

**Schedule 1**  
**FORM ECSRC – K**  
**ANNUAL REPORT**  
**PURSUANT TO SECTION 98(1) OF THE SECURITIES ACT, 2001**

For the financial year ended 31st March 2022

Issuer Registration number  
HMB160990GR

EASTERN CARIBBEAN HOME MORTGAGE BANK (ECHMB)

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

GRENADA

(Territory of incorporation)

ECCB COMPLEX, BIRD ROCK, BASSETERRE, ST. KITTS

(Address of principal office)

**REPORTING ISSUER'S:**

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

Fax number: 1-869-466-7518

Email address: info@ECHMB.com

(Provide information stipulated in paragraphs 1 to 14 hereunder)

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

Yes

No

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

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

**SIGNATURES**

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

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

Name of Chief Executive Officer:

RANDY LEWIS

Signature

8<sup>th</sup> September 2022

Date

Name of Director:

TIMOTHY ANTOINE

Signature

September 09, 2022

Date

Name of Chief Financial Officer:

HEIDI HYPOLITE

Signature

8<sup>th</sup> September 2022

Date

**INFORMATION TO BE INCLUDED IN FORM ECSRC-K**

**1. Business.**

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

There were no new developments in the main line of business to report over the period 1st April 2021 to 31st March 2022.

**2. Properties.**

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

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

**3. Legal Proceedings.**

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

Please see Appendix 2 - Legal Proceedings.

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

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

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

The 26th Annual General Meeting (AGM) of Shareholders of the Eastern Caribbean Home Mortgage Bank was held virtually on Friday 8th, October 2021.

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

There were no new directors appointed at the 26th AGM dated 8th October 2021.

The following Directors continued their term of office after the meeting held virtually on Friday 8, October 2021:

Class A - Timothy N.J Antoine  
Class B - Stewart Haynes  
Class C - Baldwin Taylor  
Class C - Peter Blanchard  
Class D - Alymer Irish

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

The results of items brought to a vote to shareholders were as follows: -

1) Shareholders declared a cash dividend totaling \$15.00 per share: -  
- Ratified interim dividends of Seven Dollars fifty cents (\$7.50) paid on the 1st April 2021.  
- Ratified and paid a final dividend of Seven Dollars (\$7.50) for each unit of share for the financial year ended 31st March 2021 to be paid to shareholders on record date of 31st March 2021.

2) The Audit Firm, PricewaterhouseCoopers (East Caribbean) was appointed as the Bank's External Auditor for the year ending 31st March 2022.

3) The Directors were authorized by shareholders to fix the remuneration of the External Auditor.

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

Not applicable.

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

Not applicable.

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

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

There were no sales of equity securities by the ECHMB during the reporting period (1st April 2021 to 31st March 2022).

**6. Financial Statements and Selected Financial Data.**

Attach Audited Financial Statements, which comprise the following:

**For the most recent financial year**

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

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

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

**7. Disclosure about Risk Factors.**

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

Please refer to Appendix 3 - Managing ECHMB Capital's Risk 2022.

Please also refer to Note 5, Financial Risk Management, in the Audited Financial Statements for the year ended 31 March 2022.

**8. Changes in Securities and Use of Proceeds.**

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

Not applicable.

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

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

Not applicable.

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

Not applicable.

- Name and address of underwriter(s)

Not applicable.

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

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

Not applicable.

- Payments to associated persons and the purpose for such payments

Not applicable.



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

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

**9. Defaults upon Senior Securities.**

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

There were no defaults upon Senior Securities.

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

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

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

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

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

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

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

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

*General Discussion and Analysis of Financial Condition*

Please refer to Appendix 4 - ECHMB Review of the Financial Outturn FY2022.

## **Liquidity and Capital Resources**

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

- i) The reporting issuer's financial condition covering aspects such as liquidity, capital resources, changes in financial condition and results of operations.
- ii) Any known trends, demands, commitments, events or uncertainties that will result in, or that are reasonably likely to result in, the issuer's liquidity increasing or decreasing in any material way. If a deficiency is identified, indicate the course of action that the reporting issuer has taken or proposes to take to remedy the deficiency.
- iii) The issuer's internal and external sources of liquidity and any material unused sources of liquid assets.
- iv) Provisions contained in financial guarantees or commitments, debt or lease agreements or other arrangements that could trigger a requirement for an early payment, additional collateral support, changes in terms, acceleration of maturity, or the creation of an additional financial obligation such as adverse changes in the issuer's financial ratios, earnings, cash flows or stock price or changes in the value of underlying, linked or indexed assets.
- v) Circumstances that could impair the issuer's ability to continue to engage in transactions that have been integral to historical operations or are financially or operationally essential or that could render that activity commercially impracticable such as the inability to maintain a specified level of earnings, earnings per share, financial ratios or collateral.
- vi) Factors specific to the issuer and its markets that the issuer expects will affect its ability to raise short-term and long-term financing, guarantees of debt or other commitment to third parties, and written options on non-financial assets.
- vii) The relevant maturity grouping of assets and liabilities based on the remaining period at the balance sheet date to the contractual maturity date. Commentary should provide information about effective periods and the way the risks associated with different maturity and interest profiles are managed and controlled.
- viii) The issuer's material commitments for capital expenditures as of the end of the latest fiscal period, and indicate the general purposes of such commitments and the anticipated source of funds needed to fulfil such commitments.
- ix) Any known material trends, favorable or unfavorable, in the issuer's capital resources, including any expected material changes in the mix and relative cost of capital resources, considering changes between debt, equity and any off-balance sheet financing arrangements.

### *Discussion of Liquidity and Capital Resources*

- i) Please refer to Appendix 5 - Liquidity Risk Management 2022.
- ii) Please refer to Appendix 5 - Liquidity Risk Management 2022.
- iii) In addition to the aforementioned internal liquidity sources, the Bank also maintains a Line of Credit with a reputable international financial services firm for liquidity support.
- iv) There are no events or circumstances meeting the specified criteria.
- v) There are no events or circumstances meeting the specified criteria.
- vi) The ECHMB's ability to raise financing is predicated on its ability to preserve its investment grade rating. In FY 2022, the Caribbean Information and Credit Rating Services (CariCRIS) upgraded the ratings assigned to the USD30.00m debt issue of ECHMB from CariBBB+ to 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 ECHMB's ratings.
- vii) Note above.
- viii) As at reporting date, there are no material commitments for capital expenditure.
- ix) During the 2022 financial year, the Bank increased its capital base through the issuance of new tranches of Corporate Paper instruments. The proceeds were used to expand the Bank's operations.

### **Off Balance Sheet Arrangements**

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

- i) Disclosures concerning transactions, arrangements and other relationships with unconsolidated entities or other persons that are reasonably likely to materially affect liquidity or the availability of, or requirements for capital resources.
- ii) The extent of the issuer's reliance on off-balance sheet arrangements should be described fully and clearly where those entities provide financing, liquidity, market or credit risk support, or expose the issuer to liability that is not reflected on the face of the financial statements.
- iii) Off-balance sheet arrangements such as their business purposes and activities, their economic substance, the key terms and conditions of any commitments, the initial on-going relationship with the issuer and its affiliates and the potential risk exposures resulting from its contractual or other commitments involving the off-balance sheet arrangements.
- iv) The effects on the issuer's business and financial condition of the entity's termination if it has a finite life or it is reasonably likely that the issuer's arrangements with the entity may be discontinued in the foreseeable future.

There are no Off-Balance Sheet arrangements.

## Results of Operations

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

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

- i) Any unusual or infrequent events or transactions or any significant economic changes that materially affected the amount of reported income from continuing operations and, in each case, the extent to which income was so affected.
- ii) Significant components of revenues or expenses that should, in the company's judgment, be described in order to understand the issuer's results of operations.
- iii) Known trends or uncertainties that have had or that the issuer reasonably expects will have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.
- iv) Known events that will cause a material change in the relationship between costs and revenues (such as price increases, costs of labour or materials), and changes in relationships should be disclosed.
- v) The extent to which material increases in net sales or revenues are attributable to increases in prices or to increases in the volume or amount of goods or services being sold or to the introduction of new products or services.
- vi) Matters that will have an impact on future operations and have not had an impact in the past.
- vii) Matters that have had an impact on reported operations and are not expected to have an impact upon future operations
- viii) Off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships that have or are reasonably likely to have a current or future effect on the registrant's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.
- ix) Performance goals, systems and, controls,

### *Overview of Results of Operations*

i) Please see earlier insertion for "ECHMB Review of the Financial Outturn FY2022" which provides an overview of results of operations and addresses requirement i).

ii) Please see earlier insertion for "ECHMB Review of the Financial Outturn FY2022" which provides an overview of results of operations and addresses requirements ii).

iii) Please see earlier insertion for "ECHMB Review of the Financial Outturn FY2022" which provides an overview of results of operations and addresses requirements iii).

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

v) Not applicable.

vi) There are no matters meeting the specified criteria.

viii) There are no matters meeting the specified criteria.

viii) There are no matters meeting the specified criteria.

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

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

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

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

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

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

**13. Other Information.**

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

There are no additional matters to report except as follows:

The Board of Directors authorized the issuance of 150,000 (EC\$15.0M) 5.0% Non-cumulative Callable Preference Shares with par value of \$100.00 in July 2021.

As at March 31, 2022, there were 137,640 5.0% Non-cumulative Callable Preference shares with par value of \$100.00 issued and outstanding.



#### 14. List of Exhibits

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

Appendix 1 - Biographical Data Form for Directors;  
Appendix 1(a) - Biographical Data Form for Executive Officers;  
Appendix 2 - Legal Proceedings;  
Appendix 3 - Managing ECHMB Capital's Risk 2022;  
Appendix 4 - ECHMB Review of the Financial Outturn FY2022;  
Appendix 5 - Liquidity Risk Management 2022; and  
Audited Financial Statements for the year ended 31 March 2022.

**APPENDIX 1 – BIOGRAPHICAL DATA FORMS**

**DIRECTORS OF THE COMPANY**

Name: \_\_\_\_\_ Position: \_\_\_\_\_

Mailing Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Telephone No.:

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

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

*Use additional sheets if necessary.*

## **ECSRC – K**

### **Appendix 2 – Legal Proceedings**

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

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

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

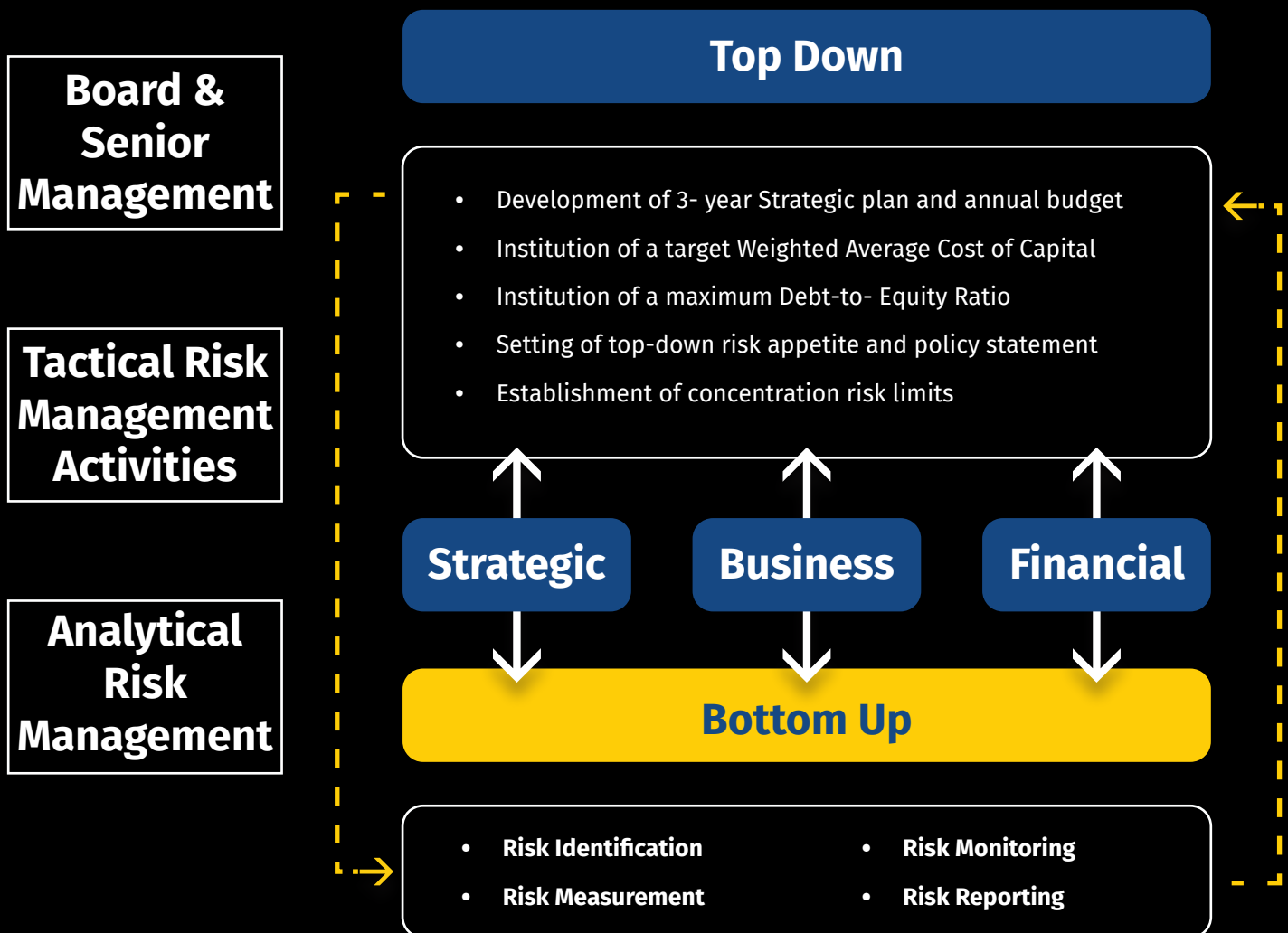
# Risk Management



ECHMB Capital's business model encompasses the issuance of financial instruments on the Eastern Caribbean Securities Market ("ECSM") and investment of the proceeds in fixed income instruments, equities and mortgage-backed securities ("MBS"). As a consequence of ECHMB Capital activities, the Bank is exposed to a number of opportunities and risks which may accelerate or hinder the successful implementation of its objective. The ECHMB Capital's Enterprise Risk Management Framework ("ERM") provides a comprehensive structure for the proper identification and management of material opportunities and risks faced by the Bank.

To ensure the comprehensive identification and prioritization of all material risks, the Bank assesses its risks from two perspectives, 'top-down' and 'bottom-up'.

# ECHMB Capital's Risk Management Framework



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

- (i) Those who establish risk policy, processes (i.e., assessment) and methodologies (i.e., monitoring and reporting);
- (ii) Those involved in taking and managing risks; and
- (iii) 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 Top nine (9) Risks Faced by ECHMB Capital In FY 2022



## Managing Risk Strategically

Despite the tough and unprecedented operating environment in FY 2022, ECHMB Capital has successfully managed its major risks.

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

<p><b>Credit Risk</b></p> <p>Credit risk is the most significant measurable risk faced by ECHMB Capital. It is the risk of loss arising out of the failure of obligors to meet their financial or contractual obligations when due. COVID-19 resulted in an unprecedented shock in economic activity regionally and internationally, which in turn contributed to elevated credit risk in global markets.</p>	<p><b>Management's Response</b></p> <ul style="list-style-type: none"> <li>• Strengthen the Bank's corporate governance structure with the appointment of Assets and Liabilities and Investment Committees</li> <li>• Updated the Bank's consolidated policies</li> <li>• Recruited a Risk and Compliance Officer</li> <li>• Expanded the Investment Department to enable ongoing risk monitoring at the individual counterparty and portfolio level.</li> <li>• Increased diversification of the investment portfolio</li> <li>• Acquisition of Bloomberg terminals</li> </ul>
<p><b>Strategic Risk</b></p> <p>Strategic risk is the risk that failed business decisions may pose to the Bank.</p>	<p><b>Management's Response</b></p> <ul style="list-style-type: none"> <li>• Prepared a 3-year strategic plan as well as an annual (i) business plan; (ii) work plan; (iii) operating budget; and (iv) balance scorecard.</li> <li>• 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 .</li> </ul>
<p><b>Operational Risk</b></p> <p>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.</p>	<p><b>Management's Response</b></p> <ul style="list-style-type: none"> <li>• Renovated the Bank's plant to ensure COVID-19 compliance</li> <li>• Most payments were made via Electronic Fund Transfers</li> <li>• Encouraged staff to be vaccinated</li> </ul>



<p><b>Liquidity Risk</b></p> <p>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).</p>	<p><b>Management's Response</b></p> <ul style="list-style-type: none"> <li>• The Bank maintains cash buffers with indigenous commercial banks</li> <li>• The Bank has negotiated favourable credit lines with international banks</li> <li>• A significant part of the investment portfolio is traded on an active market and hence, can be easily liquidated to meet any liquidity crunch.</li> </ul>
<p><b>Market Risk</b></p> <p>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.</p>	<p><b>Management's Response</b></p> <ul style="list-style-type: none"> <li>• The Bank has appointed an Investment Committee.</li> <li>• ECHMB Capital will apply a laddering strategy at all times to help smooth out the effects of interest rate fluctuations.</li> <li>• The Bank continues to diversify its investment portfolio in terms of jurisdiction, instrument types, and currency exposure.</li> <li>• ECHMB Capital minimizes the variations in earnings, capital and cash flow arising from the impact of exchange rate movements by transacting only in ECdenominated or US-denominated instruments.</li> <li>• The Bank has expanded its Investment Department and has recruited a Risk and Compliance Officer.</li> <li>• The Bank has increased the number of external advisors</li> </ul>
<p><b>Balance Sheet Risk</b></p> <p>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.</p>	<p><b>Management's Response</b></p> <p>The Bank has established the following operating limits:-</p> <ul style="list-style-type: none"> <li>• Achieve a target Net Profit for the year of a minimum of 20.0% of interest income.</li> <li>• Operate with a non-interest /total expenses ratio of less than 45.0%</li> <li>• Achieve a rate of return of at least 1.4% on total assets</li> <li>• Ensure debt capital never exceed 8.0:1 times of shareholders' equity</li> </ul>



<p><b>Cyber Risk</b></p> <p>Cybersecurity risk is the possibility of exposure of loss resulting from cyber-attacks or data breach on the Bank.</p>	<p><b>Management's Response</b></p> <ul style="list-style-type: none"> <li>• Banks ensures its firewalls are up to date and fully functioning</li> <li>• The Bank undertakes an Information technology audit at five (5) year intervals.</li> <li>• Continued staff awareness on potential cyber-attack threats</li> <li>• Monthly changing of passwords</li> </ul>
<p><b>Regulatory, Accounting and Compliance</b></p> <p>As a regional institution, it is imperative that ECHMB Capital is in compliance with applicable laws, accounting standards and other regulations.</p>	<p><b>Management's Response</b></p> <ul style="list-style-type: none"> <li>• Banks ensures its firewalls are up to date and fully functioning</li> <li>• The Bank undertakes an Information technology audit at five (5) year intervals.</li> <li>• Continued staff awareness on potential cyber-attack threats</li> <li>• Monthly changing of passwords</li> </ul>
<p><b>Reputational Risk</b></p> <p>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</p>	<p><b>Management's Response</b></p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• Avoiding activities that may cause reputational damage to ECHMB Capital including activities that may have a negative environmental or social impact.</li> </ul>



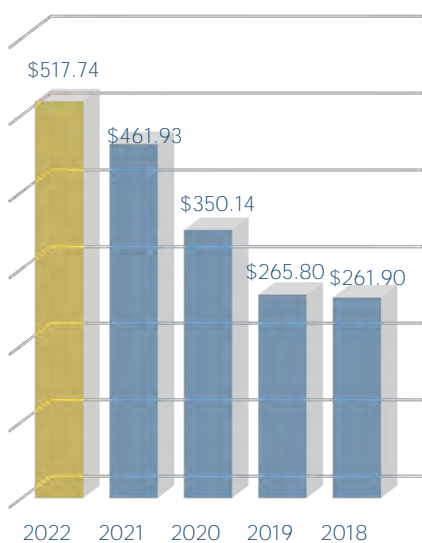
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Eastern Caribbean Home Mortgage Bank  
(Trading as ECHMB Capital)  
Review of the Financial Outturn  
FY 2022

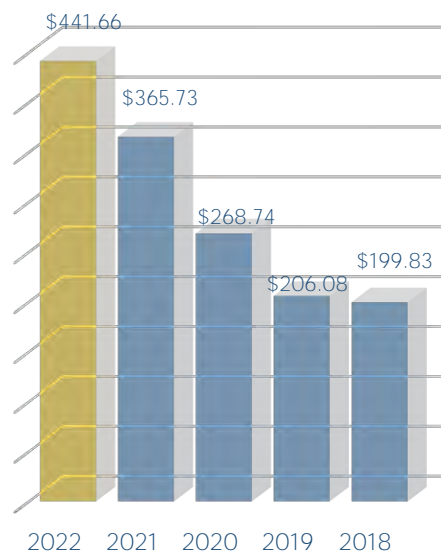
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5-Year Statistical Review					
	2022	2021	2020	2019	2018
	\$	\$	\$	\$	\$
Interest Income	17,876,613	16,106,192	13,525,456	12,313,216	11,480,370
Interest Expense	9,890,467	7,468,564	5,477,981	4,637,522	3,962,620
Net Interest Income	7,986,146	8,637,628	8,047,475	7,675,694	7,517,750
Other income	2,700,683	15,123,043	5,117,790	949,693	228,173
Other Expenses	3,095,136	6,745,775	4,032,713	3,315,459	3,530,088
Net Profit for the Year	7,591,693	17,014,896	9,132,552	5,309,928	4,215,835
Total Assets	517,742,565	461,927,985	350,137,718	265,802,954	61,901,801
Total Liabilities	458,033,996	392,727,223	287,674,736	206,630,675	200,543,931
Shareholders' Equity	59,708,569	69,200,762	62,462,982	59,172,279	61,357,870
Earnings per share	28.25	63.31	33.98	19.76	15.69
Book Value per share	222.17	257.49	232.42	220.18	228.31
Net Interest Income	44.67%	53.63%	59.50%	62.39%	65.48%
Efficiency Ratio	15.04%	21.60%	21.63%	25.00%	30.15%
Return on Assets	1.47%	3.68%	2.61%	2.00%	1.61%
Interest Cover	1.77	3.28	2.67	2.14	2.06
Debt-to-Equity Ratio	7.40:1	5.29:1	4.30:1	3.48:1	3.27:1

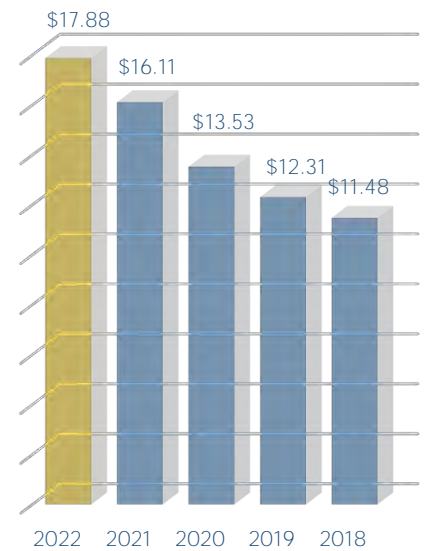
Assets Under Management



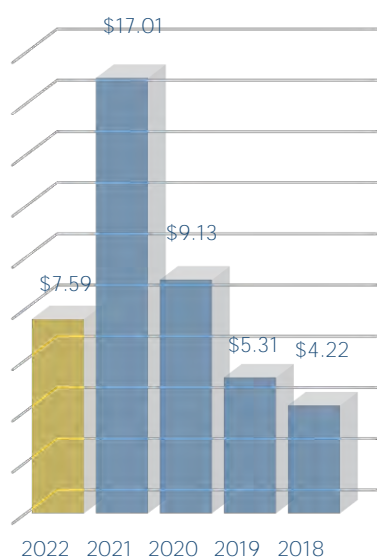
Borrowings



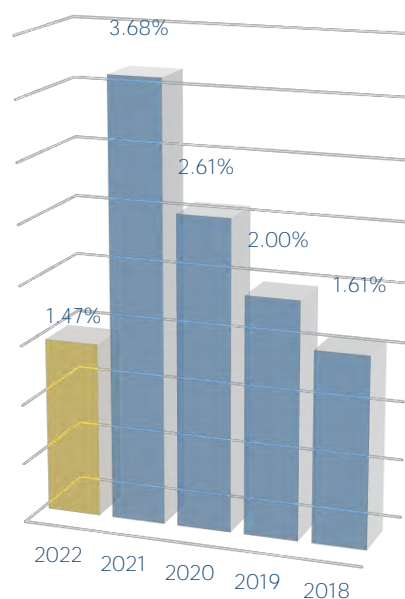
Interest Income



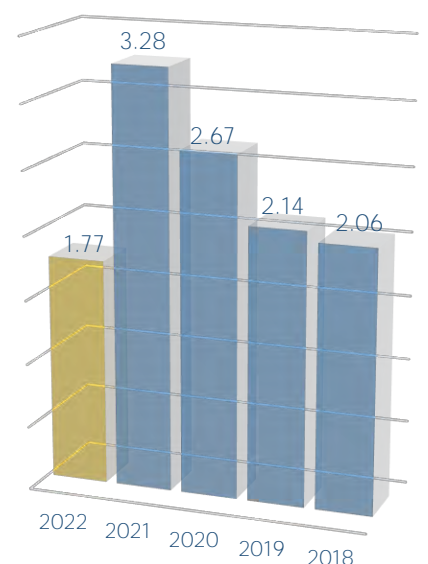
Net Profit



Return on Assets



Interest Cover





## Economic Environment FY 2022

In its delayed World Economic Outlook report, published Tuesday 22 February 2022, the **International Monetary Fund (“IMF”)** said it **expects global gross domestic product (“GDP”)** to weaken from 5.9% in 2021 to 4.4% in 2022. The lower GDP was projected due to the lag in returning to normalcy on account of new variants of Covid-19. Further, geopolitical **tensions associated with Russia’s invasion of Ukraine** have exacerbated supply chain disruptions, spurring persistent increases in commodities price. Also contributing to **uncertainty is the “hawkish policy” employed by the Federal Reserve System (“The FED”)** to combat the rising inflation; the FED proposes to persist with aforesaid policy on the proviso inflation remains at unacceptable levels. The tripartite PEST factors of: - (a) lower GDP on account of Covid-19; (b) geopolitical risks with knock on effects on commodity prices; and (c) **the FED’s hawkish policies, have resulted in elevated volatility in capital markets.**

A perusal of the economic conditions reported in Q2 of FY 2022, would suggest that the capital markets had transitioned from the “bullish market” of FY 2021.

### Impact of the Economic Environment on ECHMB Capital Investment Strategy FY 2022

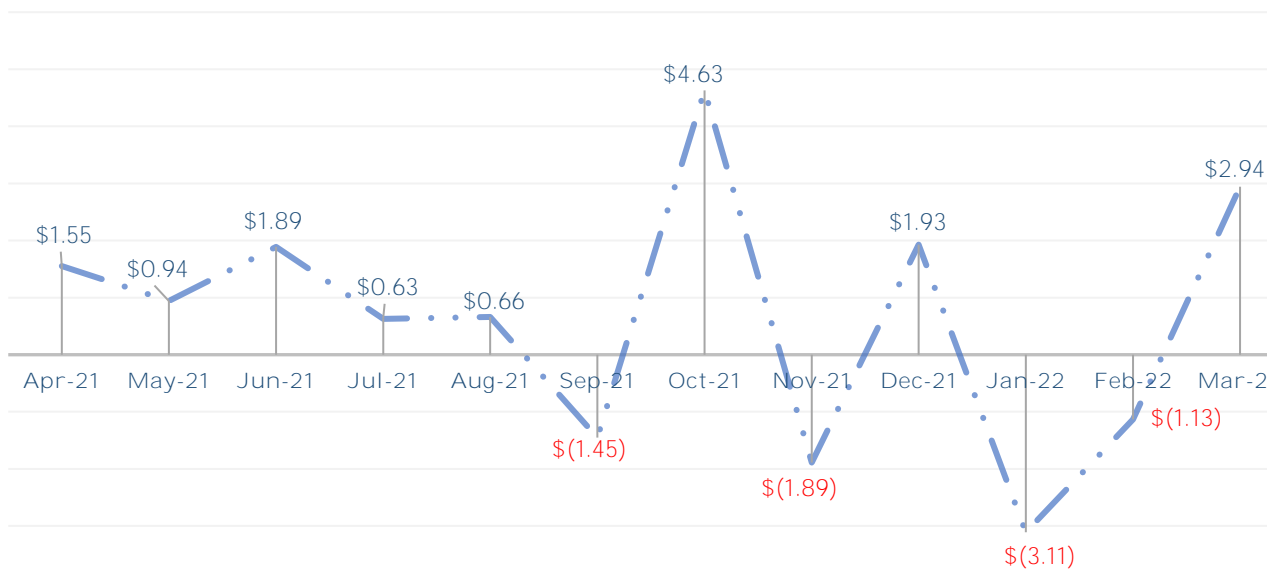
Based on ECHMB Capital’s business model, approximately **91.0% of the Bank’s Assets Under Management (“AUM”) are traded on international capital markets.** Given ECHMB Capital’s full adoption of **International Financial Reporting Standards (“IFRS”), it is probable that the Bank’s financial outturn will reflect the ebbs and flows of capital markets.** The chart below illustrates how ECHMB Capital’s financial outturn in FY 2022 mirrored the volatility of the aforementioned.

Q1 of FY 2022 reflected the stability and buoyance experience in Q3 and Q4 of FY 2021. However, significant volatility was reported during the latter part of Q2 of FY 2022 and attributed to the convergence of the aforementioned PEST factors. Given the prevailing market conditions, there were **three (3) strategic changes to the Bank’s assets allocation in FY 2022.** In the first instance, the Bank held increased sums in Cash and Cash Equivalents (“CCE”) which grew from **\$35.53M in FY 2021 to \$55.14M in FY 2022.** This strategy had dual purposes: - (a) to hedge against probable mark-to-market diminution on the fixed income portfolio on account of interest rate hikes; and (b) to reduce impairment losses on the fixed income portfolio in Q4 as there is no expected credit loss on CCE. Secondly, the Bank increased its allocation to equity from 5.0% in FY 2021 to 14.0% in FY 2022. This was **part of the Bank’s diversification strategy and hence, ensured compliance with the Investment Policy Statement.** Thirdly, a significant risk mitigant in FY 2022 was the reduction in the duration of the fixed income portfolio. This also served to insulate the fixed income portfolio from mark-to-market diminution ex post interest rate hikes.

### Assets Under Management (“AUM”)

AUM increased by \$55.81M (12.08%) from \$461.93M in FY 2021 to \$517.74M in FY 2022. It is **to be noted that on account of the FED’s policy of hiking interest rates, the Bank recorded a Fair Value Reserve (“FVR”) diminution of \$26.82M on fixed income securities in FY 2022;** increasing the total FVR losses to \$38.23M at 31<sup>st</sup> March 2022. It is to be noted that the FVR is an unrealized mark-to-market adjustment and crystallization of losses in the Statement of Comprehensive Income is contingent on disposal. On the assumption that ECHMB Capital recorded its fixed income portfolio at “Amortized Costs” as opposed to “Fair Value Through Other Comprehensive Income,” the actual growth in AUM would translate to \$75.05M (15.98%).

Net profit - Twelve (12) Months FY 2022  
(expressed in \$'000)



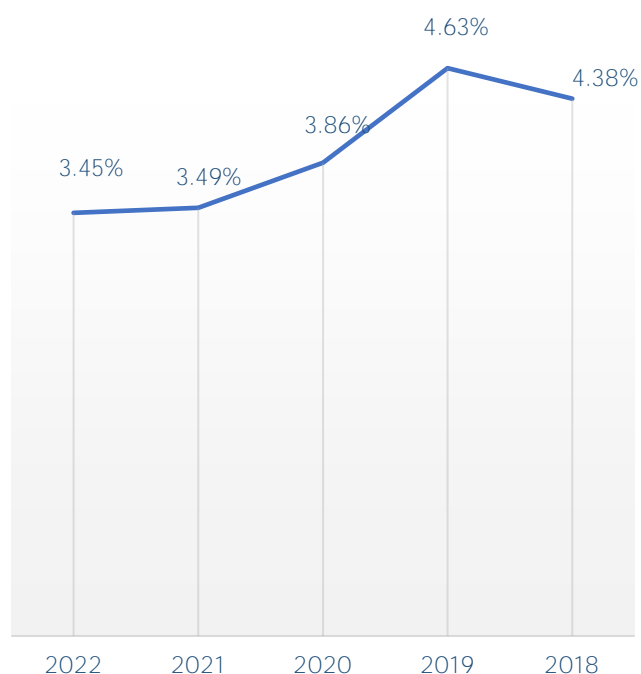
**The Bank's net Investment Securities increased** by \$15.75M (4.07%) from \$386.88M in FY 2021 to \$402.63M in FY 2022 and accounted for 77.77% of AUM. As it relates to other income earnings assets, Mortgage Loans Facilities (“MLF”) **declined by \$4.26M (12.46%)** from \$34.19M in FY 2021 to \$29.93M in FY 2022 and principally attributed to the \$2.36M repurchased by Primary Lenders. **The Bank's principal earnings assets (Investments Securities and Mortgage Loans Facilities) increased by \$11.49M (2.73%)** from \$421.07M in FY 2021 to \$432.56M in FY 2022.

**Given the FED's hawkish policy of increasing** interest rates, the amount of \$55.13M or 10.65% of AUM was held in CCE pending acquisition of investment grade fixed income instruments. The coupon rate on the asset class varied from 0.0% to 4.5%.

### Interest Income

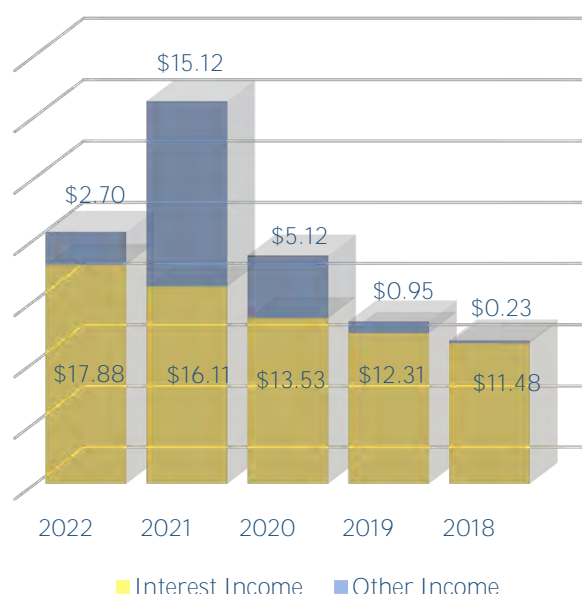
Interest Income increased by \$1.77M (10.99%) from \$16.11M in FY 2021 to \$17.88M in FY 2022. However, due to the change in the asset allocation in FY 2022 to mitigate operating risks and the decline in the more profitable MLF, the yield on AUM declined from 3.49% in FY 2021 to 3.45% in FY 2022. The growth in Interest Income is therefore attributed exclusively to the 2.73% increase in AUM.

Yield on Assets Under Management



Other Income declined by \$12.42M (82.14%) from \$15.12M in FY 2021 to \$2.70M in FY 2022. This was attributed to the \$5.77M (43.22%) decline on Gain on Disposal of Financial Assets at FVOCI and \$5.50M reported on Unrealised Loss on FVTPL Financial Assets.

Trends in Total Income 2018-2022



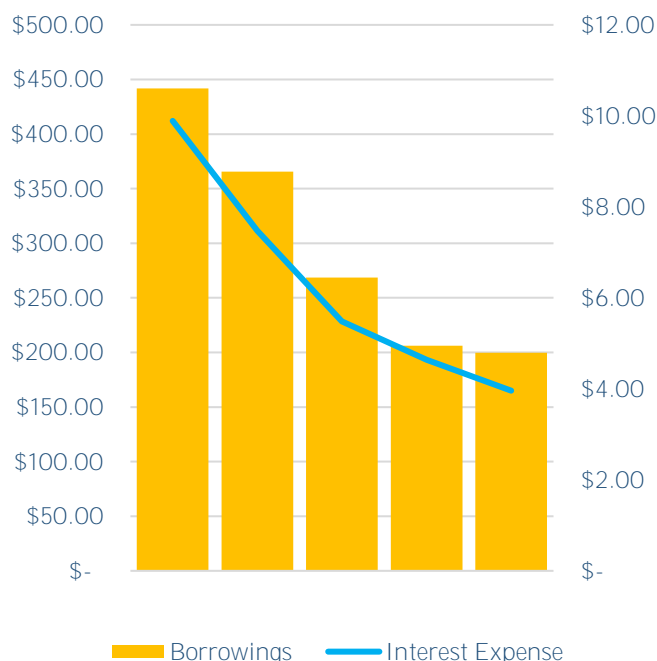
### Interest Expense

ECHMB Capital continued to roll-out its **growth strategy in FY 2022. The Bank's growth strategy is financed by Borrowings and Shareholders' Equity.** To increase the **attractiveness of the Bank's Borrowings, the pricing of the instruments remained fixed.** Borrowings increased by \$75.93M (20.76%) from \$365.73M in FY 2021 to \$441.66M in FY 2022.

Other funding initiatives included the issuance of Preference Shares totaling \$13.76M and Retained Earnings of \$3.56M. Due to the strategy of offering fixed coupon instruments, **the Bank's weighted average costs of debt was maintained at 2.51%.**

Interest Expense increased by \$2.42M (32.40%) from \$7.47M in FY 2021 to \$9.89M in FY 2022. The increase in Interest Expense was therefore attributed to the 20.76% growth in Borrowings.

Trends in Borrowing and Interest Expense



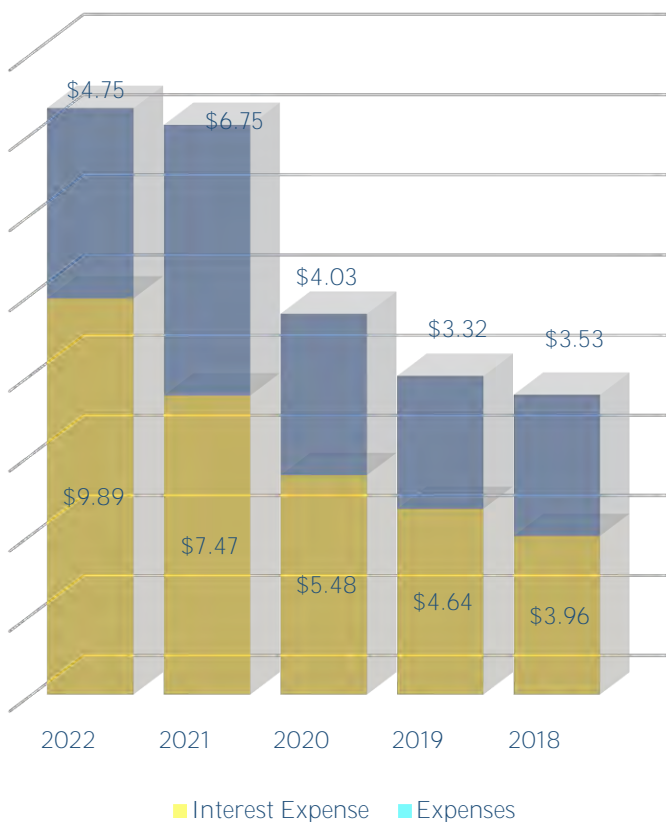
## Net Interest Income

The Bank's investment strategy for FY 2022 had the following downsides. In the first instance, the placement of increased amounts in CCE and growth in the equity portfolio resulted in higher non-interest earning assets and hence, increased "cash drag". Secondly, in a bid to reduce the duration of the fixed income portfolio, the Bank acquired instruments with shorter tenures at lower coupons. Further, the change in the composition of AUM on account of the declining MLF and increases in investment have contributed to declining yields. As a result, Net Interest Income ("NII") or the difference between Interest Income (\$17.88M) and Interest Expenses (\$9.89M) was reported at \$7.99M (44.67%) compared to 53.63% in FY 2021.

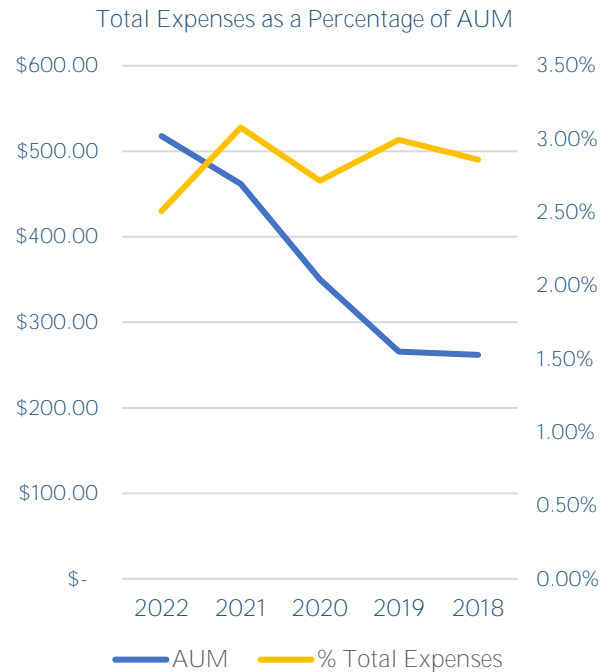
## Expenses

Total Expenses (interest and operating expenses) in FY 2022 declined by \$1.23M (8.65%) from \$14.22M in FY 2022 to \$12.99M. This was mainly attributed to the \$1.65M reduction in Net Impairment Losses on Financial Assets and reduction in General and Administrative Expenses from \$3.94M in FY 2021 to \$3.57M in FY 2022.

Ttrend in Total Expenses 2018-2022



Notwithstanding growth in the Bank's operations over the period FY 2018 to FY 2022, Total Expenses as a percentage of AUM have declined.



The Bank's Efficiency Ratio was reported at 15.04% in FY 2022, the lowest in the last five years of operations. An Efficiency Ratio of less than 50.0% is considered excellent in the financial industry.

## Net Profit

Net profit for the year was reported at \$7.59M representing a decline of \$9.42M (55.38%), a creditable outturn given the volatile financial conditions of FY 2022. Return on Assets was reported at 1.47% and represents the upper tier of financial institutions domiciled in the Eastern Caribbean Currency Union. The Bank continued to report a satisfactory Interest Cover in FY 2022 at 1.77%.

Earnings-Per-Share was reported at \$28.25 and lower than the \$63.31 reported in FY 2021.

## Statement of Financial Position

In FY 2022, ECHMB Capital continued its quest of building a "fortress" Statement of Financial Position, the objective of which is to ensure the Bank has sufficient capital to successfully navigate headwinds. The Bank's resilience was tested in FY 2022 as the FED continued to implement hawkish policies to curb inflation. Notwithstanding the \$38.23M loss on Fair Value Reserve, Shareholders' Equity was reported at \$59.71M with the Debt-to-Equity Ratio reported at 7.40:1 and within the 8.0:1 stipulated by the Board of Directors.

Book Value Per Share, although declining from a high of \$257.49 in FY 2021 was reported at \$222.17 and significantly higher than the \$100.00 and \$160.00 acquisition costs per share. Most importantly CCE was reported at \$55.14M which will enable the Bank to meet all obligations to Borrowers, plus resume acquisition of investment grade financial instruments when conditions become favorable.

Equally important is the fact that the Bank is void of material contingent liabilities and/or off-balance sheet transactions.

### Outlook FY 2023

Inflation continues to be the headline concern for much of the world, and the conversations are beginning to shift from whether there will be a recession, to when the recession will occur. The consensus however appears to be that the global economy will manage to avoid a true recession in fiscal 2022.

Whilst the current inflation also reflects tight labour markets and commodity price shocks, we are beginning to see normalisation of the heavily discussed supply chain issues, suggesting that consumer goods inflation could subside in FY 2023. This is expected to assist with the projected, albeit slow, global economic growth and recovery.

Given that this high market volatility is anticipated to continue for the balance of the year, ECHMB Capital intends to remain conservative with its investment portfolio to maintain its pledged stability to the ECCU.

## **Appendix 5 - Liquidity Risk Management 2022**

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

1. Trading Liquidity Risk
2. Funding Liquidity Risk

### **Trading Liquidity Risk**

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

### **Funding Liquidity Risk**

Funding Liquidity risk is the risk that creditors either withdraw credit or change the terms on which it is granted. Funding liquidity can be put at risk because the borrower’s credit quality is, or at least perceived to be, deteriorating, but also because financial conditions on a whole are deteriorating. ECHMB’s funding relates mainly to issuance of debt instruments on the Eastern Caribbean Securities Market and Shareholders’ Equity. Debt instruments continue to be the Bank’s principal source of funds and accounted for 88.17% of total capital in FY 2022.

This liquidity risk is managed through the diversification of debtholders and maintaining a high creditworthiness as reflected by our investment grade credit rating. Although not a statutory requirement, the ECHMB has also imposed an internal Debt-to-Equity Ratio limit of 8.0:1 to manage its funding. Management’s objective is to maintain an adequate level of capital, in line with the Bank’s risk appetite, to support the Bank’s activities while producing an acceptable return for shareholders. During the 2022 financial year, the Bank reported a Debt-to-Equity Ratio of 7.40:1.