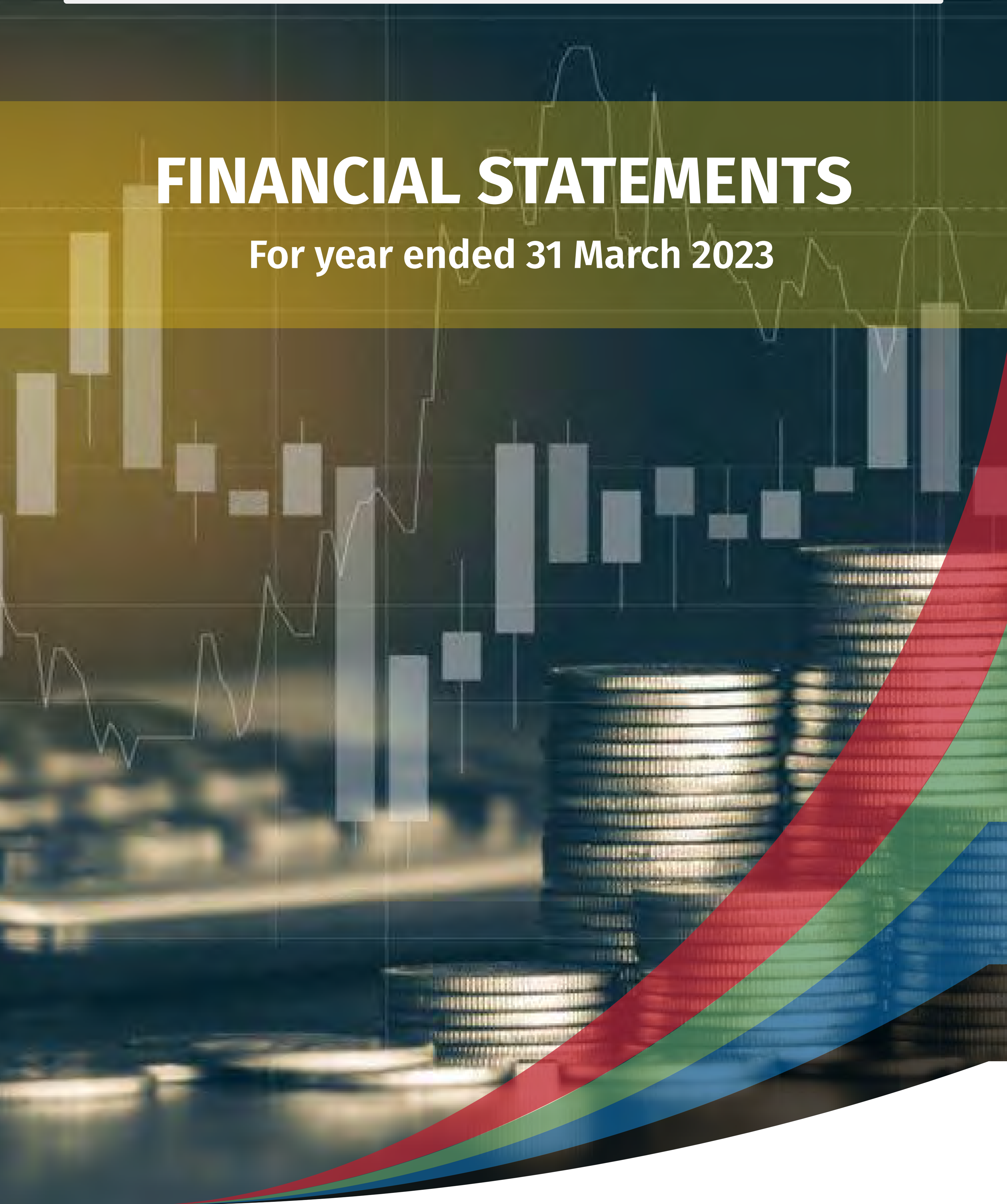
FINANCIAL STATEMENTS

For year ended 31 March 2023



Eastern Caribbean Home Mortgage Bank
(Trading as ECHMB Capital)

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

(expressed in Eastern Caribbean dollars)

Management is responsible for the following:

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

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

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

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

Chief Executive Officer	**Chief Financial Officer**
July 12, 2023	**July 12, 2023**
Date	**Date**

Independent auditors' report

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

Report on the audit of the financial statements

Our opinion

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

What we have audited

The Bank's financial statements comprise:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report.

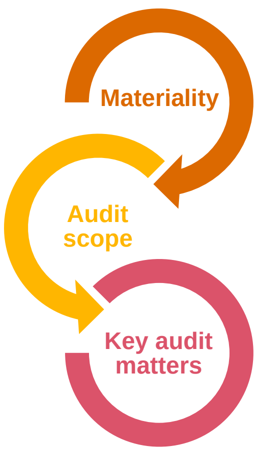
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Our audit approach

Overview



- Overall materiality: $2,400,000, which represents 0.5% of total assets.

- In addition to determining materiality, we also assessed, amongst other factors, the following in designing our audit:
  - the risk of material misstatement in the financial statements
  - significant accounting estimates
  - the risk of management override of internal controls

- Provision for expected credit loss - Probabilities of Default

Audit scope

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

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

Materiality

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

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

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

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

Key audit matters

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

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

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

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

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

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

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

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

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

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

Independently developed PDs and compared to those recorded by management.

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

Other information

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

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

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

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Other matter

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

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

PricewaterhouseCoopers

Chartered Accountants
July 13, 2023

Eastern Caribbean Home Mortgage Bank
(Trading as ECHMB Capital)

Statement of Financial Position

As at March 31, 2023

(Expressed in Eastern Caribbean dollars)

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

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

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

Director **Chairman**

Eastern Caribbean Home Mortgage Bank
(Trading as ECHMB Capital)

Statement of Comprehensive Income

For the year ended March 31, 2023

(Expressed in Eastern Caribbean dollars)

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

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

Eastern Caribbean Home Mortgage Bank
(Trading as ECHMB Capital)

Statement of Changes in Equity

For the year ended March 31, 2023

(Expressed in Eastern Caribbean dollars)

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

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

Eastern Caribbean Home Mortgage Bank
(Trading as ECHMB Capital)

Statement of Cash Flows

For the year ended March 31, 2023

(Expressed in Eastern Caribbean dollars)

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

Eastern Caribbean Home Mortgage Bank
(Trading as ECHMB Capital)

Statement of Cash Flows …*continued*

For the year ended March 31, 2023

(Expressed in Eastern Caribbean dollars)

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

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

(Expressed in Eastern Caribbean dollars)

1 Incorporation and principal activity

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

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

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

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

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

The financial statements of the Bank have been prepared in accordance with IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations as issued by the International Accounting Standards Board (IASB). The financial statements have been prepared on the going concern basis, under the historical cost convention, except for certain financial instruments which are measured at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 6.

3 Changes in accounting policies

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

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

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

(Expressed in Eastern Caribbean dollars)

3 Changes in accounting policies *…continued*

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

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

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

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

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

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

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

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

(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*

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

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

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

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

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

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

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

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

(Expressed in Eastern Caribbean dollars)

4 Significant accounting policies

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

a) Foreign currency translation

i) Functional and presentation currency

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

ii) Transactions and balances

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

b) Financial assets and liabilities

i) Initial recognition, derecognition and measurement

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

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

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

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

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

(Expressed in Eastern Caribbean dollars)

4 Significant accounting policies *…continued*

b) Financial assets and liabilities *…continued*

i) Initial recognition, derecognition and measurement …continued

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

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

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

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

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

ii) Classification and subsequent measurement of financial assets

Financial assets are classified into the following categories:

- Amortised cost;
- FVTPL; or
- FVOCI.

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

Debt instruments

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

(Expressed in Eastern Caribbean dollars)

4 Significant accounting policies *…continued*

b) Financial assets and liabilities *…continued*

ii) Classification and subsequent measurement of financial assets …continued

Debt instruments …continued

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

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

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

Financial assets at amortised cost and effective interest rate

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

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and

- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Financial assets at FVTPL

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

Financial assets at FVOCI

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

(Expressed in Eastern Caribbean dollars)

4 Significant accounting policies *…continued*

b) Financial assets and liabilities *…continued*

ii) Classification and subsequent measurement of financial assets …continued

Business model assessment

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

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

Solely payments of principal and interest ("SPPI")

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

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

Measurement methods - amortised cost

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

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

(Expressed in Eastern Caribbean dollars)

4 Significant accounting policies *…continued*

b) Financial assets and liabilities *…continued*

ii) Classification and subsequent measurement of financial assets …continued

Measurement methods - amortised cost …continued

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

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

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

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

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

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

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

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

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

(Expressed in Eastern Caribbean dollars)

4 Significant accounting policies *…continued*

b) Financial assets and liabilities *…continued*

iv) Purchased or originated credit-impaired assets

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

v) Write-off

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

The exposure may be written off when:

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

2. It is legally enforceable to recover funds from the borrower or any third party, but there is very low probability of occurrence.

Triggers identified for the derecognition of a financial obligation include:

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

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

(Expressed in Eastern Caribbean dollars)

4 Significant accounting policies *…continued*

b) Financial assets and liabilities *…continued*

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

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

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

vii) Equity instruments

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

FVOCI

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

viii) Financial liabilities

Classification and subsequent measurement

Financial liabilities are classified and subsequently measured at amortised cost.

(Expressed in Eastern Caribbean dollars)

4 Significant accounting policies *…continued*

b) Financial assets and liabilities *…continued*

viii) Financial liabilities …continued

Derecognition

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

c) Offsetting financial instruments

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

d) Cash and cash equivalents

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

e) Repurchase transactions

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

(Expressed in Eastern Caribbean dollars)

4 Significant accounting policies …*continued*

f) Employee benefits

(i) Pension plan

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

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

(ii) Gratuity

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

g) Provisions

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

h) Motor vehicles and equipment

Motor vehicles and equipment are stated at historical cost, less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

(Expressed in Eastern Caribbean dollars)

4 Significant accounting policies *…continued*

h) Motor vehicles and equipment *…continued*

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

i) Borrowings

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

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

(Expressed in Eastern Caribbean dollars)

4 Significant accounting policies *…continued*

j) Interest income and expense

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

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

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

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

k) Dividends distribution

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

l) Expenses

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

m) Leases - As lessee

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

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

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

(Expressed in Eastern Caribbean dollars)

4 Significant accounting policies *…continued*

m) Leases - As lessee *…continued*

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

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

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

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

n) Share capital

i. Ordinary shares

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

ii. Preference shares

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

- Equity if it is non-redeemable, or redeemable only at the Bank's option, and any dividends are discretionary; in such case, dividends are thereon recognised as equity distributions on approval by the Bank's shareholders.

- Liability if it is redeemable on a specific date or at the option of the shareholder, or if dividends are not discretionary; in such a case, dividends thereon are recognised as interest in profit or loss as accrued.

(Expressed in Eastern Caribbean dollars)

4 Significant accounting policies *…continued*

o) Reserves

Portfolio risk reserve

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

Fair value reserve

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

p) Retained earnings

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

q) Earnings per share

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

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

r) Reclassification

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

s) Subsequent events

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

(Expressed in Eastern Caribbean dollars)

4 Significant accounting policies *…continued*

t) Segment reporting

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

u) Taxation

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

5 Financial risk management

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

a) Enterprise risk management approach

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

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

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

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

(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.

(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 loan facilities and investment securities.

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

Credit risk measurement

Mortgage loan facilities and investment securities

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

Credit risk grading

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

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

(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 probabilities of default (PD), loss given default (LGD) and the exposure at default (EAD), discounted at the original effective interest rate. Management has calculated these inputs based on the historical experience of the portfolios adjusted for the current point in time.

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

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

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

For a revolving commitment, the Bank includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.

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

(Expressed in Eastern Caribbean dollars)

5 Financial risk management *…continued*

d) Credit risk *…continued*

Credit risk measurement *…continued*

Expected credit loss measurement …continued

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

Measuring ECL - Explanation of inputs, assumptions and estimation techniques

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

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

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

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk must consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. For a revolving commitment, the Bank includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.

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

Forward looking information incorporated in the ECL models

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

(Expressed in Eastern Caribbean dollars)

5 Financial risk management *…continued*

d) Credit risk *…continued*

Credit risk measurement *…continued*

Forward looking information incorporated in the ECL models …continued

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

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

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

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

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

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

(Expressed in Eastern Caribbean dollars)

5 Financial risk management *…continued*

d) Credit risk *…continued*

Credit risk measurement *…continued*

Significant increase in credit risk (SICR)

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

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

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

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

Backstop

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

Definition of default and credit-impaired assets

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

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

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

(Expressed in Eastern Caribbean dollars)

5 Financial risk management *…continued*

d) Credit risk *…continued*

Credit risk measurement *…continued*

Definition of default and credit-impaired assets …continued

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

Expected credit loss measurement

Maximum exposure to credit risk - Financial instruments subject to impairment

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

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

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

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

(Expressed in Eastern Caribbean dollars)

5 Financial risk management *…continued*

d) Credit risk *…continued*

Expected credit loss measurement *…continued*

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

Investment securities

Summary of Investment Securities ECL Staging 2023

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

Summary of Investment Securities ECL Staging 2022

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

(Expressed in Eastern Caribbean dollars)

5 Financial risk management *…continued*

d) Credit risk *…continued*

Expected credit loss measurement *…continued*

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

Mortgage loan facilities

Summary of Mortgage loan facilities
ECL Staging
2023

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

Summary of Mortgage loan facilities
ECL Staging
2022

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

(Expressed in Eastern Caribbean dollars)

5 Financial risk management *…continued*

d) Credit risk *…continued*

Expected credit loss measurement *…continued*

Maximum exposure to credit risk - *Financial instruments subject to impairment …continued*

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:

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

(Expressed in Eastern Caribbean dollars)

5 Financial risk management *…continued*

d) Credit risk *…continued*

Expected credit loss measurement *…continued*

Loss allowance …continued

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

(Expressed in Eastern Caribbean dollars)

5 Financial risk management …*continued*

d) Credit risk …*continued*

Expected credit loss measurement …*continued*

Loss allowance …continued

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

(Expressed in Eastern Caribbean dollars)

5 Financial risk management *…continued*

d) Credit risk *…continued*

Expected credit loss measurement *…continued*

Loss allowance …continued

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

(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, categorised by geographical regions as of March 31, 2023 with comparatives for 2022. In this table, the Bank has allocated exposure to regions based on the country of domicile of the counterparties.

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

(Expressed in Eastern Caribbean dollars)

5 Financial risk management *…continued*

e) Management of credit risk *…continued*

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

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

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

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

The internal credit ratings assigned to investments are as follows:

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

(Expressed in Eastern Caribbean dollars)

5 Financial risk management *…continued*

e) Management of credit risk *…continued*

The internal credit ratings assigned to mortgages are as follows:

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

f) Market risk

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

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

i) Interest rate risk

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

(Expressed in Eastern Caribbean dollars)

5 Financial risk management *…continued*

f) Market risk *…continued*

i) Interest rate risk *…continued*

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

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

(Expressed in Eastern Caribbean dollars)

5 Financial risk management *…continued*

f) Market risk *…continued*

i) Interest rate risk *…continued*

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

(Expressed in Eastern Caribbean dollars)

5 Financial risk management *…continued*

f) Market risk *…continued*

i) Interest rate risk *…continued*

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

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

ii) Equity price risk

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

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

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

iii) Foreign currency risk

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

(Expressed in Eastern Caribbean dollars)

5 Financial risk management *…continued*

f) Market risk *…continued*

iii) Foreign currency risk *…continued*

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

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

(Expressed in Eastern Caribbean dollars)

5 Financial risk management *…continued*

f) Market risk *…continued*

iii) Foreign currency risk *…continued*

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

(Expressed in Eastern Caribbean dollars)

5 Financial risk management …*continued*

g) Liquidity risk

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

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

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

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

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

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

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

(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 recognises that such risks can never be entirely eliminated and manages the risk through a combination of systems and procedures to monitor and document transactions.

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

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the Board of Directors. This responsibility is supported by the development of overall Bank standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risk faced and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance when this is effective.

i) Capital management

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

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

(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. The Board of Directors requires the Bank to maintain a maximum gearing ratio of 8.00:1.

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

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

j) Fair value estimation

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

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

(Expressed in Eastern Caribbean dollars)

5 Financial risk management *…continued*

j) Fair value estimation *…continued*

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

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

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

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

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

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

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

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

(Expressed in Eastern Caribbean dollars)

5 Financial risk management …*continued*

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

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

March 31, 2023	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets				
Financial assets at fair value through other comprehensive income (FVOCI)				
Quoted corporate bonds	**245,446,510**	**–**	**–**	**245,446,510**
Quoted sovereign bonds	**15,596,348**	**–**	**–**	**15,596,348**
Unquoted equity instrument	**–**	**–**	**100,000**	**100,000**
Financial assets at fair value through profit or loss (FVTPL)				
Common shares	**9,283,910**	**–**	**–**	**9,283,910**
Preferred shares	**7,529,273**	**–**	**–**	**7,529,273**
Quoted corporate bond	**1,369,664**	**–**	**–**	**1,369,664**
Fair value	**279,225,705**	**–**	**100,000**	**279,325,705**

March 31, 2022	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets				
Financial assets at fair value through other comprehensive income (FVOCI)				
Quoted corporate bonds	241,729,251	–	–	241,729,251
Quoted sovereign bonds	8,881,272	–	–	8,881,272
Unquoted equity instrument	–	–	100,000	100,000
Financial assets at fair value through profit or loss (FVTPL)				
Common shares	33,653,098	–	–	33,653,098
Preferred shares	6,608,491	–	–	6,608,491
Fair value	290,872,112	–	100,000	290,972,112

(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) Measurement of the expected credit loss allowance

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

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

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

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

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

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

(Expressed in Eastern Caribbean dollars)

7 Cash and cash equivalents

	2023 $	2022 $
Cash on hand	**1,000**	1,000
Cash in banks	**29,692,428**	55,134,695
Term deposit	**8,086,133**	–
	37,779,561	55,135,695

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

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

8 Receivables and prepayments

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

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

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

(Expressed in Eastern Caribbean dollars)

9 Investment securities

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

(Expressed in Eastern Caribbean dollars)

9 Investment securities *…continued*

The movement of the investment securities is shown below:

	2023			
	Amortised cost $	**FVOCI $**	**FVTPL $**	**Total $**
Principal				
Balance at beginning of year	**111,659,700**	**250,710,523**	**40,261,589**	**402,631,812**
Additions	**51,765,757**	**41,693,125**	**7,508,128**	**100,967,010**
Net change in fair value	**–**	**(29,756,816)**	**(4,557,811)**	**(34,314,627)**
Disposals	**(51,925,354)**	**–**	**(25,029,059)**	**(76,954,413)**
Bond premium amortisation	**(162,215)**	**(1,503,974)**	**–**	**(1,666,189)**
	111,337,888	**261,142,858**	**18,182,847**	**390,663,593**
Interest receivable	**2,211,472**	**3,332,617**	**–**	**5,544,089**
Less provision for expected credit losses	**(4,000,186)**	**(437,802)**	**–**	**(4,437,988)**
Balance at end of year	**109,549,174**	**264,037,673**	**18,182,847**	**391,769,694**

	2022			
	Amortised cost $	**FVOCI $**	**FVTPL $**	**Total $**
Principal				
Balance at beginning of year	130,939,698	225,570,811	31,220,583	387,731,092
Additions	7,510,217	124,157,651	61,155,967	192,823,835
Net change in fair value	–	(26,816,650)	(5,499,934)	(32,316,584)
Disposals	(26,413,914)	(71,105,265)	(46,615,027)	(144,134,206)
Bond premium amortisation	(376,301)	(1,096,024)	–	(1,472,325)
	111,659,700	250,710,523	40,261,589	402,631,812
Interest receivable	2,170,470	2,855,568	–	5,026,038
Less provision for expected credit losses	(4,783,960)	(241,932)	–	(5,025,892)
Balance at end of year	109,046,210	253,324,159	40,261,589	402,631,958

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

(Expressed in Eastern Caribbean dollars)

9 Investment securities *…continued*

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

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

a) Quoted corporate and sovereign bonds

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

b) Unquoted Bonds

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

c) Preferred shares

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

d) Term deposits

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

(Expressed in Eastern Caribbean dollars)

9 Investment securities …*continued*

d) Term deposits …*continued*

Term deposit held with CLICO International Life Insurance Limited

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

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

Depositors' Protection Trust (DPT)

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

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

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

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

(Expressed in Eastern Caribbean dollars)

9 Investment securities *…continued*

d) Term deposits *…continued*

Depositors' Protection Trust (DPT) …continued

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

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

10 Mortgage loan facilities

	2023 $	2022 $
Mortgage loans portfolio	**13,537,107**	15,270,919
Mortgage-pledged loan	**8,469,826**	9,687,021
Mortgage credit facility	**5,141,087**	5,445,629
	27,148,020	30,403,569
Provision for expected credit losses	**(343,347)**	(478,561)
	26,804,673	29,925,008
Current	**1,939,676**	1,778,451
Non-current	**24,864,997**	28,146,557
	26,804,673	29,925,008

	2023 $	2022 $
Territory analysis		
St. Kitts and Nevis	**12,630,232**	14,152,916
Grenada	**7,195,797**	8,478,628
Antigua and Barbuda	**5,404,663**	5,657,646
St. Lucia	**1,573,981**	1,635,818
	26,804,673	29,925,008

(Expressed in Eastern Caribbean dollars)

10 Mortgage loan facilities …*continued*

Movement in the balance is as follows:

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

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

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

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

(Expressed in Eastern Caribbean dollars)

10 Mortgage loan facilities …*continued*

Terms and conditions of mortgage loan facilities

a) Purchase of mortgages

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

b) Recourse to primary lending institutions

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

c) Administration fees

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

d) Rates of interest

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

Mortgage loans portfolio and accounts receivable balances held with the ABIB

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

(Expressed in Eastern Caribbean dollars)

10 Mortgage loan facilities *…continued*

Terms and conditions of mortgage credit facility

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

Terms and conditions of mortgage-pledged loan

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

(Expressed in Eastern Caribbean dollars)

11 Motor vehicles and equipment

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

(Expressed in Eastern Caribbean dollars)

12 Leases

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

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

	2023 $	2022 $
Right-of-use asset		
Opening balance	**528,177**	690,693
Adjustments	**(485,196)**	–
Additions	**515,799**	–
Amortisation	**(171,932)**	(162,516)
Closing balance	**386,848**	528,177

	2023 $	2022 $
Lease liability		
Opening balance	**543,523**	704,588
Adjustments	**(498,749)**	
Additions	**515,799**	–
Interest expense	**10,588**	18,935
Lease payment	**(180,000)**	(180,000)
Closing balance	**391,161**	543,523

	2023 $	2022 $
Lease liability		
Current	**170,598**	165,964
Non-current	**220,563**	377,559
	391,161	543,523

(Expressed in Eastern Caribbean dollars)

12 Leases *…continued*

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

	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, 2023							
Lease payments	**180,000**	**180,000**	**45,000**	**–**	**–**	**–**	**405,000**
Finance charges	**(9,402)**	**(4,213)**	**(224)**	**–**	**–**	**–**	**(13,839)**
Net present value	**170,598**	**175,787**	**44,776**	**–**	**–**	**–**	**391,161**

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

	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, 2022							
Lease payments	180,000	180,000	180,000	30,450	–	–	570,450
Finance charges	(14,036)	(8,988)	(3,787)	(116)	–	–	(26,927)
Net present value	165,964	171,012	176,213	30,334	–	–	543,523

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

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

(Expressed in Eastern Caribbean dollars)

13 Borrowings

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

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

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

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

(Expressed in Eastern Caribbean dollars)

13 Borrowings *…continued*

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

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

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

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

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

14 Other borrowings

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

Revolving line of credit

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

(Expressed in Eastern Caribbean dollars)

15 Accrued expenses and other liabilities

	2023 $	2022 $
Accrued expenses	**5,599,923**	765,282
Deferred Income	**126,560**	–
Other liabilities	**129,185**	255,651
Current portion	**5,855,668**	1,020,933

16 Share capital

Ordinary share capital

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

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

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

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

(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)

16 Share capital …*continued*

Preference share capital

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

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

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

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

a) Dividends

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

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

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

c) Redemption

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

(Expressed in Eastern Caribbean dollars)

17 Reserves

Portfolio risk reserve

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

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

Fair value reserve

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

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

18 Dividends

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

(Expressed in Eastern Caribbean dollars)

19 Interest income

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

20 Other income

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

(Expressed in Eastern Caribbean dollars)

21 General and administrative expenses

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

22 Other operating expenses

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

(Expressed in Eastern Caribbean dollars)

23 Earnings per share (EPS)

Basic and diluted earnings per share are computed as follows:

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

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

24 Contingent liabilities and capital commitments

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

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

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

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

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

25 Related party balances and transactions

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

(Expressed in Eastern Caribbean dollars)

25 Related party balances and transactions *…continued*

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

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

Compensation of key management personnel

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

	2023	**2022**
	$	**$**
Short-term benefits	**859,253**	851,823
Director fees	**223,200**	245,000
	1,082,453	1,096,823

Short-term loans to key management personnel

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

	2023	**2022**
	$	**$**
Short-term loans	**20,000**	36,000

(Expressed in Eastern Caribbean dollars)

26 Prior year reclassification

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

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

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

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

(Expressed in Eastern Caribbean dollars)

27 Impacts of rising inflation and interest rates

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

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

28 Subsequent events

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

ECHMB

CAPITAL

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Phase II ECCB Complex
Bird Rock Road
Basseterre
St. Kitts
West Indies

(869) 466-7869

info@echmb.com

www.echmb.com