**

(Expressed in Eastern Caribbean dollars)

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%.

The Bank has elected not to recognise right-of-use asset and lease liability for the lease previously accounted for as an operating lease for which the lease term ends within 12 months. Payments under such leases are expensed on a straight-line basis. Information about leases for which the Bank is a lessee is presented below:

	2020 $	2019 $
Right-of-use asset		
Opening balance	–	–
Additions	**975,096**	–
Amortisation	**(121,888)**	–
Closing balance	**853,208**	–

	2020 $	2019 $
Lease liability		
Opening balance	–	–
Additions	**975,096**	–
Interest expense	**20,802**	–
Lease payment	**(135,000)**	–
Closing balance	**860,898**	–

	2020 $	2019 $
Lease liability		
Current	**156,310**	–
Non-current	**704,588**	–
	860,898	–

(Expressed in Eastern Caribbean dollars)

13 Leases *…continued*

The lease liabilities are secured by the related underlying assets. Future minimum lease payments as at March 31, 2020 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, 2020							
Lease payments	180,000	180,000	180,000	180,000	180,000	30,450	930,450
Finance Charges	(23,690)	(18,935)	(14,036)	(8,988)	(3,787)	(116)	(69,552)
Net Present Value	**156,310**	**161,065**	**165,964**	**171,012**	**176,213**	**30,334**	**860,898**

The amounts recognised in profit and loss for the year ended March 31, 2020 are as follows:

	2020	**2019**
	$	**$**
Amounts recognised in profit and loss		
Amortisation expense on right-of-use assets (note 22)	**121,888**	–
Interest expense on lease liability (note 22)	**20,802**	–
Expense relating to short-term leases (rent) (note 22)	**45,000**	180,000

(Expressed in Eastern Caribbean dollars)

14 Borrowings

	2020 $	2019 $
Corporate papers		
Balance at beginning of year	**199,096,700**	199,096,700
Add: Issues during the year	**254,261,700**	199,096,700
Less: Redemptions during the year	**(199,096,700)**	(199,096,700)
	254,261,700	199,096,700
Less: unamortised issue costs	**(387,591)**	(251,791)
	253,874,109	198,844,909
Other borrowed funds – Repurchase Agreements		
Balance at beginning of year	**6,000,000**	–
Add: Issues during the year	**9,185,000**	6,000,000
Less: Redemptions during the year	**(2,000,000)**	–
	13,185,000	6,000,000
Interest payable	**1,682,512**	1,237,093
Total	**268,741,621**	206,082,002
Current portion	**268,741,621**	206,082,002

Corporate papers are comprised of one-year debt instruments with maturity dates ranging from April 6, 2020 to March 27, 2021 (2019: April 19, 2019 to March 27, 2020).

Corporate papers issued by the Bank are secured by debentures over its fixed and floating assets. Interest is payable semi-annually in arrears at rates varying between 1.98% to 2.50% (2019: 1.50% to 3.00%). Interest expense incurred during the year amounted to $5,477,981 (2019: $4,637,522).

During the financial year, the Bank entered into repurchase agreements collateralised by Governments of Saint Lucia and St. Vincent and the Grenadines securities. The Repurchase agreements are comprised of one-year debt instruments with maturity dates ranging from April 1, 2020 to March 13, 2021. Interest is payable in arrears at maturity of the respective instruments at 2.70%.

(Expressed in Eastern Caribbean dollars)

14 Borrowings *...continued*

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

	2020 $	2019 $
Capitalised issue costs		
Balance at beginning of year	**251,791**	300,670
Additions	**685,422**	418,727
	937,213	719,397
Less: amortisation for year (note 23)	**(549,622)**	(467,606)
Balance at end of year	**387,591**	251,791

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 (2019: one year) which carry an interest rate ranging from 1.98% to 2.50% (2019: 1.50% to 3.00%).

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

	2020 $	2019 $
Revolving line of credit	**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 an average interest rate of 3.30%. 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

	2020 $	2019 $
Accrued expenses	**663,300**	284,600
Other liabilities	**209,917**	264,073
	873,217	548,673
Current portion	**873,217**	548,673

17 Share capital

The Bank is authorised to issue 400,000 (2019: 400,000) ordinary shares of no par value.

As at March 31, 2020, there were 268,749 (2019: 268,749) ordinary shares of no par value issued and outstanding.

	Number of shares	2020 $	2019 $
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 the 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.

	2020	**2019**
	$	**$**
Balance at beginning of year	**4,132,550**	9,612,452
Transfer from retained earnings	**1,423,387**	–
Transfer to retained earnings	–	(5,479,902)
Balance at end of year	**5,555,937**	4,132,550

Fair value reserve

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

	2020	**2019**
	$	**$**
Balance at the beginning of year		
Current year losses	**(4,072,792)**	–
Reclassification of net gains to profit and loss on disposal of investment securities	**246,561**	–
Balance at end of year	**(3,826,231)**	–

19 Dividends

At the Annual General Meeting on October 4, 2019 (2019: September 6, 2018), an interim dividend per share of $3.75 and a final dividend of $3.75 per share (2019: $7.50) were approved amounting to $2,015,618 (2019: $2,015,618).

Dividends paid during the financial year amounted to $2,015,618 (2019: $2,015,618). The dividends payable amounted to $150,000 at March 31, 2020 (2019: $150,000). In 2019, management took the decision to offset dividends payable to CLICO Barbados of $150,000 (2019: $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 $3,450,000 (2019: $3,600,000).

(Expressed in Eastern Caribbean dollars)

20 Interest income

	2020 $	2019 $
Investment securities and cash and cash equivalents (notes 7 and 9)	**11,150,640**	9,821,916
Mortgage loans facilities (note 10)	**2,374,816**	2,491,300
	13,525,456	12,313,216

21 Other income

	2020 $	2019 $
Mortgage underwriting seminar income	**120,000**	134,945
Mortgage underwriting seminar expenses	**(126,687)**	(110,417)
	(6,687)	24,528
Gain on disposal of financial assets at amortised cost	**5,518,629**	–
Gain on disposal of financial assets at FVTPL	**288,030**	–
Gain on disposal of financial assets at FVOCI	**246,561**	–
Gain on disposal of motor vehicles and equipment	**20,102**	–
Miscellaneous	**5,574**	600
Reduction in provision for impairment on financial assets		
Investment securities (note 9)	–	824,331
Mortgage loans facilities (note 10)	–	100,234
Unrealised loss on FVTPL financial assets (note 9)	**(954,419)**	–
	5,117,790	949,693

(Expressed in Eastern Caribbean dollars)

22 General and administrative expenses

	2020 $	2019 $
Salaries and related costs	**1,876,248**	1,513,871
Advertising/promotion	**235,612**	39,386
Amortisation – right-of-use (note 13)	**121,888**	–
Legal and professional	**90,338**	62,998
Airfares	**51,897**	53,573
Credit rating fee	**50,266**	48,840
Rent (note 13)	**45,000**	180,000
Commission and fees	**44,460**	9,347
Miscellaneous	**43,533**	39,887
Hotel accommodation	**39,387**	52,960
Internal audit fees	**38,850**	38,850
Printing and stationery	**38,775**	17,447
Telephone	**32,621**	32,954
Repairs and maintenance	**22,019**	30,587
Interest – lease liability (note 13)	**20,802**	–
Computer repairs and maintenance	**14,664**	14,930
Insurance	**11,759**	14,610
Dues and subscriptions	**10,107**	8,049
IT Audit	**8,775**	–
Courier services	**5,990**	2,356
	2,802,991	2,160,645

23 Other operating expenses

	2020 $	2019 $
Amortisation of corporate paper issue and transaction costs (note 14)	**549,622**	467,606
Directors fees and expenses	**265,486**	297,074
Sundry debt instrument listing, registry and processing fees	**117,372**	125,532
Depreciation of motor vehicles and equipment (note 11)	**60,059**	68,132
Professional fees	**58,908**	54,170
Amortisation of intangible assets (note 12)	**9,822**	9,822
Foreign currency losses/(gains), net	**1,663**	2,903
	1,062,932	1,025,239

(Expressed in Eastern Caribbean dollars)

24 Earnings per share (EPS)

Basic and diluted earnings per share are computed as follows:

	2020 $	2019 $
Net profit for the year	**9,132,552**	5,309,928
Weighted average number of shares issued	**268,749**	268,749
Basic and diluted earnings per share	**33.98**	19.76

The Bank has no dilutive potential ordinary shares as of March 31, 2020 and 2019.

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, 2020 (2019: nil).

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

Claim No. SLUHCOM 2019/0087 BETWEEN: CLICO INTERNATIONAL LIFE INSURANCE LIMITED (under Judicial Management) (claimant) v EASTERN CARIBBEAN HOME MORTGAGE BANK (defendant). A claim filed by the claimant on 7 November 2019 in the High Court in Saint Lucia against the defendant (and served on the Bank on 21 November 2019) seeks inter alia:

a) a declaration by the Court that, through the Judicial Manager, it is entitled to deal with and sell the 20,000 Class F Shares owned by the Claimant in the Respondent for such sum and under such terms as the Claimant might think fit, subject only to the Bye-Laws of the Defendant and the Eastern Caribbean Home Mortgage Bank Agreement Act Cap. 19.08;
b) damages in the sum of $1,550,000.00 plus interest due and owing to the Claimant by the Defendant as dividends on 20,000 Class F shares numbered 074563 to 09452 for the financial years 2011,2012,2013,2014,2015,2016,2017,2018 and 2019;
c) costs.

No expense has been recorded pending the outcome of the claim, except for legal fees of $45,000.

(Expressed in Eastern Caribbean dollars)

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.

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 (2019: $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, 2020, the balance held with the ECCB was $18,014,373 (2019: $6,440,613).

Compensation of key management personnel

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

	2020 $	2019 $
Short-term benefits	**931,386**	701,096
Director fees	**160,500**	168,000
	1,091,886	869,096

27 Post-reporting date events

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

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.

The effect of this pandemic did not have an impact on the financial statements as at March 31, 2020. The effect of the virus regarding the operations of the Bank is unknown at this time. However, in May 2020, the Bank issued a moratorium for the repayment of loan balances for a period of three (3) to six (6) months with a further extension of same in light of changes in the economic outlook brought about by the pandemic. A total of three (3) mortgage facilities with balances amounting to $17,071,093 as at March 31, 2020 were included in the moratorium programme.

Appendix-4

Unaudited Financial Statements

Eight (8) Months ended 30th November 2020

Grant Thornton

An instinct for growth™

Grant Thornton
Corner Bank Street and West
Independence Square
P.O. Box 1038
Basseterre, St. Kitts
West Indies

T + 1 869 466 8200
F + 1 869 466 9822

December 18, 2020

The Directors
Eastern Caribbean Home Mortgage Bank
ECCB Complex
Bird Rock
P.O. Box 753
Basseterre
St. Kitts

Dear Sirs,

We have not audited or reviewed the financial information of the Eastern Caribbean Home Mortgage Bank for the eights (8) months ended November 30, 2020 and accordingly express no assurance thereon.

Yours truly,

Grant Thornton

Chartered Accountants
Basseterre
St. Kitts

ECHMB Capital

Performance Highlights Eight (8) Months 30th November 2020 compared to 30th November 2019

Decline in Mortgage Loans Facilities **$3.11M (6.76%)**	Growth in Investment Securities **$85.24M (34.62%)**	**$10.41M** Interest Income
Growth in Borrowings **$58.68M (22.65%)**	Growth in Total Equity **$19.94M (31.15%)**	**$5.71M** Net Interest Income
Return on Shareholders' Equity **18.66%**	Book Value Per share **$312.42**	**$12.32M** Other Income
Dividend Per Share **$10.00**	Increase in Capital Gains to Shareholders **$31.14%**	**$15.67M** Net Profit for Six (6) Months

Eastern Caribbean Home Mortgage Bank
(Trading As ECHMB Capital)
Commentary on the
Eight (8) Months Ended 30th November 2020

1.0 Significant Transactions Eight (8) Months Ended 30th November 2020

- Purchased Investments Securities totaling $237.37M
- Sold and/or redeemed Investments Securities totaling $190.06M
- Repaid Borrowings totaling $181.76M
- Repaid Other Borrowings totaling $177.78M
- Successfully issued Borrowings amounting to $230.24M
- Paid interim dividend of $10.0 per share totaling $2.49M

2.0 Interest Income

2.1 For the eight (8) months ended 30th November 2020, ECHMB's Investment Securities portfolio was reported at $331.49M, representing growth of $85.24M (34.62%) when compared to the $246.25M reported at 30th November 2019. Mortgage Loans Facilities were reported at $42.89M and lower than the $46.0M reported at 31st March 2020. The amount of $19.53M was held in Cash and Cash Equivalents pending acquisition of Investment Securities.

2.2 On account of the increased resources placed in income generating assets, Interest Income for the eight (8) months ended 30th November 2020 was reported at $10.41M and represents growth of $1.87M (21.90%) when compared to the $8.54M reported for the eight (8) months ended 30th November 2019.

3.0 Gain on Sale of Financial Assets

3.1 The Bank commenced the active management of its Investment Securities during the latter part of 2019. For the eight (8) months ended 30th November 2020, the Bank generated Gain on Sale of Financial Assets amounting to $10.63M from Investments Reported Through Other Comprehensive Income ("OCI") and recorded $1.63M in Other Gains from Investment Securities Reported Through Profit and Loss. In comparison, Gains on Sale of Financial Assets totaled $3.99M for the eight (8) months ended 30th November 2019.

4.0 Interest Expense

4.1 During the second half of 2019, the Bank discontinued the pricing of its Borrowings via Competitive Bid Auctions and replace same with Fixed Price Auctions. Other pertinent changes to the funding "Marketing Mix" included the issuance of instruments via private prospectus and the elimination of transaction fees. In addition, the Bank commenced the diversification of its Borrowings with the issuance of its inaugural Repurchase Agreements programme totaling \$15.00M. The changes contributed to a \$58.68M (22.65%) increase in Borrowings from \$259.09 for the eight (8) months ended 30th November 2019 to \$317.77M for the eight (8) months ended 30th November 2020.

4.2 As a result of the increased Borrowings, Interest Expense increased by \$1.25M (36.13%) from \$3.46M for eight (8) months ended 30th November 2019 to \$4.71M for eight (8) months ended 30th November 2020.

5.0 Net Interest Income

5.1 Net Interest Income or the difference between Interest Income (\$10.41M) and Interest Expense (\$4.71M) amounted to \$5.71M or 54.76% for the eight (8) months ended 30th November 2020 and represents a decline of 4.73% when compared to 59.48% reported for the comparative period of FY 2019. The decline in Net Interest Income Percentage is attributed to higher Interest Expense and lower yields due to the turnover rate of the Investment Securities Portfolio on account of the active management strategy.

6.0 Expenses

6.1 ECHMB continued to place emphasis on improving its brand recognition. This included eMarketing in each of the eight (8) islands of the ECCU. Our increased marketing efforts and higher staff costs were largely responsible for the \$0.14M (9.59%) increase in General and Administrative Expenses from \$1.46M for the eight (8) months ended 30th November 2019 to \$1.60M for the eight (8) months ended 30th November 2020.

6.2 Other Operating Expenses declined by \$0.03M (4.29%) from \$0.70M for the eight (8) months ended 30th November 2019 to \$0.67M for the eight (8) months ended 30th November 2020; this was attributed to lower Directors Fees and Expenses.

7.0 Net Profit for the Eight (8) Months Ended 30th November 2020

7.1 The ECHMB reported a Net Profit for the eight (8) months ended 30th November 2020 of \$15.67M, representing an increase of \$8.82M (128.76%) when compared to \$6.85M reported for the comparative period of 2019.

7.2 The increased profitability of the Bank was attributed mainly to the additional \$8.27M generated from Gains on Sale of Financial Assets and Other Gains, coupled with the prudent management of Expenses.

7.3 Capital Structure

7.3.2 For the eight months ended 30th November 2020, ECHMB's Borrowings increased by $58.68M (22.65%) to $317.77M. Total Equity increased by $19.94M (31.15%) to $83.96M. Due to 31.15% increase in Total Equity, the Bank's Debt-to-Equity Ratio declined from 4.05:1 for the eight (8) months ended 30th November 2019 to 3.78:1 for the comparative period of 2020. Given the Bank's Total Equity, ECHMB Capital has the capacity to increase its Borrowings by $354.23M (111.47%) before breaching its maximum Debt-to-Equity Ratio of 8.0:1.

8.0 Outlook Ending 31st March 2021

8.1 Covid-19 continues to adversely impact the economies of the Eastern Caribbean Currency Union ("ECCU") with the knock-on effect of stymieing growth in loans on the primary market. Further, sophisticated investors in the ECCU are generally reluctant to acquire non-investment grade financial instruments. This change in risk appetite may be spurred by IFRS 9 which requires entities to provide for expected credit losses on financial instruments. Given the above-mentioned conditions, financial intermediaries continue to report increasing liquidity in their statement of financial position.

8.2 The escalating liquidity in the ECCU has presented opportunities for the ECHMB to grow its statement of financial position, since the Bank is generally considered a haven. The cash inflows are likely to be invested on the international bond market.

8.3 Based on the performance of the international bond market and growth in the Bank's Assets Under Management, the ECHMB projects that Net Profit for the Year ending 31st March 2021 is likely to significantly outpace the comparative period of 2020 spurred by gains from the fixed income instruments traded through other comprehensive income.

ECHMB
9th December 2020

Eastern Caribbean Home Mortgage Bank
(Trading as ECHMB Capital)
Unaudited Statement of Financial Position
As at 30th November 2020

(expressed in Eastern Caribbean dollars)

	Unaudited November 2020	Unaudited November 2019	Audited March 2020
Assets	$	$	
Cash and cash equivalents	19,533,554	30,820,812	20,244,559
Receivables and prepayments	2,437,909	535,890	7,893,850
Other receivables	7,357,000	-	-
Investment securities	331,492,654	246,252,802	274,893,300
Mortgage loans facilities	42,894,882	45,995,911	46,096,199
Motor vehicle and equipment	304,501	201,408	147,598
Intangible assets	2,455	12,278	9,004
Right of use assets	744,865	105,000	853,208
Total assets	**404,767,820**	**323,924,101**	**350,137,718**
Liabilities			
Borrowings	317,770,675	259,087,307	268,741,621
Other borrowed funds	-	-	17,199,000
Accrued expenses and other liabilities	2,277,498	707,513	873,217
Lease liabilities	757,213	105,000	860,898
Total liabilities	320,805,385	259,899,820	287,674,736
Equity			
Share capital	36,999,940	36,999,940	36,999,940
Portfolio risk reserve	5,555,937	4,132,550	5,555,937
Unrealised holding gain (loss)	4,693,150	138,807	(3,826,231)
Retained earnings	36,713,408	22,752,984	23,733,336
Total equity	83,962,436	64,024,281	62,462,982
Total liabilities and equity	**404,767,820**	**323,924,101**	**350,137,718**

Eastern Caribbean Home Mortgage Bank
(Trading as ECHMB Capital)

Unaudited Statement of Comprehensive Income

For the eight months ended 30th November 2020

(expressed in Eastern Caribbean dollars)

	Unaudited November 2020	Unaudited November 2019	Audited March 2020
	$	$	$
Interest income	**10,413,183**	8,543,333	13,525,456
Interest expense	**(4,707,517)**	(3,463,399)	(5,477,981)
Net interest income	**5,705,666**	5,079,934	8,047,476
Other income	**61,446**	(1,497)	18,989
Gain on sale of financial assets	**10,632,746**	3,990,058	6,053,221
Other gains (losses)	**1,629,691**	-	(954,419)
Operating income	**18,029,549**	9,068,494	13,165,265
Expenses			
General and administrative expenses	**(1,597,944)**	(1,462,726)	(2,802,991)
Other operating expenses	**(667,805)**	(695,602)	(1,062,932)
Mortgage administrative fees	**(96,238)**	(59,369)	(104,670)
Net impairment losses on financial assets	**-**	-	(62,120)
Total expenses	**(2,361,987)**	(2,217,697)	(4,032,713)
Net profit for the period	**15,667,562**	6,850,799	9,132,552
Other comprehensive income			
Changes in the fair value of investments at fair value through other comprehensive income	**8,519,381**	138,807	(3,826,231)
Other comprehensive gain (loss) for the period	**8,519,381**	138,807	(3,826,231)
Total comprehensive income for the period	**24,186,943**	6,989,606	5,306,321
Earnings per share	**$ 87.45**	$ 38.24	$ 33.98

Eastern Caribbean Home Mortgage Bank
(Trading as ECHMB Capital)
Unaudited Statement of Changes in Equity
As at 30th November 2020

(expressed in Eastern Caribbean dollars)

	Share Capital $	Portfolio Risk Reserve $	Financial Assets at FVOCI Reserve	Retained earnings $	Total $
Balance at 31st March 2019	**36,999,940**	**4,132,550**	**-**	**18,039,789**	**59,172,279**
Other comprehensive income					
Net profit for the period	-	-	-	9,132,551	**9,132,551**
Transfer to reserves	-	1,423,387		(1,423,387)	**-**
Fair value movement of investments designated as FVTOCI	-	-	(3,826,231)	-	**(3,826,231)**
Transactions with owners	-	-	-	(2,015,618)	**(2,015,618)**
Balance at 31st March 2020	**36,999,940**	**5,555,937**	**(3,826,231)**	**23,733,336**	**62,462,982**
Other comprehensive income					
Net profit for the period	-	-	-	15,667,562	**15,667,562**
Transfer to reserves	-	-	-	-	**-**
Fair value movement of investments designated as FVTOCI	-	-	8,519,381	-	**8,519,381**
Transactions with owners	-	-	-	(2,687,490)	**(2,687,490)**
Balance at 30th November 2020	**36,999,940**	**5,555,937**	**4,693,150**	**36,713,408**	**83,962,436**

Eastern Caribbean Home Mortgage Bank
(Trading as ECHMB Capital)
Unaudited Statement of Cash Flows
For the month ended 30th November 2020

(expressed in Eastern Caribbean dollars)

	Unaudited November 2020	Unaudited November 2019	Audited March 2020
Net profit for the period	15,667,562	6,728,812	9,132,551
Items not affecting cash:			
Interest expense	4,707,517	3,463,399	5,477,981
Amortization of corporate paper issue and transaction costs	339,214	346,314	549,622
Amortisation of bond premium	553,116	427,165	796,887
Unrealised (gain) loss on FVTPL financial assets	(1,629,691)	126,575	954,419
Depreciation of motor vehicles and equipment	40,686	39,640	60,059
Amortizsation of intangible assets	6,548	6,548	9,822
Amortization of right of use of assets	108,344	-	121,888
Reduction in provision for impairment on financial assets	-	-	62,120
Interest expense on lease liability	16,314	-	20,802
Gain on sale of motor vehicles and equipement	(50,833)	-	(20,102)
Interest Income	(10,413,183)	(8,543,333)	(13,525,456)
Operating loss before working capital changes	9,345,594	2,595,120	3,640,595
Changes in operating assets & liabilities			
(Increase)/decrease in accounts receivable & prepayments	(1,860,304)	(222,068)	(7,348,428)
Increase/(decrease) in other liabilities & payables	1,404,281	158,841	324,543
Cash from/(used in) operations before interest	**8,889,571**	**2,531,893**	**(3,383,290)**
Interest received	10,512,102	9,731,037	13,821,802
Interest paid	(4,397,631)	(3,149,297)	(5,032,562)
Net cash from operating activities	**15,004,042**	**9,113,633**	**5,405,950**
Cash flows from investing activities			
Proceeds from sales/maturity of financial assets	190,063,219	96,561,523	138,951,477
Proceeds from pool of mortgages repurchased by PL	3,707,506	3,317,036	3,317,036
Proceeds fom principal repayment on mortgages	-	-	-
Proceeds from sale of motor vehicles and equipment	70,000	-	55,000
Increase in mortgages repurchased and replaced	(41,784)	416,447	605,073
Proceeds from principal repayment on mortgages	1,700,594	1,566,427	2,330,401
Purchase of mortgages	(2,165,000)	(12,707,862)	(13,813,862)
Purchase of motor vehicle and equipment	(216,755)	(116,227)	(117,735)
Purchase of intangible assets	-	-	-
Dividends received	-	-	-
Purchase of investment securities	(237,365,537)	(128,490,779)	(204,033,085)
Net cash used in investing activities	**(44,247,757)**	**(39,453,435)**	**(72,705,695)**
Cash flows from financing activities			
Proceeds from borrowings	230,243,000	177,755,000	263,446,700
Proceeds from other borrowed funds	160,582,700	-	17,199,000
Repayment of borrowings	(181,755,000)	(124,970,000)	(201,096,700)
Repayment of other borrowed funds	(177,781,700)	-	-
Payment of corporate paper issue costs and transaction costs	(148,800)	(440,112)	(685,422)
Dividend paid	(2,487,490)	(1,865,618)	(1,865,618)
Principal paid on lease liabilities	(103,686)	-	(114,198)
Interest paid on lease liability	(16,314)	-	(20,802)
Cash generated from financing activities	**28,532,710**	**50,479,270**	**76,862,961**
Net (decrease) / increase in cash and cash equivalents	(711,005)	20,139,468	9,563,215
Cash flow at beginning of period	20,244,559	10,681,344	10,681,344
Cash and cash equivalents at end of period	**19,533,554**	**30,820,812**	**20,244,559**

Appendix - 5

ECSE's List of Licensed Intermediaries

Institution	Contact Information	Associated Persons
Grenada Co-operative Bank Limited	No. 8 Church Street St. George's	**Principal**
	GRENADA	Aaron Logie
		Allana Joseph
	Tel: 473 440 2111 Fax: 473 440 6600	**Representative**
	Email: brokerage@grenadaco-opbank.com	Kishel Francis
St Kitts-Nevis-Anguilla National Bank Ltd	P O Box 343	**Principal**
	Central Street, Basseterre	Anthony Galloway
	ST. KITTS & NEVIS	Petronella Crooke
	Tel: 869 465 2204	**Representative**
		Marlene Nisbett
		Angelica Lewis
The Bank of Nevis Ltd	P O Box 450	**Principal**
	Main Street Charlestown	Monique Williams
	Tel: 869 469 5564 / 5796	Judy Claxton
	Fax: 869 469 579	**Representative**
		Denicia Small
		Nikesia Pemberton
Bank of St. Lucia	5th Floor, Financial Centre Building	**Principal**
	1 Bridge Street Castries	Medford Francis
	Tel: 758 456 6826 / 457 7233	Lawrence Jean
	Fax: 758 456 673	Cedric George Charles
		Representative
		Deesha Lewis
		Shaiide Kallicharran
		Mervin Simeon
First Citizens Investment Services Limited	P.O. Box 1294	**Principal**
	John Compton Highway	Omar Burch-Smith
	Sans Souci, Castries	Norlann Gabriel
	Tel: 758 450 2662	**Representative**
		Temelia Providence
Bank of St. Vincent and the Grenadines Ltd	PO Box 880	**Principal**
	Cnr. Bedford and Grenville Streets	Laurent Hadley
	Kingstown	Monifa Latham
	Tel: 784 457 1844	**Representative**
	Fax: 784 456 2612 /451 2589	Chez Quow
	Email: info@bosvg.com	Patricia John