



**ECHMB
CAPITAL**

Transcending Boundaries. Creating Opportunities

ANNUAL REPORT 2024

RE-ENVISIONING ECHMB CAPITAL



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**MR. TIMOTHY
N.J ANTOINE**
*Chairman of the
Board of Directors*



RANDY LEWIS
*Chief Executive
Officer*



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“

It's easy to come up with new ideas; the hard part is letting go of what worked for you two years ago but will soon be out of date.

-Roger von Oech

”

RE-ENVISIONING ECHMB CAPITAL

In FY 2024, the Bank successfully hosted a "strategic advance" for the triennium 2025 to 2027. Aptly styled, "embracing the past re-envisioning the future" the principal purpose of the engagement was to ensure that the Bank continues to be pragmatic notwithstanding the "new normal" in which it operates.

We are confident that the successful implementation of the tactics adopted in the 2025 to 2027 Strategic Plan truly epitomizes our new mission and vision statements. We therefore approach FY 2025 and beyond with excitement and optimism that ECHMB Capital will undoubtedly exceed the needs and expectations of our stakeholders.





CHAPTER -1

OUR BUSINESS AT A GLANCE

ABOUT ECHMB CAPITAL

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.

OUR PRODUCTS AND SERVICES INCLUDE:

MORTGAGES



Mortgage Credit
Facility



Mortgage Pledged
Loans



Mortgage-Backed
Securities

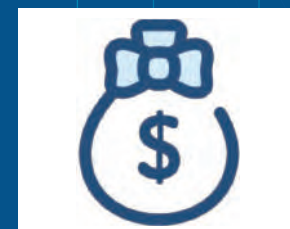
INVESTMENTS



Corporate
Bonds



Corporate
Papers



Corporate
Notes

OUR VALUE CREATING UNITS

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



SECONDARY MARKET

Provide liquidity to the primary market:

- Commercial Banks
- Building Societies
- Credit Unions
- Development Banks
- Social Security Schemes
- Schemes

WHAT WE OFFER

- Mortgage-backed securities
- Mortgage pledged loans
- Mortgage credit facility



Total revenue FY 2024
Mortgage-backed securities.

\$1.55M



CAPITAL MARKET

Provide investment options to:

- Corporates
- Individuals
- Assets management.

WHAT WE OFFER

- Corporate Bonds
- Commercial papers
- Corporate notes
- Ordinary shares
- Preference shares



Total revenue FY 2024 Capital
markets

\$19.17M



CAPACITY BUILDING

Provide education in mortgage underwriting:

- Commercial Banks
- Insurance Companies
- Building Societies
- Credit Unions
- Social Security Schemes

WHAT WE OFFER

- Mortgage underwriting education
- General business advice



Total revenue FY 2024
Capacity building.

\$0.34M

OUR APPROACH TO VALUE CREATION

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

Out Inputs Stock of value which we use as inputs in our business model and are increased, decreased, or transformed by our business activities to create output	Our Value-Adding Activities	Out Inputs
Financial Capital • Debt capital - \$380.44M • Equity capital - \$72.33M • Credit ratings – CariA-	Activities that transform our Input Capitals into value for all our stakeholders. These activities are impacted by external factors in our operating environment in the Eastern Caribbean Currency Union and are also affected by the global economic environment.	• Mortgage-backed securities • Mortgage pledged loans • Mortgage credit facility • Corporate Bonds • Commercial papers • Corporate notes • Ordinary shares • Preference shares • Mortgage Underwriting training
Human Capital • Employees - 10 • Board of directors – 5 • High performance management & reward culture • High impact leadership culture		
Manufactured Capital • Debt capital - \$380.44M • Equity capital - \$72.33M	To carry out our activities optimally we carry out; • Comprehensive Corporate Governance • Integrated Enterprise Risk management • Integrated Corporate Strategic Planning	

Intellectual Capital • Strong brand position • Specialized talent • Enterprise risk management • Strong corporate governance practices	In order to create value for our stakeholders; We ensure that the Bank is adequately capitalized to meet regulatory requirements, capital targets set by the Board, support our risk appetite as set out in our strategic goals. We employ the best skills. We ensure that we have the right talent to offer the best experience for our stakeholders by ensuring we hire and retain the best.	• Staff Training • Risk Management • Investment Management • Corporate strategy & policies
Social & Relationship Capital • Engagement with stakeholders • Strategic partnerships • Sustainability practices		
Natural Capital • Electricity • Water • Paper/Stationery	We provide channels and infrastructure. We provide adequate infrastructure for our stakeholders to access our services. We employ our intellectual capabilities. We ensure that we are proactive in enterprise risk management, Management of material matters, adequate policy framework to guide all our activities, we monitor our brand positioning and we are actively upgrading our specialized talent. We maintain our relationships with our key stakeholders by ensuring that we engage them sufficiently, adequately address their expectations and appropriately respond to these expectations. We make optimal use of the Natural resources. We engage in initiatives aimed at reducing the direct and indirect impacts of our operations. We do this through our operations digitization (Less paper, electricity, diesel, air travel), supplier selection criteria and our lending practices	

The Outcome of Our Value Adding Activities



Financial Capital

- Debt capital - \$380.44M
- Equity capital - \$72.33M
- Credit ratings - A-

Human Capital

- Employees - 10
- Board of directors – 5
- High performance management & reward culture
- High impact leadership culture

Manufactured Capital

- Debt capital - \$380.44M
- Equity capital - \$72.33M

Intellectual Capital

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

Key Impact on our Stakeholders



Shareholders

- Final dividends of \$5.00 per share
- Low risk balance sheet of \$491.35M
- Book value per share of \$93.36
- Customers
- In excess of \$378.28M accepted in debt financing

- Salaries and benefits - \$2.11M
- Invested in staff training

- Interest paid \$10.26M

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

Social and Relationship Capital

- Engagement with stakeholders
- Strategic partnerships
- Sustainability practices

- Paid in excess of \$2.55M to local suppliers, including sponsorships and other charitable contributions

Natural Capital

- Electricity
- Water
- Paper/Stationery

- Promoted economic and social sustainability

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

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



OUR FOOTPRINTS





CORPORATE INFORMATION



Registered Office

Mockton Street St. George's Grenada



Contact Information

P.O. 753 Phase 11 ECCB Complex
Basseterre St. Kitts



1-869-466-7869



www.echmb.com



info@echmb.com

External Auditors

Pricewaterhouse
Coopers East
Caribbean Unit 111
Johnson Centre
Gros Islet St. Lucia

Transfer & Paying Agent

Eastern Caribbean
Central Securities
Registry ECCB
Complex Birdrock
Road Basseterre
St. Kitts

Attorneys-at-Law

Kelsick, Wilkin &
Ferdinand P.O. Box 174,
Fred Kelsick Building,
Independence Square
South, Basseterre,
St. Kitts, W.I.

Internal Auditors

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

Bankers (Local)

Eastern Caribbean
Central Bank
St. Kitts-Nevis-
Anguilla National
Bank.

Bankers (Foreign)

JMMB Jamaica
Sterling Assets
Managers Raymond
James (USA)

OUR PRINCIPAL STAKEHOLDERS

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

Our stakeholders’ analysis influences the Bank’s mission, vision, objectives and corporate values.



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



BOARD OF DIRECTORS & MANAGEMENT & STAFF

Our Directors & Employees’ Interest

- Job security
- Fair remuneration
- Career opportunities
- ESG Initiatives
- Transparency & good governance

Our Engagement Strategy

- Meetings
- Hosting of employees’ events
- Socials

Our Response

- Training
- Fair compensation
- Pension and health benefits

Outcome

- Highly skilled labour force
- >70% staff retention in FY 2024
- Continuous improvement for staff & directors skillset through training
- Congruence between the Bank’s and employees’ goals



PROVIDERS OF CAPITAL SHAREHOLDERS/DEBT HOLDERS

Shareholders' Interest

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

Our Response

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

Our Engagement Strategy

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

Outcome

- High up-take rate of the Bank's debt instruments
- 100% retention of the Bank's equity capital



EXTERNAL AGENCIES/GOVERNMENT ECSE | ECSRC | CARICRIS

External Agencies' Interest

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

Our Engagement Strategy

- Correspondences and other regular contacts

Our Response

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

Outcome

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



CUSTOMERS

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

Customers' Interest

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

Our Engagement Strategy

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

Our Response

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

Outcome

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



THE COMMUNITY

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

The Community's Interest

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

Our Engagement Strategy

- Improving our endeavors to be a good corporate citizen

Our Response

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

Our Engagement Strategy

- Improvement to the life of citizens in the ECCU

QUICK FACTS 1996-2024



Shareholders

58



Debt holders

59



Total Debt
Instruments Issued

\$3,299.40M



Interest Paid

\$201.73M



Ordinary shares allotted

\$36.99M



Gross Dividends Paid

\$42.80M



**CREDIT RATINGS A-
FOREIGN & LOCAL CURRENCY**

10 YEAR STATISTICAL REVIEW

	2024 \$	2023 \$	2022 \$	2021 \$	2020 \$	2019 \$	2018 \$	2017 \$	2016 \$	2015 \$	2014 \$
Interest Income	20,723,150	19,934,726	17,876,613	16,106,192	13,525,456	12,313,216	11,480,370	11,141,929	12,423,570	15,461,145	20,690,064
Interest Expense	10,257,223	11,260,240	10,181,563	7,468,564	5,477,981	4,637,522	3,962,620	4,790,392	6,523,972	8,570,266	12,121,614
Net Interest Income	10,465,927	8,674,486	7,695,050	8,637,628	8,047,475	7,675,694	7,517,750	6,351,537	5,899,598	6,890,879	8,568,450
Other (losses)/ income	820,696	(3,730,309)	2,077,324	15,123,043	5,117,790	949,693	228,173	168,842	40,439	33,668	40,992
Other Expenses	6,050,127	3,208,859	2,180,681	6,745,775	4,032,713	3,315,459	3,530,088	3,460,712	3,435,395	3,465,728	4,247,457
Net Profit for the Year	5,236,496	1,735,318	7,591,693	17,014,896	9,132,552	5,309,928	4,215,835	3,059,667	2,504,642	3,458,819	4,361,985
Total Assets	491,350,562	480,827,247	517,742,565	461,927,985	350,137,718	265,802,954	261,901,801	244,172,894	247,817,342	257,814,842	328,017,043
Total Liabilities	419,023,786	423,221,520	458,033,996	392,727,223	287,674,736	206,630,675	200,543,931	185,015,241	189,703,738	200,190,262	271,163,792
Shareholders' Equity	72,326,776	57,605,727	59,708,569	69,200,762	62,462,982	59,172,279	61,357,870	59,157,653	58,113,604	57,624,580	56,853,251
Earnings per share	19.48	6.46	28.25	63.31	33.98	19.76	15.69	11.39	9.32	12.87	16.23
Book Value per share	93.36	59.95	170.96	257.49	232.42	220.18	228.31	220.12	216.24	214.42	211.55
Net Interest Income	50.50%	43.51%	43.05%	53.63%	59.50%	62.39%	65.48%	57.01%	47.50%	44.57%	41.42%
Efficiency Ratio	28.08%	19.80%	10.93%	21.60%	21.63%	25.00%	30.15%	31.06%	27.65%	22.42%	20.53%
Return on Assets	1.07%	0.36%	1.47%	3.68%	2.61%	2.00%	1.61%	1.25%	1.01%	1.34%	1.33%
Interest Cover	1.51	1.15	1.75	3.28	2.67	2.14	2.06	1.64	1.38	1.40	1.36
Debt-to-Equity Ratio	5.26:1	6.80:1	7.40:1	5.29:1	4.30:1	3.48:1	3.27:1	3.12:1	3.26:1	3.47:1	4.74:1

FINANCIAL HIGHLIGHTS FY 2024



Interest Income
\$20.72M

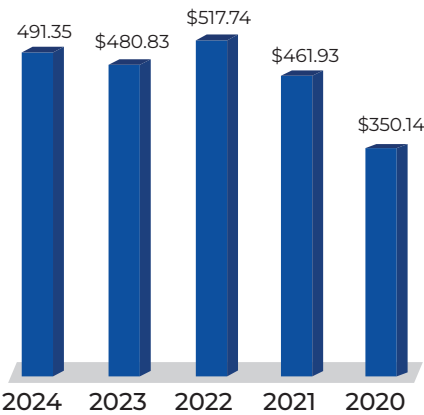


Net Profit for the Year
\$5.24M

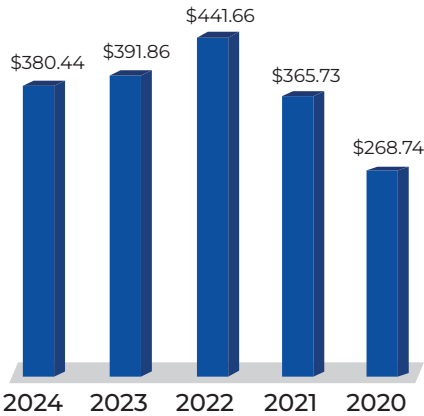


Investment Securities
\$386.71M

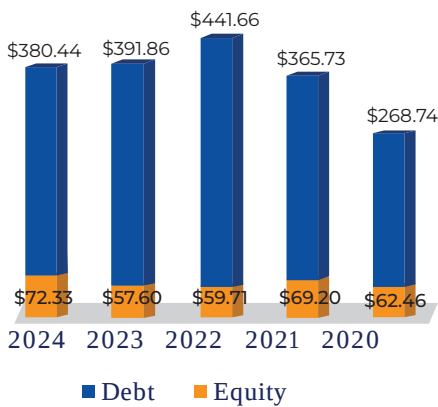
Assets Under Management



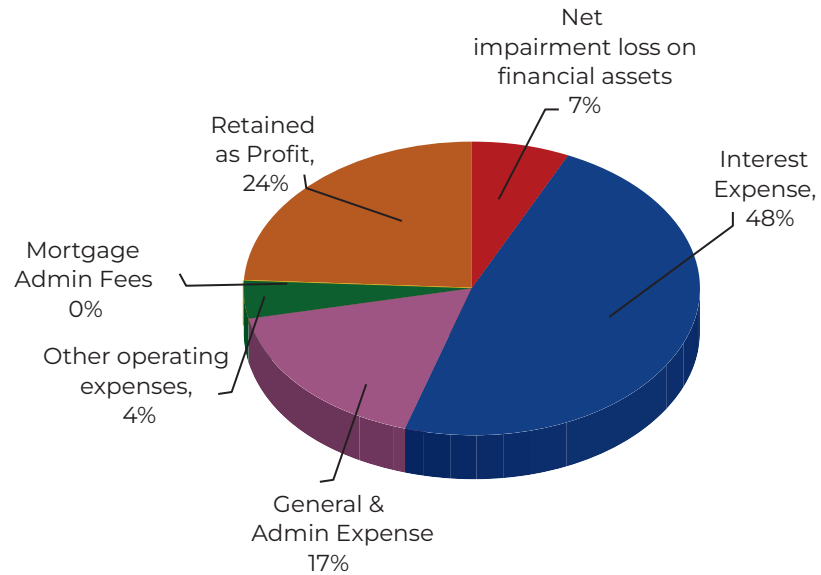
Borrowings



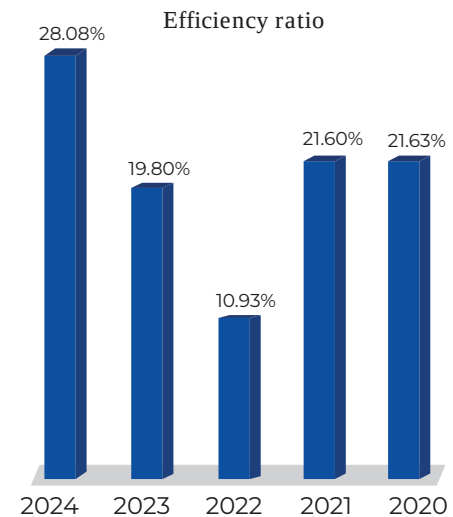
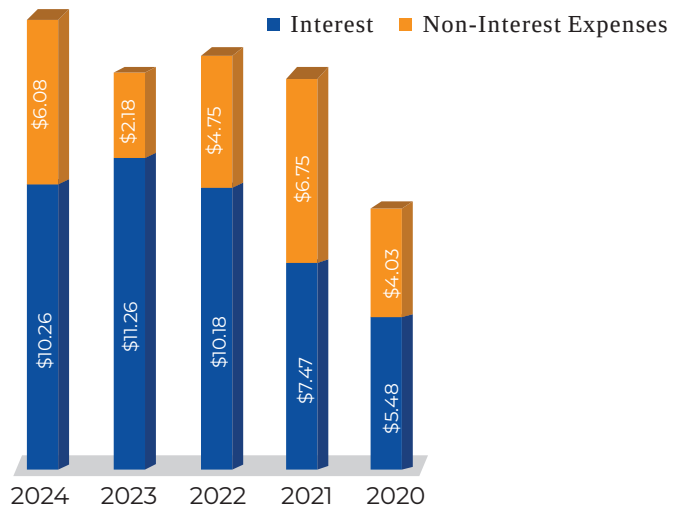
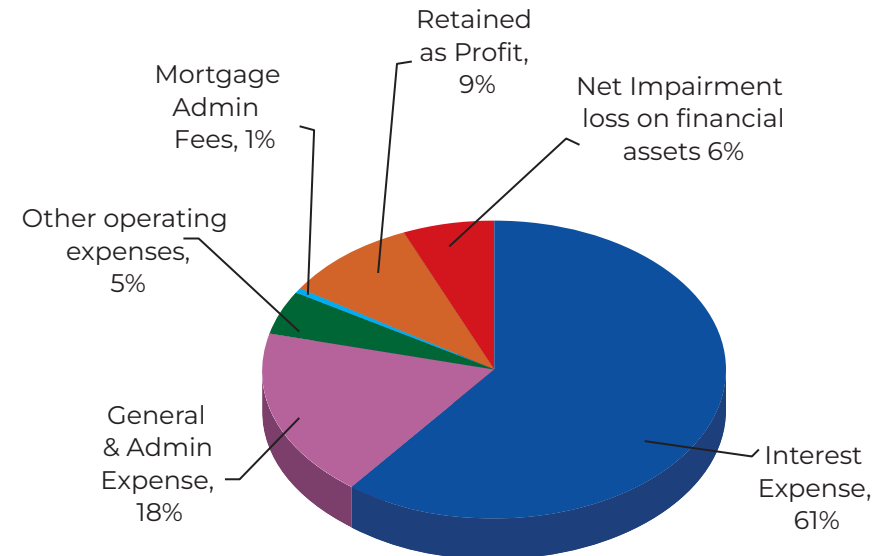
Capital Structure



How Each Dollar was Consumed FY 2024



How Each Dollar was Consumed FY 2023





CHAPTER -2

● OUR STRATEGIC FOCUS FOR FY 2025 AND BEYOND



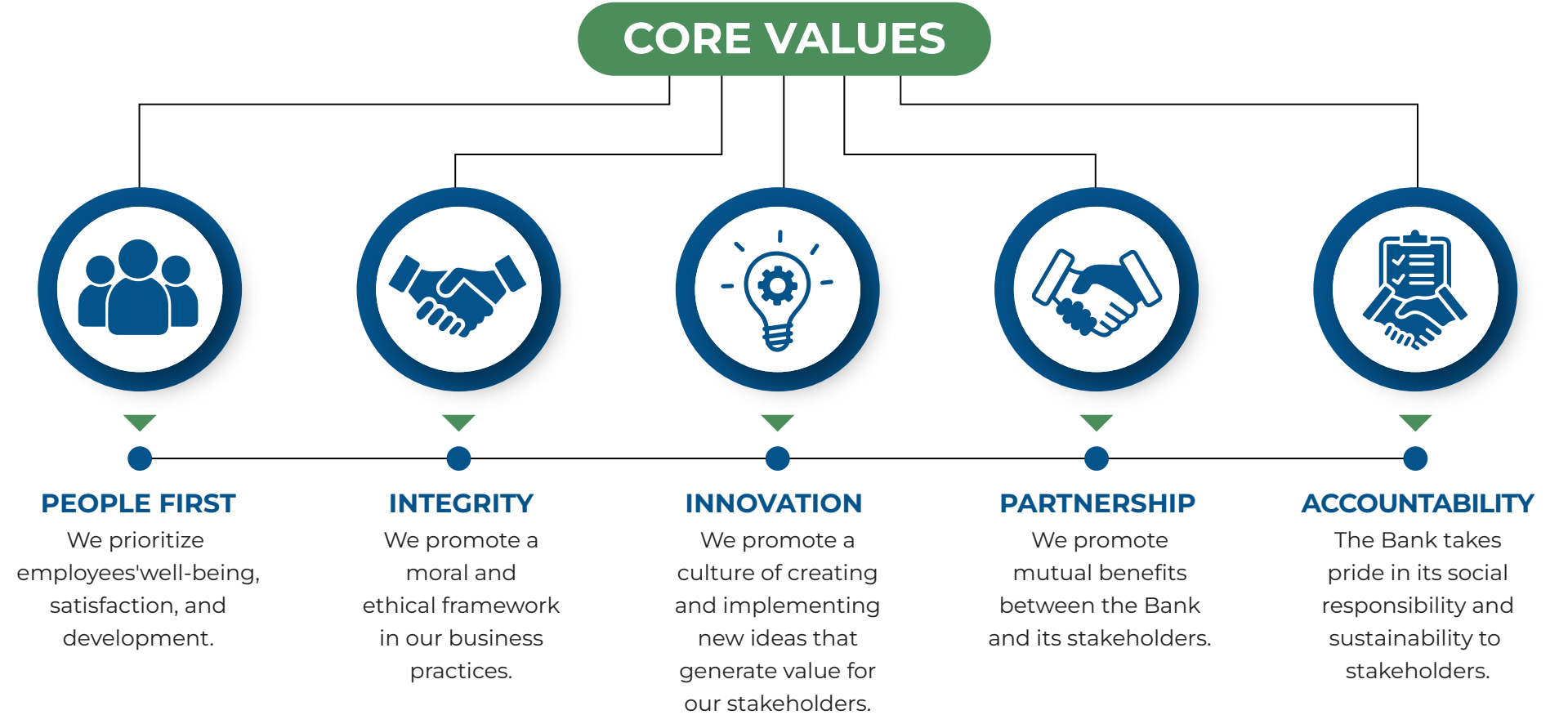
OUR NEW MISSION

“Our mission is to inspire and provide opportunities for home ownership, wealth creation and financial market development.”

NEW VISION

“To be the leader in transforming the financial landscape of the ECCU by being innovative and socially inclusive.”

ECHMB CAPITAL NEW PURPOSES



OUR STRATEGIC PRIORITIES FY 2025 AND BEYOND

Our Strategic Priorities are predicated on building a “best-in-class” financial intermediary which adapts to meet the evolving needs of the housing sector and capital market of the ECCU.

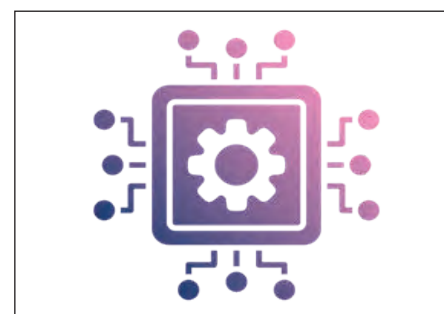
We are mindful that our greatest asset is the market’s perception of the Bank as a dynamic going concern. Our strategies are therefore designed to ensure that the ECHMB fulfill its remit as a capital centric entity, yet mindful of its wider corporate social responsibility.



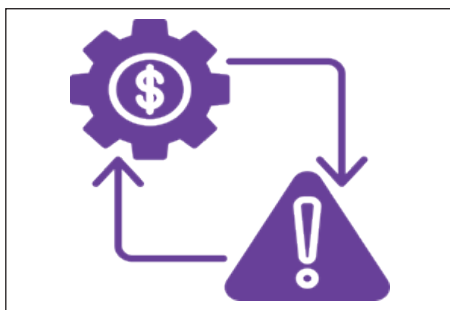
Market Growth &
Development



Customer
Focus/Driven



Accelerated Digital
Transformation and
Technology



Dynamic Risk
Management



People & Talent
Management



Environmental Social
Governance Centricity

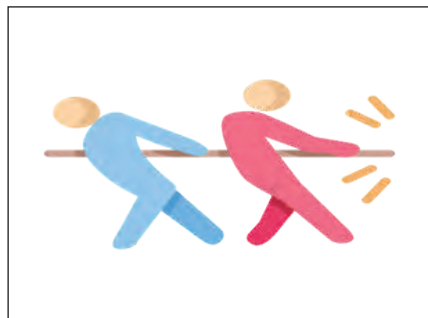
KEY STRATEGIC RISKS 2025 AND BEYOND



CYBER SECURITY THREATS & NATURAL DISASTERS

Disruption to normal Operations

Costs of restoring “normal” operations including ransom and restoration of data



EROSION OF MARKET SHARE

Increasing Competition on the Eastern Caribbean Securities Market (ECSM)

Price war which increases cost of capital, operating costs and erodes margins. May result in declining borrowings and hence contractions in assets under management.



OUTMODED LEGISLATIVE FRAMEWORK

Stymie Implementation of Strategic Initiatives

Absence of the legislative framework required to implement strategic initiatives.



CAPITAL ADEQUACY

Significant increase in losses on Fair Value Reserve

Resulting in Debt-to-Equity Ratio exceeding the 8.0:1. This has significant implication on financing growth from borrowings. May also impact the Bank’s credit ratings.

OUR BRAND PILLARS

ECHMB Capital brand pillars personify how we want to be represented or perceived by our stakeholders.



SOCIAL RESPONSIBILITY

- Beneigned impacts on society
- Strong ESG focus
- Inclusiveness



STRENGTH

- Prudently managed
- Risk averse
- Sustainable profitability
- Capital adequacy



INNOVATION

- First to market
- Constant improvements
- Exceeding stakeholders' expectation
- Leveraging technology and digitilization



CHAPTER -3

GOVERNANCE

CHAIRMAN'S LETTER

MR. TIMOTHY N.J ANTOINE
Chairman of the Board of Directors



SOLID FINANCIAL OUTTURN

In FY 2024, your Bank generated a Net profit for the Year of \$5.24M, representing an increase of \$3.49M (200.57%) when compared to the \$1.74M reported in FY 2023. Our improved financial outturn redounds to the strategic decisions we took to mitigate the volatile trading conditions which persisted in FY 2024.

Our optimism in the resilience of ECHMB Capital was buttressed by the unyielding support of our stakeholders with injections of \$5.74M in preference shares and \$378.28m in borrowings. We rewarded stakeholders with dividends totaling \$2.38M and interest payments of \$10.26M.

RE-ENVISIONING ECHMB CAPITAL

Our vastly improved financial outturn in FY 2024 attests to the fact that our core operations remain robust and hence, we believe that the optimistic outlook of FY 2025 presents the opportunity to transition from being defensive.

This includes a more intentional approach to wealth creation, financial literacy, promoting the growth of the housing of the Eastern Caribbean Securities Market (ECSM).

Undoubtedly, ECHMB Capital has a major role to play in the development of the ECSM. Available statistics indicate that 1 in 20 inhabitants in the Eastern Caribbean Currency Union is actively engaged in investments, our focus is to improve the aforesaid ratio to 1 in 5. To achieve this significant shift in culture and mindset, the Bank is also required to undertake a paradigm shift, inter alia: -

- a) its purposes;
- b) product portfolio;
- c) capital structure
- d) governance
- e) strategic business relationships; and
- f) business jurisdictions.

It was against this backdrop that we were required to reconsider the Bank's legislative framework, an imperative, if we are to expand the range of wealth generating products and services which we could offer on the ECSM. Naturally, we were also required to recraft our Mission and Vision Statements to be more reflective of the Bank's re-envisioned strategic direction.

LOOKING TO THE FUTURE WITH OPTIMISM

During Q4 of FY 2024, your Board of Directors and the executive team participated in a "Strategic Advance" which culminated in the scripting of a strategic plan for the triennium 2025 to 2027. One of the most significant activities during the engagement was the deliberation on the Bank's interactions with external stakeholders. The intent is to utilize the feedback to inform optimal decision making with regard to our stakeholders. This is imperative if we are to continue to create economic value-added benefits for all and sundry.

We intend to vigorously pursue our Strategic Priorities for 2025 and beyond. Renewed emphasis will be placed on market growth and development and increasing innovation in the ECSM. These are critical elements in increasing the stock of available investment products thereon; the limited inventory of products is one of the key inhibitors to growing the market.

Notwithstanding ECHMB Capital's "bullish" outlook, it is important to note that our Brand Pillars promote the ethos of prudence and social responsibility, critical components necessary for building confidence and trust in both the Bank's operations and the ECSM.

SPECIAL THANKS

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

To my colleagues on the Board of Directors, I express my gratitude for your tremendous support during the turbulent trading conditions experienced in FY 2024.

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

Timothy N.J. Antoine
Chairman

MEET THE BOARD OF DIRECTORS





TIMOTHY N.J. ANTOINE

Chairman Class A

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

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

Mr. Antoine's 22-year tenure with the Government of Grenada was spent in the Ministry of Finance where he began as a Planning Officer in 1993 and rapidly moved up the ranks to Senior Economist before being appointed Permanent Secretary, serving in that position for the periods August

Eastern Caribbean Home Mortgage Bank

1999 to October 2005 and January 2008 to January 2016. From November 2005 to November 2007, he served as Advisor to the Executive Director for Canada, Ireland and the Caribbean in the World Bank Group and was based in Washington D.C. In that role, he offered analysis and advice on various development policies and projects and was a strong advocate for the interests of the Caribbean and small states.

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

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

Mr. Antoine holds a MSc Degree in Social Policy and Planning in Development Countries from the London School of Economics and a BSc Degree in Economics with Management from the University of the West Indies. He has also received training from the Small Countries Financial Management Centre in the Isle of Man and training in Negotiations at the Saïd International School of Business, Oxford University. He also has a Certificate in Project Cycle Management from the Caribbean Development Bank.



STEWART HAYNES

Class B

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

Mr. Stewart Haynes has been the Director of St. Vincent and the Grenadines National Insurance Services since February 2017. He is a Chartered Financial Analyst (CFA) and a Fellow Faculty and Institute of Actuaries (FIA).

Mr. Haynes is a prominent figure in the financial sector, holding key leadership positions in various organizations. He is a Director of the Financial Services Authority (FSA), the ECHMB Capital and the East Caribbean Financial Holding Company (ECFH).

Mr. Haynes' contributions to the field of actuarial science have earned him significant international recognition. In 2018, he was elected to the Bureau of the International Social Security Association (ISSA) in Geneva, Switzerland, representing the English-speaking Caribbean's Social Security Systems. His influence further expanded as he was appointed as ISSA's Vice-Chairperson of the Technical Commission on Investment of Social Security Funds and a member of ISSA's Finance Committee for the Triennium 2023-2025.

Mr. Haynes' educational background is a testament to his expertise. He holds a B.Sc. in Actuarial Science from the prestigious London School of Economics and Political Science and an M.Sc. in Actuarial Management from CASS Business School London, with a specialization in Investment Management.

Mr. Haynes also completed the Director's Education and Accreditation Program (DEAP) from the Chartered Governance Institute of Canada (CGIC), and has been awarded the designation Accredited Director.



BALDWIN TAYLOR

Class C

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

Baldwin Taylor has a 29-year banking history working with Indigenous and international financial institutions within the Eastern Caribbean Currency Union. He was the General Manager of Bank of Montserrat Limited and prior to that, he served with Bank of Saint Lucia Limited for 25 years, holding a number of positions, including Senior Manager – Customer Insight and Senior Manager – Retail Banking with specific responsibility for overseeing the sales, service and the day-to-day operations of the five branches of Bank of Saint Lucia and the Bureau de Change. He also had responsibility for the operations of the EC Global Insurance Agency, which acts as an agent for GK Insurance.

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

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



SANDRA DERRICK

Class C

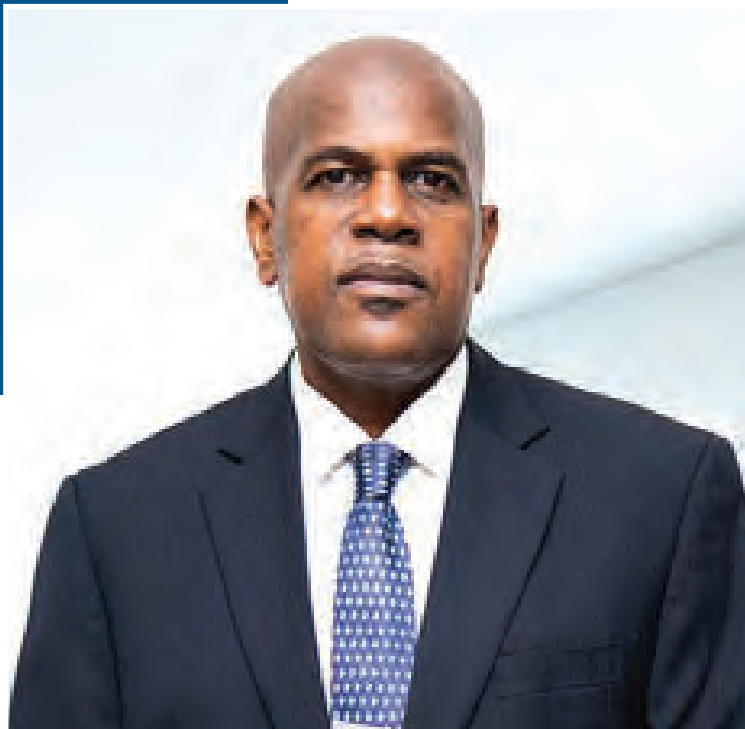
Appointed: Ms. Derrick was appointed to the Board of Directors in October 2022.

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

Ms. Derrick's career encompasses a broad spectrum of experiences across private and public enterprises, including international assignments. She began in the technology sector, specializing in database customization, before expanding into project and financial management. After managing foreign currency reserves at the Eastern Caribbean Central Bank, she served at the Ministry of Finance in Antigua and Barbuda and currently works in a private capacity.

Ms. Derrick is the Chairman of the ACB Caribbean Board of Directors and serves as a Director of the ACB Mortgage & Trust Company Limited and the ACB Grenada Bank Ltd. She is actively involved in various Board committees, including Governance and Executive (Chairman), Technology, Human Resources and Compensation, and Audit and Risk Management (Chairman, ACB Grenada Bank Ltd.).

Additionally, Ms. Derrick is appointed to the Board of Trustees for the Pension Schemes of the ACB Caribbean Group and is the Chairman of the ACB Grenada Bank Ltd. Pension Fund Plan. She is a member of the Institute of Chartered Secretaries & Administrators (ICSA) and holds the designation Acc. Dir. after completing the Directors Education and Accreditation Programme (DEAP).



MR. AYLMER A. IRISH

Director Class D

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

Mr. Irish has had a distinguished career which spans over twenty-eight (28) years as a progressive senior executive with experience in the field of banking, accounting and finance. He served as Deputy General Manager and subsequently as General Manager of the Roseau Co-operative Credit Union in the Commonwealth of Dominica between 1996 and 2010. In 2010 following the Amalgamation of five (5) Credit Unions to form the National

Co-operative Credit Union (NCCU) Mr. Irish was appointed to lead, the Institution- the largest in the sub –region as the Chief Executive Officer, a position he held for thirteen (13) years until May 2023. In October 2023, Mr. Irish joined the Staff of the Central Co-operative Credit Union in Dominica as the General Manager.

He holds a Bachelor of Accounting from the University of the Virgin Islands, St Thomas; a Master of Business Administration from the University of the West Indies –Cave Hill, a Certificate in Project Implementation and Management from the Caribbean Development Bank, Certificate of Merit in Advance Executive Management - Mona Institute of Development Programme, University of the West Indies- Mona and is an Accredited Director.

Mr. Irish is a Trustee of the Dominica Employers Federation. He served for several years on the executive of the Association of Banks and Financial Institutions of Dominica and the Eastern Caribbean Currency Union.

DIRECTORS' REPORT



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

Financial Results and Dividends

Net income attributed to shareholders	5,236
Dividends at \$5.00 per share for FY2024	(2,381)
Transfer to reserves	(571)
Net profit for the year after distributions	2,284
Retained earnings at the beginning of the year	23,198
Retained earnings at the end of the year	25,482

DIVIDENDS

A final Dividend of \$5.00 per share for was declared on **6th October 2023**

The dividend paid on **9th October 2023**

SUBSTANTIAL INTERESTS IN ECHMB CAPITAL'S SHARE CAPITAL AS AT 31ST MARCH 2024

Shareholders	Fully paid up Ordinary Shares	% of Issued Share Capital
Eastern Caribbean Central Bank	66,812	24.86%
National Cooperative Credit Union, Dominica	20,500	7.63%
CLICO International Life Insurance Limited	19,875	7.40%
Dominica Social Security	15,008	5.58%

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

STATEMENT OF AFFAIRS

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

RE-ELECTION OF DIRECTORS

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

The two (2) year term of the current Board of Directors expires at the 29th Annual General Meeting in 2024, and all Members are eligible for re-appointment.

None of the Directors hold shares in the Bank. No Director had, during the year or at the end of the year, any interest in any contract pertaining to the Bank's business.

SUBSEQUENT STATEMENT OF FINANCIAL POSITION DATE

The Directors are not aware of any transaction which has arisen since 31st March 2024 that has a material effect on the operations of the Bank and for which adequate disclosures have not been made in the financial statements.

APPOINTMENT OF AUDITORS

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

At the 17th Annual General Meeting held on the 27th July 2012, the Board of Directors recommended that PriceWaterhouseCoopers, (“PwC”) St. Kitts Branch be appointed as Auditor until the conclusion of the next Annual General Meeting.

The former PwC network members in Saint Lucia, Antigua and Saint Kitts and Nevis changed affiliation to Grant Thornton Ltd., effective 1 July 2013. The Board of Directors proposed the appointment of Grant Thornton International as auditor of the ECHMB for the financial year ended 31st March 2014.

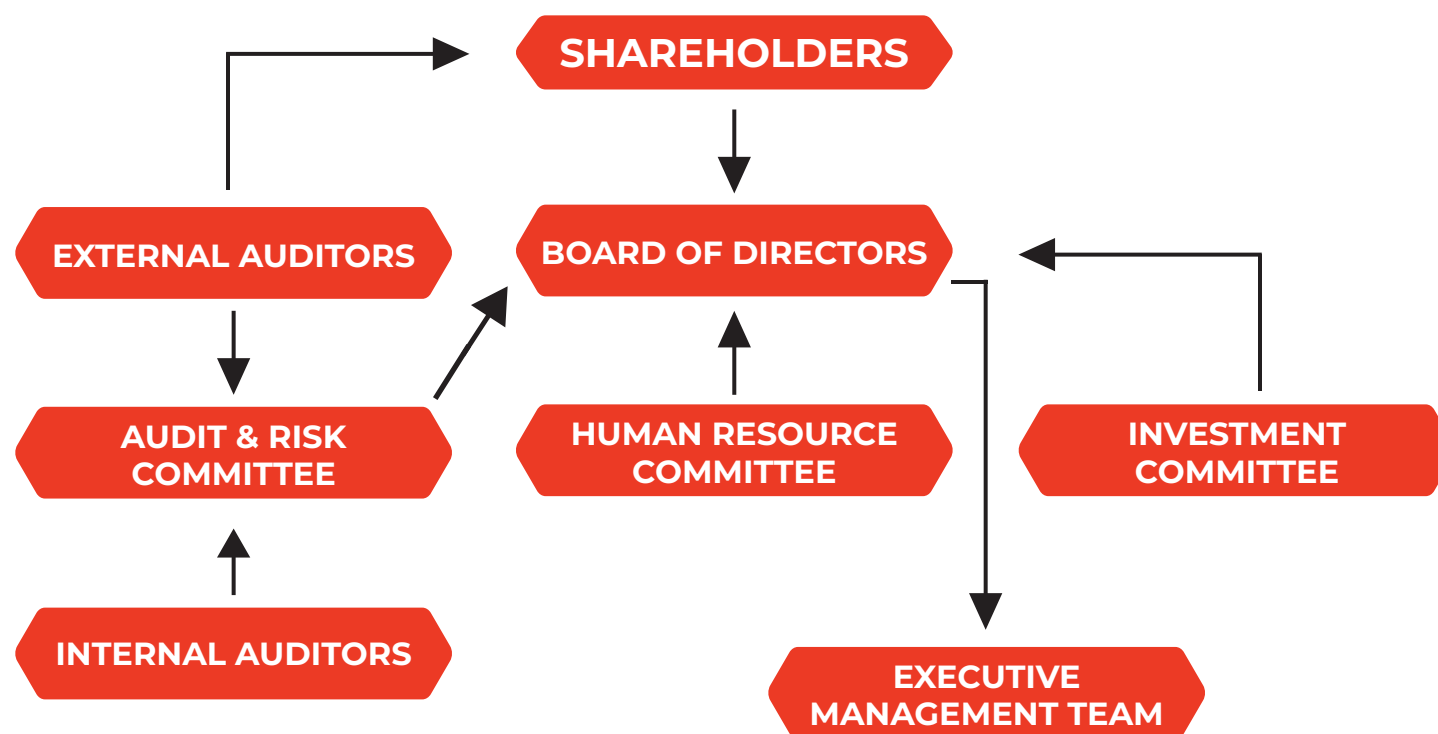
The partners of Grant Thornton International (formerly PwC) has been ECHMB’s Auditors from FY 2013 and since good corporate governance recommends rotation at least after six (6) years, it was agreed at the Annual General Meeting in October 2019 that tenders should be invited from suitable qualified firms for the provision of audit services. After evaluation of the bids, it is recommended that KPMG, Antigua Branch, be appointed as Auditor until conclusion of the next Annual General Meeting. In FY 2020, PwC was reappointed to serve as external auditors due to the inability to conclude negotiations with KPMG.

In FY 2024, the Directors took the decision to tender for external audit services and recommends the appointment PKF (Grenada) to serve as external auditors for FY 2025.

ENVIROMENTAL SOCIAL & GOVERNANCE REPORT



THE ROLE AND RESPONSIBILITY OF THE BOARD OF DIRECTORS



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

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

THE RESPONSIBILITIES OF THE BOARD INCLUDE THE FOLLOWING: -

Responsibilities of the Board	
GOVERNANCE	• Developing the Bank's approach to corporate governance principles and guidelines • Establishing committees of the Bank, appoint Chairs for the respective Committees and approve the appropriate Terms of Reference. • Ensuring adherence to corporate governance policies and guidelines and codes of conduct as well as regulatory and statutory requirements.
Strategy	• Overseeing and approving the Bank's strategic direction, devising an appropriate organisational structure and instituting adequate succession planning of senior executives. • Reviewing and approving the Bank's operating budget and forecasts and reviewing actual performance against plans and forecast/budgets.
Internal Controls	• Providing oversight of the Bank's internal controls and management information systems. • Evaluating and reviewing the adequacy of the Bank's compliance with applicable laws, rules and regulations. • Ensuring compliance with relevant policies
Financial Performance	• Evaluating the actual operating and financial results of the Bank against the strategy plans, operating budgets and key performance indicators. • Ensuring the Bank financial reports accords with the requirements of the Bank's statutory provisions
Risk Management	• Approving the Company's risk framework and policies and ensuring alignment with the Company's business strategy and goals. • Identifying the key business risks, approve risk mitigation policies and practices and oversee the implementation of appropriate systems to enable compliance with such policies.
Human Resource	• Appointing members of the senior management team • Establishing of KPLs for the senior Executive Team • Agreeing on the objectives of the General Manager/ Chief Executive Officer and reviewing his/her performance
Communication	• Ensuring the Bank remains in compliance with its statutory obligations regards annual general meetings • Ensuring the development of infrastructure to facilitate timely and accurate disclosure of information required to be disclosed.

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

FOCUS AREAS FY 2024

Strategy

- Implementation of the 2021 to 2024 Strategic Plan
- Global and regional trends shaping the financial industry

Risk Management

- Oversight and monitoring of risk profile against risk appetite
- Key risks impacting the Bank in FY 2024
- Update of consolidated policies

Financial Performance

- FY 2024 Operating Budget
- Key performance indicators

DIRECTOR INDEPENDENCE

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

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

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

CONFLICT OF INTEREST

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

Directors' Interest (Ordinary Shares of ECHMB Capital)			
Name	Position	Direct Holding 31 March 2024	Indirect Holding 31 March 2024
Timothy N.J. Antoine	Chairman	Nil	Nil
Stewart Haynes	Deputy Chairman	Nil	Nil
Baldwin Taylor	Director	Nil	Nil
Sandra Derrick	Director	Nil	Nil
Aylmer Irish	Director	Nil	Nil

QUALITY AND SUPPLY OF INFORMATION TO THE BOARD

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

CORPORATE SECRETARY

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

WHISTLE BLOWING POLICY

The Bank is committed to the highest possible standards of openness, probity and accountability. In line with that commitment it encourages employees and others with serious concerns about any aspect of the Bank's work to come forward and voice those concerns. It is recognised that certain cases will have to proceed on a confidential basis.

Our Whistle blowing Policy makes it clear that employees can do something without fear of reprisals. Our Whistle blowing Policy is intended to encourage and enable employees to raise serious concerns within the Bank rather than overlooking a problem or blowing the whistle outside.

Our Whistle blowing Policy aims to:

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

STRUCTURED TRAINING PROGRAM FOR DIRECTORS

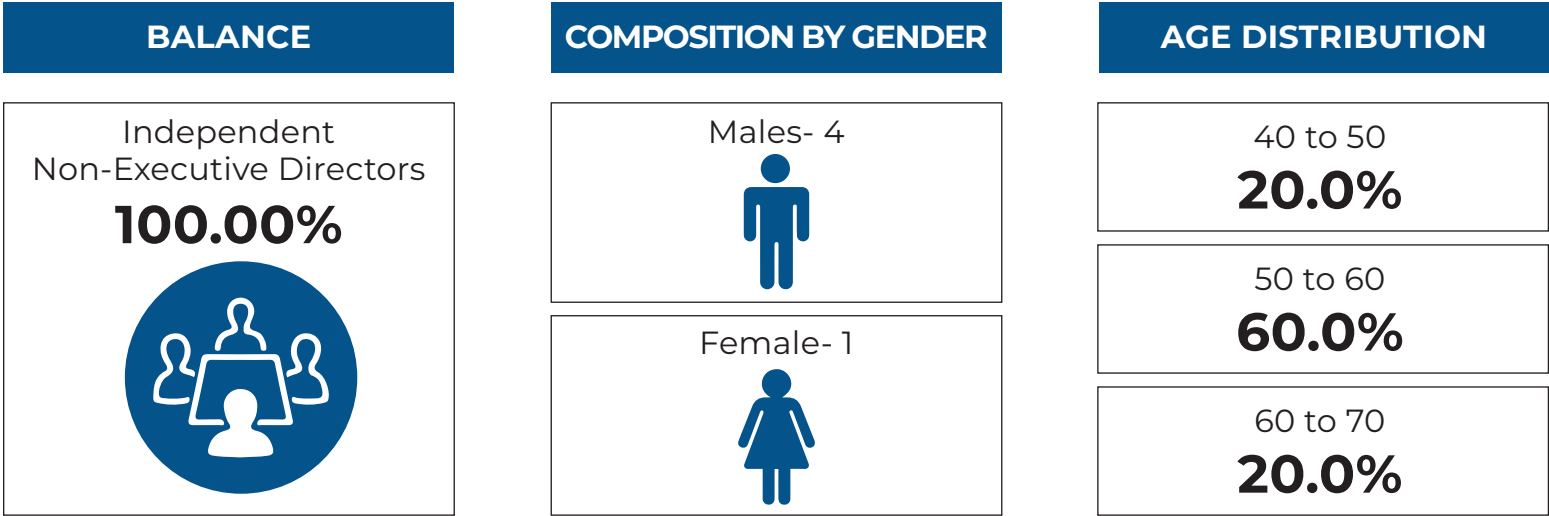
Directors are expected to participate in the Directors Education & Accreditation Programme (“DEAP”). This is an advanced director training course aimed at preparing directors for the important role they play in the Bank's governance.

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

- a- Chartered Directors Program
- b- General investment strategies and management
- c- Enterprise Risk Management
- d- ESG investment

BOARD COMPOSITION

At 31 March 2024, the Board is comprised of five (5) directors representing four (4) classes of shareholders.



THE SKILLS AND EXPERTISE OF THE BOARD

Our directors have diverse skill sets, experience and backgrounds which include local and international experience in banking, business, strategic management, manufacturing, tourism, accounting, education and law, and they are recognized as strong leaders in their respective fields of work and experience.

THE SKILLS AND EXPERTISE OF THE BOARD

Our directors have diverse skill sets, experience and backgrounds which include local and international experience in banking, business, strategic management, manufacturing, tourism, accounting, education and law, and they are recognized as strong leaders in their respective fields of work and experience.

							
Board Expertise	Leadership	Strategic Formation	Financial Services	Governance	Risk Management	Human Resource Management	Legal/ Compliance & Regulatory
Timothy Antoine	X	X	X	X	X	X	X
Stewart Haynes	X	X	X	X	X	X	X
Baldwin Taylor	X	X	X	X	X	X	X
Sandra Derrick	X	X	X	X	X	X	X
Aylmer Irish	X	X	X	X	X	X	X

AUDIT AND RISK COMMITTEE

Members and attendance at Meetings



**Aylmer Irish -
Chairman**
6/6



Stewart Haynes
6/6



Baldwin Taylor
6/6

The Audit & Risk Committee provides guidance on the Bank's systems of accounting and internal controls, thus ensuring the integrity of financial reporting. This Committee also serves as an effective liaison between Senior Management and External Auditors. The 2024 activities of the Committee included:

- Provide an open avenue of communication between the Board of Directors and the external and internal auditors.
- Provide oversight to the work of the external auditors and make recommendations on their appointment and compensation.
- Make recommendations on the appointment of the internal auditor.
- Review and approve the audit plan of the external auditor and the effectiveness of the internal audit function.
- Review with the internal and external auditors, the adequacy of the Bank's internal control systems.
- Review with management and the external auditors, the Bank's annual financial statements for publication as well as the auditor's report thereon, the auditor's Management Letter and any differences with management, which may have arisen during the audit.

- Oversee the work of the internal auditor and review internal audit reports and the related actions taken by management.
- Review any legal or regulatory matters of a financial nature affecting the Bank.
- Meet with the external and internal auditors in executive sessions to discuss any matters, which it determines should be discussed privately.
- Review any frauds committed as well as actions taken by management to control and mitigate such risks.
- Investigate any matter within its scope of responsibilities.

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

In fulfilling its responsibilities, the Audit and Risk Committee will review and approve, at least annually, the following policies:

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

INVESTMENT COMMITTEE

Members and attendance at Meetings



Aylmer Irish
Director



Sandra Derrick
Director



Stewart Haynes
Chairman



Baldwin Taylor
Director



Randy Lewis
Chief Executive Officer

Aylmer Irish	9/9
Stewart Haynes- Chairman	9/9
Baldwin Taylor	9/9
Sandra Derrick	9/9
Randy Lewis	9/9

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

The 2024 activities of the Committee included:

- Advise the Board of Directors on investment strategies and policy
- Evaluation of the performance of the investment management function
- Oversee the implementation of the Investment Policy
- Monitor management’s strategic investment activities such as asset allocation targets, rebalancing policy, and other significant investment functions.
- Monitor compliance with external regulations.

- Review the status of the securities portfolio, including performance, appreciation or depreciation, quality, maturity profile and any actions taken by management with respect thereto.
- Review and determine whether to approve the holdings of investment securities (including prudent investments) that are subject to the IC’s authority to approve under the Investment Policy or Board of Directors resolutions.
- Review significant financial risk exposures facing the Bank in its investment portfolio, and the steps management is taking to monitor and control such exposures.
- Monitor compliance with the provisions of the Enterprise Risk Management Policy and applicable standards relating to the management of counterparty credit risk, including, but not limited to, reviewing limits on counterparty exposure and reviewing limits on individual transactions based on risk.
- Review and approve procedures and systems that management has established to implement the Board's objectives and limits for each portfolio, taking into account applicable laws, regulations, and current accounting standards for each part of the portfolio.
- Establish the company’s investment policies and guidelines and review them at least every three (3) years.
- Review the Management Letter points relating to the Investment Portfolio.

HUMAN RESOURCE COMMITTEE

Members and attendance at Meetings



Sandra Derrick
Chairperson



Timothy Antoine
Director



Baldwin Taylor
Director

Sandra Derrick - Chairman	7/7
Timothy Antoine	6/7
Baldwin Taylor	7/7

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

The 2024 activities of the Committee included:

- Review and make recommendations to the Board of Directors on the ECHMB's Human Resource policies, practices and organisational structure to ensure consistency with the ECHMB's Strategic Plan, ensure organisational effectiveness and efficiency, nurture the human resource skills sets towards fostering a harmonious work environment
- Review of the compensation package of executive management

- Review and make recommendations to the Board of Directors on the ECHMB's performance management and development system to ensure a fair and regular measure of individual performance across the institution and that the key performance targets of the ECHMB are aligned with individual performance measures
- Review and make recommendations on the ECHMB's management succession plans to facilitate proper management planning. The succession plans for non-management will be the responsibility of the CEO.
- Review and make recommendations on management/ leadership development
- Recruitment and redundancy of staff
- Staff promotion

BOARD OF DIRECTORS

Members and attendance at Meetings



Aylmer Irish
Director



Stewart Haynes
Deputy Chairman



Timothy Antoine
Chairman



Baldwin Taylor
Director



Sandra Derrick
Director

Aylmer Irish	4/4
Stewart Haynes	4/4
Baldwin Taylor	4/4
Sandra Derrick	4/4
Timothy Antoine -Chairman	4/4

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

Policies Implemented During FY 2024

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

- Assets and liabilities management
- Directors’ declaration

Appointment, Term and Retirement of Directors

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



CHAPTER -4

DYNAMIC RISK MANAGEMENT

KEY MARKET TRENDS FY 2024



DIGITAL DISRUPTIONS

The advent of new technology has changed the delivery of the Bank's products and methods of communications with its target market.

ECHMB Capital continues to innovate in order to keep pace with the latest technological advances in the industry, whilst implementing strategies to mitigate cyber threats.



PERSISTENT INFLATION

Rising inflation which has triggered an inevitable "hawk" response by the United States Federal Reserve.

Given the hawkish policy of the FED, both fixed income and equity instruments reported continued to report significant mark-to-market diminutions.



ESG INVESTMENTS

Given the Bank's corporate social responsibility, social investing is an integral part of our investment philosophy and strategy.

ECHMB Capital is constantly seeking projects which are designed to reduce our carbon footprint, bring about positive social change and enable a sustainable environment.

MANAGEMENT OF KEY RISK



MARKET RISK

Eastern Caribbean Home Mortgage Bank



LIQUIDITY RISK

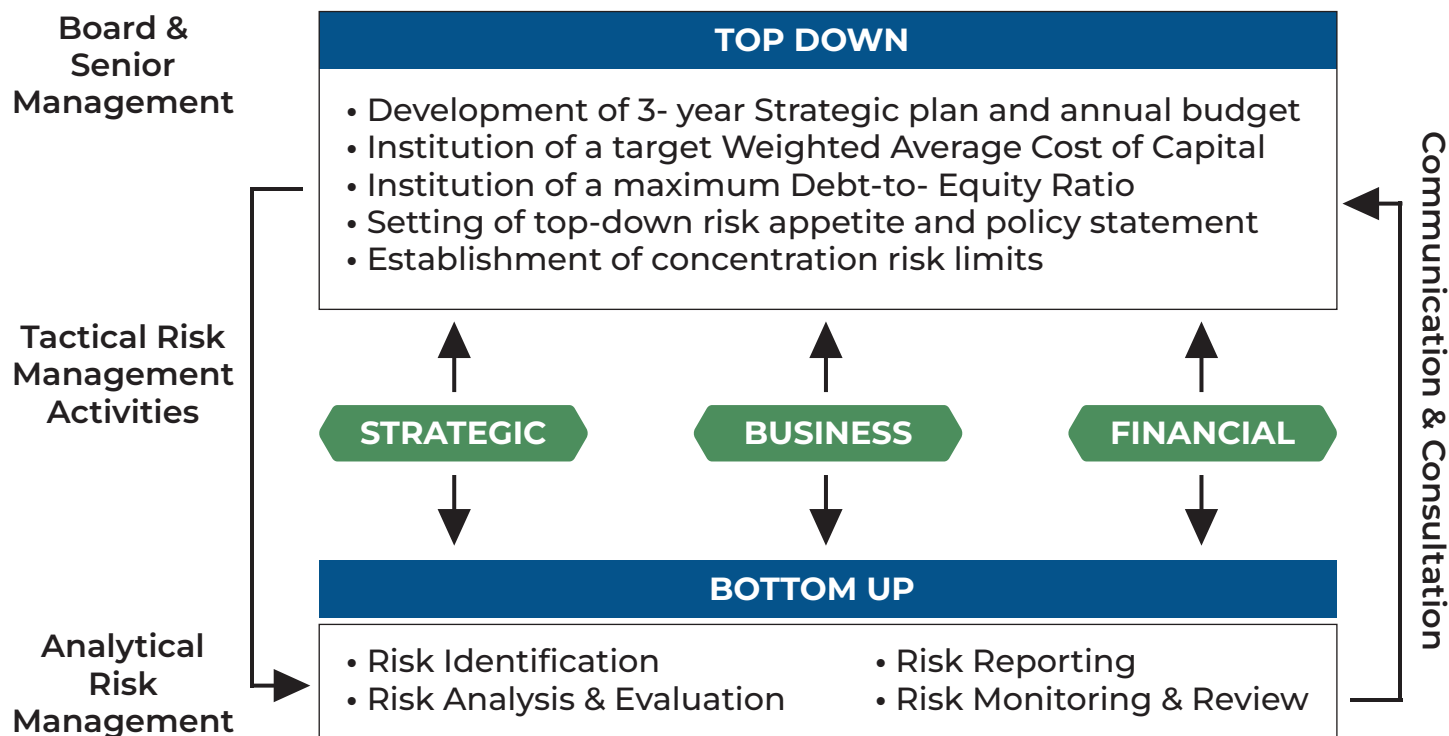


CREDIT RISK

ECHMB RISK MANAGEMENT FRAMEWORK

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

ECHMB CAPITAL'S RISK MANAGEMENT FRAMEWORK



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

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

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

ECHMB CAPITAL'S RISK MANAGEMENT VISION

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

ECHMB CAPITAL'S RISK MANAGEMENT OBJECTIVES

The objectives of ERM Policy are to ensure:

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

ECHMB CAPITAL'S PRINCIPLES OF RISK MANAGEMENT

The ERM process is guided by the following key principles:

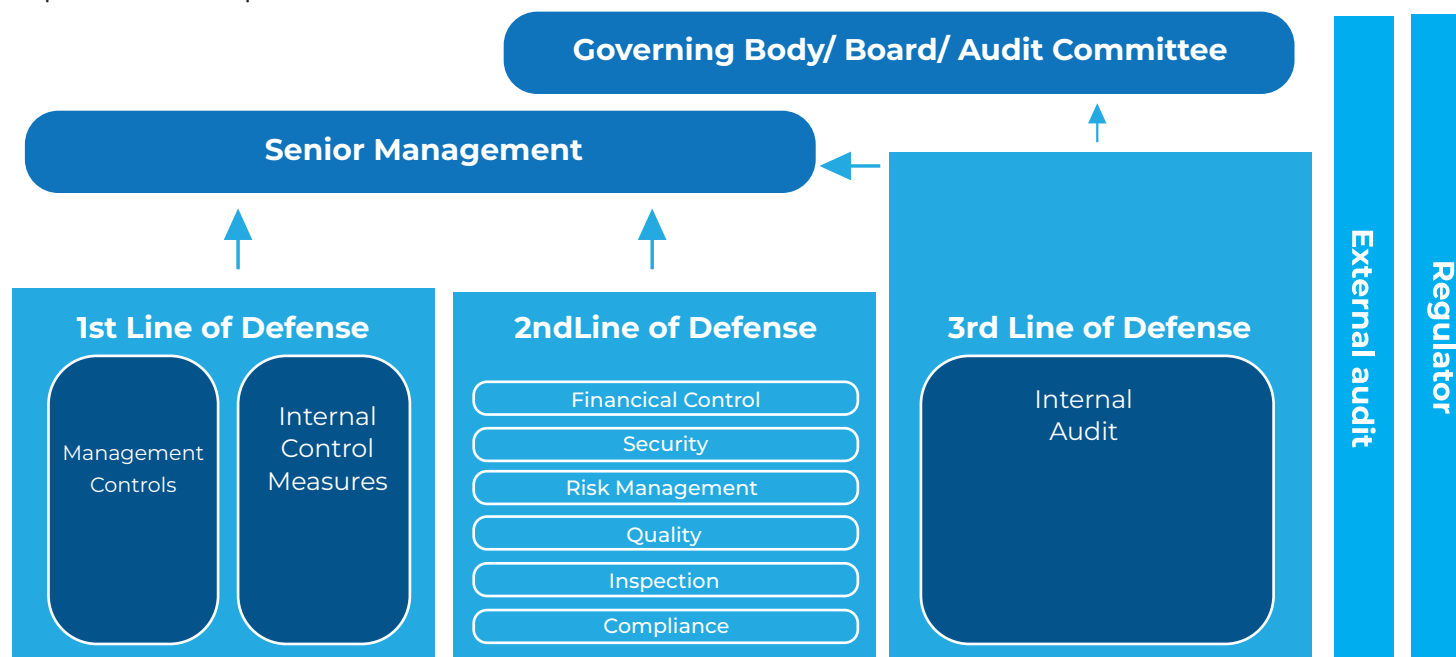
- **Philosophy** – ECHMB Capital will take on a level of risk in line with its risk appetite. Since a proactive and systematic approach to managing risk can result in benefits to the Bank (i.e., enhanced investment performance and investment grade credit ratings), the aim is to manage and control risk appropriately rather than avoid or eliminate it. Strong ERM practices allow for more informed risk-taking and decision-making.
- **Culture** – ECHMB Capital fosters a corporate culture which accepts informed risk-taking within a pre-determined range as fundamental to its business provided that risk identification, mitigation and monitoring processes are established to ensure the continuing strength of the organization.
- **Education** – ECHMB Capital promotes training and risk awareness among its board members and its employees.
- **Learning** – ECHMB Capital promotes the review of past risk events to capture learning from this experience.

- **Standards** – A common approach to risk management and reporting is in place to promote consistency and best practices in managing, monitoring and reporting of risk including a “common language” used by the Bank in discussing risk.
- **Risk ownership** – Responsibility for the design of the risk management framework (the “Framework”) lies with the Senior Executive Team. To support this responsibility, the Bank will identify functions with roles in the management, monitoring and reporting of risk exposures.
- **Independent assurance** – The Bank will obtain periodic independent assurance (i.e., Internal Audit and/or external audit/ Risk and Compliance Officer) that systems of risk management and internal controls are operating efficiently and effectively.

ROLES AND RESPONSIBILITIES FOR THE MANAGEMENT OF RISK

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

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



FIRST LINE OF DEFENSE-FUNCTIONS THAT OWN AND MANAGE RISKS

Staff Members are Responsible for:

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

Senior Management is Responsible for:

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

SECOND LINE OF DEFENSE-FUNCTIONS THAT OVERSEE RISKS

The Risk and Compliance Officer is Responsible for:

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

The Board of Directors is Responsible for:

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

The Audit and Risk Committee is Responsible for:

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

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

THIRD LINE OF DEFENSE-FUNCTIONS THAT OVERSEE RISKS

The Internal Auditor is Responsible for:

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

ECHMB Capital Statement of Risk Policy and Risk Appetite

- ECHMB Capital recognizes that it is not possible or necessarily desirable to eliminate some of the risk inherent in its activities to satisfactorily fulfil its role in the development of the ECCU's money and capital markets and the creation of the secondary mortgage industry. The Bank will therefore take the necessary measures available to control risks within acceptable levels.

RISK ANALYTICAL FRAMEWORK



IDENTIFICATION, MEASUREMENT AND ASSESSMENT OF RISK

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

Strategic goals and objectives:

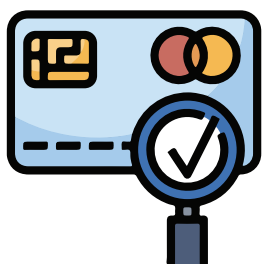
- a) ECHMB Capital understands and manages risks that support businesses which are central to the Bank's strategy;
- b) ECHMB Capital pursues a reasonable level of risk to achieve target risk-adjusted returns;
- c) ECHMB Capital completes a risk assessment of new products and proposals in a manner consistent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

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

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

PRINCIPAL TYPES OF RISKS

ECHMB's business is influenced by many risk factors that are difficult to predict and may materially affect actual results. Our major risks include credit, funding and liquidity risks which we prudently manage and mitigate. We have identified emerging operational risks that are likely to impact our operations in the near future and altered our business strategy accordingly.



Credit Risk



Liquidity Risk



Market Risk



Balance Sheet Risk



Strategic Risk



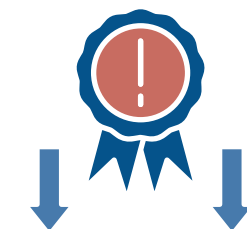
Operational Risk



Cyber Risk



Regulatory, Accounting
& Compliance



Reputational Risk

FINANCIAL RISKS

CREDIT RISK

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

MANAGEMENT'S RESPONSE

- Strengthen the Bank's corporate governance structure with the appointment of Assets and Liabilities and Investment Committees
- Updated the Bank's consolidated policies
- Expanded the investment Department to enable ongoing risk monitoring at the individual counterparty and portfolio level.
- Increased diversification of the investment portfolio
- Investing in investment grade bonds which have higher credit ratings.

LIQUIDITY RISK

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

MANAGEMENT'S RESPONSE

- The Bank maintains cash buffers with international financial intermediaries
- The Bank has negotiated favourable credit lines with international banks
- The Bank is shortening the tenure of its fixed income portfolio to less than five (5) years
- The Bank has developed a funding and liquidity policy
- The Bank has boosted its capital structure with an injection of equity
- Maintaining a portfolio of unencumbered, high-liquid, high credit quality assets -money market instruments with maturities 1 month or less and rated A1/P1 by Moody's or A+ by S&P/Fitch.

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

FINANCIAL RISKS

MARKET RISK

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

MANAGEMENT'S RESPONSE

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

BALANCE SHEET RISK

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

MANAGEMENT'S RESPONSE

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

NON-FINANCIAL RISK

STRATEGIC RISK

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

MANAGEMENT'S RESPONSE

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

OPERATIONAL RISK

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

MANAGEMENT'S RESPONSE

- Most payments were made via Electronic Fund Transfers
- The Bank has instituted a telecommuting policy
- The Bank has offshore backup of its information technology platform
- The major equipment of the Bank is insured.

CYBER RISK

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

MANAGEMENT'S RESPONSE

- The Bank ensures that its firewalls are regularly updated and fully operational.
- The Bank conducts periodic comprehensive Information Technology (IT) audits.
- Ongoing staff training and awareness programs are implemented to address potential cybersecurity threats.
- Passwords are updated regularly to enhance security protocols.
- Information systems and policies are continually monitored and assessed to ensure data integrity and protection

NON-FINANCIAL RISK

REGULATORY, ACCOUNTING AND COMPLIANCE

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

MANAGEMENT'S RESPONSE

- Adherence to the Securities Act of 2001, amended in 2004, and other relevant regulations enacted by the Eastern Caribbean Securities Regulatory Commission.
- ECHMB Capital will aim to manage its regulatory risk by not breaching the following minimum criteria:-
- The appointment of any person as Chairman, Deputy Chairman, Director or Alternate Director and the termination of any such appointment published in the official Gazette in the member territory where the principal office of the Bank is located or notified to the public in the member territories in such other manner as the Board may determine.
- The Board shall meet not less than once every three (3) months and meetings shall be held at such time and place and on such days as the Board may determine.
- A general meeting of shareholders (herein called an "annual general meeting") shall be summoned by the Board each year.
- The report of the auditor shall be presented to the Board within four (4) months of the end of the financial year.

REPUTATIONAL RISK

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

MANAGEMENT'S RESPONSE

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



CHAPTER -5

EXECUTIVE LEADERSHIP & OPERATIONS

MESSAGE FROM THE CEO

RANDY LEWIS
Chief Executive Officer



EMBRACING THE PAST

FY 2024 represents the final year of ECHMB Capital's Strategic Plan ("The Plan") for the triennium 2022 to 2024. Over the planning cycle, financial markets were influenced by several uncertainties including: - (a) the US debt ceiling; (b) economic slowdown in China; (c) geopolitical tensions inclusive of the Israel-Palestinian conflict; and (e) the ongoing war between Russia and Ukraine.

However, in our estimation the most significant influence of market movements was the hawkish policies implemented by central banks, which apparently remains the most prolific instrument to combat rising inflation. Notwithstanding the unfavorable trading conditions, over the triennium 2022 to 2024, ECHMB Capital achieved significant milestones, a synopsis includes the following: -

- Allotted more than \$1.30B in corporate papers at a weighted average cost of debt of 2.5%.
- Reported the highest Borrowings in the Bank's history in FY 2022 totaling \$441.66M.
- Exceeded the \$0.5B threshold in assets under management in FY 2022 with the statement of financial position reported at \$517.74M
- Augmented equity capital with the successful issuance of \$41.49M in preference shares
- Maintained a twenty-eight (28) years track record of profitability and twenty-three (23) years unbroken dividend pay-out.
- Paid a special dividend of \$15.00 per share in FY 2022
- Improved the Bank's credit ratings from BBB+ to A-. ECHMB Capital is the highest rated entity or sovereign in the Eastern Caribbean Currency Union ("ECCU").

RE-ENVISIONING THE FUTURE

In Q4 of FY 2024, the Board of Directors and executive management were actively engaged in the development of a strategic plan for the triennium 2025 to 2027.

Our assessments suggest that the Bank is likely to experience increasing competition on the Eastern Caribbean Securities Market (“ECSM”) as major players from the wider Caribbean continue to be lured by the strength of the Eastern Caribbean Currency Union’s: - (a) dollar; (b) financial system; and (c) access to major foreign currencies. Notwithstanding this backdrop, the 2025 to 2027 Strategic Plan was conceptualized on the perennial premise of transformation. We intend to achieve this by re-envisioning the Bank’s entire operations including internal systems, processes and how we engage our human capital. Our principal intent is to focus on the efficient delivery of our mandates as opposed to knee-jerk reactions to our competitors’ incursion.

As the Bank approaches thirty (30) years of operations, it is imperative that we continue to evolve to truly embody our raison d’etre. Notwithstanding the many impediments, what is within our prerogative is the resolve to transform ECHMB Capital to the preeminent non-bank financial institution in the ECCU.

ACKNOWLEDGEMENTS

It would be remiss of me to not acknowledge first and foremost the strategic and timely decisions of the Board of Directors, which were critical given the significant turbulence and uncertainties of FY 2024.

Secondly, I must commend our Executive Management Team for the composure and fortitude exhibited in the face of highly volatile and unprecedented operating conditions.

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

Randy Lewis
Chief Executive Officer

Randy Lewis

Chief Executive Officer



Randy Lewis was appointed Chief Executive Officer on the 1st May 2015.

He has more than 27 years' experience in the banking, retailing, manufacturing and financial services industries. Prior to his appointment as Chief Executive Officer, he held the positions of Manager, Corporate Finance and Chief Financial Officer.

Mr. Lewis holds the designations of Fellow and BFP with the Institute of Chartered Accountants in England and Wales; Fellow of the Association of Chartered Certified Accountants (FCCA); and obtained his MBA (merit) from the University of Derby.

He is an alumni of Oxford University's Strategic Leadership Program and, attained the Accredited Director designation from the Institute of Chartered Secretaries and Administrators (ICSA).

Mr. Lewis joined the Bank in 2006.

Heidi Hypolite

Chief Financial Officer



Ms. Heidi Hypolite joined the ECHMB family in May 2019 and assumed the position of Chief Financial Officer. Ms. Hypolite is a Fellow of the Association of Chartered Certified Accountants and the holder of an MBA from the University of Leicester, UK.

With over 17 years' experience in the audit and accounting field, she oversees and executes the financial operations of the ECHMB. Ms. Hypolite has an unwavering commitment to being an effective team leader while working for the benefit of all stakeholders, particularly our regional investors.

Justin Skeete

Chief Operations Officer



Mr. Skeete was appointed as Chief Operating Officer in January 2022. Since joining the ECHMB team in January 2012 as a Systems Officer, he has advanced to the role of Systems Manager, bringing over 18 years of expertise in the management of Financial Information Systems. In his current capacity, Mr. Skeete is instrumental in driving the Bank's strategic and operational objectives. His leadership spans the management of daily operations, including the architecture, design, and implementation of the Bank's IT infrastructure, as well as oversight of marketing, research and development, and administrative services—all with the goal of optimizing the Bank's automation and efficiency.

Mr. Skeete holds several prestigious certifications, including Microsoft Certified IT Professional (MCITP), Certified Business Continuity Professional (CBCP), and Chartered Director (C.Dir), and is currently pursuing a Chartered Banker MBA. He is a staunch advocate for the development and execution of strategic IT roadmaps that not only align with but also propel business process improvements, foster innovation, and drive organizational growth.

Chay Grant

Chief Investment Officer



Mr Grant joined the ECHMB Capital family in November 2022 and holds the position of Chief Investment Officer (CIO). Mr Grant has over 12 years of experience in the international capital market space in both front office and middle office, with years of experience leading teams responsible for managing investment portfolios and subsequently measuring and monitoring risk and compliance of investment portfolios. He brings to the organization perspective on investment policy documentation and implementation, supported by his experience in the field.

A native of Saint Lucia, Mr Grant holds a Bachelor of Arts (BA) in Finance from the University of Western Ontario, and a Master of Science (MSc) in International Securities, Investment and Banking from the Henley Business School, University of Reading.

Kamilah Anderson-Rodgers

Chief Risk and Compliance Officer

Mrs. Kamilah Anderson-Rodgers joined ECHMB Capital in March 2024 and assumed the position of Chief Risk and Compliance Officer. She is a well-rounded individual with over 12 years of experience in risk management, economics, banking regulation and anti-money laundering compliance at various institutions. She has also attained an MSc. Economics from Warwick University, U.K and a BSc. Economics & Accounting from Cave-Hill, Barbados.

Originally from St. Vincent and the Grenadines she understands how diverse landscapes and people can work together towards a common goal and will utilize this background to drive stakeholder input and commitment to risk management and compliance.





MANAGEMENT DISCUSSION & ANALYSIS

This Management Discussion and Analysis (MD&A) is presented to enable the shareholders to assess material changes in the financial condition and operating results of ECHMB Capital for the year ended 31st March 2023, compared with the corresponding period in previous years. This MD&A should be read in conjunction with our audited Financial Statements and related Notes for the year ended 31st March 2024.

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

FINANCIAL HIGHLIGHTS FY 2024

FINANCIAL KPI			
Earnings per share \$19.48 Up 201.55%	Interest Cover 1.51 times Up 31.30%	Debt-to- Equity Ratio \$5.26:1 Down 20.30%	Return on Shareholders' Equity 7.24% Up 140.53%
Return on Assets 1.07% Up 197.22%	Book value Per share \$93.36 Up 55.60%	Net Interest Income 50.50% Up 6.99%	Efficiency Ratio 28.08.% Down 45.49%

OTHER FINANCIAL MEASURES			
Interest Income \$20.72M up 3.96%	Net Profit for the Year \$5.24M Up 201.15%	Total Assets \$491.35 Up 2.19%	Shareholders' Equity \$72.33M Up \$25.55%

TRADING CONDITIONS

In fiscal 2024, financial markets were predisposed to several uncertainties including the US debt ceiling, economic slowdown in China, and geopolitical tensions amid trade disputes between the US and China. Other events which influenced financial markets included the Israel-Palestinian conflict, and the ongoing war between Russia and Ukraine. However, it is apparent that the most significant influence on capital market movements in FY 2024, was the Hawkish Monetary Policy maintained by the Federal Reserve Board (FED) to combat high inflation. By July 2023, the FED had raised interest rates to the range of 5.25% - 5.50%, the highest level since 2001, and has maintained the second longest pause following a rate hike since 1998. Consequently, inflation, as per the FED's preferred measure, the Core Personal Consumption Expenditure Index, declined from a high of 5.6% in February 2022 to 2.8% in March 2024.

Given the current downward trajectory in inflation, it is apparent that a "bullish" stance on rate cuts was adopted at the Federal Open Market Committee (FOMC) meeting in December 2023. The announcement fueled bets of six (6) 25 basis point interest rate cuts in 2024, but that expectation subsided to two (2) rate cuts by March 2024 after the decline in inflation moderated. As at June 2024, the FED had not instituted the touted cuts.

It is anticipated that in fiscal 2024, capital markets will continue to be volatile. This was reinforced by the World Bank Group’s Global Economic Prospective for 2024-25. In their analysis, it was contended notwithstanding an improvement in near-term prospects, the global outlook remains subdued by historical standards. In 2024/25, growth is set to underperform its 2010s average in nearly sixty percent (60.00%) of economies, comprising over eighty percent (80.00%) of the global population. The World Bank Group further highlighted that downside risks predominate, including geopolitical tensions, trade fragmentation, higher-for-longer interest rates, and climate-related disasters.

Notwithstanding the challenging economic conditions of FY 2024, ECHMB Capital had another successful year of trading, some of the significant transactions undertaken include:-

- Issuance of financial instruments \$378.28M
- Purchased investment securities \$83.07M
- Acquired two (2) pools of mortgages \$7.12M
- Issuance of preference shares \$5.74M
- Dividends paid \$2.38M

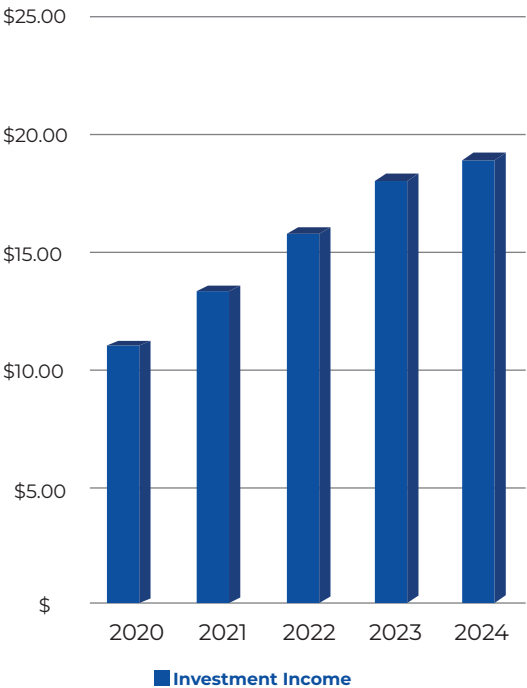
The impacts of the transactions on the Bank’s performance in FY 2024 are discussed below.

INTEREST INCOME –INVESTMENT SECURITIES

As heightened above, in FY 2024 ECHMB Capital purchased investment securities totaling \$83.07M; however, on account of sales/maturities of investment securities, the Investment Securities Portfolio declined from \$391.77M in FY 2023 to \$386.7M in FY 2024. Based on the prevailing high interest rate environment and attributed to the Hawkish Monetary Policy maintained by the FED, the effective yield on the

Investment Securities Portfolio increased from 4.69% in FY 2023 to 4.96% in FY 2024. Given the higher yield on the Investment Securities Portfolio, Interest Income increased by \$0.79M (4.30%) from \$18.38M FY 2023 to \$19.17M in FY 2024; this represents five (5) consecutive years of growth.

Interest Investment Secueities and Cash and Cash Equivalents 2020 to 2024



INCOME – MORTGAGE LOAN FACILITY

In FY 2024, ECHMB Capital acquired two (2) pools of mortgage back securities totaling \$7.12M. Proceeds from principal repayment on mortgages amounted to \$2.37M; as a result, the Mortgage Loan Facility increased by \$4.54M (16.94%) from \$26.80M in FY 2023 to \$31.33M in FY 2024. Due to the combined effects of increasing maturity of the Mortgage Loan Facility Portfolio and declining coupons from refinancing

on the Primary Mortgage Market, the effective yield thereon declined from 5.82% in FY 2023 to 4.95% in FY 2024. Notwithstanding the \$4.54M increases in the Mortgage Loan Facility, income from the Mortgage Loan Facility declined by \$0.01M (0.64%) from \$1.56M in FY 2023 to \$1.55M in FY 2024.



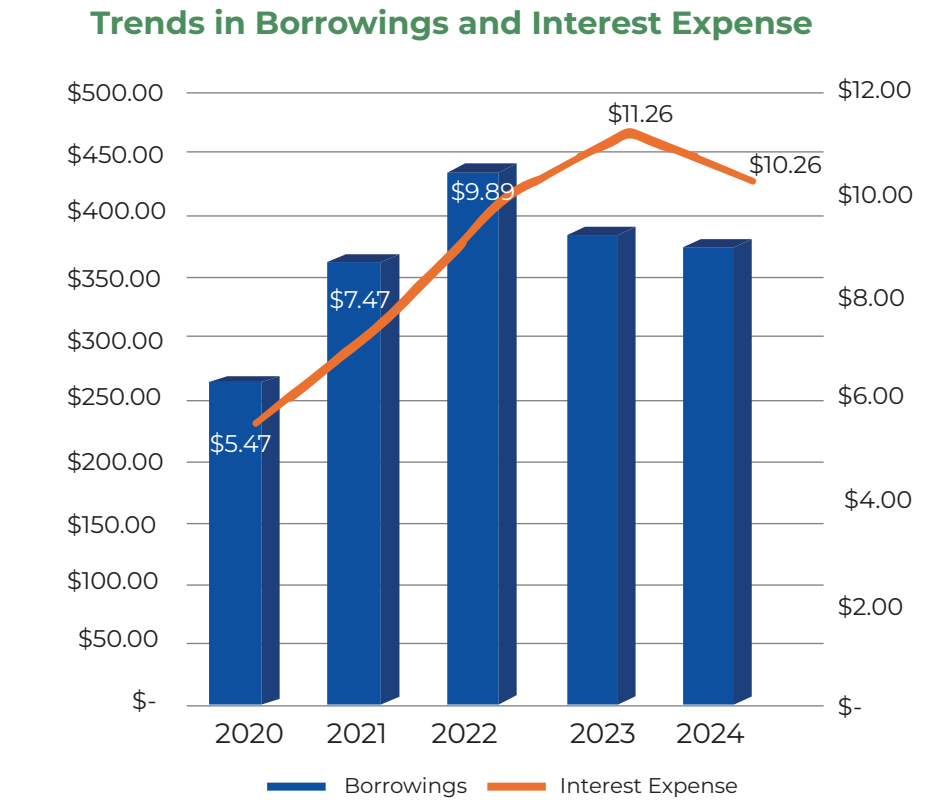
INTEREST INCOME

Given the improvements in the stewardship of the Bank’s assets under management, Interest Income increase by \$0.78M (3.91%) from \$19.94M in FY 2023 to \$20.72M in FY 2024. This represents seven (7) consecutive years of growth and attest to the robustness of the Bank’s revenue generating model. The growth in Interest Income accrued principally from investment securities and cash and cash equivalents. In FY 2024, the aforesaid contributed 92.52% to Interest Income compared to \$92.18% in FY 2023.

INTEREST EXPENSE

One of the impacts of the Hawkish Monetary Policy on ECHM Capital was reduced demand for the Bank’s financial instruments. This was attributed to the higher coupon available on fixed income instruments issued on the US capital market. As a result, Borrowings decline by \$11.42M (3.00%) from \$391.86M in FY 2023 to \$380.44M in FY 2024. Accordingly, Interest Expense declined by \$1.00M (9.75%) from \$11.26M in FY 2023 to \$10.26M in FY 2024.

To preserve market share during Q4 of FY 2024, the coupon on the Bank’s financial instruments was increased from 2.5% to 3.00%



NET INTEREST INCOME

ECHMB Capital's Net Interest Income or the difference between Interest Income (\$20.72M) and Interest Expense (\$10.26M) amounted to \$10.47M (50.50%) compared to 43.51% in FY 2023. The improved performance were two fold. In the first instance, the Bank purchased investment securities totaling \$83.07M at an effective yield of 4.96%, compared to the average yield of 4.69% in FY 2023. Secondly, the Bank divested its investment in equity (non-income generating assets) at the sojourn of FY 2023 and reinvested the proceeds in fixed income instruments (interest income generating assets).

EXPENSES

Expenses increased by \$3.00M (93.46%) from \$3.21M in FY 2023 to \$6.05M in FY 2024. However, to get a realistic picture the impacts from Net Impairment Gain/(Loss) on Financial Assets must be eliminated from the analysis. Expenses excluding impairment gains/losses increased by \$0.26M (6.01%) from \$4.37M in FY 2023 to \$4.66M in FY 2024. General and Administrative Expenses increased by \$0.34M (9.97%) from \$3.41M in FY 2023 to \$3.75M in FY 2024; the increases were attributed to the strategic decision to defend and/or maintain the Bank's market share with increased expenditure on Advertising and Promotion. Other significant expenditure include nonrecurring HR consultation.

As noted in note 29 of the audited financial statements, the Judicial Manager of CLICO (Saint Lucia Branch) instituted a legal claim against the Bank in the jurisdiction of Grenada. In October 2023, an adverse judgement was issued against the Bank and the directors have taken the decision to appeal same; however, it was considered prudent to provide for

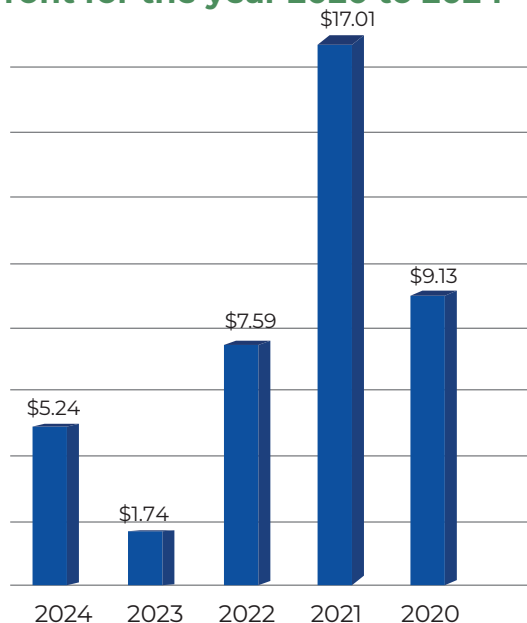
any possible loss by reinstating the disputed investment in the Bank's statement of financial position. Given the improbability of realizing the investment, the Bank took the decision to classify the aforesaid as stage 3 with 100.00% provision. As a result, the Bank recorded a Net Impairment Loss on Financial Assets totaling \$1.40m in FY 2024. It is to be noted that the Bank had a Net Impairment Gain of \$1.17M in FY 2023

The impacts from the Net Impairment Gains/(Loss) on Financial Assets have resulted in significant distortion in the Bank's Efficiency Ratio. In FY 2023, on account of the impairment gain of \$1.16M, the Bank's Efficiency Ratio was reported at 19.80%; however, with the impairment loss of \$1.57M in FY 2024, the Efficiency Ratio increased to 28.81%. An Efficiency Ratio of less than 50.00% is considered a commendable achievement.

NET PROFIT

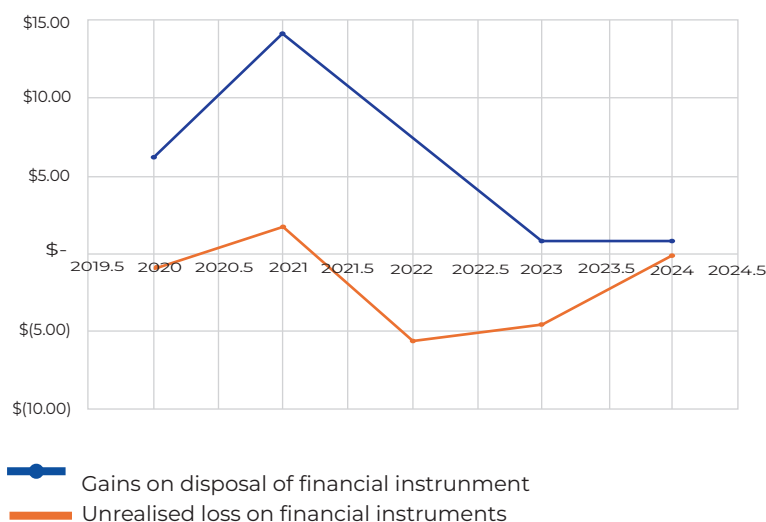
Net Profit for the Year was reported at \$5.24M in FY 2024, representing an increase of \$3.50M (201.15%) when compared to the \$1.74M reported in FY 2023. Naturally, Earnings Per Share rebounded from \$6.46 in FY 2023 to \$19.48 in FY2024

Net Profit for the year 2020 to 2024



It is to be noted in FY 2023, the Bank Net Profit for the Year was significantly impacted by Other Loss totaling \$3.73M and attributed to diminution on the equity portfolio.

Gains and Losses from Capital Market Activities



SHAREHOLDERS' CAPITAL

As noted above, the expectation is the external environment will continue to be volatile in FY 2025. In conformity with capital markets, Management was also of the expectations that the Fed will institute interest rate cuts by the back end Q4 of FY 2024. As noted above, by June 2024, no cuts have been instituted. As a result, the Bank continues to report a significant deficit of \$61.87M on Fair Value Reserve. To mitigate this significant notional depletion of capital, injections totaling \$14.72M were made in FY 2024; this included \$2.85M in Retained Earnings and Portfolio Risk Reserves; \$5.75M preference shares; and \$6.12M change in Fair Value Reserve. As a result, Total Equity increased from \$57.61M in FY 2023 to \$72.33m in FY 2024.

Given the Bank's enhanced capital structure, the Debt-to-Equity Ratio improved from 6.80:1 in FY 2023 to 5.26:1 in FY 2024 and within the 8.0:1 benchmark imposed by the Board of Directors. Interest cover improves from 1.15 times in FY 2023 to 1.51 times and speaks to the Bank's prudent assets and liability management.

Book Value per Share rebounded from \$59.95 in FY 2023 to \$93.36 in FY 2024 and significantly lower than the \$257.49 reported in FY 2021. We are, however, confident that once the Fed commences interest rate cuts, the Bank's Book Value per Share will exceed the last independent market value of \$165.00 per share.



CHAPTER -6

People and Talent Management

Accounting Department



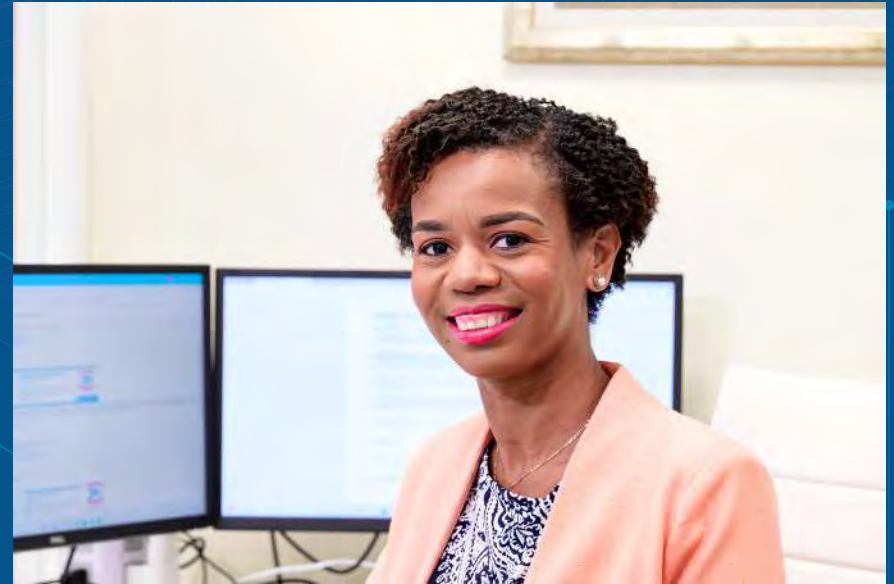
Investment Department



Operations Department



Risk Department



Building a High-Performance Team Why this is important

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

HIGHLIGHTS FY 2024

- Four (4) members of staff completed the Chartered Directors Programme.
- One (1) staff completed a Masters in Business Administration
- One (1) member of staff enrolled in the dual Masters of Business Administration/ Chartered Bankers Programme
- Three (3) members of staff completed the WASP-Certificate Fixed Income Markets
- One (1) member of staff undertook the Bloomberg for Education-Certificate of Completion
- Other training courses attended included anti-money laundering, investment, risk management and corporate governance and international Financial Reporting Standards.

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

PEOPLE AND TALENT MANAGEMENT STRATEGIC OBJECTIVES

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



Nurturing leadership
and talent pipeline



Increase the Bank's
productivity



Build a tech savvy
workforce



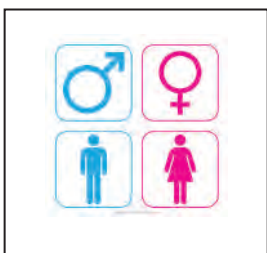
Good ethical mindset

STRIVING FOR DIVERSITY

We believe that increased diversity in the Team should result in improved productivity, and better decision making. Our recruitment practices are geared to ensure a broad range of experiences, including gender, sex, socioeconomic background, religion and education. We strive to ensure that each member of the Team have an equal opportunity to access education, resources, and opportunities for promotion.

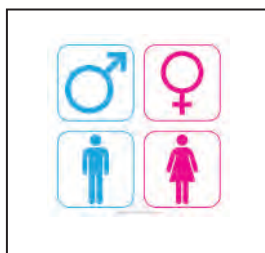
Composition of employees

Number of employees



10
(2023-12)

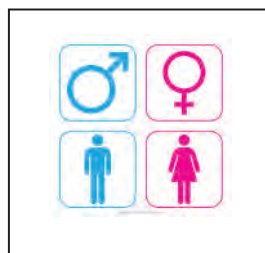
Gender Distribution



63%:27%

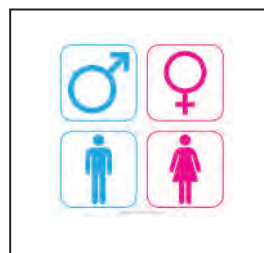
Composition of employees and Board

Senior Management



50%:50%

Board of Directors



80%:20%

Age breakdown of Executive team

Below 30 years:

17%

30-40 years:

41%

Above 40 years:

42%



CHAPTER -7

CORPORATE SOCIAL RESPONSIBILITY



ECHMB CAPITAL AS A GOOD CORPORATE CITIZEN

Since incorporation in 1995 to opening its doors on 22nd April 1996, the ECHMB has made indelible contributions to the development of the financial landscape of the Eastern Caribbean Currency Union (“ECCU”). After twenty-eight (28) years of operations, the ECHMB remains steadfast in fulfilling its commitment to improving the standard of living of the citizens in the Member States of the ECCU. We have undertaken several initiatives which are designed to increase our accountability and transparency to our stakeholders.

ANNUAL INTEGRATED REPORTING

We were among the pioneers in the Eastern Caribbean Currency Union (“ECCU”) to publish an Annual Integrated Report (“AIR”); this has provided our external stakeholders with concise communication about how the Bank’s strategy, governance, performance and prospects led to the creation of value during FY 2020.

CREDIT RATINGS

We are the only corporate in the ECCU to undertake and publish annual credit ratings. In FY2024, the Caribbean Information and Credit Rating Services Limited (CariCRIS) reaffirmed the ratings assigned to the USD 30 million debt issue of ECHMB of CariA- on the regional rating scale (Foreign and Local Currency Ratings). These ratings indicate that the level of creditworthiness of this obligation, adjudged in relation to other obligations in the Caribbean, is **adequate**. CariCRIS has also maintained a **stable** outlook on our ratings. The stable outlook is based on their expectation that ECHMB will continue to display comfortable profitability and capitalization levels over the next 12 months as the Bank fully transitions into its new business model.

PUBLIC AUCTION OF CAPITAL MARKET PRODUCTS

We have also opted to list our Capital Market Products on the Eastern Caribbean Securities Market. This means that we are required to abide with the regulations of the Eastern Caribbean Securities Regulatory Commission and

are obligated to file interim financial statements and make requisite disclosures of material changes in the Bank’s operations.

INTERACTIVE ANNUAL GENERAL MEETINGS

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

IMPROVING THE QUALITY OF MORTGAGE UNDERWRITING IN THE ECCU

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

Financial Statements 2024



Eastern Caribbean Home Mortgage Bank (Trading as ECHMB Capital)

Statement of Management's Responsibility

For the year ended March 31, 2024

(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, 2024, 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 material 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 IFRS Accounting Standards, as issued by the International Accounting Standard Board and adopted by the Institute of Chartered Accountants of the Eastern Caribbean.

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

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



Chief Executive Officer

July 30, 2024

Date



Chief Financial Officer

July 30, 2024

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, 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards.

What we have audited

The Bank's financial statements comprise:

- the statement of financial position as at March 31, 2024;
- 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, comprising material accounting policy information 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: \$2,460,000 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	\$2,460,000
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 most stable benchmark against which the performance of the Bank is 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 \$123,000, 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 judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<i>Provision for expected credit loss - Probabilities of Default</i>	
<i>Refer to notes 4(b), 5(d), 6 and 9 to the financial statements for disclosures of related accounting policies and balances.</i>	
As at March 31, 2024, a total of \$5.9 million of provision for expected credit losses (ECL) was accounted for within the investment securities portfolio.	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:
We focused on this area as the ECL calculation is subjective and requires significant management judgement, in particular with regards to the probabilities of default.	Updated our understanding of management's ECL model including the incorporation of assumptions and source data.
Probabilities of default (PD) represent the likelihood of an institution defaulting on its obligation within the next twelve months or over the remaining lifetime of the obligation.	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.
Management segments investment securities between sovereign and corporate, as the PD for these instruments may differ based on the nature of the financial instruments.	Tested, on a sample basis, the segmentation of investment securities between sovereign and corporate, by agreeing the segments to the underlying source information of the asset class.



Key audit matter	How our audit addressed the key audit matter
Management relies on data, where available, from external rating agencies in determining the PD for corporate and sovereign investment securities.	For a sample of corporate and sovereign investment securities, agreed ratings assigned to external credit ratings.
With respect to unrated investment securities where the obligors are unrated, internal credit ratings are assigned, and subsequently 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.	Agreed, on a sample basis, the financial information of the underlying institutions to management's mapping of internal credit ratings for unrated investment securities where the obligors are unrated.
Management uses a stochastic formula to adjust the PDs. The inputs into this formula are GDP growth and unemployment rates. This data was obtained by management from a reputable third party provider.	Agreed, on a sample basis, the historical and forecasted GDP growth and the unemployment data to reputable third party providers.
	Independently developed PDs and compared to those recorded by management.
	As a result of our procedures, 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 IFRS Accounting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



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

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

Auditors' responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 partner on the audit resulting in this independent auditors' report is Tonya Graham.

A stylized, handwritten-style signature of "PricewaterhouseCoopers" in a dark grey color.

Chartered Accountants
July 30, 2024

Eastern Caribbean Home Mortgage Bank (Trading as ECHMB Capital)

Statement of Financial Position
As at March 31, 2024

(Expressed in Eastern Caribbean dollars)

	2024 \$	2023 \$
Assets		
Cash and cash equivalents (note 7)	40,501,797	37,779,561
Receivables and prepayments (note 8)	32,439,943	23,810,032
Investment securities (note 9)	386,709,650	391,769,694
Mortgage loan facilities (note 10)	31,330,078	26,804,673
Motor vehicles and equipment (note 11)	154,178	276,439
Right of use assets (note 12)	214,916	386,848
Total assets	491,350,562	480,827,247
Liabilities		
Borrowings (note 13)	380,440,103	391,864,691
Other borrowings (note 14)	34,830,000	25,110,000
Lease liability (note 12)	220,563	391,161
Accrued expenses and other liabilities (note 15)	3,533,120	5,855,668
Total liabilities	419,023,786	423,221,520
Equity		
Share capital - ordinary (note 16)	36,999,940	36,999,940
Share capital - preference (note 16)	47,235,800	41,494,000
Portfolio risk reserve (note 17)	24,474,029	23,903,001
Fair value reserve (note 17)	(61,865,214)	(67,989,323)
Retained earnings	25,482,221	23,198,109
Total equity	72,326,776	57,605,727
Total liabilities and shareholders' equity	491,350,562	480,827,247

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

Approved for issue by the Board of Directors on July 30, 2024



Director



Chairman

Eastern Caribbean Home Mortgage Bank

(Trading as ECHMB Capital)

Statement of Comprehensive Income

For the year ended March 31, 2024

(Expressed in Eastern Caribbean dollars)

	2024 \$	2023 \$
Interest income (note 19)	20,723,150	19,934,726
Interest expense (note 13)	(10,257,223)	(11,260,240)
Net interest income	10,465,927	8,674,486
Other income/(loss) (note 20)	820,696	(3,730,309)
Operating income	11,286,623	4,944,177
Expenses		
General and administrative expenses (note 21)	(3,750,863)	(3,408,734)
Other operating expenses (note 22)	(799,272)	(863,565)
Mortgage administrative fees	(104,522)	(101,787)
Net impairment (losses)/gains on financial assets	(1,395,470)	1,165,227
Total expenses	(6,050,127)	(3,208,859)
Net profit for the year	5,236,496	1,735,318
Earnings per share		
Basic and diluted per share (note 23)	19.48	6.46
Other comprehensive income/(loss) for the year:		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>		
Investment securities at FVOCI - net change in fair value (note 17)	6,124,109	(29,756,816)
Total comprehensive income/(loss) for the year	11,360,605	(28,021,498)

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, 2024

(Expressed in Eastern Caribbean dollars)

	Share capital ordinary \$	Share capital preference \$	Portfolio risk reserve \$	Fair value reserve \$	Retained earnings \$	Total \$
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
Net profit for the year	—	—	—	—	5,236,496	5,236,496
Issuance of share capital						
- preference shares (note 16)	—	5,741,800	—	—	—	5,741,800
Investment securities at FVOCI - net change in fair value (note 17)	—	—	—	6,124,109	—	6,124,109
Transfer to reserve (note 17)	—	—	571,028	—	(571,028)	—
Transaction with owners						
Dividends - \$5.00 per share (note 18)	—	—	—	—	(2,381,356)	(2,381,356)
Balance at March 31, 2024	36,999,940	47,235,800	24,474,029	(61,865,214)	25,482,221	72,326,776

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, 2024

(Expressed in Eastern Caribbean dollars)

	2024 \$	2023 \$
Cash flows from operating activities		
Net profit for the year	5,236,496	1,735,318
Items not affecting cash:		
Interest expense (note 13)	10,257,223	11,260,240
Amortisation of bond premium (note 9)	1,797,461	1,666,189
Unrealised (gain)/loss on FVTPL financial assets (note 9)	(162,284)	4,557,811
Depreciation of motor vehicles and equipment (note 11)	134,823	136,868
Increase/(decrease) in provision for impairment on financial assets	1,398,720	(723,118)
Amortisation of right of use assets (note 12)	171,932	171,932
Interest expense on lease liability (note 12)	9,402	10,588
Interest income (note 19)	(20,723,150)	(19,934,726)
Operating loss before working capital changes	(1,879,377)	(1,118,898)
Changes in operating assets and liabilities:		
(Increase)/decrease in receivables and prepayments	(8,629,911)	5,298,388
(Decrease)/increase in accrued expenses and other liabilities	(2,322,548)	4,834,735
Cash flows (used in)/generated from operations before interest	(12,831,836)	9,014,225
Interest received	20,542,188	19,403,123
Interest paid	(9,962,644)	(11,297,731)
Net cash (used in)/generated from operating activities	(2,252,292)	17,119,617
Cash flows from investing activities		
Proceeds from sales/maturity of financial assets (note 9)	91,373,390	76,954,413
Proceeds from the pool of mortgages repurchased by primary lenders (note 10)	–	778,039
Proceeds from principal repayment on mortgages (note 10)	2,371,245	2,292,373
Purchases of mortgages (note 10)	(7,124,271)	–
Mortgages repurchased or replaced (note 10)	254,738	185,137
Purchase of motor vehicles and equipment (note 11)	(12,562)	–
Purchase of investment securities (note 9)	(83,069,289)	(100,967,010)
Net cash generated from/(used in) investing activities	3,793,251	(20,757,048)

Eastern Caribbean Home Mortgage Bank

(Trading as ECHMB Capital)

Statement of Cash Flows ...*continued*

For the year ended March 31, 2024

(Expressed in Eastern Caribbean dollars)

	2024	2023
	\$	\$
Cash flows from financing activities		
Proceeds from borrowings (note 13)	378,281,000	389,761,000
Proceeds from other borrowed funds	173,907,000	241,380,000
Repayment of borrowings (note 13)	(389,761,000)	(439,271,000)
Repayment of other borrowed funds	(164,187,000)	(231,079,500)
Payment for corporate paper issue costs and transaction costs (note 13)	(239,167)	(247,859)
Dividends paid	(2,381,356)	(1,811,344)
Proceeds from issue of preference shares	5,741,800	27,730,000
Principal portion of lease liability	(170,598)	(169,412)
Interest paid on lease liability (note 12)	(9,402)	(10,588)
Net cash generated from/(used in) financing activities	1,181,277	(13,718,703)
Net increase/(decrease) in cash and cash equivalents	2,722,236	(17,356,134)
Cash and cash equivalents at beginning of year	37,779,561	55,135,695
Cash and cash equivalents at end of year (note 7)	40,501,797	37,779,561

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

Eastern Caribbean Home Mortgage Bank (Trading as ECHMB Capital)

Notes to Financial Statements

March 31, 2024

(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. The principal place of business of the Bank is at Bird Rock, Basseterre, Saint Christopher (St Kitts) and Nevis.

2 Basis of preparation and compliance with the IFRS Accounting Standards

The financial statements of the Bank have been prepared in accordance with IFRS Accounting Standards 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 material 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, 2023

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

Eastern Caribbean Home Mortgage Bank (Trading as ECHMB Capital)

Notes to Financial Statements

March 31, 2024

(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, 2023
...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 adoption of these amendments and Practice Statement have no impact on the measurement or presentation of any items in the financial statements of the Bank but impact the disclosure of accounting policies of the Bank.

- **Amendment to IAS 12, Deferred tax related to assets and liabilities arising from a single transaction,** (effective for annual periods beginning on or after January 1, 2023).

The amendment to IAS 12, 'Deferred tax related to assets and liabilities', 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 had no effect on the financial statements of the Bank.

There are no other new and revised standards or amendments that are effective, that are expected to have a significant impact on the accounting policies or financial disclosures of the Bank.

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

At the date of authorisation of these financial statements, certain new and amended standards and interpretations have been issued, which are not yet effective and have not been early-adopted by the Bank. ECHMB assessed and determined that the following new and amended standards and interpretations are relevant to its operations.

- **Amendments to IAS 1, Non-current liabilities with covenants** (effective for annual periods beginning on or after January 1, 2024).

The amendments to IAS 1, 'Non-current liabilities with covenants', clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions. The amendment is not expected to have a significant impact on the Bank.

Eastern Caribbean Home Mortgage Bank (Trading as ECHMB Capital)

Notes to Financial Statements

March 31, 2024

(Expressed in Eastern Caribbean dollars)

3 Changes in accounting policies ...continued

New 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 7 and IFRS 7, Supplier Finance** (effective for annual periods beginning on or after January 1, 2024 with transitional reliefs in the first year).

These amendments to IAS 7 and IFRS 7, “Supplier finance”, require disclosure to enhance the transparency of supplier finance arrangements and their effects on an entity’s liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB’s response to investors’ concerns that some companies’ supplier finance arrangements are not sufficiently visible, hindering investors’ analysis. The amendments is not expected to have a significant impact on the Bank.

- **Amendments to IAS 21, Lack of Exchangeability**, (effective for annual periods beginning on or after January 1, 2025).

An entity is impacted by the amendments to IAS 21, “Lack of Exchangeability”, when it has a transaction or an operation in a foreign currency that is not exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations. The amendment is not expected to have a significant impact on the Bank.

4 Material accounting policy information

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’.

Eastern Caribbean Home Mortgage Bank (Trading as ECHMB Capital)

Notes to Financial Statements

March 31, 2024

(Expressed in Eastern Caribbean dollars)

4 Material accounting policy information...continued

b) Financial assets and liabilities

i) Initial recognition, derecognition and measurement

IFRS 9 introduces a principles-based approach to the classification of financial assets. Debt instruments, including hybrid contracts, are measured at fair value through profit or loss (“FVTPL”), fair value through other comprehensive income (“FVOCI”) or 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.

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 expensed 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.

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(Trading as ECHMB Capital)

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(Expressed in Eastern Caribbean dollars)

4 Material accounting policy information...continued

b) Financial assets and liabilities ...continued

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

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.

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.

Eastern Caribbean Home Mortgage Bank (Trading as ECHMB Capital)

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4 Material accounting policy information ...continued

b) Financial assets and liabilities ...continued

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

Debt instruments ...continued

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.

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.

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4 Material accounting policy information ...continued

b) Financial assets and liabilities ...continued

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

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.

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.

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4 Material accounting policy information ...continued

b) Financial assets and liabilities ...continued

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

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

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

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

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

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

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

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

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4 Material accounting policy information ...continued

b) Financial assets and liabilities ...continued

iv) Purchased or originated credit-impaired assets

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

v) Write-off

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

The exposure may be written off when:

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

Triggers identified for the derecognition of a financial obligation include:

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

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

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4 Material accounting policy information ...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 receive 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.

Eastern Caribbean Home Mortgage Bank (Trading as ECHMB Capital)

Notes to Financial Statements

March 31, 2024

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4 Material accounting policy information...continued

b) Financial assets and liabilities ...continued

viii) Financial liabilities ...continued

Derecognition

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

c) Offsetting financial instruments

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

d) Cash and cash equivalents

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

e) Repurchase transactions

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

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4 Material accounting policy information ...continued

f) Employee benefits

(i) Pension plan

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

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

(ii) Gratuity

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

g) Provisions

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

h) Motor vehicles and equipment

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

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

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4 Material accounting policy information ...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:

Leasehold improvement	The shorter of the estimated useful life and the period of the lease.
Motor vehicles	20%
Computer equipment	33⅓%
Furniture and fixtures	15%

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

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

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

i) Borrowings

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

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

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4 Material accounting policy information ...continued

j) Interest income and expense

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

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

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

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

k) Dividends distribution

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

l) Expenses

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

m) Leases - As lessee

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

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

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

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4 Material accounting policy information ...continued

m) Leases - As lessee ...continued

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

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

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

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

n) Share capital

i. Ordinary shares

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

ii. Preference shares

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

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

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4 Material accounting policy information ...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, 2024, the Board agreed to the transfer of \$571,028 (2023: \$347,064) 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) Subsequent events

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

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4 Material accounting policy information ...continued

s) 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.

t) Taxation

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

5 Financial risk management

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

a) Enterprise risk management approach

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

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

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

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

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5 Financial risk management ...continued

a) Enterprise risk management approach ...continued

The Board carries out its risk management oversight function by:

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

b) Risk measurement and reporting systems

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

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

c) Excessive risk concentration

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

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

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5 Financial risk management ...continued

d) Credit risk

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

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

Credit risk measurement

Mortgage loan facilities and investment securities

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

Credit risk grading

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

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

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5 Financial risk management ...continued

d) Credit risk ...continued

Credit risk measurement ...continued

Credit risk grading ...continued

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

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

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

Expected credit loss measurement

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

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

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5 Financial risk management ...continued

d) Credit risk ...continued

Credit risk measurement ...continued

Expected credit loss measurement ...continued

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

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

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

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

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

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5 Financial risk management ...continued

d) Credit risk ...continued

Credit risk measurement ...continued

Expected credit loss measurement ...continued

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

Measuring ECL - Explanation of inputs, assumptions and estimation techniques

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

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

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

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

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

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5 Financial risk management ...continued

d) Credit risk ...continued

Credit risk measurement ...continued

Forward looking information incorporated in the ECL models

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.

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

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5 Financial risk management ...continued

d) Credit risk ...continued

Credit risk measurement ...continued

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

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

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.

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5 Financial risk management ...continued

d) Credit risk ...continued

Credit risk measurement ...continued

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

The criteria above have been applied to all financial instruments held by the Bank and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout the Bank's expected loss calculations. The Bank 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.

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.

	2024	2023
	\$	\$
Assets		
Cash and cash equivalents	40,500,797	37,778,561
Receivables	32,418,907	23,775,043
Investment securities		
Amortised cost	109,609,042	113,549,360
FVOCI	282,864,433	264,375,475
Mortgage loan facilities	31,646,308	27,148,020
Total credit risk exposure	497,039,487	466,626,459

The above table represents a worst-case scenario of credit risk exposure as at March 31, 2024 and 2023 without taking account of any collateral held or other credit enhancements attached.

For statement of financial position assets, the exposure set out in the above table are gross of loss allowance as reported in the statement of financial position.

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5 Financial risk management ...continued

d) Credit risk ...continued

Expected credit loss measurement ...continued

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

Investment securities

Summary of Investment Securities ECL Staging 2024				
	Stage 1	Stage 2	Stage 3	Total
	\$	\$	\$	\$
Quoted corporate bonds	292,699,549	4,028,841	—	296,728,390
Quoted sovereign bonds	19,175,503	—	—	19,175,503
Quoted supranational bonds	2,169,929	—	—	2,169,929
Term deposits	12,667,361	—	5,000,000	17,667,361
Unquoted bonds	41,877,768	14,854,524	—	56,732,292
Gross carrying amount	368,590,110	18,883,365	5,000,000	392,473,475
Provision for expected credit losses	(539,895)	(323,930)	(5,000,000)	(5,863,825)
Carrying amount	368,050,215	18,559,435	—	386,609,650

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

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5 Financial risk management ...continued

d) Credit risk ...continued

Expected credit loss measurement ...continued

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

Mortgage loan facilities

	Summary of Mortgage loan facilities			
	ECL Staging			
	2024			
	Stage 1	Stage 2	Stage 3	Total
	\$	\$	\$	\$
Mortgage loans portfolio	19,616,541	—	—	19,616,541
Mortgage-pledged loan	7,204,053	—	—	7,204,053
Mortgage credit facility	4,825,714	—	—	4,825,714
Gross carrying amount	31,646,308	—	—	31,646,308
Provision for expected credit losses	(316,230)	—	—	(316,230)
Carrying amount	31,330,078	—	—	31,330,078

	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

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5 Financial risk management ...continued

d) Credit risk ...continued

Expected credit loss measurement ...continued

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

Loss allowance

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

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

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5 Financial risk management ...continued

d) Credit risk ...continued

Expected credit loss measurement ...continued

Loss allowance ...continued

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

	2024			
	Investment securities			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
	\$	\$	\$	\$
Loss allowance as at April 1, 2023	1,097,036	490,952	2,850,000	4,437,988
Movements with P/L impact:				
Transfers:				
Transfers from Stage 1 to Stage 2	(31,867)	31,867	—	—
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	216,356	—	—	216,356
Changes in PDs/LGDs/EADs	(300,075)	(198,889)	—	(498,964)
Write back of financial assets previously derecognised in prior years ¹	—	—	2,150,000	2,150,000
Financial assets derecognised during the year	(441,555)	—	—	(441,555)
Total net P&L charge during the year	(557,141)	(167,022)	2,150,000	1,425,837
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, 2024	539,895	323,930	5,000,000	5,863,825

¹ The write back refers to the reinstatement of the principal balance on the CLICO investment which was previously off-set by dividends payable to CLICO. Further disclosure is made in Note 9 (d).

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5 Financial risk management ...continued

d) Credit risk ...continued

Expected credit loss measurement ...continued

Loss allowance ...continued

	2023			
	Investment securities			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	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

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5 Financial risk management ...continued

d) Credit risk ...continued

Expected credit loss measurement ...continued

Loss allowance ...continued

	2024			
	Mortgage loan facilities			
	Stage 1	Stage 2	Stage 3	
	12-month	Lifetime	Lifetime	
	ECL	ECL	ECL	
	\$	\$	\$	Total
				\$
Loss allowance as at April 1, 2023	343,347	—	—	343,347
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	115,826	—	—	115,826
Changes in PDs/LGDs/EADs	(142,943)	—	—	(142,943)
Recoveries	—	—	—	—
Financial assets derecognised during the year	—	—	—	—
Total net P&L charge during the year	(27,117)	—	—	(27,117)
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, 2024	316,230	—	—	316,230

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5 Financial risk management ...continued

d) Credit risk ...continued

Expected credit loss measurement ...continued

Loss allowance ...continued

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

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5 Financial risk management ...continued

d) Credit risk ...continued

Expected credit loss measurement ...continued

Loss allowance ...continued

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

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

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5 Financial risk management ...continued

e) Management of credit risk

The table below breaks down the Bank's main credit exposure at the carrying amounts, categorised by geographical regions as of March 31, 2024 with comparatives for 2023. 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	2,326,589	—	46,247	38,127,961	—	—	40,500,797
Receivables	764,129	31,654,778	—	—	—	—	32,418,907
Investment securities							
Amortised cost	—	16,761,356	52,041,604	24,770,091	—	10,426,236	103,999,287
FVOCI	—	—	—	162,846,886	12,755,078	107,008,399	282,610,363
Mortgage loan facilities	10,870,302	20,459,776	—	—	—	—	31,330,078
As at March 31, 2024	13,961,020	68,875,910	52,087,851	225,744,938	12,755,078	117,434,635	490,859,432
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
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

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5 Financial risk management ...continued

e) Management of credit risk ...continued

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

	2024 \$	2024 %	2023 \$	2023 %
Credit unions	15,062,977	48	8,739,815	33
Development banks	14,742,567	47	16,490,877	61
Finance company	1,524,534	5	1,573,981	6
	31,330,078	100	26,804,673	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	2024 \$	2023 \$
Description of grade					
Investment grade	Exceptional	1	Aaa	14,595,452	14,611,084
Investment grade	Excellent	2	Aa1 to Aa3	1,554,876	3,922,504
Investment grade	Strong	3	A1 to A3	66,033,262	55,008,505
Investment grade	Good	4	Baa1 to Baa3	234,653,017	230,190,129
Speculative grade	Satisfactory	5	Ba1 to Ba3	16,614,540	35,265,227
Speculative grade	Adequate	6	B1 to B3	46,597,277	32,362,655
Speculative grade	Special Mention	7	Caal to Caa3	1,700,000	5,700,000
Credit impaired	Loss	10	–	5,000,000	2,850,000
				386,748,424	379,910,104

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5 Financial risk management ...continued

e) Management of credit risk ...continued

The internal credit ratings assigned to mortgages are as follows:

Mortgage loan facilities	Meaning	Internal rating	Range	2024 \$	2023 \$
Description of grade					
Speculative grade	Satisfactory	5	Ba1 to Ba3	14,793,491	15,952,088
Speculative grade	Adequate	6	B1 to B3	15,266,605	9,546,874
Speculative grade	Special Mention	7	Caa1 to Caa3	1,586,212	1,649,058
				31,646,308	27,148,020

f) Market risk

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

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

i) Interest rate risk

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

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5 Financial risk management ...continued

f) Market risk ...continued

i) Interest rate risk ...continued

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

	Within 3 months \$	3 to 12 months \$	1 to 5 years \$	Over 5 years \$	Non-interest bearing \$	Total \$
As at March 31, 2024						
Financial assets:						
Cash and cash equivalents	40,466,869	—	—	—	34,928	40,501,797
Receivables	—	—	—	—	32,418,907	32,418,907
Investment securities						
Amortised cost	13,814,299	20,866,414	54,904,099	14,414,475	—	103,999,287
FVOCI	—	4,045,577	48,626,600	229,938,186	100,000	282,710,363
FVTPL	—	—	—	—	—	—
Mortgage loan facilities	548,115	1,644,346	12,423,520	16,714,097	—	31,330,078
Total financial assets	54,829,283	26,556,337	115,954,219	261,066,758	32,553,835	490,960,432
Financial liabilities:						
Borrowings	117,360,103	263,080,000	—	—	—	380,440,103
Other borrowings	34,830,000	—	—	—	—	34,830,000
Accrued expenses and other liabilities	—	—	—	—	3,533,120	3,533,120
Lease liability	43,454	132,333	44,776	—	—	220,563
Total financial liabilities	152,233,557	263,212,333	44,776	—	3,533,120	419,023,786
Interest sensitivity gap	(97,404,274)	(236,655,996)	115,909,443	261,066,758	29,020,715	71,936,646

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5 Financial risk management ...continued

f) Market risk ...continued

i) Interest rate risk ...continued

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

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5 Financial risk management ...continued

f) Market risk ...continued

i) Interest rate risk ...continued

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	
	2024	2023
	\$	\$
Interest rate - increase by 1.00% (2023: 1.00%)	837,006	352,771
Interest rate - decrease by 1.00% (2023: 1.00%)	(837,006)	(352,771)

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. In FY 2024, the Bank disposed of assets classified as FVTPL.

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.

	2024		2023	
	Effect on Profit	Effect on Equity	Effect on Profit	Effect on Equity
	\$	\$	\$	\$
Change in equity prices				
2023: +10.00%	—	—	928,391	928,391
2023: -10.00%	—	—	(928,391)	(928,391)

iii) Foreign currency risk

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

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5 Financial risk management ...continued

f) Market risk ...continued

iii) Foreign currency risk ...continued

The following table summarises the Bank's exposure to foreign currency risk as of March 31, 2024 and 2023. 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, 2024			
Financial assets			
Cash and cash equivalents	2,327,501	38,174,296	40,501,797
Receivables	32,418,907	—	32,418,907
Investment securities			
Amortised cost	14,971,174	89,028,113	103,999,287
FVOCI	100,000	282,610,363	282,710,363
FVTPL	—	—	—
Mortgage loan facilities	31,330,078	—	31,330,078
	81,147,660	409,812,772	490,960,432
Financial liabilities			
Borrowings	380,440,103	—	380,440,103
Other borrowings	—	34,830,000	34,830,000
Accrued expenses and other liabilities	3,533,120	—	3,533,120
Lease liability	220,563	—	220,563
	384,193,786	34,830,000	419,023,786
Net statement of financial position	(303,046,126)	374,982,772	71,936,646

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5 Financial risk management ...continued

f) Market risk ...continued

iii) Foreign currency risk ...continued

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

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5 Financial risk management ...continued

g) Liquidity risk

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

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

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

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

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

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5 Financial risk management ...continued

g) Liquidity risk ...continued

Maturities analysis of assets and liabilities

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

	Within 3 months \$	3 to 12 months \$	1 to 5 years \$	Over 5 years \$	Total \$
As at March 31, 2024					
Assets:					
Cash and cash equivalents	40,501,797	—	—	—	40,501,797
Receivables	32,418,907	—	—	—	32,418,907
Investment securities					
Amortised cost	13,868,688	21,607,993	64,098,357	22,369,556	121,944,594
FVOCI	—	4,230,865	55,166,470	413,874,113	473,271,448
FVTPL	—	—	—	—	—
Mortgage loan facilities	548,115	1,644,346	12,423,520	16,714,097	31,330,078
Total assets	87,337,507	27,483,204	131,688,347	452,957,766	699,466,824
Liabilities:					
Borrowings	119,460,789	266,247,147	—	—	385,707,936
Other borrowings	34,861,157	—	—	—	34,861,157
Accrued expenses and other liabilities	3,533,120	—	—	—	3,533,120
Lease liability	45,000	135,000	45,000	—	225,000
Total liabilities	157,900,066	266,382,147	45,000	—	424,327,213
Net liquidity gap	(70,562,559)	(238,898,943)	131,643,347	452,957,766	275,139,611

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5 Financial risk management ...continued

g) Liquidity risk ...continued

Maturities analysis of assets and liabilities ...continued

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

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5 Financial risk management ...continued

h) Operational risk

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

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

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

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

i) Capital management

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

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

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5 Financial risk management ...continued

i) Capital management ...continued

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

	2024 \$	2023 \$
Total Debt	415,270,103	416,974,691
Total Equity	72,326,776	57,605,727
Debt to Equity ratio	5.74	7.24

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	
	2024 \$	2023 \$	2024 \$	2023 \$
Cash and cash equivalents	40,501,797	37,779,561	40,501,797	37,779,561
Receivables	32,418,907	23,775,043	32,418,907	23,775,043
Investment securities				
Amortised cost	103,999,287	109,549,174	102,900,423	107,465,677
FVOCI	282,710,363	264,037,673	282,710,363	264,037,673
FVTPL	–	18,182,847	–	18,182,847
Mortgage loan facilities	31,330,078	26,804,673	30,227,844	26,804,673
	490,960,432	480,128,971	488,759,334	478,045,474
Borrowings	380,440,103	391,864,691	380,440,103	391,864,691
Other borrowings	34,830,000	25,110,000	34,830,000	25,110,000
Accrued expenses and other liabilities	3,533,120	5,855,668	3,533,120	5,855,668
Lease liability	220,563	391,161	220,563	391,161
	419,023,786	423,221,520	419,023,786	423,221,520

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5 Financial risk management ...continued

j) Fair value estimation ...continued

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

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

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

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

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

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

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

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

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5 Financial risk management ...continued

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

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

March 31, 2024	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
Financial assets at fair value through other comprehensive income (FVOCI)				
Quoted corporate bonds	257,137,430	3,783,956	—	260,921,386
Quoted sovereign bonds	18,369,679	—	—	18,369,679
Unquoted equity instrument	—	—	100,000	100,000
Financial assets at fair value through profit or loss (FVTPL)				
Common shares	—	—	—	—
Preferred shares	—	—	—	—
Quoted corporate bond	—	—	—	—
Fair value	275,507,109	3,783,956	100,000	279,391,065
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

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6 Critical accounting estimates and judgements

The Bank's financial statements and its financial results are influenced by accounting policies, assumptions, estimates and management's judgement, which necessarily have to be made in the course of preparation of the financial statements. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Bank makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. The estimates that have a significant risk of causing material adjustments to the carrying amounts of assets within the next financial year are discussed below.

When preparing the financial statements, Management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may be substantially different.

i) Measurement of the expected credit loss allowance

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

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

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

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

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

- The determination of the estimated time to sell the underlying collateral securing the financial assets;
- The determination of the fair value of the underlying collateral securing the financial assets; and
- The determination of the probabilities of default utilised in the assessment of 12-month and lifetime credit losses.

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7 Cash and cash equivalents

	2024 \$	2023 \$
Cash on hand	1,000	1,000
Cash in banks	40,500,797	29,692,428
Term deposit	—	8,086,133
	<u>40,501,797</u>	<u>37,779,561</u>

Cash in banks earned interest at rates ranging from 0% to 3.9% (2023: 0% to 4.1%). During the year, the interest income earned on these financial assets was \$268,884 (2023: \$624,502).

8 Receivables and prepayments

	2024 \$	2023 \$
Other receivables	31,531,000	23,531,000
Receivables	887,907	244,043
Prepayments	21,036	34,989
	<u>32,439,943</u>	<u>23,810,032</u>

Other receivables represent amounts receivable from bondholders for their participation in the Bank's Corporate Paper HMB280325 (2023: HMB290324). The balances are non-interest bearing and are all current.

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

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9 Investment securities

	2024 \$	2023 \$
At amortised cost		
Unquoted bonds	43,893,604	66,439,319
Quoted corporate bonds	31,982,868	16,422,435
Quoted sovereign bonds	12,271,961	10,570,222
Term deposits	17,150,000	17,905,912
Quoted supranational bonds	2,158,926	—
	107,457,359	111,337,888
Interest receivable	2,151,683	2,211,472
Total amortised cost (gross)	109,609,042	113,549,360
Less provision for expected credit losses	(5,609,755)	(4,000,186)
Total amortised cost (net)	103,999,287	109,549,174
At fair value through other comprehensive income		
Quoted corporate bonds	260,921,386	245,446,510
Quoted sovereign bonds	18,369,679	15,596,348
Unquoted equity investment	100,000	100,000
	279,391,065	261,142,858
Interest receivable	3,573,368	3,332,617
Total FVOCI (gross)	282,964,433	264,475,475
Less provision for expected credit losses	(254,070)	(437,802)
Total FVOCI (net)	282,710,363	264,037,673
At fair value through profit and loss		
Common shares	—	9,283,910
Preferred shares	—	7,529,273
Quoted corporate bonds	—	1,369,664
Total FVTPL (net)	—	18,182,847
Total investment securities	386,709,650	391,769,694
Current	38,826,289	66,276,838
Non-current	347,883,361	325,492,856
Total investment securities	386,709,650	391,769,694

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9 Investment securities ...continued

The movement of the investment securities is shown below:

	2024			
	Amortised cost	FVOCI	FVTPL	Total
	\$	\$	\$	\$
Principal				
Balance at beginning of year	111,337,888	261,142,858	18,182,847	390,663,593
Additions	54,611,981	16,140,186	12,317,122	83,069,289
Net change in fair value	–	6,124,109	162,284	6,286,393
Disposals	(58,265,715)	(2,445,422)	(30,662,253)	(91,373,390)
Bond premium amortisation	(226,795)	(1,570,666)	–	(1,797,461)
	107,457,359	279,391,065	–	386,848,424
Interest receivable	2,151,683	3,573,368	–	5,725,051
Less provision for expected credit losses	(5,609,755)	(254,070)	–	(5,863,825)
Balance at end of year	103,999,287	282,710,363	–	386,709,650

	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

Included in the disposals for the year 2023 was an amount of \$100,000 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. In FY 2024, the total amounts disposed were reversed due to the adverse judgment related to the CLICO case. Further disclosure is made in Note 9 (d) and Note 15.

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Notes to Financial Statements

March 31, 2024

(Expressed in Eastern Caribbean dollars)

9 Investment securities ...continued

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

	2024 \$	2023 \$
Balance at the beginning of year	4,437,988	5,025,892
Amounts written off	—	—
Recovery in loss allowance for the year	—	(587,904)
Loss allowance for the year	1,425,837	—
Balance at end of year	5,863,825	4,437,988

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% (2023: 2.25% to 9.25%) whilst the effective interest rates for these bonds range from 2.06% to 9.30% (2023: 2.06% to 7.45%). Bonds have a weighted average maturity of 16 years and will mature between April 2024 to December 2066 while paying semi-annual coupon payments until maturity. As at March 31, 2024, the fair values of these amounted to \$322,767,715 (2023: \$286,618,522) which were derived using level 1 inputs as these bonds are quoted in active markets.

b) Unquoted 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 9.0% (2023: 2.0% to 8.5%) with maturity dates ranging from April 2024 to October 2036.

c) Preferred shares

In the prior year, the Bank obtained Class D preference shares in a global management fund. The Fund sought to provide an income return consistent with capital preservation. The Fund sought to achieve its objective by investing primarily in a portfolio of U.S. dollar denominated preferred securities and debt securities and paid distributions which were reinvested. The fund was not listed.

d) Term deposits

Term deposits are held in various financial institutions in the wider Caribbean and are all expected to mature by August 2024. The deposits bear interest of 5.0% (2023: 0.0% to 4.0%).

Eastern Caribbean Home Mortgage Bank (Trading as ECHMB Capital)

Notes to Financial Statements

March 31, 2024

(Expressed in Eastern Caribbean dollars)

9 Investment securities ...continued

d) Term deposits ...continued

Term deposit held with CLICO International Life Insurance Limited

Clico International Life Insurance (“Clico Life”), a company duly incorporated under the laws of Barbados with insurance business in several Eastern Caribbean countries including St. Lucia acquired 20,000 Class D shares in the Eastern Caribbean Home Mortgage Bank (“the Bank”) from The Home Mortgage Bank (Trinidad and Tobago). Clico Life as an insurance company was required to establish insurance funds with the Registrar of Insurance in each jurisdiction where it operated, as security for its obligations under the policies issues in those respective jurisdictions. Clico Life pledged 20,000 Class D shares from the Bank to the Registrar of Insurance in St. Lucia on October 6, 2008 as part of its mandatory statutory deposit requirement to conduct insurance business.

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 a result, the Bank took the decision to withhold dividends for the financial years 2011 to 2017 and 2019 to 2023 totalling \$2,250,000.

By order dated April 11, 2011, the Registrar of Insurance et al v Clico International Life Insurance Limited, placed the aforesaid in receivership, and Mr. Richard Surage was appointed as Judicial Manager with respect to the insurance business carried on in St. Lucia. The high court in St. Lucia authorized the Judicial Manager to deal with all the assets and property owned by Clico Life (St. Lucia). The order further directed that the Judicial Manager in discharging his obligations shall be empowered to carry out the following functions:

- (a) To ascertain the assets of the Company and their location and take all steps necessary including Court actions where appropriate to obtain possession of such assets, including, without prejudice to the generality of the foregoing, reinsurance receivables, and to bring the same under his control and further, where appropriate, bring into the jurisdiction of the Honourable Court and, for this purpose, to seek the assistance of the Court of the various jurisdictions in which assets of the Company are located.

Under the authority of order dated April 11, 2011 in the St. Lucia Claim, the Judicial Manager brought an action in the jurisdiction of St. Lucia in Claim Number **SLUHCY2019/0087** Clico International Life Insurance Limited (in Judicial Management) V Eastern Caribbean Home Mortgage Bank to order the defendant to comply with the claimant’s demand to deal with the sell the 20,000 Class F shares owned by the claimant and for damages in the sum of \$1,550,000 plus interest. In a decision dated October 16, 2020, the judge dismissed the claim on the basis that a court of Saint Lucia has no jurisdiction to make the order sought. The learned judge further stated, “whilst an international corporate body is not to be treated as subject to the domestic law of any participating state, it is to be governed by the treaty which establishes it. It is the case with ECHMB that the Companies Act of Grenada applies to it as if it were a company incorporated there. In these circumstances, the shares would have to be treated as though there were shares in a Grenada company subject to the Companies Act of Grenada and therefore it is a court in Grenada which would have jurisdiction to try the claim and not this Court.”

Eastern Caribbean Home Mortgage Bank (Trading as ECHMB Capital)

Notes to Financial Statements

March 31, 2024

(Expressed in Eastern Caribbean dollars)

9 Investment securities ...continued

d) Term deposits ...continued

Term deposit held with CLICO International Life Insurance Limited...continued

The Judicial Manager filed a claim on the March 16, 2021 in Grenada which seeks the following:

- (a) A declaration that the Claimant acting through its Judicial Manager is entitled to deal with and sell the 20,000 Class F Shares owned by the Claimant in the Bank for such sum and on such terms as the Claimant might think fit, subject only to the Bye-Laws of the Defendant and the Eastern Caribbean Home Mortgage Bank Agreement Cap. 19:08;
- (b) Payment of the sum of \$1,550,000.00 due and owing to the Claimant by the Bank as dividends on 20,000 Class F shares number 074563 to 094562 financial years 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018 and 2019 together with interest.

On October 31, 2023, the case was heard and on March 14, 2024 the High Court in Grenada ruled on behalf of the Judicial Manager (St. Lucia). The Board of Directors contended that there is reasonable basis for appeal and filed a Notice of Appeal.

It was considered prudent to provide for any possible losses reversing the dividends previously netted off against the investment in the Bank's statement of financial position which gave rise to a dividend payable of \$2,250,000 to the Claimant. Given the improbability of realising the investment, the Bank took the decision to classify the aforesaid as Stage 3 with 100% provision which gave rise to an increase in the provision for expected credit losses of \$2,150,000.

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.

Eastern Caribbean Home Mortgage Bank (Trading as ECHMB Capital)

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March 31, 2024

(Expressed in Eastern Caribbean dollars)

9 Investment securities ...continued

d) Term deposits ...continued

Depositors' Protection Trust (DPT) ...continued

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

Under the Deed, depositors covered under the DPT would receive ten (10) annual equal instalments equal to 1/10th 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, 2024, the Bank held an outstanding principal of \$1,593,874 (2023: \$2,084,297). Interest earned in 2024 amounted to \$41,206 (2023: \$44,138).

10 Mortgage loan facilities

	2024 \$	2023 \$
Mortgage loans portfolio	19,616,541	13,537,107
Mortgage-pledged loan	7,204,053	8,469,826
Mortgage credit facility	4,825,714	5,141,087
	31,646,308	27,148,020
Provision for expected credit losses	(316,230)	(343,347)
	31,330,078	26,804,673
Current	2,192,461	1,939,676
Non-current	29,137,617	24,864,997
	31,330,078	26,804,673

Eastern Caribbean Home Mortgage Bank

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10 Mortgage loan facilities ...continued

	2024 \$	2023 \$
Territory analysis		
St. Kitts and Nevis	10,870,302	12,630,232
Anguilla	6,955,624	—
Grenada	6,680,219	7,195,797
Antigua and Barbuda	5,299,399	5,404,663
St. Lucia	1,524,534	1,573,981
	31,330,078	26,804,673

Movement in the balance is as follows:

	2024 \$	2023 \$
Balance at beginning of year	26,804,673	29,925,008
Add: Loans purchased	7,124,271	—
Less: Principal repayments	(2,371,245)	(2,292,373)
Mortgages that were repurchased or replaced	(254,738)	(185,137)
Mortgages written off	—	—
Mortgages pools repurchased	—	(778,039)
	31,302,961	26,669,459
Decrease in provision for expected credit losses	27,117	135,214
Total	31,330,078	26,804,673

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

	2024 \$
Balance at beginning of year	343,347
Change in expected credit losses for the year	(27,117)
Balance at end of year	316,230

Eastern Caribbean Home Mortgage Bank (Trading as ECHMB Capital)

Notes to Financial Statements

March 31, 2024

(Expressed in Eastern Caribbean dollars)

10 Mortgage loan facilities ...continued

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

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 11.0% (2023: 3.5% to 11.0%). During the financial year, the Bank earned interest income of \$1,548,983 (2023: \$1,556,430) (see note 19).

Eastern Caribbean Home Mortgage Bank

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(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% (2023: 3.5%) with an average tenor of fifteen (15) 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 Lender 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% (2023: 4.0%) with an average tenor of nine (9) years.

Eastern Caribbean Home Mortgage Bank

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11 Motor vehicles and equipment

	Motor vehicles \$	Computer equipment \$	Furniture and fixtures \$	Leasehold improvement \$	Total \$
Year ended March 31, 2024					
Opening net book value	131,882	14,712	1,404	128,441	276,439
Transfers	—	—	—	—	—
Additions	—	12,562	—	—	12,562
Disposals	—	—	—	—	—
Depreciation charge (note 22)	(63,400)	(13,064)	(1,274)	(57,085)	(134,823)
Closing net book value	68,482	14,210	130	71,356	154,178
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)
Closing net book value	131,882	14,712	1,404	128,441	276,439

Eastern Caribbean Home Mortgage Bank

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12 Leases

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

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

	2024 \$	2023 \$
Right-of-use asset		
Opening balance	386,848	528,177
Adjustments	—	(485,196)
Additions	—	515,799
Amortisation	(171,932)	(171,932)
Closing balance	214,916	386,848
	2024 \$	2023 \$
Lease liability		
Opening balance	391,161	543,523
Adjustments	—	(498,749)
Additions	—	515,799
Interest expense	9,402	10,588
Lease payment	(180,000)	(180,000)
Closing balance	220,563	391,161
	2024 \$	2023 \$
Lease liability		
Current	175,787	170,598
Non-current	44,776	220,563
	220,563	391,161

Eastern Caribbean Home Mortgage Bank

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Notes to Financial Statements

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12 Leases ...continued

The future minimum lease payments as at March 31, 2024 were as follows:

	Within 1 year \$	1 - 2 years \$	2 - 3 years \$	3 - 4 years \$	4 - 5 years \$	After 5 years \$	Total \$
March 31, 2024							
Lease payments	180,000	45,000	—	—	—	—	225,000
Finance charges	(4213)	(224)	—	—	—	—	(4,437)
Net present value	175,787	44,776	—	—	—	—	220,563

The future minimum lease payments as at March 31, 2023 were as follows:

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

The amounts recognised in profit and loss for the year ended March 31, 2024 are as follows:

	2024 \$	2023 \$
Amounts recognised in profit and loss		
Amortisation expense on right-of-use assets (note 21)	171,932	171,932
Interest expense on lease liability (note 21)	9,402	10,588

Eastern Caribbean Home Mortgage Bank

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Notes to Financial Statements

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13 Borrowings

	2024 \$	2023 \$
Corporate papers		
Balance at beginning of year	389,761,000	421,734,000
Add: Issues during the year	378,281,000	389,761,000
Less: Redemptions during the year	(389,761,000)	(421,734,000)
	378,281,000	389,761,000
Less: unamortised issue costs	(220,148)	(228,915)
	378,060,852	389,532,085
Other borrowed funds - Corporate note		
Balance at beginning of year	—	17,537,000
Add: Issues during the year	—	—
Less: Redemptions during the year	—	(17,537,000)
	—	—
Interest payable	2,379,251	2,332,606
Total	380,440,103	391,864,691
Current portion	380,440,103	391,864,691

Corporate papers are comprised of one-year debt instruments maturing in monthly tranches with maturity dates ranging from April 12, 2024 to March 28, 2025 (2023: April 12, 2023 to March 29, 2024).

Corporate papers issued by the Bank are secured by debentures over its fixed and floating assets. Interest is payable semi-annually in arrears at rates of 2.5% and 3.0% (2023: 2.50%). Interest expense incurred during the year amounted to \$9,790,518 (2023: \$10,711,271).

Corporate notes are one-year debt obligations of the Bank secured by its fixed and floating assets. Interest was paid semi-annually in arrears at rates of 2.70% to 3.00% during the year ended March 31, 2023 and amounted to \$68,519. The Bank discontinued the issuance of Corporate notes in March 2023.

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13 Borrowings ...continued

Borrowing costs are those costs directly attributable to the issuance of the various debt instruments and are classified as interest expense. Borrowing costs incurred during the year amounted to \$466,705 (2023: \$480,450).

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

	2024 \$	2023 \$
Capitalised issue costs		
Balance at beginning of year	228,915	252,370
Additions	239,167	247,859
	468,082	500,229
Less: amortisation for year	(247,934)	(271,314)
Balance at end of year	220,148	228,915

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 (2023: one year) which carry interest rates of 2.5% or 3.0% (2023: 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

	2024 \$	2023 \$
Revolving line of credit	34,830,000	25,110,000
Revolving line of credit		

During the financial year, the Bank utilised its Securities Based Line of Credit (SBLC) held with the United States Brokers, Raymond James & Associates Inc which carries interest rates ranging from 6.13% to 6.47% and is repayable on demand. The Bank is authorised to borrow up to EC\$67,500,000 (US\$25,000,000). 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, 2024, the assets held in custody of Raymond James and Associates Inc. was \$264,099,383 (2023: \$249,308,878).

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Notes to Financial Statements

March 31, 2024

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15 Accrued expenses and other liabilities

	2024	2023
	\$	\$
Dividends payable	2,250,000	—
Accrued expenses	855,613	5,599,923
Other liabilities	266,429	129,185
Deferred Income	161,078	126,560
Current portion	3,533,120	5,855,668

The dividends payable relate to **Claim No. GDAHCV2021/0111** between CLICO International Life Insurance Limited (under Judicial Management) (claimant) and the Eastern Caribbean Home Mortgage Bank (defendant). The case was heard on October 31, 2023 and on March 14, 2024, an adverse judgement was issued against the Bank and the Directors have taken the decision to appeal the same. It was considered prudent to provide for any possible losses by reinstating the disputed investment in the Bank's statement of financial position which gave rise to a dividend payable of \$2,250,000 to the Claimant. Further disclosure on the matter is made under Note 9 (d).

16 Share capital

Ordinary share capital

The Bank is authorised to issue 400,000 (2023: 400,000) ordinary shares of no par value.

As at March 31, 2024, there were 268,749 (2023: 268,749) ordinary shares of no par value issued and outstanding.

	Number of shares	2024 \$	2023 \$
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

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March 31, 2024

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16 Share capital ... continued

Ordinary share capital ... continued

The Bank has adopted the provisions of the Grenada Companies Act No. 35 of 1994, which requires companies to issue shares without nominal or par value. Under Article 29 - Capital Structure of the Eastern Caribbean Home Mortgage Bank Act, (1) Subject to Article 30, the 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.

Preference share capital

The Bank is authorised to issue 500,000 (2023: 500,000) 5% Non-cumulative Callable Preference shares with par value of \$100.00. As at March 31, 2024, there were 472,358 (2023: 414,940) 5% Non-cumulative Callable Preference shares with par value of \$100 issued and outstanding.

5% Non-cumulative Callable Preference Shares	Shares 2024	Shares 2023	2024 \$	2023 \$
Balance at the beginning of the year	414,940	137,640	41,494,000	13,764,000
Additions	57,418	277,300	5,741,800	27,730,000
Balance at end of the year	472,358	414,940	47,235,800	41,494,000

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 authorisation of 350,000 Non-cumulative 5.0% Preference Shares at \$100.00.

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16 Share capital ...continued

Preference share capital ...continued

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

a) Dividends

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

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

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

c) Redemption

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

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17 Reserves

Portfolio risk reserve

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

	2024 \$	2023 \$
Balance at beginning of year	23,903,001	23,555,937
Transfer from retained earnings	571,028	347,064
Balance at end of year	24,474,029	23,903,001

Fair value reserve

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

	2024 \$	2023 \$
Loss at the beginning of year	67,989,323	38,232,507
Current year (gains) losses	(5,996,825)	29,756,816
Reclassification of net gains to profit and loss on disposal of investment securities	(127,284)	—
Loss at end of year	61,865,214	67,989,323

18 Dividends

At the Annual General Meeting on October 6, 2023 (2023: October 7, 2022), shareholders declared a dividend for the year ended March 31, 2023 to ordinary and preference shares of record dated March 31, 2023 of \$5.00 per share (2023: \$5.00) and 5.0% per share (2023: 5.0%) respectively amounting to \$2,381,356 (2023: \$1,811,344). Dividends paid during the financial year amounted to \$2,281,356 (2023: \$1,711,344).

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19 Interest income

	2024 \$	2023 \$
Investment securities and cash and cash equivalents	19,174,167	18,378,296
Mortgage loan facilities	1,548,983	1,556,430
	<u>20,723,150</u>	<u>19,934,726</u>

20 Other income

	2024 \$	2023 \$
Mortgage underwriting seminar income	342,707	161,805
Mortgage underwriting seminar expenses	<u>(333,020)</u>	<u>(150,383)</u>
	9,687	11,422
Gain on disposal of money market instruments	666,974	52,545
Unrealised gain/(loss) on FVTPL financial assets (note 9)	162,282	(4,557,811)
Gain on disposal of financial assets at FVTPL	131,592	772,495
Miscellaneous	5,007	—
Loss on disposal of financial assets at amortised cost	(28,597)	(8,960)
Loss on disposal of financial assets at FVOCI	<u>(126,249)</u>	<u>—</u>
	<u>820,696</u>	<u>(3,730,309)</u>

Eastern Caribbean Home Mortgage Bank

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Notes to Financial Statements

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(Expressed in Eastern Caribbean dollars)

21 General and administrative expenses

	2024	2023
	\$	\$
Salaries and related costs	2,107,869	2,127,182
Commission and fees	431,734	472,957
Advertising/promotion	246,545	93,237
Legal and professional	197,424	38,451
Amortisation - right of use asset (note 12)	171,932	171,932
Consultancy - HR	77,982	—
Miscellaneous	77,426	54,836
Computer repairs and maintenance	75,321	53,161
Telephone	74,737	53,752
Hotel accommodation	62,313	51,408
Shared Services - HR	59,600	—
Credit rating fee	40,500	34,204
Repairs and maintenance	34,801	34,606
Airfares	33,394	73,712
Subsistence	26,805	40,695
Insurance	10,497	13,172
Interest - lease liability (note 12)	9,402	10,588
Dues and subscriptions	6,265	4,618
Consultancy	3,071	67,001
Printing and stationery	2,952	5,432
Courier services	293	140
Internal audit fees	—	7,650
	3,750,863	3,408,734

22 Other operating expenses

	2024	2023
	\$	\$
Directors fees and expenses	463,416	466,225
Depreciation of motor vehicles and equipment (note 11)	134,823	136,868
Audit fees	105,940	117,000
Sundry debt instrument listing, registry and processing fees	95,093	142,844
Foreign currency losses, net	—	628
	799,272	863,565

Eastern Caribbean Home Mortgage Bank (Trading as ECHMB Capital)

Notes to Financial Statements

March 31, 2024

(Expressed in Eastern Caribbean dollars)

23 Earnings per share (EPS)

Basic and diluted earnings per share are computed as follows:

	2024 \$	2023 \$
Net profit for the year	5,236,496	1,735,318
Weighted average number of shares issued	268,749	268,749
Basic and diluted earnings per share	19.48	6.46

The Bank has no dilutive potential ordinary shares as of March 31, 2024 and 2023.

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, 2025.

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".

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 (2023: \$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, 2024, the balance held with the ECCB was \$1,812,957 (2023: \$19,439,281).

Eastern Caribbean Home Mortgage Bank (Trading as ECHMB Capital)

Notes to Financial Statements

March 31, 2024

(Expressed in Eastern Caribbean dollars)

25 Related party balances and transactions ...continued

Compensation of key management personnel

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

	2024	2023
	\$	\$
Short-term benefits	1,029,151	859,253
Director fees	255,200	223,200
	<u>1,284,351</u>	<u>1,082,453</u>

Short-term loans to key management personnel

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

	2024	2023
	\$	\$
Short-term loans	<u>15,000</u>	<u>20,000</u>



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 (869) 466 7869



info@echmb.com



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