

# EASTERN CARIBBEAN HOME MORTGAGE BANK



ANGUILLA



ANTIGUA and  
BARBUDA



DOMINICA



GRENADA



MONTSERRAT



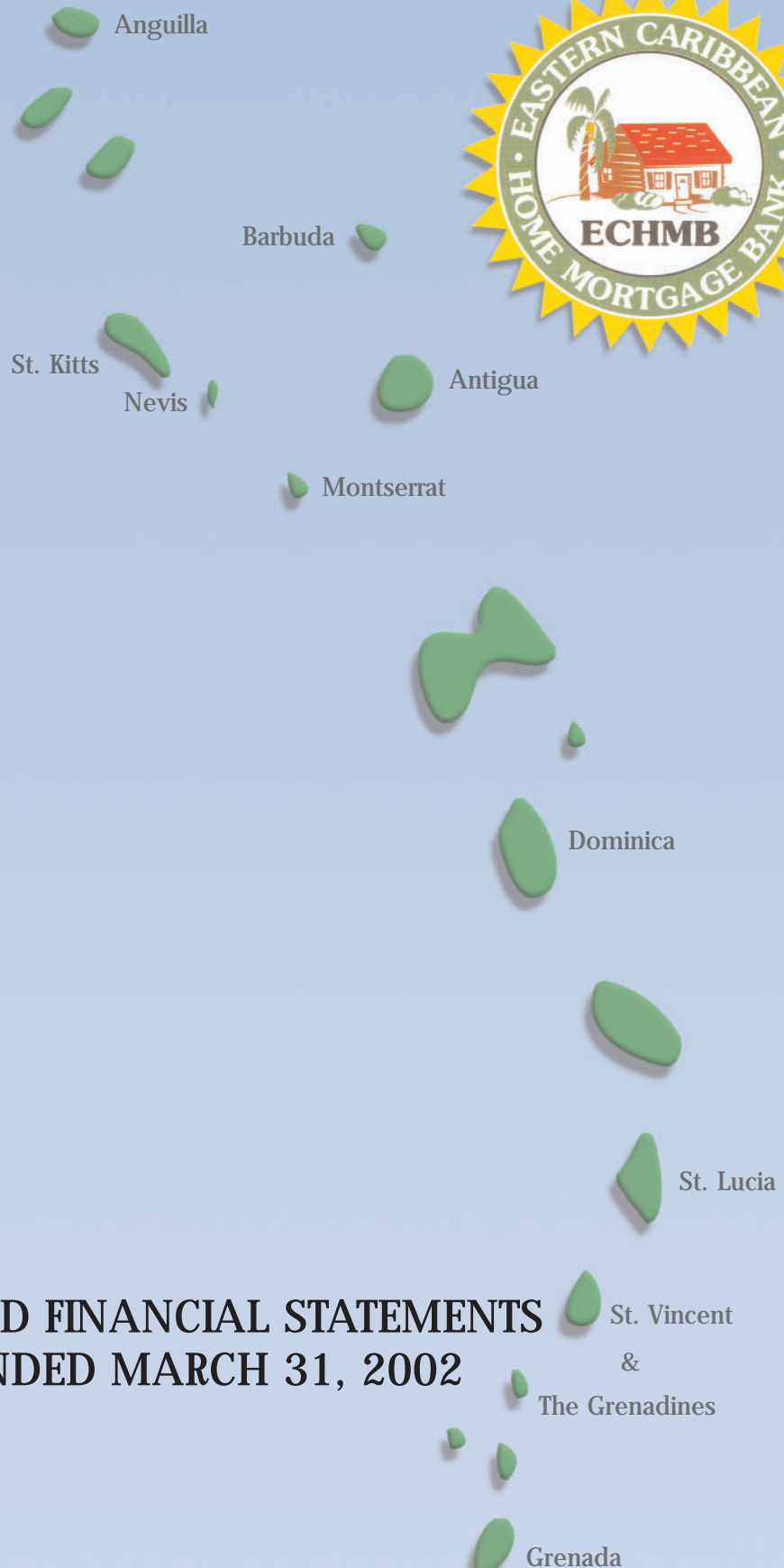
ST. KITTS and NEVIS



ST. LUCIA



ST. VINCENT  
and the  
GRENADINES



## ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2002

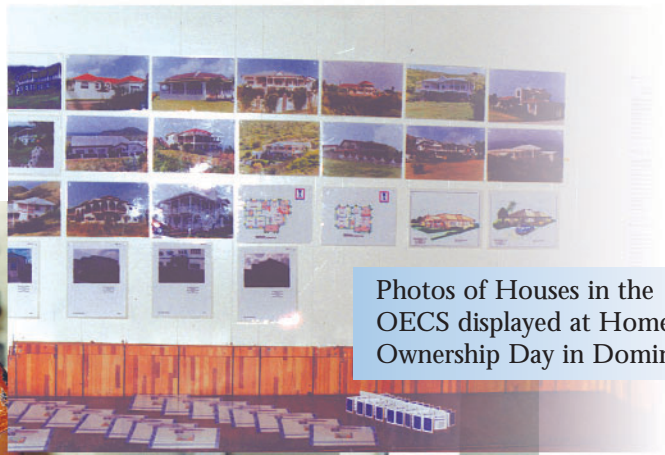
# Eastern Caribbean Home Mortgage Bank in the vanguard of

- Money & Capital Market Development
- Mortgage Underwriting & Risk Management
- Promotion of Home Ownership

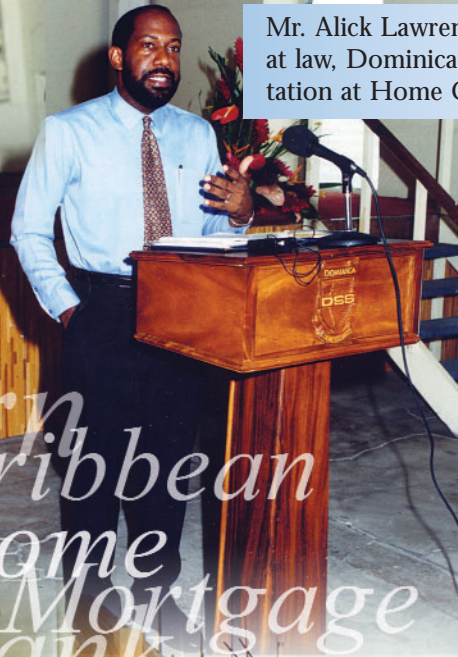
Mr. Crispin Sorhaindo, featured speaker at Home Ownership Day - Dominica 2001, receiving a gift.



Photos of Houses in the OECS displayed at Home Ownership Day in Dominica.



Mr. Alick Lawrence, Attorney at law, Dominica, making a presentation at Home Ownership Day



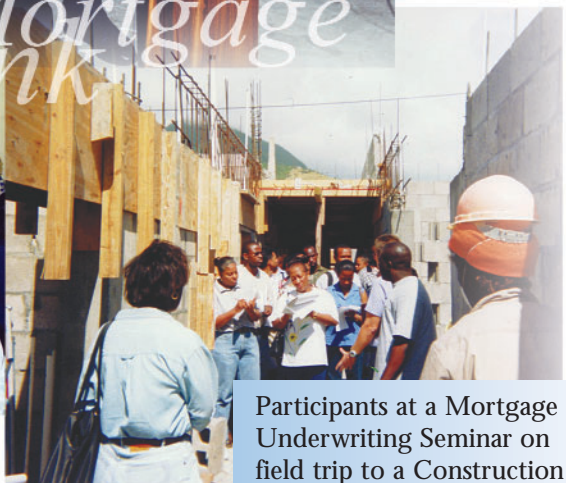
Mr. Issac Baptiste, Senior Physical Planner responding to a question at Home Ownership Day in Dominica.



Prospective Home Owner asking a question at Home Ownership Day.



Participants at a Mortgage Underwriting Seminar on field trip to a Construction Site in St. Kitts



# EASTERN CARIBBEAN HOME MORTGAGE BANK

## BOARD OF DIRECTORS



Sir. K Dwight Venner



Mr. Reginald Thomas



Mr. Henley O. Richardson

### MISSION STATEMENT

To promote the development of the secondary mortgage market in the member states and bring additional benefits, by facilitating the development of the money and capital market, improving liquidity management in the financial system and promoting home ownership throughout the member states



Mr. Pershing A.R. Waldron



Mr. Austin (Gary) Da Silva



Mr. Calder Hart



Ms. Lydia V. Elliott



# EASTERN CARIBBEAN HOME MORTGAGE BANK

Eastern Caribbean Central Bank	Roseau Co-operative Credit Union Ltd. (Dominica)
Anguilla Social Security Board	St Alphonsus Co-op Credit Union Ltd. (Dominica)
Dominica Social Security Board	ACB Mortgage & Trust Co. Ltd.(Antigua)
National Insurance Scheme- Grenada	Barbados Mutual Life Assurance Society
Social Security Board - Montserrat	Anguilla Mortgage Company Ltd.
St.Kitts & Nevis Social Security Board	Finance and Development Company Ltd. (Antigua)
National Insurance Board - St.Lucia	Dominica Co-operative Credit Union League
National Insurance Board- (SVG)	Portsmouth Co-operative Credit Union Ltd. (Dominica)
National Commercial Bank of Dominica	Dominica National Mortgage Finance Co. Ltd.
Grenada Bank of Commerce	Grenada Building and Loan Association
St.Kitts -Nevis -Anguilla National Bank Ltd.	River Saltee Co-operative Credit Union Ltd.
National Commercial Bank of St.Lucia	Grenada Public Service Credit Union
National Commercial Bank (SVG)	Montserrat Building Society Ltd.
National Bank of Anguilla	St Patrick's Co-operative Credit Union (Montserrat)
Caribbean Commercial Bank (Anguilla)	St Kitts & Nevis Insurance Company (SNIC)
CIBC Caribbean Ltd.(Antigua)	National Caribbean Insurance Company Ltd. (St.Kitts)
Antigua Commercial Bank	St Kitts Co-operative Credit Union
Bank of Antigua Ltd.	Nevis Co-operative Credit Union Ltd.
Antigua Barbuda Investment Bank	St Kitts-Nevis Finance Company
Caribbean Banking Corporation (Antigua)	St Lucia Civil Service Co-op Credit Union
National Commercial Bank (Grenada)	The Royal St Lucia Police Co-op Credit Union
Grenada Co-operative Bank Ltd.	St Lucia Teachers' Credit Co-op Ltd.
Bank of Nova Scotia (St.Kitts & Nevis)	Metrocint General Insurance Company Ltd. (SVG)
Bank of Nevis	St Vincent Insurances Ltd.
Caribbean Banking Corporation (SKN) Ltd.	SVG Gov't Employees' Co-op Credit Union Ltd.
St.Lucia Co-operative Bank	St Vincent Teachers' Credit Union Ltd.
CIBC Caribbean Limited.(St. Lucia)	Kingstown Co-operative Credit Union (SVG)
Caribbean Banking Corporation (St.Lucia)	First St Vincent Bank
Caribbean Banking Corporation (SVG)	Antigua & Barbuda Teachers' Co-op Credit Union
CIBC Caribbean Limited.(SVG)	St Vincent Building and Loan Association
National Investment Company of Anguilla Ltd.	International Finance Corporation (USA)
St.John's Co-operative Credit Union (Antigua)	The Home Mortgage Bank of Trinidad & Tobago

# EASTERN CARIBBEAN HOME MORTGAGE BANK

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# EASTERN CARIBBEAN HOME MORTGAGE BANK

## FINANCIAL HIGHLIGHTS

The highlights of the Eastern Caribbean Home Mortgage Bank's performance over the last five (5) years of commercial operations are as follows:

	<b>2001/02</b> \$	<b>2000/01</b> \$	<b>1999/00</b> \$	<b>1998/99</b> \$	<b>1997/98</b> \$
<b>Total Net Assets</b>	<b>81,937,087</b>	<b>81,581,104</b>	<b>67,482,957</b>	<b>57,230,046</b>	<b>44,241,480</b>
Mortgages Outstanding	50,013,422	40,382,005	26,379,647	10,993,489	6,672,479
Other Earning Assets	33,172,531	42,390,764	41,887,253	46,042,495	37,248,214
Total Capital	11,912,087	11,556,104	11,412,957	11,260,046	10,471,480
Net Income	1,355,983	1,143,147	902,911	788,566	221,342
Net Interest Income	3,221,098	2,778,254	2,356,940	1,896,530	1,279,177
Operating Expenses	1,933,115	1,635,608	1,360,717	1,107,964	1,004,194
Earnings Per Share	13.56	11.43	9.03	7.88	2.21
	%	%			
Net Interest Margin	3.9	3.7	3.8	3.8	3.4
Operating Expenses to Total Net Assets	2.4	2.0	2.0	1.9	2.7
Equity to Total Net Assets	14.5	14.2	16.9	19.7	23.7
Return on Average Equity	11.4	10.0	7.9	7.3	2.1

## BOARD OF DIRECTORS

### EASTERN CARIBBEAN HOME MORTGAGE BANK

Sir K. Dwight Venner Chairman	Governor, Eastern Caribbean Central Bank
Mr. Pershing A. R. Waldron Deputy Chairman	Manager, A C B Mortgage & Trust Co Ltd
Mr. Reginald Thomas	Executive Director, National Insurance Scheme St Vincent and the Grenadines
Mr. Henley Richardson	Country Manager, Antigua Barbuda Investment Bank Ltd
Mr Austin (Gary) Da Silva	Director, St Kitts-Nevis-Anguilla Trading and Development Company Ltd (TDC)
Vacant	International Finance Corporation
Mr. Calder Hart	Chief Executive Officer, The Home Mortgage Bank of Trinidad and Tobago
Ms. Lydia V Elliott Secretary to the Board	Legal Advisor, Eastern Caribbean Central Bank

## MANAGEMENT

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Mr. St. Bernard J. Sebastian	General Manager
Mr. Alexander Augustine	Manager, Corporate Finance
Ms. Joan M Gonsalves	Manager, Mortgage Underwriting
Mr. Dennis S. M. Cornwall	Manager, Research and Marketing

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## SOLICITORS

Veira, Grant & Associates  
Barristers at Law and Solicitors  
Church Street, Basseterre  
St Kitts & Nevis W.I

## AUDITORS

Pannell Kerr Forster  
North Independence Square Street  
Basseterre, St Kitts & Nevis W.I.

# EASTERN CARIBBEAN HOME MORTGAGE BANK

## CHAIRMAN'S REPORT



Mr. K Dwight Venner

## DIVIDEND

Building  
Partnership with  
Primary lending  
institutions

The Directors are pleased to present the Annual Report of Eastern Caribbean Home Mortgage Bank (ECHMB) with the Audited Financial Statements for the year ended March 31, 2002. During the year ECHMB continued to make timely interventions in the market to provide additional finance for mortgages. For the year ended March 31, 2002, ECHMB reported net income amounting to \$1.36 million, an increase of 19.3 % over the previous year. Net total assets increased marginally by 0.44 % over the previous year. Earnings per share reached \$13.56 compared with \$11.43 at the year ended March 31, 2001. Retained earnings of ECHMB at the end of the year stood at \$1,912,087.

The continued strong growth in its income has enabled ECHMB to report its sixth annual increase in earnings per share. This is a performance, which the institution will want to maintain.

The financial results and Statement of Retained Earnings for the year ended March 31, 2002 are as follows:

	<u>2002</u> EC\$	<u>2001</u> EC\$
Retained Earnings at the beginning of the year	1,556,104	1,412,957
Net Income for the year	<u>1,335,983</u>	<u>1,143,147</u>
	2,912,087	2,556,104
Less: Dividends (10%)	<u>(1,000,000)</u>	<u>(1,000,000)</u>
Retained Earnings at end of the year	<u><u>1,912,087</u></u>	<u><u>1,556,104</u></u>

A final dividend of \$10.00 per \$100.00 share has been approved for the financial year ended March 31, 2002. My congratulations go out to the other Directors, Management and Staff who have worked hard to achieve these results.

ECHMB's responsibility is to provide a supportive framework to enable the housing finance system to operate efficiently. Its primary role is to fill in any gaps that the system might have such as access to credit. Its business continues to rely on the concept of connecting primary lenders who are seeking financing, with institutional investors who are looking for investment opportunities in the financial market. In order to mobilise its resources from the capital market effectively and efficiently, ECHMB must maintain financial policies and practices for servicing and administration of mortgages that satisfy the demands of the market place.

During the year ended March 31, 2002, ECHMB consolidated its position in the regional market, with respect to its role in mobilising resources for housing finance. Its efforts were focused on building partnerships with primary lenders to originate new mortgages.



# EASTERN CARIBBEAN HOME MORTGAGE BANK

## CHAIRMAN'S REPORT

Business partnerships are becoming an important management strategy. And especially in the secondary mortgage market, partnerships are viewed as a complementary approach to reaching the market. With the heightened competition in housing finance and the trend towards mergers and acquisitions, the banking sector will find that there is less and less room to generate funding for mortgages from the normal collection of deposits. At the same time customer expectations and loyalties are likewise changing.

Some lending institutions are beginning to seek ways of cutting costs without compromising quality, while others are exploring ways to provide funding for mortgages without incurring the funding and interest rate risks. ECHMB is well positioned to assist lending institutions. The Company has been able to demonstrate that partnerships can create positive new business values, by providing a more prudent source for funding mortgages, together with the servicing fee income that would be derived therefrom.

ECHMB has been playing its part as a facilitator to put families on the path to home ownership. In that regard, it is actively involved with primary lenders in designing mortgage products that are intended to offer consumers a wide array of options from which to choose, and streamlining the process of getting a mortgage. Through its Home Ownership Day, ECHMB has been working in partnership with mortgage lenders, building contractors, engineers and other ancillary service providers as an agent of change for the mortgage industry in the region. The focus of its attention is to enforce building codes and standards, and thereby ensure the structural integrity and quality of the housing stock.

ECHMB's business plan 2002/05 contemplates a total investment in new mortgages of \$67.0 million during the next three (3) years. It is important that all the participating member countries avail themselves of the benefits that ECHMB's financing provides.

The operations of ECHMB provide a practical example of financial market integration in the Eastern Caribbean Currency Union (ECCU). What was once a highly fragmented, localised and country - specific market for residential mortgages, has become a unified single market through the services of ECHMB. But what did it take to make that breakthrough?

- (i) it required the primary lending institutions to become less inward looking and more regional or international in their perspective on generating business;
- (ii) it required other financial market participants to recognise that there is a more prudent way of managing their liquidity position and enhancing their lending capacity.

ECHMB has placed itself in the vanguard in the field of training in mortgage underwriting and risk management. In partnership with the Canada Mortgage and Housing Corporation (CMHC), ECHMB has launched a training programme leading to the professional accreditation of Certified Residential Underwriter. This programme fits

ECHMB -  
A practical  
Example of  
Financial Market  
Integration

ECHMB - in the  
Vanguard for  
Training in  
Mortgage  
Underwriting and  
Risk Management

# EASTERN CARIBBEAN HOME MORTGAGE BANK

## CHAIRMAN'S REPORT

in with the Board's vision of bringing lending institutions to the level of international standards required by the marketplace. We are proud of this initiative. It offers ECHMB a platform to deliver on its mission to be the leading provider of training in risk management and solutions to the funding requirements of the mortgage industry.

Amidst all the gains that have been achieved there are still some structural reforms needed to realise the prospects for creating a vibrant regional secondary market for mortgages. It is expected that the work of ECHMB, especially in providing funding for mortgages, will serve as a catalyst for cross-country lending, whereby a bank in one national economy could originate mortgages in another country with funding provided by ECHMB.

The economies of the Eastern Caribbean Currency Union are facing tremendous challenges. Their major trading partner the United States is just emerging from economic recession and the events of the 11th September 2001, have had a marked impact on the economic performance.

The countries now face the tasks of **stabilizing, stimulating and transforming** their economies over the next three to five years. The Housing and Construction industry can play a very significant part in this process. The export sector will have to be rationalised and new sectors encouraged and policies and programmes must be put in place to provide affordable housing for our population.

It is the vision of the Board that the primary lenders will embrace the capital market as the preferred source to raise financing for mortgages as well as apply other efficiency measures in conducting its business. This will result in lowering the cost of mortgages for consumers and facilitate the process of getting a mortgage. By so doing, primary lenders that are themselves shareholders will be helping ECHMB to achieve its corporate mission of making housing finance more accessible and affordable.

I wish to acknowledge the valuable support and encouragement of the Governments of the OECS region. I would also like to thank my fellow Directors on the Board for their valuable support in guiding the operations of the Company. I would also like to thank the General Manager and his Staff for their hard work. I am confident, the Company is well positioned as a key player, to assist in modernising the financial sector of the region.

Dated: 29th day of April 2002

By Order of the Board



.....  
K Dwight Venner  
Chairman

# EASTERN CARIBBEAN HOME MORTGAGE BANK



St. Bernard J. Sebastian  
Chief Executive Officer

ECHMB's share  
of Residential  
Mortgage Market

ECHMB funding  
Mortgages  
through advance  
payments to  
primary lenders

Quality of  
ECHMB's  
Mortgage Portfolio

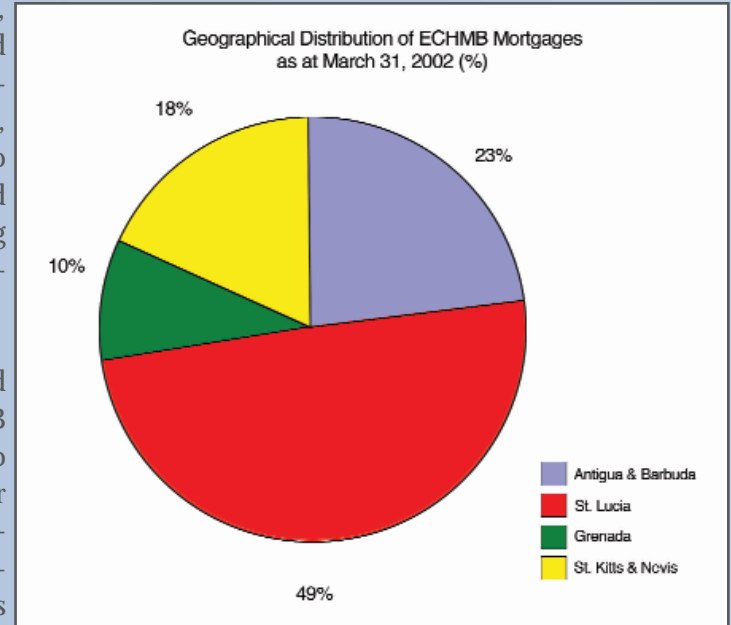
## MANAGEMENT'S DISCUSSION AND RESULTS OF OPERATIONS

### Mortgage Operations

ECHMB continues to show steady growth in its business in the residential mortgage market. The residential mortgage market has grown from \$1.54 billion in June 1999 to \$1.81 billion in June 2001, representing an annual compound growth rate of 8.3 %. But the mortgage market is considerably larger, when account is taken of mortgages issued by credit unions, finance companies and building and loan associations. As at 31 March, 2002, ECHMB's portfolio of mortgages has reached \$50.0 million representing 2.8% of the residential mortgage market.

During the year ended March 31, 2002, ECHMB launched a programme to provide new resources for funding mortgages in partnership with two (2) primary lenders. Under this programme ECHMB has committed to purchase an agreed amount of eligible fixed rate mortgages within a specified period of up to 12 months. The mortgages are purchased in pools of about \$5.0 million soon after the legal formalities are completed. A transaction with an institution in St Kitts and Nevis in March 2002, amounting to \$5.0 million is a direct result of such collaboration.

Currently the quality of the mortgage loan portfolio purchased by ECHMB is high. This is due to the quality control procedures that ECHMB has in place. These procedures ensure that the underwriting policies adopted by primary lenders are in accordance with ECHMB's purchasing criteria. In that regard in carrying out its due diligence of primary lenders, ECHMB will examine either a sample or all of the mortgages it has purchased, to ensure compliance with the criteria.

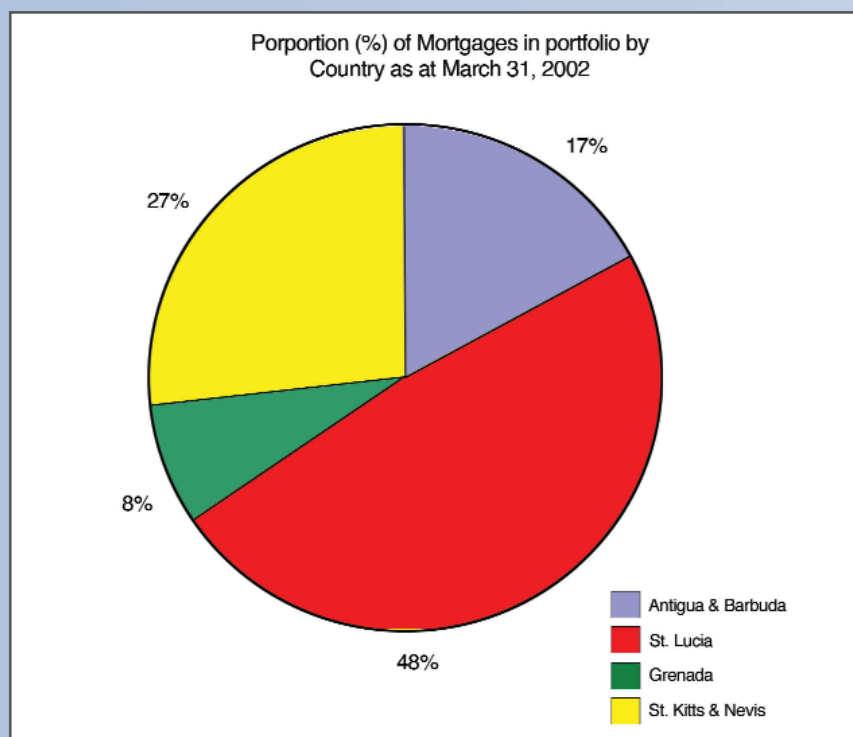


# EASTERN CARIBBEAN HOME MORTGAGE BANK

## Number of Mortgages in CHMB's Portfolio

The portfolio of mortgages is distributed as follows:

<u>Country</u>	<u># of Mortgages in Portfolio</u>
Antigua and Barbuda	54
Grenada	25
St Kitts & Nevis	84
St Lucia	150
	<u>313</u>



The following are some key statistics of ECHMB's mortgage portfolio at 31 March 2002 on a weighted average basis:

- Average Loan Size	:	\$159,787.30
- Gross Mortgage Rate	:	11.3%
- Contractual Remaining Term to Maturity	:	13.2 years

In recent times ECHMB has witnessed evidence of increasing refinancing activity in the mortgage market. This trend has been motivated by competition, which currently exists in the mortgage market. In addition, in light of the downturn in economic activity some lenders have been focusing their attention on retaining their most credit-worthy customers by offering them improvements in the terms of their mortgages.

This trend in refinancing is of interest to ECHMB's business and it may also have wider implications for the market. But due to the lack of specific data from primary lenders the practical significance of this development has not been analysed.



# EASTERN CARIBBEAN HOME MORTGAGE BANK

## Promoting Home Ownership in the Member Countries

### Promoting Home Ownership



*Participants at the 3rd Home Ownership Day Event in  
Dominica*

In July 2002, ECHMB held its Home Ownership Day event in Dominica, under the distinguished patronage of His Excellency the President of Dominica, Mr Vernon B. Shaw. The Event attracted about two hundred (200) prospective homeowners and borrowers in a forum where they interfaced with other stakeholders in the mortgage industry notably, primary lenders, building contractors, engineers and

insurance companies. Based on the reports from the participants the discussions were informative and enlightening.

In delivering the Feature Address, Mr Crispin Sorhaindo, a former Vice President of the Caribbean Development Bank, commended ECHMB for mounting such an educational programme for prospective homeowners, and invited the local stakeholders in the mortgage industry to replicate this exercise. He stated that **"Some segments of the population, especially young families and low income families either cannot afford or cannot find a home or apartment. The need for greater investment in housing is therefore self-evident. My hope is that this initiative will energise us to use our voices to reassert housing as national priority and urge government to establish a positive national housing agenda. For the public policy makers, policies that promote educational and employment opportunities can increase household stability and therefore home-ownership. Furthermore, a tax regime designed to stimulate building contractors and land developers to give a face lift to the city of Roseau and other population centres would be most welcome at this time"**.



The Home Ownership Day event has triggered the enthusiasm of primary lenders in Dominica. There have been inquiries by two (2) financial institutions wanting to discuss the modalities in providing ECHMB's services for housing finance in the region.

### Market Borrowing

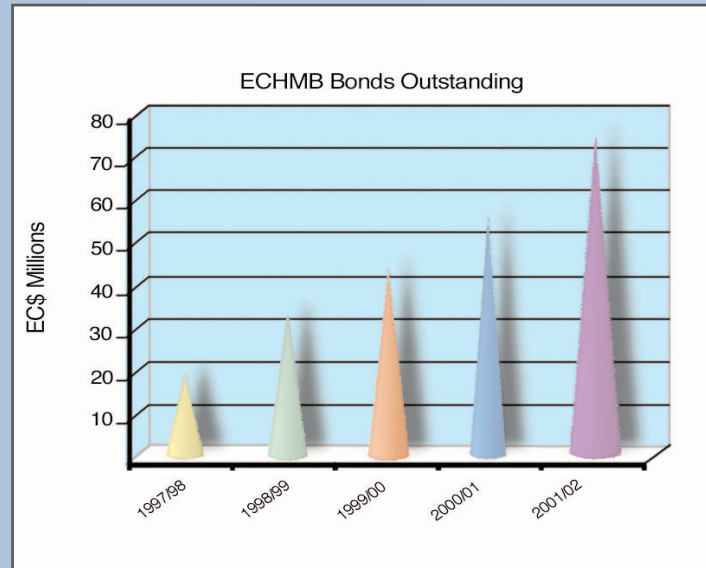
During the year ended March 31, 2002, ECHMB was relatively inactive in the local capital market for bonds. Fund raising activities were temporarily disrupted by adverse market conditions. Evidently, the market has been responding to a situation in which there are other Government Securities targeting the same investors. These bonds are

## Featured Speakers called on Governments and Developers to give Housing Priority on the Policy Agenda

ECHMB's  
6 Bond Issues  
Outstanding for  
about EC\$70.0  
million

# EASTERN CARIBBEAN HOME MORTGAGE BANK

offered with yields much higher than what ECHMB Bonds offer. Moreover, given that investors in the region are motivated by higher yields and less on credit quality,



Government Bonds have served to crowd out the ECHMB borrowing initiative.

But Management has been monitoring closely the market conditions, for the opportunities that may arise. At the same time ECHMB has been positioning itself to contract a credit facility to enable it to grow its mortgage loan business. In that regard, ECHMB is currently negotiating an arrangement with creditors in the

U.S market to provide a Revolving Line of Credit. This facility represents a fallback device for ECHMB to obtain funds for bridging the gap between the purchase of mortgages and the issuance of debt securities. But it also represents an appropriate means for diversifying ECHMB's funding mix and to address the peculiarity of funding by mortgage lenders operating in Anguilla.

## **ECHMB Preparing to Place Mortgage - Backed - Securities in the Regional Market**

### Infrastructure for Issuing Mortgage Backed Securities

During the year ended March 31, 2002, ECHMB was also involved in building relationships with institutional investors and other ancillary service providers to set the platform for a programme of mortgage-backed-securities in the regional market. In that regard, ECHMB has been given pledge of support by the Overseas Private Investment Corporation (OPIC) to provide exposure cover to the credit facility, together with a back-end commitment to guarantee a position for ECHMB's Mortgage-Backed-Securities programme at the end of five year period. ECHMB is also collaborating with Ginnie Mae and Fannie Mae for technical support to carry out a preliminary due diligence exercise before it embarks on a securitisation programme. ECHMB is expected to issue mortgage-backed-securities particularly as a means of offering investors an investment instrument with a higher yield than that available on straight bonds of equivalent credit quality. Institutional investors, especially insurance companies and social security schemes would be able to diversify their portfolios relatively quickly by obtaining exposure to a business activity to which they would otherwise have limited access. (For instance to investors in an economy outside the national jurisdiction of the investors).

But more importantly ECHMB's mortgage securitisation programme will enable the exploitation of comparative advantage between primary lenders who specialise in the origination of mortgage loans, and ECHMB which has the capacity to take additional assets on its balance sheet.

# EASTERN CARIBBEAN HOME MORTGAGE BANK

## Enhancing Mortgage Underwriting Standards

ECHMB  
involved in  
Professional  
Accreditation  
Programme for  
Mortgage Lenders

During the year ended March 31, 2002, ECHMB has completed the cycle of training in a three (3) part programme in Mortgage Underwriting. This year, twenty (20) professionals in the mortgage lending industry met the requirements for the Certified Residential Underwriter (CRU) designation.



*Participants at a Mortgage Underwriting Seminar held in St. Kitts, September 2001*

The CRU designation in the Caribbean is being offered by the Real Estate Institute of Canada in collaboration with ECHMB. This designation serves as a measure of competence in the sophisticated mortgage lending business as well as a commitment to excellence and high standards in the mortgage industry.



*Course tutor leading a discussion at a Mortgage Underwriting Seminar held in St. Kitts, September 2001*

To receive the CRU designation candidates were required to undertake a three (3) part intensive training programme each of one week's duration, and to have demonstrated knowledge in loan origination and underwriting, loan servicing and administration, real estate law and regulation and residential financial management. While the designation of CRU is offered to recognise

past accomplishments by individuals, it also serves ECHMB's interest to develop the foundation for standardisation required in the mortgage industry particularly within a single financial space and a multi-island economy.



# EASTERN CARIBBEAN HOME MORTGAGE BANK

## ECHMB Reviewing the Eligibility Criteria

### Expanding the Target Group for ECHMB's Resources

In general commercial banks that are involved in mortgage lending would meet ECHMB's current eligibility criteria. But some finance companies, credit unions and building and loan associations may not be eligible, due to inadequate capital or they may not be adequately regulated. Because of the nature of their operations lending institutions are exposed to many potential sources of danger. In particular institutions are faced with risks such as the reliance on deposits many times larger than their capital, uncertain claims on different sectors of the economy, and the building of assets that are longer term and less liquid than liabilities. Given those circumstances, ECHMB has had to institute prudential ratios to guide the business it undertakes with lending institutions.

From its inception ECHMB's eligibility criteria require among other things, that the primary lender should hold an absolute level of capital of \$3.0 million. However, this requirement has precluded participation by some institutions that are interested in doing business with ECHMB.

During the year ended March 31, 2002, ECHMB embarked on a Study aimed at developing financially sound ways to broaden participation in its programme by a wider range of financial institutions. In particular, the Study sought to define the capitalisation requirements, specially structured for credit unions and based on a combination of the lending institution's own equity and its holding of ECHMB Bonds.

The fieldwork for the assignment involved the consultant holding meetings with senior management personnel of seventeen (17) lending institutions in five (5) member countries of ECHMB. The focus of questioning was on how these institutions would like to see ECHMB expanding its services in the secondary mortgage market.

Consequent upon the Report of the Consultant, the Board has agreed that ECHMB should work with ECCB to develop a proposal for improving the regulatory framework within which institutions such as credit unions should operate, and raising the business of credit unions to international standards. It is expected that the capitalization requirements will be structured as a combination of equity capital plus cash investment in ECHMB Bonds, as a proportion of the value of mortgages offered for sale by credit unions or other non-bank financial institutions that qualify so to do.



## **EASTERN CARIBBEAN HOME MORTGAGE BANK**

### **Building the Infrastructure for a Regional Mortgage Market**

ECHMB is making steady progress in promoting the benefits that can be derived from a truly regional mortgage market. This effort complements the policy statements by government leaders in which housing is being placed at a higher level on their priority list. But in order to assume leadership in the mortgage industry, ECHMB has to exercise the function as a repository of information on mortgages and housing in the region. Discussions are continuing with ECCB to undertake a co-ordinated research exercise to examine regional developments and trends in mortgage industry especially in mortgage financing. At the same time ECHMB has been building the awareness among public authorities and corporate entities of the importance of standardisation in underwriting practice and documentation. This is absolutely critical for the secondary mortgage market within a multi-island economy.

### **Investment in Eastern Caribbean Securities Exchange**

ECHMB has paid in the first tranche of equity participation in the business of Eastern Caribbean Securities Exchange (ECSE). This institution which became operational in October 2001, will be the main facilitator and engine for trading in investment instruments across the Eastern Caribbean Currency Union (ECCU).

Apart from its motive of promoting regional financial sector development, there are other practical business reasons for ECHMB's equity participation in ECSE. ECHMB has become the force propelling the corporate bond market in the region. Regrettably the Company is operating without a facility to create liquidity for its bonds in the secondary market. A fledgling bond market requires a secondary trading environment to provide investor confidence.

Currently ECHMB has six (6) Bond Issues outstanding in which a combined total of forty-three (43) investors have participated. The services of Registrar, Transfer and Paying Agent are currently being provided by an institution, outside the ECCU, due to unavailability of a competitive alternative source in the sub-region. The presence of ECSE provides an additional optional source for the services that are required by Bondholders. At the same time, ECHMB is holding discussions with ECSE to define the operating procedures for listing its bonds on the ECSE in due course.

# EASTERN CARIBBEAN HOME MORTGAGE BANK

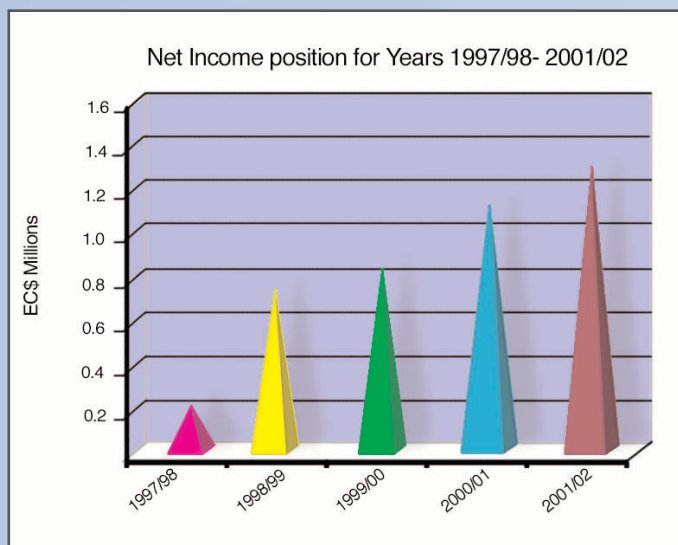
## Financial Condition

As at 31 March 2002, ECHMB held net total assets of \$81.9 million consisting of the mortgage portfolio of \$50.0 million and net liquid investments of \$31.6 million. By comparison, net total assets amounted to \$81.6 million for the year ended 31 March 2001.

## Results of Operations for the year ended 31 March 2002

For the year ended 31 March 2002, ECHMB reported net income of \$1.36 million an increase of 19.3% over net income of \$1.14 million reported last year. Earnings per share of \$13.56 were 15.7 % above the result reported for the year ended 31 March 2001.

The earnings performance was fuelled by growth in the Bank's combined business of mortgages and Fixed Deposits. During the year ended 31 March 2002, the portfolio of mortgages increased by 23.9 %. The housing market remains strong with the origination of mortgages to purchase or build homes remaining buoyant. The strong growth in earnings displayed by ECHMB has been accompanied by prudent management of its principal business risks. The Bank is continuing to maintain a good match between its assets and liabilities. It is also continuing to keep the cost of borrowing at a level that would enable it to provide meaningful support to the housing finance sector.



## Liquidity

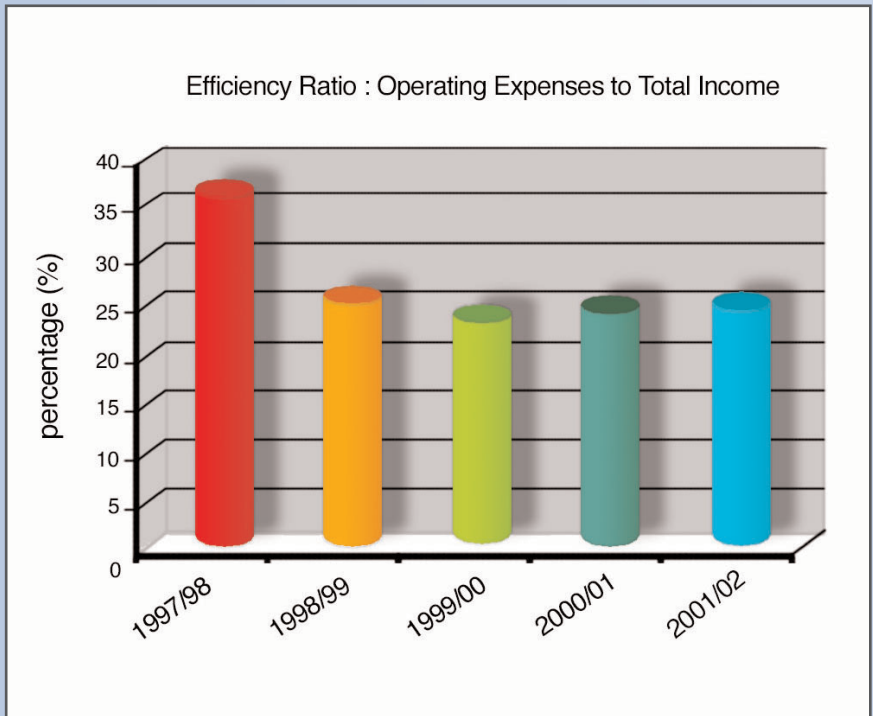
As at 31 March 2002, the ratio of liquid assets to net total assets was 38.6% compared with 50.6 % as at 31 March 2001. The steady reduction in cash and short-term deposits is a direct result of the demand that has been made on ECHMB to provide funding for mortgages. It is prudent that the Bank should maintain a portfolio of high quality liquid non-mortgage securities preferably Fixed Deposits equal to at least 20% of total assets. This will enable the Bank to respond almost immediately to opportunities to purchase mortgages.

## Results of Operations for FY 2001-02

# EASTERN CARIBBEAN HOME MORTGAGE BANK

## Efficiency

During the year ended 31 March 2002 the Bank incurred operating expenses (inclusive of mortgage administration fees) of \$1.93 million, an increase of 18.2 % over last year. The increase in operating expenses is related to the adjustment in staff salaries retroactive to April 2000, as well as the increase in size of the mortgage portfolio and improvements in its technology infrastructure to enhance its ability to process and manage the risk in mortgage assets. At the same time, the ECHMB Staff were also required to provide technical support to



enhance the servicing and administration capabilities of the primary lenders with which it is engaged in business. The Bank's ratio of operating expenses to net total assets has increased marginally to 2.4% compared with 2.0 % last year. ECHMB's efficiency ratio of operating expenses divided by total income has stabilised at about 23%. For the year ended 31 March 2002, the efficiency ratio was 23.4% compared with 23% last year.

## EASTERN CARIBBEAN HOME MORTGAGE BANK

The following Table reflects the average balances for of the Bank's interest earning assets as well as the Bank's interest bearing liabilities, with the corresponding effective rate of interest for the years ended March 31, 2002 and March 31, 2001.

	FOR THE YEAR ENDED MARCH 31, 2002		FOR THE YEAR ENDED MARCH 31, 2001	
	Balance EC\$	Effective Rate %	Balance EC\$	Effective Rate %
Average Interest Earning Assets	82,979,361	9.9	75,201,345	9.4
Average Interest Bearing Liabilities	70,025,000	7.1	63,047,500	6.9
Net interest Earning Assets and Spread	12,954,361	2.8	11,597,635	2.5
Interest Income on Investments	8,199,365		7,102,791	
Interest Expense on Borrowed Funds	4,978,267		4,324,537	
Net Interest Income	3,221,098		2,778,254	
Net Interest Margin *		3.9		3.7

\* Net Interest Margin is determined by dividing net interest income by the average balance of interest earning assets.

As shown in the Table above, the Bank had on average \$12,954,361 more interest earning assets than interest bearing liabilities, during the year ending March 31, 2002. The improvement in the Bank's net interest margin was due primarily to the higher yield on the \$82,979,361 of net interest earning assets, compared with the costs on interest bearing liabilities, at a positive spread.

During the year ended March 31, 2002 the Bank's average cost of borrowing increased by 0.2%. As of March 31 2002, the interest rate on the Bank's borrowings was 7.1 % as compared with 6.9 % as of March 31, 2001. The improvement in the yield on fixed rate mortgages and fixed deposits was commensurate with the increase in cost of borrowing.

Consequently the Bank's net interest spread as of March 31, 2002 stood at 3.0% a marked increase over what was achieved for the year ending March 31, 2001.



# EASTERN CARIBBEAN HOME MORTGAGE BANK

## Staffing

In order to sustain its competitiveness as a housing finance institution, the Bank is placing emphasis on building a strong team of professionals with expertise in the secondary mortgage business and corporate finance. In that regard, Staff has been assigned to undertake the mortgage underwriting professional accreditation as well as to understudy Consultants that have been assigned to undertake specific assignments. In addition, Staff is expected to undertake further training to become adequately conversant with the infrastructural requirements for the implementation of a securitisation development programme. Through its staff-training programme ECHMB is positioning itself to meet the needs of the local clientele while satisfying the demanding requirements of international investors.



Back row- left to right: Derrick Leonce,  
St. Bernard J Sebastian, Dennis S.M. Cornwall,  
Joan M Gonsalves.  
Front row: Alexander Augustine, Sanginee Rattan,  
Miriam Etienne, Theodora Delaney

## Looking Ahead

For the year ended 31 March 2002, there was growth in the value of commitments to purchase mortgages for its portfolio, but at a slower pace than in the previous year. But this did not have any discernable effect on the Bank's net income position. It is expected that the opportunities for mortgage commitments will be more attractive in the ensuing year. This projection is based on Management's estimates of trends and economic factors in the regional market, as well as the Bank's business plan. However, it must be recognised that such plans and projections would change if there are significant changes in the conditions affecting the Bank.

The governments of the region have collectively embarked on a programme to modernise the regional market for Government Securities, and to co-ordinate policies aimed at encouraging the development of a single financial space. This change should be healthy in the long run. It will enable the application of a more credible and efficient measuring rod for interest rates on other debt. The region has witnessed a phenomenon in which Government Securities are offering a yield higher than what holds for ECHMB Bonds. This phenomenon is having an unfavourable impact on interest rates generally and mortgage interest rates in particular. It is expected that a more organised Government Securities market will redress the balance.

In recent times the mortgage industry has witnessed the entry of other non-banking institutions into the market. Some Social Security Schemes have broadened their sphere of operations to include wholesale direct lending for mortgages, comparable with the business that ECHMB was mandated to carry out in the regional market. This development is likely to introduce distortions in the interest rate structure in the region and create a lopsided playing field for ECHMB's business. Whereas the Social Security Schemes are operating with zero cost of funds, by virtue of their mandate as a repository of surplus pension contributions, ECHMB is operating with borrowed funds at an average cost of about 7.0%.

## EASTERN CARIBBEAN HOME MORTGAGE BANK

Furthermore, one Social Security Scheme has been offering primary lenders 2% for servicing and administration of mortgages compared with 1.5% established by ECHMB as the benchmark. While this business strategy may result in immediate gains for the lending institution, it undermines the measures and the standards attained by ECHMB for its role as an instrument of the single financial space in the Eastern Caribbean Currency Union. It is expected that a coordinated approach in managing the business of some lending institutions, will foster a more efficient allocation of resources for housing finance, especially by institutions with spare investable resources.

ECHMB is being considered favourably for a credit facility from banks in the United States. The initiative to explore the US market was motivated by the reduction in interest rates in the United States, compared with the relatively high costs of borrowing in the region. The favourable position that ECHMB holds among creditors is testimony to the critical role the Bank plays in housing finance in the region, as well as the international best practices that it has displayed in managing its business.

In addition to its appeal to institutional investors, ECHMB Bonds have been in demand by individuals with high net worth. This is very encouraging. It shows that individual investors are likewise looking for alternative investment instruments, compared to the traditional Fixed Deposits. ECHMB is therefore embarking on expanding its investor base among individuals. In the near future the Bank will introduce some innovative investment instruments targetting investors that are looking for securities with features such as outstanding credit quality, safety, coupled with solid returns and liquidity.

The banking industry is becoming highly competitive and mortgage loans are considered to be the leading product for developing customer relationships. Through its Research and Marketing Department, ECHMB has mounted an initiative aimed at generating and disseminating analytical information on the mortgage industry. However, lending institutions have not been responding to the need to generate and process information. In concert with ECCB, ECHMB is expected to make a greater effort for data collection on the mortgage industry.

St. Bernard J Sebastian  
Chief Executive Officer

# EASTERN CARIBBEAN HOME MORTGAGE BANK

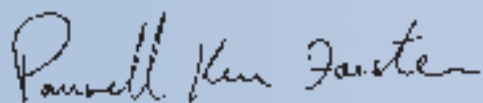
Pannell Kerr Foster  
Chartered Accountants  
ST. KITTS-NEVIS-ANGUILLA  
Tel: (869) 465-2746/2215

## REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF EASTERN CARIBBEAN HOME MORTGAGE BANK

We have examined the Balance Sheet of Eastern Caribbean Home Mortgage Bank at 31 March 2002 and the Statements of Income, Retained Earnings, and Cash Flows for the year then ended. These Financial Statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these Financial Statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance that the Financial Statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Financial Statements presentation.

In our opinion, the Financial Statements referred to above present fairly the financial position of Eastern Caribbean Home Mortgage Bank at 31 March 2002 and the results of its operations and changes in its cash flows for the year then ended, in accordance with generally accepted accounting principles.



PANNELL KERR FORSTER  
Chartered Accountants:

BASSETERRE - ST KITTS

19 April 2002

# EASTERN CARIBBEAN HOME MORTGAGE BANK

## STATEMENT OF INCOME FOR THE YEAR ENDED 31 MARCH, 2002 (Expressed in Eastern Caribbean Dollars)

INTEREST INCOME	<u>2002</u>	<u>2001</u>
Deposits with Banks	3,250,256	3,242,796
Mortgages	<u>4,949,109</u>	<u>3,859,995</u>
	<u>8,199,365</u>	<u>7,102,791</u>
OTHER INCOME		
Seminar Costs Recovered	<u>48,000</u>	<u>-</u>
TOTAL INCOME	<u>8,247,365</u>	<u>7,102,791</u>

### GENERAL AND ADMINISTRATIVE EXPENSES

Compensation Costs	752,428	688,419
Ancillary Services	76,331	21,646
Promotional Activities	184,826	145,916
General Services and Supplies	127,604	133,696
Depreciation	47,261	46,487
Mortgage Administration Fees	665,465	520,444
Audit Fees	25,200	25,000
Directors' Fees	54,000	54,000
Bond Expenses (Note 13)	<u>4,978,267</u>	<u>4,324,537</u>

TOTAL EXPENDITURE	<u>6,911,382</u>	<u>5,960,145</u>
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INCOME FROM OPERATIONS	1,335,983	1,142,646
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### EXTRAORDINARY ITEMS

Gain on Disposal of Fixed Assets	<u>20,000</u>	<u>501</u>
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NET INCOME FOR YEAR CARRIED TO STATEMENT OF RETAINED EARNINGS (Page 24)	<u>\$1,355,983</u>	<u>\$1,143,147</u>
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The attached notes form part of these financial statements.



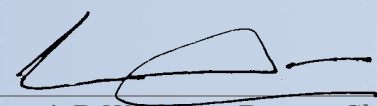
# EASTERN CARIBBEAN HOME MORTGAGE BANK

## BALANCE SHEET AS AT 31 MARCH, 2002 (Expressed in Eastern Caribbean Dollars)

CURRENT ASSETS	Notes	2002	2001
Cash and Short Term Funds	4	33,122,531	42,390,764
Accounts Receivable	5	<u>863,313</u>	<u>821,475</u>
		<u>33,985,844</u>	<u>43,212,239</u>
LESS: CURRENT LIABILITIES			
Accounts Payable and Accruals	6	1,382,053	1,200,420
Proposed Dividends		<u>1,000,000</u>	<u>1,000,000</u>
		<u>2,382,053</u>	<u>2,200,420</u>
WORKING CAPITAL		31,603,791	41,011,819
MORTGAGES	7	50,013,422	40,382,005
INVESTMENT - At Cost	8	50,000	-
BOND ISSUE COSTS	3(d) & 9	133,759	95,904
FIXED ASSETS (Schedule - Page 26 )	3(c) & 11	136,115	91,376
TOTAL		<u>\$81,937,087</u>	<u>\$81,581,104</u>
REPRESENTED BY:			
SHARE CAPITAL	10	10,000,000	10,000,000
RETAINED EARNINGS		<u>1,912,087</u>	<u>1,556,104</u>
SHAREHOLDERS' FUNDS		11,912,087	11,556,104
SECURED FIXED RATE (TAX FREE) BONDS 11		<u>70,025,000</u>	<u>70,025,000</u>
TOTAL		<u>\$81,937,087</u>	<u>\$81,581,104</u>

The attached notes form part of these financial statements.

  
K Dwight Venner- Chairman

  
Pershing A R Waldron - Deputy Chairman

# EASTERN CARIBBEAN HOME MORTGAGE BANK

## STATEMENT OF RETAINED EARNINGS FOR THE YEAR ENDED 31 MARCH 2002 (Expressed in Eastern Caribbean Dollars)

	<u>2002</u>	<u>2001</u>
<b>BALANCE</b>		
At Beginning of Year	1,556,104	1,412,957
 <b>NET INCOME FOR THE YEAR (Page 22)</b>	 <u>1,355,983</u>	 <u>1,143,147</u>
	2,912,087	2,556,104
 <b>PROPOSED DIVIDENDS \$10 PER SHARE</b>		
(2001 = \$10 per share)	( <u>1,000,000</u> )	( <u>1,000,000</u> )
 <b>BALANCE</b>		
At End of Year (Page 23)	<u>\$1,912,087</u>	<u>\$1,556,104</u>

The attached notes form part of these financial statements.

# EASTERN CARIBBEAN HOME MORTGAGE BANK

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2002 (Expressed in Eastern Caribbean Dollars)

	<u>2002</u>	<u>2001</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Income for the Year	1,355,983	1,143,147
Adjustment for Depreciation/Amortisation	70,683	59,291
Gain on Disposal of Fixed Assets	<u>(20,000)</u>	<u>(501)</u>
	1,406,666	1,201,937
<b>NON-CASH WORKING CAPITAL CHANGE:</b> (Excluding Proposed Dividends)		
(Increase)/Decrease in Accounts Receivable	(41,838)	154,748
Increase in Accounts Payable	181,633	14,558
Dividends Paid	<u>(1,000,000)</u>	<u>(750,000)</u>
<b>CASH INFLOW FROM OPERATING ACTIVITIES:</b>	<u>546,461</u>	<u>621,243</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from Disposal of Fixed Assets	35,000	501
Purchase of Mortgages	(9,631,417)	(14,002,358)
Purchase of Fixed Assets	(107,000)	(15,741)
New Investment	<u>(50,000)</u>	<u>-</u>
<b>CASH OUTFLOW FROM INVESTING ACTIVITIES</b>	<u>(9,753,417)</u>	<u>(14,017,598)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from Bond Issue	-	13,955,000
Bond Issue Costs	<u>(61,277)</u>	<u>(55,734)</u>
<b>CASH INFLOW FROM FINANCING ACTIVITIES</b>	<u>(61,277)</u>	<u>13,899,266</u>
<b>NET (DECREASE)/INCREASE IN CASH AND SHORT TERM FUNDS</b>	(9,268,233)	502,911
<b>CASH AND SHORT TERM FUNDS AT THE BEGINNING OF THE YEAR</b>	<u>42,390,764</u>	<u>41,887,853</u>
<b>CASH AND SHORT TERM FUNDS AT THE END OF THE YEAR</b>	<u>\$33,122,531</u>	<u>\$42,390,764</u>

The attached notes form part of these Financial Statements

# EASTERN CARIBBEAN HOME MORTGAGE BANK

## FIXED ASSETS SCHEDULE FOR THE YEAR ENDED 31 MARCH 2002 (Expressed in Eastern Caribbean Dollars)

### D E P R E C I A T I O N

	COST 31/3/01	ADDITIONS/ (DISPOSALS)	COST 31/3/02	ACCUMULATED 31/3/01	CHARGE FOR YEAR	ACCUMULATED 31/3/02	NET BOOK 31/3/02	VALUE 31/3/01
Motor Vehicle	104,000	107,000 (104,000)	107,000	81,480	14,652 (89,000)	7,132	99,868	22,520
Computer Equipment	197,973	-	197,973	146,145	26,095	172,240	25,733	51,828
Furniture & Fixtures	36,823	-	36,823	22,948	5,029	27,977	8,846	13,875
Machinery & Equipment	<u>12,189</u>	<u>—</u>	<u>12,189</u>	<u>9,036</u>	<u>1,485</u>	<u>10,521</u>	<u>1,668</u>	<u>3,153</u>
		\$107,000			\$47,261			
	<u>\$350,985</u>	<u>\$(104,000)</u>	<u>\$353,985</u>	<u>\$259,609</u>	<u>\$(89,000)</u>	<u>\$217,870</u>	<u>\$136,115</u>	<u>\$91,376</u>

As explained in Note 11 to the Financial Statements the Fixed Assets are pledged to secure the Fixed Rate (Tax Free) Bonds.

The attached Notes form part of these Financial Statements.

# EASTERN CARIBBEAN HOME MORTGAGE BANK

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2002 (Expressed in Eastern Caribbean Dollars)

### 1. INCORPORATION

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 27 May 1994, to establish the Eastern Caribbean Home Mortgage Bank.

The Eastern Caribbean Home Mortgage Bank was formally established on 19 August 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.

### 2. PRINCIPAL ACTIVITY

The Principally Activity of the Eastern Caribbean Home Mortgage Bank, is to buy and sell mortgage loans on residential properties, in order to develop and maintain a secondary market in mortgages.

### 3. STATEMENT OF ACCOUNTING POLICIES

(I) **Income and Expenditure:**

Income and Expenditure items are accounted for in the Financial Statements on the accrual basis of accounting.

(II) **Taxation:**

Under Section 5 sub-sections (1) and (2) of the Eastern Caribbean Home Mortgage Bank Agreement Act, 1994 the Bank is exempt from stamp duty and corporation tax.

(III) **Fixed Assets:**

Fixed Assets are stated at historical cost. Depreciation is provided on the straight line basis at rates estimated to write off the cost of the assets over their useful lives as follows:

Furniture and Fixtures	15%
Machinery and Equipment	15%
Motor Vehicles	20%
Computer Equipment	33 1/3%

(IV) **Bond Issue Costs:**

Bond Issue costs were incurred floating the various issues of tax free bonds. These costs will be amortised over the duration of the respective bonds effective from their issue date (see note 11).



# EASTERN CARIBBEAN HOME MORTGAGE BANK

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2002 (Expressed in Eastern Caribbean Dollars) (Continued)

4.	CASH AND SHORT TERM FUNDS		<u>2002</u>	<u>2001</u>
	Cash with Banks		3,820,419	1,837,324
	Mortgage Origination Advances		2,001,612	2,351,612
	Cash on Hand		<u>500</u>	<u>500</u>
			5,822,531	4,189,436
	Certificates of Deposit		<u>27,300,000</u>	<u>38,201,328</u>
	TOTAL (Page 23)		<u>\$33,122,531</u>	<u>\$42,390,764</u>
5.	ACCOUNTS RECEIVABLE		<u>2002</u>	<u>2001</u>
	Accrued Interest on Deposits		303,701	410,779
	Sundry Debtors		<u>559,612</u>	<u>410,696</u>
	TOTAL (Page 23)		<u>\$863,313</u>	<u>\$821,475</u>
6.	ACCOUNTS PAYABLE AND ACCRUALS		<u>2002</u>	<u>2001</u>
	Accrued Interest on Bonds		1,038,590	1, 038,589
	Sundry Creditors and Accruals		<u>343,463</u>	<u>161,831</u>
	TOTAL (Page 23)		<u>\$1,382,053</u>	<u>\$1,200,420</u>
7.	MORTGAGES RECEIVABLE	ORIGINAL		
		AMOUNT	<u>2002</u>	<u>2001</u>
	<u>Territory</u>			
	Antigua and Barbuda	12,699,850	11,510,607	10,301,982
	St Lucia	27,207,874	24,557,614	20,797,131
	Grenada	5,327,910	4,768,741	5,173,156
	St Kitts and Nevis	<u>9,358,442</u>	<u>9,176,460</u>	<u>4,109,736</u>
	TOTAL (Page 23)	<u>\$54,594,076</u>	<u>\$50,013,422</u>	<u>\$40,382,005</u>

# EASTERN CARIBBEAN HOME MORTGAGE BANK

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2002 (Expressed in Eastern Caribbean Dollars) (continued)

### 7. MORTGAGES RECEIVABLE (cont'd)

#### Terms and Condition of Purchased Mortgages

#### 1. Purchase of Mortgages:

The Bank entered into a Sale and Administration Agreement with certain Commercial Banks in the OECS territories for the purchase of mortgages. The mortgages were purchased at the outstanding principal on the settlement date.

#### 2. Recourse to Commercial Banks

Under the terms of the Sale and Administration Agreement, the Administrator (Commercial Bank) warrants that any default, loss or title deficiency occurring during the life of the loans secured by the Purchased Mortgages will be remedied and the Purchaser (ECHMB) protected against resulting loss.

#### 3. Administration Fees:

Under the terms of the Sale and Administration Agreement between the Bank (ECHMB) and each Commercial Bank, the Commercial Bank is 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.

8. INVESTMENT - AT COST	<u>2002</u>	<u>2001</u>
Eastern Caribbean Securities Exchange 5,000 Class D Shares of \$10 each	<u>\$50,000</u>	<u>-</u>
9. BOND ISSUE COSTS	<u>2002</u>	<u>2001</u>
Total Cost Incurred	284,563	223,286
Less: Costs Amortised	<u>(150,804)</u>	<u>(127,382)</u>
TOTAL (Page 23 )	<u>\$133,759</u>	<u>\$95,904</u>

The costs are being amortised over the duration of the life of the respective bonds.

# EASTERN CARIBBEAN HOME MORTGAGE BANK

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2002 (Expressed in Eastern Caribbean Dollars) (Continued)

10. SHARE CAPITAL	<u>2002</u>	<u>2001</u>
Authorised:		
400,000 Shares of \$100 each	<u>\$40,000,000</u>	<u>\$40,000,000</u>
Application and Allotment		
100,000 Shares of \$100 each		
Class A	2,500,000	2,500,000
Class B	1,500,000	1,500,000
Class C	2,000,000	2,000,000
Class D	1,000,000	1,000,000
Class E	1,000,000	1,000,000
Class F	<u>2,000,000</u>	<u>2,000,000</u>
<b>TOTAL (Page 23)</b>	<u>\$10,000,000</u>	<u>\$10,000,000</u>
11. SECURED FIXED RATE (TAX FREE) BONDS		
	<u>2002</u>	<u>2001</u>
Third Issue:		
Secured Fixed Rate (Tax Free) Bonds Due 2008	6,700,000	6,700,000
Fourth Issue:		
Secured Fixed Rate (Tax Free) Bonds Due 2009	5,500,000	5,500,000
Fifth Issue:		
Secured Fixed Rate (Tax Free) Bonds Due 2014	11,300,000	11,300,000
Sixth Issue:		
Secured Fixed Rate (Tax Free) Bonds Due 2009	19,070,000	19,070,000
Seventh Issue:		
Secured Fixed Rate (Tax Free) Bonds Due 2010	22,175,000	22,175,000
Eighth Issue:		
Secured Fixed Rate (Tax Free) Bonds Due 2003	<u>5,280,000</u>	<u>5,280,000</u>
<b>TOTAL (Page 23)</b>	<u>\$70,025,000</u>	<u>\$70,025,000</u>

# EASTERN CARIBBEAN HOME MORTGAGE BANK

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2002 (Expressed in Eastern Caribbean Dollars) (Continued)

### 11. SECURED FIXED RATE (TAX FREE) BONDS (cont'd)

The Bonds were issued on 28 August 1998, 15 January 1999, 1 June 1999, 19 October 1999, 19 September 2000 and 28 February 2001 respectively. The Bonds are secured by Debentures over the fixed and floating assets of the Bank. Issues III, IV, VI and VII have maturities of ten (10) years; Issue V has a maturity of fifteen (15) years; and Issue VIII has a maturity of two (2) years.

Interest is payable six (6) months after the issue date and thereafter each due date which falls six (6) calendar months after the immediately preceding interest payment date. The rate of interest is fixed at 6.5% per annum for Bonds issued on 28 February 2001; 6.75% per annum for the Bonds issued on the 19 October 1999; 7% per annum for the Bonds issued on 28 August 1998, 15 January 1999 and 19 September 2000; and 7.75% per annum for the Bonds issued on 1 June 1999.

### 12. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

At 31 March 2002 there were no commitments for capital expenditure (2001 = Nil).

There were no outstanding contingent liabilities at 31 March 2002 (2001 = Nil).

13. BONDS EXPENSES	<u>2001</u>	<u>2000</u>
Interest on Bonds	4,912,425	4,270,412
Bond Issue Costs Amortised	23,422	12,804
Trustee Fees	<u>42,420</u>	<u>41,321</u>
TOTAL (Page 22)	<u>\$4,978,267</u>	<u>\$4,324,537</u>

**Eastern Caribbean Home Mortgage Bank**  
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Email: [theechmb@caribsurf.com](mailto:theechmb@caribsurf.com)