P R O S P E C T U S

FOR 22nd BOND ISSUE OF $109,603,300

BY THE EASTERN CARIBBEAN HOME MORTGAGE BANK (ECHMB)

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

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

DECEMBER 2010

NOTICE TO INVESTORS

This Prospectus is issued for the purpose of giving information to the public.

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

This Prospectus and its contents are issued for the Bond issues described herein. Should you need advice, consult an intermediary licensed under the Securities Act or any other duly qualified person who specializes in advising on the acquisition of corporate instruments or other securities**.** The Prospectus has been delivered to the Commission for approval in accordance with the Securities Act 2001.

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1.0 GENERAL INFORMATION ON THE BOND ISSUE

Issuer:	Eastern Caribbean Home Mortgage Bank (ECHMB)
Address:	ECCB Complex, Bird Rock Road P.O. Box 753, Basseterre, St. Kitts
Email:	info@echmb.com
Telephone No. :	1-869-466-7869
Facsimile No. :	1-869-466-7518
Registered Office:	ECCB Agency Office, Mockton Street, St. George's, Grenada
Contact Persons:	Duleep Cheddie — Chief Executive Officer Randy Lewis — Manager, Corporate Finance
Arranger & Lead Broker:	First Citizens Investment Services Limited
Address:	#9 Brazil Street Castries Saint Lucia
Email:	stlucia@firstcitizenslu.com
Telephone No. :	1-758-450-2662
Facsimile No. :	1-758-451-7984
Contact Persons:	Mrs. Carole Eleuthere-Jn Marie — Country Manager Mr. Anderson Soomer — Business Development Officer
Date of Publication:	December 2010
Purpose of Issues:	To redeem the following Bonds:- No. 13 — $6,700,000 No. 18 (Series 1) — $25,000,000 No.18 (Series 11) — $28,343,300 No.19 — $49,560,000 and, in the event of oversubscription, to finance the purchase of additional mortgages from Primary Lenders, subject to the limit of $10,000,000.00 in the "Over-Allotment Option" in Section 3.0 below.
Amount of Issues:	One hundred and nine million, six hundred and three thousand, three hundred dollars ($109,603,300).

ECHMB STATEMENT

2.1 The Prospectus has been delivered to the Eastern Caribbean Securities Regulatory Commission for approval in accordance with the Securities (Prospectus) Regulations 2001. ECHMB accepts responsibility for all information provided with regards to the Twenty Second (22^{nd}) Bond Issues of $109,603,300 Secured Fixed Rate (Tax Free) Bond (the Bond). ECHMB has taken all reasonable care to ensure that the facts stated herein in relation to ECHMB are true and accurate in all material respects and that there are no other facts the omission of which makes misleading any statement herein in relation as aforesaid whether of fact or opinion. ECHMB accepts responsibility accordingly. Approval in accordance with the Securities (Prospectus) Regulations 2001 was sought and received from the Eastern Caribbean Securities Regulatory Commission.

2.2 In connection with the issue and sale of the Twenty Second (22^{nd}) Bond Issues of $109,603,300 Secured Fixed Rate (Tax Free), no person is authorized to give any information or to make any representations not contained in this document, and ECHMB accepts no responsibility for any such information or representation.

2.3 In the event of any over-subscription, ECHMB reserves the right without the consent of any of the applicants of the Bond, to increase the “Amount of Issues” up to an additional $10,000,000, making the total a maximum of $119,603,300. The additional Bond will form part of and rank *pari passu* in all respects with the Twenty Second Bond (22^{nd}). Should ECHMB exercise this right, consequential amendments required to the Debenture will be effected as from the Settlement Date and all Bondholders will be notified accordingly.

2.4 In this document all references to “dollars” or “$” are to Eastern Caribbean Dollars, and all references to “Member Territories” refer to Member Territories encompassed by the Eastern Caribbean Home Mortgage Bank Agreement Act, No. 8 of 1995.

3.0 BOND TERMS AND CONDITIONS

Issuer	:	Eastern Caribbean Home Mortgage Bank ("ECHMB")
Instrument Type	:	Secured Fixed Rate (Tax-free) Bond ("The Bond").

Auction Dates & Settlement Dates :

	Auction Dates	Settlement Dates
1st Tranche	24 March 2011	25 March 2011
2nd Tranche	30 June 2011	1 July 2011
3rd Tranche	25 August 2011	26 August 2011
4th Tranche	31 August 2011	1 September 2011

Issue Dates & Issue Amounts :

1st Tranche -	25 March	2011	$25,000,000
2nd Tranche -	01 July	2011	$49,560,000
3rd Tranche -	26 August	2011	$28,343,000
4th Tranche -	01 September	2011	$6,700,000

Tenors :

1st Tranche -	25 March	3 Years
2nd Tranche -	01 July	3 Years
3rd Tranche -	26 August	4 Years
4th Tranche -	01 September	5 Years

Over-Allotment Option

In the event of any over-subscription, ECHMB reserves the right, without the consent of any of the applicants of the Bond, to increase the "Amount of Issues" up to an additional $10,000,000, making the total a maximum of $119,603,300. The additional Bond will form part of and rank *pari passu* in all respects with the Twenty Second (22nd) Bond. Should ECHMB exercise this right, consequential amendments required to the Debenture will be effected as from the Settlement Date and all Bondholders will be notified accordingly.

Coupon Rates :

1st Tranche -	25 March	2011	$25,000,000 - 6.0%
2nd Tranche -	01 July	2011	$49,560,000 - 5.0%
3rd Tranche -	26 August	2011	$28,343,000 - 5.0%
4th Tranche -	01 September	2011	$6,700,000 - 5.0%

Registrar, Transfer and Paying Agent

Eastern Caribbean Central Securities Registry (ECCSR) ECCB Complex, P.O. Box 94, Bird Rock, Basseterre, St. Kitts.

Use of Proceeds :

To redeem the following Bonds: No.13 $6,700,000, No. 18 (Series 1) $25,000,000, No. 18 (Series 11) $28,343,300, No. 19 $49,560,000, and, in the event of oversubscription, to finance the purchase of additional mortgages from Primary Lenders, subject to the limit of $10,000,000 in the "Over-Allotment Option" in aggregate for the four (4) bonds and noted above in this Section.

Interest Payments & Due Dates :

Semi-annually in arrears commencing six (6) months after each Issue Date, for the duration of the Bond. If the applicable Interest Payment Date would otherwise fall on a day which is not a Business Day it shall be postponed to the next day which is a Business Day unless it would thereby fall in the next

		calendar month. In the latter event the Interest Payment Date shall be the date of the immediately preceding day which is a Business Day.
Principal Repayment	:	Bullet at maturity
Security	:	Fixed and floating charges on the assets of ECHMB, ranking pari passu with ECHMB's Existing Bonds and the Caribbean Development Bank (CDB) Long Term Loan of US10,000,000 pursuant to a Loan Agreement of 31st January, 2008.
Issuer Rating	:	CariCRIS has assigned ratings of Cari**AA-** (Foreign Currency Rating) and Cari**AA-** (Local Currency Rating) on its regional rating scale on the debt issue of the size of US$30,000,000 of the ECHMB.
Minimum Bid and Bid Multiplier	:	The Bond will be issued in multiples of $5,000 and the minimum bid amount is $5,000.
Governing Law	:	The Issue will be governed according to the laws of Grenada.
Trading Platform	:	Each Tranche of the Bond will be issued on the Eastern Caribbean Securities Market (ECSM).
Method of Issue	:	Fixed price bond auction
Trading Symbol	:	The trading symbols will be:- 1st Tranche HMB 250314 2nd Tranche HMB 010714 3rd Tranche HMB 260814 4th Tranche HMB 010914
Bidding Parameters	:	Each investor will be allowed one bid with the option to increase the amount of the bid at any time during the bidding period.
Broker Fees	:	Investors can participate in the issue through the services of any of the Licensed Intermediaries, on such terms and such conditions as may be determined by the Intermediary.
List of Licensed Intermediaries who are Members of the ECSE	:	▪ ABI Bank Limited ▪ Antigua Commercial Bank Limited ▪ First Citizens Investment Services ▪ ECFH Global Investment Solutions Limited ▪ National Bank of Anguilla Limited ▪ National Commercial Bank (SVG) Limited ▪ National Mortgage Finance Company of Dominica Limited ▪ St. Kitts Nevis Anguilla National Bank Limited ▪ The Bank of Nevis Limited

4.0 BOND ADMINISTRATION AND MANAGEMENT

4.1 The Bond will be in registered transferable form without interest coupons. The issue of the Bond was authorized by a Resolution of the Eastern Caribbean Home Mortgage Bank passed on 28th September 2010 in conformity with the provisions of the Eastern Caribbean Home Mortgage Bank Agreement Act, No. 8 of 1995, and is also guided by the following:-

(ii) The Registrar, Transfer and Paying Agency Agreement;

(iii) Corporate Resolution dated 28th September 2010, authorizing the 22nd Bond Issue.

4.2 The foregoing documents will be available for inspection during usual business hours on any weekday (public holidays excepted) for a period of thirty (30) days. The foregoing documents will also be available prior to the Settlement Date at the office of the Eastern Caribbean Home Mortgage Bank, ECCB Complex, Bird Rock Road, Basseterre, St. Kitts and will also be available for inspection at the Offices of Intermediaries listed in Section 3.0 above.

4.3 The Bondholders will be entitled to the benefit of, and be deemed to have notice of all the provisions of the Registrar, Transfer and Paying Agency Agreement, which will be binding on them.

5.0 TITLE AND DENOMINATIONS

5.1 The Bond shall be transferable as personal property, and title will pass upon registration of a proper instrument of transfer. The Bond will be held in a dematerialized form and the instrument of transfer will be accompanied by Certification of ownership delivered to the Bondholder by the ECCSR. ECHMB and the ECCSR may treat the registered holder of any Bond as the absolute owner thereof (whether or not such Bond shall be overdue and notwithstanding any notice of ownership or writing thereon or any notice of previous loss or theft or of trust or other interest therein) and the Register of Bondholders shall (in the absence of willful default, bad faith or manifest error) at all times be conclusive evidence of the amount of Bond held for each Bondholder for the purpose of making payment and for all other purposes. The Bond will be issued in multiples of $5,000 and the minimum bid amount is $5,000. Each Bondholder will be notified by the ECCSR of the amount of the investment and provide Certification of ownership and investor identification account information.

5.2. Status

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

5.3 Debenture

The due payment of the principal and interest in respect of the Bond (and all monies payable by ECHMB) will be secured by a Debenture over the fixed and floating assets of ECHMB.

5.4 Interest

5.4.1 Accrual of Interest

The 1st Tranche will bear interest from and including the "Issue Date" (which expression means 25th March 2011). Interest in respect of the amount of Bonds represented by each registered Bond will accrue from day to day and will cease to accrue from the due date for repayment thereof. A year represents 365 days.

Accrual of interest of the 2nd Tranche, 3rd Tranche and 4th Tranche will commence respectively from 1st July 2011, 26th August 2011 and 1st September 2011.

5.4.2 Interest Payment Dates, Interest Periods and Arrears of Interest.

Interest in respect of the Bond shall be payable on each Interest Payment Date, in respect of the Interest Period ending on the day immediately preceding such date. Any interest in respect of the Bond not paid on an Interest Payment Date, together with any other interest in respect thereof not paid on any other Interest Payment Date shall, so long as the same remains unpaid constitute "Arrears of Interest". Arrears of Interest may at the option of ECHMB be paid in whole or in part at any time upon the expiration of not less than seven days' notice to such effect given to the Bondholders, but all Arrears of Interest in respect of all Bonds for the time being outstanding shall become due in full on the date fixed for any repayment pursuant to Section 5.7 below or on maturity of the Bond whichever is the earlier. If notice is given by ECHMB of its intention to pay the whole or any part of Arrears of Interest, ECHMB shall be obliged to do so upon the expiration of such notice. Arrears of Interest shall not themselves bear interest.

As used herein:

"Interest Payment Date" means the date falling six calendar months after the Issue Date and thereafter each date which falls six calendar months after the immediately preceding Interest Payment Date i.e., 25th March and 25th September. If the applicable Interest Payment Date would otherwise fall on a day which is not a Business Day (as defined below) it shall be postponed to the next day which is a Business Day unless it would thereby fall in the next calendar month. In the latter event the Interest Payment Date shall be the date immediately preceding the day which is a Business Day. If for any reason an Interest Payment Date is so determined by the Paying Agent (as defined in sub-paragraph (c) below) to be, or to be deemed to be, the last Business Day of any calendar month all subsequent Interest Payment Dates shall (subject as provided below) be the last Business Day of each March and September. If, however, after the determination of an Interest Payment Date the same is declared or determined not to be a Business Day then that Interest Payment Date will be re-determined on the above basis (mutatis mutandis) except that if such re-determination fails to be made 14 days or less before that Interest Payment Date as originally determined then that Interest Payment Date as re-determined will be postponed to the next day which is a Business Day even though such Business Day falls in the next calendar month. Subsequent Interest Payment Dates will in such event, nevertheless be determined as if that re-determined Interest Payment Date had fallen on the last Business Day of the calendar month in which it was originally determined to fall.

"Interest Period" means the period from and including one Interest Payment Date (or, as the case may be, the Issue Date) up to but excluding the next (or first) Interest Payment Date.

"Business Day" means a day on which Commercial Banks are open for business in the Federation of St Kitts and Nevis.

The "Interest Period" of the 2nd Tranche, 3rd Tranche and 4th Tranche will be similarly calculated from each respective Issue Date of 1st July 2011, 26th August 2011 and 1st September 2011.

5.4.3 Rate of Interest

The Rates of Interest are fixed for the duration of the Bond as follows:

1st Tranche - 6.0%
2nd Tranche - 5.0%
3rd Tranche - 5.0%
4th Tranche - 5.0%

5.4.4 Notifications to be final

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Section 4, by the Paying Agent or the Trustee, shall (in the absence of willful default, bad faith or manifest error) be binding on ECHMB, and (in the absence as aforesaid) no liability to the Bondholders shall attach to the Paying Agent or the Trustee in connection with the exercise or non-exercise by them of their powers, duties and discretion.

5.5. Redemption and Purchase

5.5.1 Redemption

The Bond shall be redeemed on the following dates:-

1st Tranche	25th March 2014
2nd Tranche	1st July 2014
3rd Tranche	26th August 2014
4th Tranche	1st September 2014

5.5.2 Services of Registrar, Transfer and Paying Agent

Upon purchase of the Bond by investors, the ECCSR will provide the services of Registrar, Transfer and Paying Agent to ECHMB's 22nd Bond Issue. Accordingly, the register of Bondholders will be transferred and maintained electronically by the ECCSR. The ECCSR is a subsidiary of the ECSE. The ECCSR operates in a dematerialized environment.

The ECCSR will send to each Bondholder a notification regarding the Bondholders' investments in ECHMB's Bond and provide them with an update of their ownership every six months. Furthermore, every time there is a movement in the respective Accounts, the ECCSR will send the Bondholders an activity statement confirming the transactions, which will represent certification of ownership.

Bondholders will be given an Investor ID and Registry Account Number. The Investor ID is a nine-digit number followed by a two (2) alpha character country code. All joint holders are required to designate one of the joint holders to have responsibility for operating the Account, or the Account will have to be operated jointly.

5.6 Payments

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

5.7 Prescription

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

5.8 Replacement of Bond

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

5.9 Further Issues

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

5.10 Notices

All notices to the Bondholders will be valid if published in a newspaper in each of the member territories of the Eastern Caribbean Currency Union (ECCU). Such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the date of the first such publication.

5.11 Use of Proceeds

To redeem the following Bonds: No.13 $6,700,000, No. 18 (Series 1) $25,000,000, No. 18 (Series 11) $28,343,300, No. 19 $49,560,000, and, in the event of oversubscription, to finance the purchase of additional mortgages from Primary Lenders, subject to the limit of $10,000,000 in the "Over-Allotment Option" noted above in Section 3.0 above.

5.12 Security Issuance Procedures and Settlement and Secondary Market Activities

The 22nd Bond will be issued on the ECSM. This will operate on the ECSE trading platform for both primary issuance and secondary trading. The pricing methodology to be used for selling the securities will be that of a fixed price bond auction. The ECSE and its subsidiaries are responsible for processing, clearance and settlement of securities and providing the Intermediaries with access to their settlement projections report, which indicates the obligations of the Intermediary.

Intermediaries are responsible for interfacing with prospective investors, collecting applications for subscriptions and processing bids on the ECSE platform. A list of licensed Intermediaries is provided in **Appendix I.** Successful investors will be informed of their payment obligations and funds deducted from their respective accounts with the Intermediaries. Refunds in respect of unsuccessful applications will be made to all of the applicants concerned through their Intermediaries within ten (10) days of the close of the issue.

6.0 RISK FACTORS

Before embarking on a decision to invest in ECHMB's Bonds, prospective investors should carefully consider all the information contained in the Prospectus. Prospective investors are advised to consult their financial and legal advisors to determine whether these Bonds are suitable investments for them. In light of their own financial circumstances and investment objectives, prospective investors should consider among other things the following risk factors.

6.1 Operating Results

Operating results have been relatively stable over the last fifteen (13) years. In the last ten (10) years ECHMB has paid annual dividends equivalent to $10 per share while maintaining consistency in servicing its debt in respect of its outstanding Bond Issues and the CDB Long-Term Loan. The results of ECHMB reflect on the performance of the primary lending institutions, from which it has purchased mortgages, and their capacity to meet the monthly payments on those mortgages. The following are some of the risks associated with investing in ECHMB's Bonds:

6.1.1 Currency Exchange Risk

Foreign exchange risk is the risk that the fair value of the future cash flow of a financial instrument will fluctuate as a result of changes in foreign exchange rates. ECHMB incurs foreign currency risks on transactions that are denominated in a currency other than the functional currency, that is the EC Dollar. The main currency giving rise to this risk is the US Dollar, to which the EC Dollar is fixed at the rate of 2.70. At 31st March 2010, ECHMB had the EC Dollar equivalent of US Dollar-denominated Financial Assets of $28,116,693, and Financial Liabilities of $28,108,822. ECHMB will continue to institute measures and procedures to manage any risks that may arise.

6.1.2 Liquidity Considerations

Liquidity risk is the risk that an investor may not be able to find a buyer within a reasonable time, and any resale may occur on adverse terms. Liquidity may be an important consideration if ECHMB's Bonds are bought with the intention of selling them before maturity. It is less important if investors intend to hold the Bond until maturity. The said ECHMB Bond will have the services of the ECCSR as Registrar, Transfer and Paying Agent. In that regard, the ECCSR may be able to provide details of investors within the group who are desirous of trading their securities. ECHMB cannot guarantee that the market for resale of the Bond will develop, and become sustainable with sufficient liquidity to allow Bondholders to sell their Bonds. Moreover, even if Bondholders were to be able to sell their Bonds, the returns may not be comparable to similar investments that have a developed market. Intermediaries have agreed with the ECSE to use their best efforts to facilitate secondary market transactions in ECHMB's Bonds, but the ECSE may discontinue this secondary market support. Consequently there is no guarantee of liquidity.

ECHMB has from time to time facilitated the transfer/repurchase of certain of its Bond or portions of them. But ECHMB provides no assurances of its willingness or ability to repurchase Bonds upon request by an investor. Each Bond Issue has a role in the management of ECHMB's mortgage portfolio. Accordingly, ECHMB must carefully evaluate possible repurchases prior to maturity, and the impact it would have on portfolio management. In the event that a transfer through ECHMB is feasible, ECHMB would give due consideration to facilitate the process.

6.1.3 Market Risk

Market Risk refers to the risk that a security will lose value because of changes in market conditions. The evaluation of market risk depends on an understanding of how an investment will respond to a variety of changes such as the level of interest rate, currency values, and other market factors. The realized value for a debt security which is sold prior to maturity may be more or less than its principal due upon maturity, depending on market conditions at the time of sale. Neither ECHMB nor its Board of Directors can warrant the performance of ECHMB in the future, or the price at which any Bond could be transferred.

6.1.4 Credit Risk

Credit Risk is the risk that because of default by the issuer, the investor will not receive all or part of the scheduled interest and principal that the issuer is obligated to pay. Payments on the Bond are to be made indirectly from collections on the mortgage loans that are secured by properties in the member countries. These payments may be adversely affected by, among other things, a failure by primary lending institutions to perform their servicing duties and their obligations to repurchase the mortgage loans that are in arrears. This could materially impair the servicing of the mortgage loans, resulting in losses on the mortgage loans and indirectly resulting in losses on the Bond.

The primary lending institutions, from which mortgages are purchased, have generally been making monthly payments on time. Moreover, there is provision in the Sale and Administration Agreement between ECHMB and the primary lending institution, which requires the primary lending institution to replace mortgages that are in arrears in excess of three (3) months, thus ensuring that the high quality of ECHMB's mortgage portfolio is sustained. However, the performance of ECHMB is contingent on the ability of the primary lending institutions to meet their financial obligations to ECHMB. In that regard, the Board of ECHMB has put in place extensive measures for conducting due diligence of primary lending institutions and reporting systems on mortgages to ensure that the portfolio is always sound. In addition, ECHMB is embarking on a project that will allow direct interface with the mortgage servicing system of primary lending institutions so that information on the status and performance of the mortgages could be generated in real time.

To mitigate the possibility of credit risk, ECHMB maintains a liquid reserve account sufficient to cover up to one year's interest payments on all of its outstanding Bonds.

6.1.5 Economic Risks

The mortgage lending business in which ECHMB is engaged is affected by general economic conditions prevailing in the region and internationally. Movements in interest rates and especially the higher yields offered on Government Bonds, and a weakening of the economies of the region, may have adverse effects on the business of ECHMB.

From time to time the economies of the region have shown signs of weakness in the fiscal and balance of payment positions. The rates of delinquencies, foreclosures and losses on mortgage loans could increase as a result of adverse changes in general economic conditions. Neither ECHMB nor its Board of Directors could provide assurances that future economic developments, over which ECHMB has no control, will not adversely affect payments on its Bonds.

6.1.6 Natural Disasters

Hurricanes and other natural disasters could have a significant negative impact on the housing sector in the region. While every effort is made to ensure that the mortgages which ECHMB purchases are fully covered with life insurance, as well as insurance for fire and other perils, hurricanes could also affect the sources of employment of home owners, thus affecting their loan servicing ability. Hurricanes could have destabilizing effects on the economies of the region with consequential adverse results on the earnings of ECHMB.

6.2 Combating Financial Crimes

ECHMB has undertaken initiatives and implemented prudent principles to ensure the organization operates in compliance with initiatives and principles established for financial institutions. By so doing ECHMB is ensuring protection for itself and its clients against the dangers of money laundering and other globalized criminal financial activities.

6.3 Suitability

ECHMB's Bonds may not be a suitable investment for every prospective investor. Before making the investment, prospective investors should do the following:-

(6.3.1) Review the Financial Statements of ECHMB.

(6.3.2) Should have sufficient knowledge and experience, or have access to such knowledge and experience, to evaluate the merits and performance of the Bond market and the information contained in this Prospectus.

(6.3.3) Should thoroughly understand the terms and conditions and features of the Bond.

(6.3.4) Should be able to evaluate the general economic conditions, interest rate movements, trading environment and other factors that may affect the investment.

(6.3.5) Should have sufficient financial resources and liquidity to bear all risks associated with this Bond.

The Corporate Bond or Debt Securities market is still at the fledgling stage of its development in the region. Generally, institutional investors and individuals who purchase Debt Securities do so as a way to diversify risk or enhance yields. Investment in Debt Securities should be informed by an evaluation to determine how they will perform under changing conditions and the resulting impact on the overall investment portfolio.

7.0 COMPANY BACKGROUND INFORMATION

7.1 The financial system in the ECCU is dominated by commercial banks, which account for more than 70% of total assets. The majority of the banks function as branch operations of large international banks. Most of the countries also have similar indigenous banks, for which domestic deposits comprise the major source of funds. During the decade of the 1990's the indigenous commercial banks emerged as formidable participants in the banking sector. They have invested large amounts of their funds in residential mortgages for new home construction, existing homes and land acquisition, as well as major home improvements. As a result, most commercial banks witnessed an increase in the percentage of their assets invested in mortgages.

7.2 Residential mortgage loans are originated in transactions between home buyers and mortgage lenders in the primary mortgage market. Historically, commercial banks, development banks and mortgage companies have been the primary providers of mortgage capital. On average the commercial banks hold about 25% of their loan portfolios invested in the housing sector, with funding provided mainly from short-term customers' deposits. The average term to maturity of these mortgages is 15 to 25 years. The asset-liability mismatch between borrowing and lending presents tremendous risks for the liquidity of commercial banks. The secondary market presents an alternative source of funding for mortgages originated by commercial banks.

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

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

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

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

7.4 The underlying premise of ECHMB's business is to serve as a source of liquidity for commercial banks. But equally important, is the responsibility to serve as an avenue for facilitating home ownership. In that regard, ECHMB has established partnerships with some institutions that have a similar vision of making mortgages more affordable to the consuming public.

7.5 ECHMB has issued a total of 21 Bonds, a Commercial Paper and a Long-term Loan amounting to $426.80million. As at September 1, 2010, ECHMB has ten (10) outstanding Bonds and a Long-Term Loan amounting to $265.82 million. ECHMB is expected to maintain its presence in the capital market, and thereby replenish its capacity to generate new funding for mortgages. So far, most of the Bonds issued have been fully subscribed, and have been taken up primarily by institutional investors such as commercial banks, insurance companies and pension funds, including regional institutions operating outside the jurisdiction of the ECCU. Individuals have also shown interest in the Bonds offered by ECHMB. The steady expansion of the investor base reflects the favorable disposition of taxes in all the member countries of the OECS.

7.6 On a broader level, the ECSE and its subsidiary, the ECSRC, have started operating a highly automated regional stock exchange, with supporting infrastructure to facilitate secondary market trading in equity and debt instruments. This initiative provides a platform for creating a secondary market in ECHMB's Bond for the benefit of investors.

8.0 INCORPORATION

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

8.2 ECHMB began commercial operations in April 1996. The Bank has been involved in raising funds on the capital market through the issuance of Bonds and the securing of a Long Term Loan from CDB. The proceeds have been used to purchase mortgages and to provide a facility to primary lenders for originating mortgages.

The purposes of the ECHMB, as described in the Eastern Caribbean Home Mortgage Bank Agreement Act are: -

8.2.1 to develop and maintain a secondary mortgage market for residential mortgages in member territories;

8.2.2 to contribute to the mobilization and allocation of long term savings for investment in housing;

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

8.2.4 to promote the growth and development of the money and capital market;

8.2.5 to improve underwriting practices and to promote services and benefits related to such mortgages.

8.3 ECHMB was formally registered in Grenada on 16th September 1996. No Certificate of Incorporation was issued as ECHMB was created by legislative Act and it is the practice in Grenada to file with the Registrar of Companies a copy of the Act, and thereafter all other documents relating to the company. The registered office address of the ECHMB is: ECCB Agency Office, Monckton Street, St. George's; Grenada.

9.0 PARTICULARS OF LISTED AND UNLISTED SECURITIES ISSUED

THE EASTERN CARIBBEAN HOME MORTGAGE BANK					
OUTSTANDING SECURITIES					
1st SEPTEMBER 2010					
Bondholder	**Amount**	**Interest Rate**	**Maturity Period**	**Issue Date**	**Maturity Date**
Fifth (5th) Bond Issue	11,300,000	5.90%	15 years	June 1 1999	June 1 2014
Eleventh (11th) Bond Issue					
Series -3	5,300,000	6.00%	9 years	Jan 30 2004	Jan 30 2013
Thirteenth (13th) Bond Issue	6,700,000	5.50%	7 years	Sept 01 2004	Sept 01 2011
Fourteenth (14th) Bond Issue	18,770,000	5.50%	8 years	Sept 30 2004	Sept 30 2012
Fifteenth (15th) Bond Issue	6,450,000	5.50%	5 years	Jan 30 2007	Jan 30 2012
Seventeenth (17th) Bond Issue	16,205,000	6.00%	5 years	Feb 20 2008	Feb 20 2013
Eighteenth (18th) Series-1	25,000,000	6.00%	2 Years	March 25, 2009	March 26, 2011
Eighteenth (18th) Series-2	28,343,300	6.00%	2 Years	August 26, 2009	August 26, 2011
Nineteenth (19th)	49,560,000	6.00%	2 Years	July 2, 2009	July 2, 2011
Twentieth (20th)	21,187,000	6.0%	2 Years	February 1, 2010	February 1, 2012
Twenty first (22nd)	50,000,000	6.0%	3Years	July 1, 2010	July 1, 2013
Caribbean Development Bank (CDB) Long-Term Loan	27,000,000	6.0%	12 Years	March 5, 2009	March 5, 2021
Total	**265,815,300**				

10.0 BOARD OF DIRECTORS

10.1 Business Experience of Directors

Name: **Sir K Dwight Venner KBE CBE** Position: Governor, ECCB (1989- Present)

Mailing Address:

Eastern Caribbean Central Bank, ECCB Complex, Bird Rock Road, Basseterre, St. Kitts

Telephone No.: (869) 465-2139

Positions held during the past five years.

Governor, Eastern Caribbean Central Bank

Education:
B Sc. Economics (Hons), UWI, Mona Campus, Jamaica 1969
M Sc. Economics (Hons), UWI, Mona Campus, Jamaica 1970

Name: **Gordon Derrick** Position: Managing Director, G.D.E.C. Ltd (2004- Present)

Mailing Address: P.O. Box 359 Lower Fort Road St. John's Antigua
Telephone No.: (268) 462 0471

Positions held during past five years.
General Secretary, Antigua and Barbuda Football Association

Education:
MBA/Social Sciences, UWI Cave Hill, Barbados

B.Sc./Mechanical Engineering, Florida Institute of Technology

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Name: **Dexter Ducreay** Position: General Manager-A.C. Shillingford & Co. Ltd, Dominica (2000- Present)

Mailing Address: P O Box 1870, Roseau, Dominica
Telephone No.: (767) 235 7788

Education:
BSc. (Honours) St. Johns University –New York

Positions held during past five years
General Manager- A.C. Shillingford & Co. Ltd, Dominica

Name: **P Bernadette Knight Roberts** Position: Financial Controller, ABI Holdings

Mailing Address: P. O. Box 84, St. John's, Antigua

Telephone No.: (268) 480-2743 (w), (268) 464-2751 (c) (268) 480-2746

Positions held during past five years.
Financial Controller, ABI Holdings, Antigua

Education:
B.Comm (Hons) Accounting, CGA, CPA,

Name: **Louis A Williams** Position: Finance Manager-National Insurance Scheme of Grenada

Mailing Address: P. O. Box 322, Melville Street, St. George's, Grenada
Telephone No.: (473) 440-3309

Positions held during past five years.
Finance Manager-National Insurance Scheme of Grenada

Education:
Licentiate in Accounting-University of Camaguey, Cuba

10.2 Other Directorship held by Directors

Sir K Dwight Venner KBE CBE

- Caribbean Knowledge and Learning Network
- Commission on Growth and Development (Member) (World Bank)
- Eastern Caribbean Securities Exchange
- Institute of Connectivity
- OECS Economic Union Task Force
- UWI Open Campus Council

Gordon Derrick

- Antigua Commercial Bank
- ACB Mortgage & Trust, Antigua
- DSC Promotions Limited, Antigua

Dexter Ducreay

- Roseau Co-operative Credit Union Limited, Dominica

Mrs. P Bernadette Knight Roberts

- STI Processing Limited, Antigua
- Tranquility Bay, Antigua
- Diocesan Catholic School Board, Antigua

Mr. Louis A Williams

- Gravel, Concrete & Emulsion Corporation, Grenada

Apart from the "Other Directorships held by Directors" listed is this section of the Prospectus, management is not aware of any other material contracts entered into by the Directors and other third parties.

10.3 Summary of Bylaws relevant to Directors

In accordance with Article 27 of ECHMB Agreement Act, No.8 of 1995, the following applies:

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

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

(10.3.3) A Director shall not be treated as having an indirect interest in a contract or proposed contract with the Bank in any matter with which the Bank is concerned if he is director, shareholder, agent or employee of the company or undertaking that is a party to the contract or proposed contract with the Bank or where his spouse, parent, child, brother, or sister or the parent, child, brother or sister of his spouse holds an interest in the company or undertaking;

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

THE RULES OF ECHMB PROHIBIT DIRECTORS FROM TRADING WITH THE COMPANY.

10.4 Internal Relationships

There is no Family Relationship between any Director and member of Staff of the ECHMB.

10.5 Directors Remuneration

For the year ended March 31, 2010 an amount of $ 78,000 was paid to the Directors.

10.6 Legal Proceedings

There are no pending legal matters.

11.0 SHAREHOLDING

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

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

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

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

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

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

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

SHAREHOLDINGS AS AT 31 MARCH, 2010

CLASS	INSTITUTION	AMOUNT ($)	PERCENTAGE (%)
A	Eastern Caribbean Central Bank	5,000,000	25.4%
B	Social Security Schemes and Government Controlled Commercial Banks	2,854,820	14.5%
C	Other Commercial Banks	6,374,380	32.4%
D	Insurance Companies and Credit Institutions	5,428,820	27.6%
E	International Finance Corporation	-	-
F	Home Mortgage Bank	-	-
TOTAL		**$19,658,020**	**100.0%**

The structure of the ECHMB's shareholding fulfils the recommendation that each shareholder has a reasonable chance in participating in the financial and operating policies of the Bank. ECCB is the largest single shareholder and holds 25.4% of the equity of ECHMB.

12.0 MANAGEMENT

(12.1) The Board of Directors is chaired by Sir K. Dwight Venner, Governor of the ECCB and is responsible for the strategic direction of the Bank in accordance with the ECHMB Agreement. The Board of Directors is comprised of five (5) non-executive directors appointed for the tenure of two (2) years. To ensure that adequate attention is allocated to tasks which require significant investment in time, the Board has established Committees with approved charters which govern terms of reference, responsibilities and authority. The Executive Committee is responsible for supervising assets and liability management and examination and approval of financial commitments in accordance with the Bank's regulations and policies. The Audit Committee provides guidance on the Bank's systems of accounting and internal controls and thus ensuring the integrity of financial reporting. This Committee also serves as an effective liaison between executive management and the external auditors. The Human Resources Committee is responsible for staff compensation and the approval of amendments to staff policies. The Strategy Committee considers and approves the Bank strategic plans and annual operating budgets.

Article 27 of the ECHMB Agreement requires Directors to declare their interest, whether directly or indirectly in a contract or proposed contract with the Bank. There are no contracts between the Directors and the Bank as at 31st December 2010.

(12.2) ECHMB is currently headed by a Chief Executive Officer, Mr. Duleep Cheddie who is a Fellow of the Association of Chartered Certified Accountants (FCCA) of the UK.

Mr. Cheddie has chaired and served on several boards and committees, both regionally and in South East Asia and the Pacific Islands.

(12.3) The business of the ECHMB is managed through the services of three Departments, each headed by a Manager as follows:

(i) Finance – **Mr. Randy R. R. Lewis *FCCA; ACMA;* MBA**

(ii) Mortgage Underwriting – **Ms Cynthia M. E. Joseph *MBA; Dip (Mgt.); CRU***

(iii) Research and Marketing – **Mr. Dennis S. M. Cornwall *Msc Econ*.**

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

13.0 OPERATIONAL POLICIES

(13.1) ECHMB has concentrated on purchasing mortgages in the lower middle to upper income category (i.e. homes costing in the region of $75,000 to $1,300,000). The limits are reviewed annually to reflect changes in house prices.

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

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

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

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

14.0 FUNDING, PROJECTIONS AND FINANCIAL POSITIONS

(14.1) Under the Eastern Caribbean Home Mortgage Bank Agreement Act, No. 8 of 1995, ECHMB is authorized to issue Bonds up to a maximum aggregate capital value of $250,000,000 and the interest payable on those Bonds is exempt from income tax and any other tax including unemployment levy. The Board of ECHMB, on the advice of the Monetary Council, may vary the maximum aggregate capital value of the Bonds.

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

(14.3) Financial Statements appearing on pages 28 to 71 are the audited Financial Statements of ECHMB for the years ended March 2008, 2009 and 2010.

15.0 OVERSUBSCRIPTION

In the event of any over-subscription, ECHMB reserves the right without the consent of any of the applicants of the Bond, to increase the "Amount of Issues" up to an additional $10,000,000 in aggregate over the four (4) bonds, making the total a maximum of $119,603,300. The additional Bond will form part of and rank *pari passu* in all respects with the Twenty Second Bond (22^{nd}). Should ECHMB exercise this right, consequential amendments required to the Debenture will be effected as from the Settlement Date and all Bondholders will be notified accordingly.

16.0 SECURITY ISSUANCE PROCEDURES, CLEARING AND SETTLEMENT, REGISTRATION OF OWNERSHIP AND SECONDARY MARKET ACTIVITY

The Bond will be issued on the primary market of the ECSM and listed on the secondary market of the ECSE utilizing a fixed price auction methodology. The ECSE is responsible for dissemination of market information, providing intermediaries with market access, administering the bidding process and monitoring and surveillance of the auction.

The ECSE, through the Eastern Caribbean Central Securities Depository (ECCSD), is responsible for facilitating clearance and settlement for securities allotted. The ECCSD ensures that funds are deposited to the issuing corporate's account. The ECSE, through the ECCSR, records and maintains ownership of corporate securities in electronic book-entry form. The ECCSR mails confirmation of proof of ownership letters to all investors who were successful in the auction. The ECCSR will also process corporate action on behalf of issuers. The Licensed Intermediaries are responsible for interfacing with prospective investors, collecting applications for subscription and processing the same for bidding on the ECSE auction platform. Investors must provide the intermediaries with funds to cover the cost of the transaction.

For this particular offering, all commissions and brokerage fees are to be borne by investors. ECHMB is not responsible for any commissions charged by Intermediaries, the cost of which is the responsibility of the investors. A list of licensed Intermediaries is provided in Appendix I. Clients that are successful will be informed of their payment obligations and funds deducted from their respective accounts held with the Intermediary. In the case where all or part of an investor's bid is not successful, the Intermediary will inform the investor and the Intermediary will reimburse the funds to the investor by cheque or direct deposit. The ECHMB will receive the full proceeds of the issue on the settlement date of the transaction. There will be no fees deducted from the issue amount.

As an issuer in the ECSM, ECHMB is also subject to the rules, guidelines and procedures of the ECSRC and the ECSE.

17.0 GENERAL INFORMATION

(17.1) The process of application for all Tranches of the 22nd Bond will open at 9:00 a.m., on the respective Auction Date and close at 2.00pm on the same day. The full purchase price is payable on application.

(17.2) Applications must be for $5,000 face value or a multiples thereof and will be irrevocable. No allotment will be made for any amount less than $5000 face value.

(17.3) Cheques should be made payable to Eastern Caribbean Home Mortgage Bank. In the case of partial allotment, the surplus will be refunded.

(17.4) A letter confirming proof of ownership of Bond will be made in registered Bond in multiples of $5,000 to each Bondholder within eight (8) weeks of the issue date. Thereafter, transfers may be in multiples of $5,000.

APPENDIX I - LIST OF LICENSED INTERMEDIARIES WHO ARE MEMBERS OF THE ECSE

INSTITUTION	CONTACT INFORMATION	ASSOCIATED PERSONS
Anguilla		
National Bank of Anguilla Ltd	P O Box 44 The Valley Tel: 264-497 2101 Fax: 264-497 3870 / 3310 Email: nbabankl@anguillanet.com	**Principal** Selwyn Horsford Representative Idona Reid Shernika P. Connor
Antigua and Barbuda		
ABI Bank Ltd.	ABI Financial Centre Redcliffe Street St John’s Tel: 268 480 2837 / 2824 Fax: 268 480 2765 Email: abibsec@candw.ag	**Principals** Casroy James Carolyn Philip **Representative** Laura Abraham
Antigua Commercial Bank Ltd.	ACB Financial Centre P O Box 95 St John’s Tel: 268 481 4200 Fax: 268 481 4158/ 4313 Email: acb@candw.ag	**Principal** Peter N Ashe Representative Sharon Nathaniel
Dominica		
National Mortgage Finance Company of Dominica Ltd. (NMFC)	64 Hillsborough Street Roseau Tel: 767 448 4401 / 4405 Fax: 767 448 3982 Email: customersupport@nbd.dm	**Principal** Caryl Phillip-Williams Linda Toussaint-Peter Curtis Clarendon **Representatives** Joel Denis
St Kitts and Nevis		
St Kitts Nevis Anguilla National Bank Ltd.	P O Box 343 Central Street Basseterre Tel: 869 465 2204 Fax: 869 465 1050 Email: national_bank@sknanb.com	**Principals** Winston Hutchinson Anthony Galloway **Representatives** Marlene Nisbett Petronella Edmeade-Crooke

INSTITUTION	CONTACT INFORMATION	ASSOCIATED PERSONS
The Bank of Nevis Ltd.	P O Box 450 Main Street Charlestown Tel: 869 469 5564 / 5796 Fax: 869 469 5798 E mail: info@thebankofnevis.com	**Principal** Kevin Huggins **Representatives** Lisa Jones Vernesia Walters Kelva Merchant Brian Carey
St Lucia		
ECFH Global Investment Solutions Limited	5th Floor, Financial Centre Building 1 Bridge Street Castries Tel: 758 456 6826 / 457 7233 Fax: 758 456 6733 E-mail : capitalmarkets@ecfhglobalinvestments.com	**Principals** Beverley Henry Donna Matthew **Representatives** Dianne Augustin Lawrence Jean
First Citizens Investment Services	9 Brazil Street Castries **Tel: 758 450 2662** Fax: 758 451 7984 Email: stlucia@myFirst Citizens Investment Services .com	**Principals** Carole Eleuthere-Jn Marie Representative Anderson Soomer Samual Agiste
St Vincent and The Grenadines		
National Commercial Bank (SVG) Ltd.	P O Box 880 Cnr. Bedford and Grenville Streets Kingstown **Tel: 784 457 1844** Fax: 784 456 2612/ 451 2589 Email: natbank@svgncb.com	**Principals** Keith Inniss Jeffrey Ledger **Representatives** Patricia John Rashida Stephens
Trinidad and Tobago		
First Citizens Investment Services (St. Lucia)	No. 1 Richmond Street, Ground Floor Furness Court, Independence Square Port of Spain **Tel: 868 623 7815 / 5153** Fax: 868 624 4544 / 9833; 627 2930 Email: info@myFirst Citizens Investment Services .com	Representative Vishwatee Jagroop

APPENDIX 2: FINANCIAL STATEMENTS MARCH 2008 TO MARCH 2010

a) STATEMENT BY DIRECTORS OF ECHMB

We declare that to the best of our knowledge the information contained in the Prospectus is in accordance with the facts and the Prospectus makes no omission likely to affect the import of the information. The Financial Statements for the three (3) years ended 31 March 2008, 31 March 2009 and 31 March 2010, have been prepared in accordance with the Securities Act of 2001 and the Regulations issued by the Eastern Caribbean Securities Regulatory Commission and accordingly we accept responsibility for them.

By Order of the Board

K D M Venner

K Dwight Venner
Chairman, ECHMB

(1st December 2010)

b) STATEMENT BY AUDITORS

We confirm that we carried out the audit of the operations of Eastern Caribbean Home Mortgage Bank Ltd. (ECHMB) for the three (3) years ended 31 March 2008, 31 March 2009 and 31 March 2010. We hereby give consent to ECHMB to include the Auditors' report on the Financial Statements for the years ended 31 March 2008, 31 March 2009 and 31 March 2010, in the Prospectus.

PKF

Chartered Accountants:

BASSETERRE - ST KITTS

(1st December 2010)

PKF

Chartered Accountants
& business advisors

St. Kitts-Nevis-Anguilla
Tel: (869) 465-2746/2215

REPORT OF THE AUDITORS TO

THE SHAREHOLDERS OF

EASTERN CARIBBEAN HOME MORTGAGE BANK

We have audited the accompanying financial statements of Eastern Caribbean Home Mortgage Bank for the three years ended 31 March 2008, 31 March 2009 and 31 March 2010, from which the accompanying summarised financial statements were derived, in accordance with International Standards on Auditing. In our reports dated 6 May 2008, 27 April 2009 and 31 May 2010, we expressed unqualified opinions on the financial statements from which these summarised financial statements were derived.

In our opinion, the accompanying summarised financial statements are consistent, in all material respects, with the financial statements from which they were derived.

For a better understanding of the Bank's financial position and the results of its operations for the three years and of the scope of our audit, the summarised financial statements should be read in conjunction with the financial statements from which the summarised financial statements were derived and our audit reports thereon.

PKF

PKF
Chartered Accountants:

BASSETERRE – ST KITTS

1st December 2010

EASTERN CARIBBEAN HOME MORTGAGE BANK
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2008, 2009 AND 2010
(Expressed in Eastern Caribbean Dollars)

ASSETS	Notes	2010	2009	2008
Cash and cash equivalents	5	62,943,509	17,995,939	12,817,253
Interest receivables	6	1,923,422	725,683	1,772,769
Accounts receivable & prepayments	7	107,096	112,004	2,063,167
Investment securities	8	2,600,000	13,100,000	26,100,000
Mortgages portfolio	9	224,883,064	184,269,250	129,664,263
Intangible assets	10	7,506	136,657	289,767
Other assets	11	653,719	609,156	597,701
Property and equipment	2(g) (iii) & 14(a)	87,743	96,144	154,397
TOTAL ASSETS		293,206,059	217,044,833	173,459,317
LIABILITIES				
Interest payable	12	2,461,591	1,841,131	1,660,142
Other liabilities and payables	13	1,612,991	1,169,060	326,845
Borrowings	14	259,029,122	193,769,047	152,582,000
TOTAL LIABILITIES		263,103,704	196,779,238	154,568,987
SHAREHOLDERS' EQUITY (page 31)				
Share capital	15	19,658,020	10,000,000	10,000,000
Retained earnings		5,497,397	5,390,153	4,566,994
Reserves	16	4,946,938	4,875,442	4,323,336
TOTAL SHAREHOLDERS' EQUITY		30,102,355	20,265,595	18,890,330
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		293,206,059	217,044,833	173,459,317

The attached Notes form an integral part of these Financial Statements.

Approved by the Board of Directors on 1 June 2010.

Sir K Dwight Venner – Chairman

Mr. Ralph V. C. Hodge – Director

EASTERN CARIBBEAN HOME MORTGAGE BANK
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 MARCH 2008, 2009 AND 2010
(Expressed in Eastern Caribbean Dollars)

	Notes	2010	2009	2008
Interest income	17	21,585,321	16,005,183	13,286,182
Interest expense	18	(13,075,084)	(9,515,066)	(7,810,282)
Net interest income		8,510,237	6,490,117	5,475,900
Mortgage administration fees		(2,034,136)	(1,568,360)	(1,112,287)
Other expenses	19	(114,694)	(74,653)	(65,731)
Other income	20	8,593	7,220	(7,676)
Operating income		6,370,000	4,854,324	4,290,206
Operating expenses				
General and administrative expenses	21	1,884,697	1,786,114	1,727,672
Depreciation		52,720	58,253	52,297
Amortization		590,234	455,203	408,670
Audit Fees		30,000	30,000	25,000
Foreign exchange loss		11,802	18,979	-
Impairment loss on investment securities	8	2,500,000	-	-
Directors' fees and expenses		121,807	130,510	187,028
		5,191,260	2,479,059	2400,667
Net income for the year		1,178,740	2,375,265	1,889,539
Other comprehensive income		-	-	-
Total comprehensive income for the year		1,178,740	2,375,265	1,889,539
Basic earnings per share	22	$9.46	$23.75	$18.90

The attached Notes form an integral part of these Financial Statements.

EASTERN CARIBBEAN HOME MORTGAGE BANK
STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 MARCH 2008, 2009 AND 2010
(Expressed in Eastern Caribbean Dollars)

	Share Capital	Building Reserve	Portfolio Risk Reserve	Retained Earnings	Total
Balance at 31 March 2007	10,000,000	2,233,760	1,733,760	4,033,271	18,000,791
Changes in equity for 2008:					
Total comprehensive income for The year	-	-	-	1,889,539	1,889,539
Dividends	-	-	-	(1,000,000)	(1,000,000)
Transfer to Reserves (Note 16)	-	177,908	177,908	(355,816)	-
Balance at 1 April 2008	10,000,000	2,411,668	1,911,668	4,566,994	18,890,330
Changes in equity for 2009:					
Total comprehensive income For the year	-	-	-	2,375,265	2,375,265
Dividends	-	-	-	(1,000,000)	(1,000,000)
Transfer to Reserves (Note 16)	-	276,053	276,053	(552,106)	-
Balance at 31 March 2009	10,000,000	2,687,721	2,187,721	5,390,153	20,265,595
Changes in equity for 2010:					
Issuance of shares	9,958,020	-	-	-	9,958,020
Total comprehensive income For the year	-	-	-	1,178,740	1,178,740
Dividends	-	-	-	(1,000,000)	(1,000,000)
Transfer to Reserves (Note 16)	-	35,748	35,748	(71,496)	-
Balance at 31 March 2010	19,658,020	2,723,469	2,223,469	5,497,397	30,102,355

The attached Notes form an integral part of these Financial Statements.

EASTERN CARIBBEAN HOME MORTGAGE BANK
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED 31 MARCH 2008, 2009 AND 2010
(Expressed in Eastern Caribbean Dollars)

CASH FLOWS FROM OPERATING ACTIVITIES	2010	2009	2008
Net Income for the year	1,178,740	2,375,265	1,889,539
Adjustment for:			
Depreciation	52,720	58,253	52,297
Amortisation of intangible assets	90,959	165,723	158,217
Amortisation of Bond issue costs	474,955	289,480	250,453
Amortisation of transaction fees borrowed funds	24,320	-	-
Impairment loss provision on investment securities	2,500,000	-	-
Interest income	(21,585,321)	(16,005,183)	(13,286,182)
Interest expenses	13,075,084	9,515,066	7,810,282
CASH FLOWS USED IN OPERATING PROFITS BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES	(4,188,543)	(3,601,396)	(3,125,394)
Changes in operating assets and liabilities			
Decreasein accounts receivable and prepayments	4,908	1,951,163	(19,364)
Increase in other liabilities and payables	443,931	842,215	96,813
Cash used in operations before interest	(3,739,704)	(808,018)	(3,047,945)
Interest received	20,387,582	17,052,269	12,819,735
Interest paid	(12,454,624)	(9,334,077)	(7,203,510)
Net cash provided by operating activities	4,193,254	6,910,174	2,568,280
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease in term deposits	8,000,000	13,000,000	18,000,000
Decrease in mortgage interfacing system cost	50,806	-	-
Purchase of mortgages	(49,752,354)	(62,122,390)	(59,461,846)
Resale of mortgages	1,617,034	-	-
Principal repayment on mortgages	8,792,460	6,874,228	4,916,545
Net decrease/(Increase) in mortgage repurchase/ Replacement	(1,270,954)	643,175	(605,626)
Purchase of intangible assets	-	-	(28,082)
Purchase of property and equipment	(44,319)	-	(56,105)
Net cash used in Investing Activities	(32,607,327)	(41,604,987)	(37,235,114)

EASTERN CARIBBEAN HOME MORTGAGE BANK
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED 31 MARCH 2008, 2009 AND 2010
(Expressed in Eastern Caribbean Dollars)

Continued.......................

	2010	2009	2008
Cash flows from financing activities			
Net proceeds from debt securities & other Borrowed funds	75,598,300	70,887,047	54,457,000
Repayment of debt securities & other Borrowed funds	(10,390,000)	(29,700,000)	(13,805,000)
Net payment of debt issue costs	(504,677)	(313,548)	(327,222)
Proceeds from issuance of shares	9,658,020	-	-
Dividends paid	(1,000,000)	(1,000,000)	(1,000,000)
Net cash provided by financing activities	73,361,643	39,873,499	39,324,778
Net increase in cash and cash equivalents	44,947,570	5,178,686	4,657,944
Cash and cash equivalents at beginning of year	17,995,939	12,817,253	8,159,309
Cash and cash equivalent at end of year (Note 5)	62,943,509	17,995,939	12,817,253

The attached Notes form an integral part of these Financial Statements.

EASTERN CARIBBEAN HOME MORTGAGE BANK
PROPERTY AND EQUIPMENT SCHEDULE
FOR THE YEARS ENDED 31 MARCH 2008, 2009 AND 2010
(Expressed in Eastern Caribbean Dollars)

	Motor Vehicle	Computer Equipment	Furniture & Fixtures	Machinery & Equipment	TOTAL 2010	TOTAL 2009	TOTAL 2008
Cost							
At beginning of year	108,000	282,282	41,982	36,943	469,207	469,207	413,102
Additions	-	38,499	-	5,820	44,319	-	56,105
Disposals	-	-	-	-	-	-	-
At end of year	108,000	320,781	41,982	42,763	513,526	469,207	469,207
Accumulated Depreciation							
At beginning of year	61,200	244,452	40,271	27,140	373,063	314,810	262,513
Change for Year	21,600	25,275	742	5,103	52,720	58,253	52,297
Disposals	-	-	-	-	-	-	-
	82,800	269,727	41,013	32,243	425,783	373,063	314,810
Net book Value	25,200	51,054	969	10,520	87,743	96,144	154,397

As explained in Note 14 to the financial statements, the Property and Equipment are pledged to secure the Bond in issue.

The attached Notes form an integral part of these Financial Statements.

EASTERN CARIBBEAN HOME MORTGAGE BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 MARCH 2008, 2009 AND 2010
(Expressed in Eastern Caribbean Dollars)

1 INCORPORATION AND PRINCIPAL ACTIVITY

The Governments of Anguilla, Antigua and Barbuda, The Commonwealth of Dominica, Grenada, Montserrat, St Kitts-Nevis, St Lucia and St Vincent and the Grenadines signed an agreement on 27 May 1994, to establish the Eastern Caribbean Home Mortgage Bank ("the 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. The primary office of the Bank is located at Bird Rock, Basseterre, St. Kitts and Nevis.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of preparation

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis of measurement

These financial statements have been prepared under the historical cost convention, except for available-for-sale Investments securities which are measured at fair value.

Functional and presentation currency

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

Judgement and estimates

The preparation of financial statements in conformity with IFRS requires management to make judgement, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. Information about significant areas of estimation

2 Basis of preparation (continued)

Judgement and estimates

and critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are disclosed in Note 4.

Changes in accounting policies

Effective 1 April, 2009 the Bank has changed its accounting policy in the following area: Presentation of financial statements.

Adoption of published International Financial Reporting Standards (IFRSs) during the financial year

Standards and amendments effective on or after 1 April 2009

The following standards, amendments and interpretations, which affect presentation and disclosure, became effective in 2009 and are relevant to the Bank's operations:

- IAS 1 (revised) 'Presentation of Financial Statements' (effective 1 January 2009) The Bank applies IAS 1 (Revised) Presentation of Financial Statements (2007) from April 1, 2009. The revised standard has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content to the financial statements. The main objective in revising IAS 1(2007) was to aggregate information in the financial statements on the basis of shared characteristics. The previous version of IAS 1 used the titles 'balance sheet' and 'cash flow statement" to describe two of the statements within a complete set of financial statements. The revised IAS 1 uses 'statement of financial position' and "statement of cash flows' for those statements. In addition, the Bank presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity and income and expenses are presented in one statement (a statement of comprehensive income) or in two statements (a separate income statement and a statement of comprehensive income), separately from owner changes in equity. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

- Amendments to IFRS 7, 'Financial instruments: Disclosures' - Improving Disclosures about Financial Instruments. The IASB published amendments to IFRS 7 in March 2009. The amendments to IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendment results in additional disclosures but does not have an impact on the financial position or the comprehensive income of the Bank.

2 Basis of preparation (continued)

Standards, amendments and interpretations effective on or after 1 January 2009 with no material effect on the financial statements

The following standards, amendments and interpretations effective for periods beginning on or after January 1, 2009 have been adopted but their adoption has not had any material impact on the Bank's financial statements.

- IAS 23 (Amendment), 'Borrowing costs'
- IAS 32 and IAS1 (Amendment) – IAS 32, 'Financial instruments: Presentation', and IAS 1, 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on Liquidation'
- IAS 36 (Amendment), 'Impairment of assets'
- IAS 38 (Amendment), 'Intangible assets'
- IAS 39 (Amendment), 'Financial Instruments: recognition and Measurement'
- IFRS 2 (Amendment), 'Share-based Payment' - Vesting Conditions and Cancellations
- IFRS 8 'Operating Segments'
- IFRIC 15, 'Agreements for construction of real estate
- Improvements to IFRSs 2008 (various standards). In May 2008, the IASB issued Improvements to IFRSs 2008, which comprises amendments to various standards (some of which are addressed above). The majority of the amendments took effect from 1 January 2009. These amendments have not had any significant impact on amounts reported in these financial statements and have therefore not been analysed in detail.

The following standards, amendments and interpretations have been issued and are mandatory for accounting periods beginning on or after July 1, 2009 or later and are not relevant for the Bank operations:

- IFRS 1 and IAS 27 (Amendments) 'IFRS 1 "First time adoption of IFRS' and IAS 27 'Consolidated and Separate Financial Statements' – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- IFRS 3 (Revised), 'Business Combination'
- IFRS 5 (Amendment), 'Non-current assets held for sale and discontinued operations' (and consequential amendment to IFRS 1, 'First-time adoption')
- IAS 27 (Revised), 'Consolidated and Separate Financial Statements'
- IAS 39 (Amendment), 'Financial Instruments: Recognition and Measurement – Eligible Hedge Items'
- IFRIC 17, 'Distribution of Non-cash Assets to Owners'
- IFRIC 18, 'Transfers of Assets from Customers

2 Basis of preparation (continued)

New standards, amendments and interpretations issued but not yet adopted

The following new standards, amendments and interpretations have been issued but have not been early adopted by the Bank:

- IAS 32 (Amendment), 'Financial Instruments: Presentation – Classification of Rights Issues' (effective1 February 2010)
- IAS 7 (Amendments), 'Statement of Cash Flows" (effective 1 January 2010)
- Improvements to IFRSs 2009 (various standards). In April 2009 the IASB issued 'Improvements to IFRSs 2009' which comprises amendments to standards. The majority of the amendments will be effective from 1 January 2010.

b) Cash and cash equivalents

Cash and cash equivalents comprise cash balances on hand, deposits with other banks and short term investments with maturities of less than three months.

c) Financial assets and liabilities

Financial instruments carried on the statement of financial position include cash resources, investment securities, mortgage loans, accounts receivables, borrowings (debt security in issue and long-term loan), and interest payable and accounts payable. The standard treatment for recognition, derecognition, classification and measurement of the Bank's financial instruments are noted below.

Recognition

Financial assets and financial liabilities are recognised in the statement of financial position when the Bank assumes related contractual rights or obligations.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership. Financial liabilities (or part of a financial liability) are derecognised when they are extinguished – that is, when the obligation is discharged, cancelled or expires.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Financial assets and liabilities (continued)

Classification

The Bank classifies its financial assets according to the following IAS 39 categories: loans and receivables, held-to-maturity investments and available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

i) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments (including loan assets, accounts receivables) that are not quoted in an active market, other than those held for trading or designated on initial recognition as assets at fair value through profit or loss or as available-for-sale. Loans and receivables, for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, should be classified as available-for-sale.

Loans and receivables are initially recognised at fair value – which is the cash consideration to originate or purchase the loan including any transaction costs – and measured subsequently at amortised cost using the effective interest rate method. Loans and receivables are reported in the statement of financial position as mortgage portfolio, cash and cash equivalents and receivables. Interest on loans is included in the statement of comprehensive income and is reported as 'Interest Income'.

ii) Held-to-maturity financial assets
Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity and do not meet the definition of loans and receivable and are not designated upon initial recognition as fair value through profit or loss or available-for-sale. Any sale or reclassification of a significant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Bank from classifying investment securities as held-to-maturity for the current and the following two financial years.

Held-to-maturity investments are initially recognised at fair value including direct and incremental transaction costs and measured subsequently at amortised cost, using the effective interest method. Interest on held-to-maturity investments is included in the statement of comprehensive income and reported under 'Interest Income'. In the case of an impairment, the impairment loss is reported as a deduction from the carrying value of the investment. Held-to-maturity investments are term deposits.

iii) Available-for-sale financial assets
Available-for-sale investments are those intended-to-be-held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. Purchases and sales of financial assets available for sale are recognized on trade-date, the date on which the Bank commits to purchase or sell the assets.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

iii) Available-for-sale financial assets (continued)

Available-for-sale financial assets are subsequently carried at fair value. Gains and losses arising in the fair value of available-for-sale financial assets are recognized directly in equity, until the financial asset is derecognized or impaired. At this time, the cumulative gain or loss previously recognized in equity is recognized in profit and loss. However, interest calculated using the effective interest method and foreign currency gains and losses on monetary assets classified as available for sale are recognized in the statement of comprehensive income. Dividends on available-for-sale equity instruments are recognized in the statement of comprehensive income when the entity's right to receive payment is established. The fair values of quoted investments in active markets are based on current bid price. If there is no active market for a financial asset, the Bank establishes fair value using valuation techniques, which include the use of recent arms length transactions.

Financial liabilities

The Bank classifies its financial liabilities as other financial liabilities measured at amortised cost using the effective interest method.

Other financial liabilities measured at amortised cost
Financial liabilities that are not classified as at fair value through profit or loss fall into this category and are measured at amortised cost. Financial liabilities measured at amortised cost are borrowings which includes Bond in issue and long-term loan.

Transaction costs on financial assets and liabilities
Transaction cost or fees should be included in the initial measurement of financial assets and financial liabilities ther than those at fair value through profit or loss. For financial liabilities, directly related transaction costs of issuing debt are deducted from the amount of debt originally recognized. Transaction costs that are directly attributable to financial liabilities are included in the calculation of amortised cost using the effective interest method and, in effect, amortised through profit or loss over the life of the instrument.

d) Offsetting financial instruments

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

e) Impairment of financial assets

(i) Financial assets carried at amortised cost

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Objective evidence that a financial asset or group of financial assets is impaired includes observable data that comes to the attention of the Bank about the following loss events:

i. significant financial difficulty of the issuer or obligor;
ii. a breach of contract, such as a default or delinquency in interest or principal payments;
iii. the Bank granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
iv. it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
v. the disappearance of an active market for that financial asset because of financial difficulties; or
vi. observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
   a. adverse changes in the payment status of borrowers in the group; or
   b. national or local economic conditions that correlate with defaults on the assets in the group.

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Impairment of financial assets (continued)

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Bank may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable. For the purpose of a collective evaluation of impairment, financial assets are grouped together on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

When a financial asset is uncollectible, it is written off against the related provision for impairment loss. Such financial assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

If in the subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improved credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statement of comprehensive income.

(ii) Assets classified as available-for-sale

The Bank assesses at statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the statement of comprehensive income.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Intangible assets

Computer software
Intangible assets are acquired computer software programmes. These are capitalized on the basis of the cost incurred to acquire and bring to use the specific software. These costs are amortised using the straight-line method on the basis of the expected useful life of three years. Costs associated with maintaining computers software programmes are recognized as an expense as incurred.

g) Property and equipment

Property and equipment are stated at historical cost or revalued amount less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. The cost of self-constructed assets includes the cost of materials and direct labour, and other cost directly attributable to bringing the assets to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchasing software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

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

Depreciation is calculated on the straight-line basis at rates estimated to write-off the cost of each asset over the period of its expected useful life. Land is not depreciated. Annual depreciation rates are as follows:

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

The cost or valuation of property and equipment replaced, retired or otherwise disposed of and the accumulated depreciated thereon is eliminated from the accounts and the resulting gains or losses reflected in the statement of comprehensive income. Gains and losses on disposal are determined by comparing proceeds with the carrying amount and are included in the statement of comprehensive income.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Leases

Operating leases
The leases entered into by the Bank are primarily operating leases. The total payments made under operating lease are charged to the statement of comprehensive income on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

i) Revenue recognition

Interest income and interest expense

Interest income and expense are recognized in the statement of comprehensive income for all interest-bearing instruments on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

j) Foreign currency transaction

Transactions and balances

Foreign currency transactions that are transactions denominated, or that require settlement,in a foreign currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions. At the statement of financial position date, monetary assets and liabilities denominated in foreign currencies are translated into Eastern Caribbean dollars at the closing rates of exchange. Foreign currency transactions are translated at the rates prevailing on the transaction dates. Foreign exchange gains or losses arising from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income. Exchange differences resulting from the settlement of transactions at rates different from those at the dates of the transactions, and unrealised foreign exchange differences on unsettled foreign currency monetary assets and liabilities are recognised in the comprehensive income statement.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Borrowings

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

l) Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligation may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value for money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as an expense.

m) Taxation

In accordance with 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.

n) Bond issue costs

Bond Issue costs were incurred floating the various issues of tax free Bond. These costs incurred in the issue of Bond are amortised over the duration of the respective Bond effective from their issue date.

o) Payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

p) Pension costs

The Bank's contributions to the defined contribution pension plan are charged to the statement of comprehensive income in the period to which the contributions relate.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

q) Dividends

Dividends are recognized in the year in which they are paid. Dividends that are proposed and declared after the statement of financial position date are not shown as a liability on the statement of financial position.

r) Earnings per share

Data on basic earnings per share has been computed by dividing the net profit attributable to equity holders of the parent, by the weighted average number of ordinary shares in issue during the year.

s) Comparatives

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

t) Events after statement of financial position date

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

3 FINANCIAL RISK MANAGEMENT

Introduction and overview

The Bank takes on a wide approach to the identification, measurement, monitoring, reporting and management of all its risk. By its very nature, the Bank's activities are principally related to the use of financial instruments.

The Bank has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk

3 FINANCIAL RISK MANAGEMENT (continued)

Risk management framework

The Bank's risk management framework guides its risk-taking activities and ensures that it is in conformity with the Bank's risk tolerance, stockholders expectations and standards of best practice. The framework incorporates a comprehensive risk governance structure and appropriate policies and procedures for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board of Directors has established various sub-committees, which are responsible for developing and monitoring the Bank's risk management policies in their specified areas. All committees have non-executive members and report regularly to the Board of Directors on their activities.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered.

The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations. The Bank's Audit Committee is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank.

(a) Credit risk

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

Management of credit risk

Mortgage portfolio

As explained in note 9, the Bank entered into a Sale and Administration Agreement with Primary Lending Institutions for the purchase of residential mortgages with recourse. The terms of the Agreement warrant that any default, loss or title deficiency occurring during the life of a mortgage loan will be remedied by the Primary Lending Institution and the Bank protected against any resulting loss. As a result of the recourse provision, management believes that no provision is required.

3 FINANCIAL RISK MANAGEMENT (continued)

Risk management framework (continued)

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

The Bank monitors concentrations of credit risk by geographic location and by primary lending institution. The Bank's credit exposure for mortgage loans at their carrying amounts, catergorised by individual ECCU territory is disclosed in Note 9.

The table below breaks down the Bank's main credit exposure at the carrying amounts, categorised by geographical regions as of 31 March 2010. In this table, the Bank has allocated exposure to regions based on the country of domicile of the counterparties.

Geographical concentration of all assets and liabilities

	Total Assets	%	Total Liabilities	%
As of 31 March 2010				
OECS Member States	290,281,059	99.0	228,024,671	86.7
Barbados	2,925,000	1.0	31,740,000	12.1
Trinidad and Tobago	-		1,826,334	0.7
Guyana	-		1,512,699	0.5
British Virgin Islands	-		-	
	293,206,059	100.0	263,103,704	100.0
As of 31 March 2009				
OECS Member States	211,839,901	97.6	161,396,243	82.0
Barbados	5,204,932	2.4	33,022,585	16.8
Trinidad and Tobago	-		1,826,334	0.9
Guyana	-		506,681	0.3
British Virgin Islands	-		27,395	-
	217,044,833	100.0	196,779,238	100.0

3 FINANCIAL RISK MANAGEMENT (continued)

The following table breaks down the Bank's main credit exposure relating to financial assets at the carrying amounts, categorised by geographical regions as of 31 March 2010. In this table, the Bank's management has allocated exposure to regions based on the country of domicile of the counterparties.

Credit exposures relating to financial assets

	St. Kitts & Nevis	Other OECS Member States	Barbados	Total
Cash and cash equivalents	62,943,509	-	-	62,943,509
Mortgage portfolio	17,648,353	207,234,711	-	224,883,064
Interest receivable	48,021	1,450,401	425,000	1,923,422
Accounts receivable	75,907	-	-	75,907
Investment securities	100,000	-	2,500,000	2,600,000
As of 31 March 2010	80,815,790	208,685,112	2,925,000	292,425,902
As of 31 March 2009	$36,570,748	$174,395,931	$5,204,932	$216,171,611
As of 31 March 2008	$22,310,796	$145,789,192	$5,204,932	$173,304,920

Allowances for impairment

The Bank establishes an allowance for impairment losses on assets at amortised cost or classified as available-for- sale that represents its estimate of incurred losses in its investment security portfolio. The main components of this allowance are a specific loss component that relates to individual exposure.

b) Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by cash or another financial asset.

Management of liquidity risk

The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation.

3 FINANCIAL RISK MANAGEMENT (continued)

The Board of Directors of the Bank assesses information regarding the liquidity profile of financial assets and liabilities and details of other projected cash flows arising from projected future business. In assessing liquidity, equal consideration is given to the current position as well as the future outlook.

The Bank maintains a portfolio of short-term liquid assets, largely made up of cash and short-term investment securities, to ensure that sufficient liquidity is maintained by the Bank. The daily liquidity position is monitored and regular liquidity testing is conducted under a variety of scenarios covering both normal and more severe market conditions. Liquidity policies and procedures are subject to review and approval by the Board of Directors. A summary report, including any exceptions and remedial action taken, is submitted regularly to the Board.

The Bank has access to a diverse funding base. Funds are raised using a broad range of instruments including corporate Bond, long-term loans, share capital and other funding instruments. This enhances funding flexibility, limits dependence on any one source of funds and generally lowers the cost of funds. The Bank strives to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturities.

The Board continually assesses liquidity risk by identifying and monitoring changes in funding required to meet business goals and targets set in terms of the overall Bank strategy.

Funding approach

Sources of liquidity are regularly reviewed by the management and the Board of Directors to maintain a wide diversification by currency, geography, provider, product and term.

3 FINANCIAL RISK MANAGEMENT (Continued)

(b) Liquidity risk (continued)

Maturities analysis of assets and liabilities

	Within 3 Months	3 to 12 months	1 to 5 years	Over 5 years	Total
As at 31 March 2010					
Assets:					
Cash and cash equivalents	62,943,509	-	-	-	62,943,509
Interest receivables	1,498,422	425,000	-	-	1,923,422
Accounts receivables	61,826	45,270	-	-	107,096
Mortgage portfolio	4,093	173,321	6,232,294	218,473,356	224,883,064
Investment securities	-	2,500,000	-	100,000	2,600,000
Intangible assets	-	7,506	-	-	7,506
Other assets	-	487,567	166,152	-	653,719
Property and equipment	-	52,720	35,023	-	87,743
Total Assets	64,507,850	3,691,384	6,433,469	218,573,356	293,206,059
Liabilities:					
Interest payable	656,436	1,805,155	-	-	2,461,591
Other liabilities and payables	1,342,558	270,433	-	-	1,612,991
Borrowings	-	68,430,680	175,718,020	14,880,422	259,029,122
Total Liabilities	1, 998,994	70,506,268	175,718,020	14,880,422	263,103,704
Net Liquidity Gap	62,508,856	(66,814,884)	(169,284,551)	203,692,934	30,102,355
As at 31 March 2009					
Assets:					
Cash and cash equivalents	17,995,939	-	-	-	17,995,939
Interest receivables	565,296	160,387	-	-	725,683
Accounts receivables	83,707	28,297	-	-	112,004
Mortgage portfolio	-	134,560	4,846,125	179,288,565	184,269,250
Investment securities	-	13,000,000	-	100,000	13,100,000
Intangible assets	-	78,345	58,312	-	136,657
Other assets	-	302,093	307,063	-	609,156
Property and equipment	-	58,253	37,891	-	96,144
Total Assets	18,644,942	13,761,935	5,249,391	179,388,565	217,044,833
Liabilities:					
Interest payable	450,021	1,391,110	-	-	1,841,131
Other liabilities and payables	756,076	412,984	-	-	1,169,060
Borrowings	-	49,343,409	112,931,564	31,494,074	193,769,047
Total Liabilities	1,206,097	51,147,503	112,931,564	31,494,074	196,779,238
Net Liquidity Gap	**17,438,845**	**(37,385,568)**	**(107,682,173)**	**147,894,491**	**20,265,595**

3 FINANCIAL RISK MANAGEMENT (Continued)

(c) Market risk

The Bank takes on exposure to market risk, which is defined as the potential for loss arising from changes in the market value of the Bank's financial instruments due to changes in certain market variables, such as interest rates, foreign exchange rates, equity prices, market liquidity and credit spreads.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(i) Foreign currency risk

Foreign exchange (or currency) risk is the risk that the fair value of future cash flow of a financial instrument will fluctuate as a result of changes in foreign exchange rates.

The Bank incurs foreign currency risk on transactions that are denominated in a currency other than the functional currency, the EC Dollar. The main currency giving rise to this risk is the US Dollar. The EC Dollar is fixed to the US Dollar at the rate of 2.70.

Concentration of currency risk – statement of financial position financial instruments

The following table summarises the Bank's exposure to foreign currency exchange risk at March 31, 2010. Included in the table are the Bank's financial instruments at carrying amounts, categorised by currency.

	Eastern Caribbean Dollar	United States Dollar	Total
At March 31, 2010			
Financial assets			
Cash and cash equivalent	62,738,294	205,215	62,943,509
Mortgage portfolio	196,971,586	27,911,478	224,883,064
	259,709,880	28,116,693	287,826,573
Financial liabilities			
Borrowings	230,920,300	28,108,822	259,029,122
Net financial position	28,789,580	7,871	28,797,451
At March 31, 2009			
Cash and cash equivalent	17,783,182	212,757	17,995,939
Mortgage portfolio	157,465,536	26,803,714	184,269,250
	175,248,718	27,016,471	202,265,189
Financial liabilities			
Borrowings	167,062,000	26,707,047	193,769,047
Net financial position	8,186,718	309,424	8,496,142

(ii) Interest rate risk

Interest sensitivity of assets and liabilities

The Bank is exposed to various risks associated with the effect of fluctuations in prevailing levels of market interest rates (particularly on mortgage loans) on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event of unexpected movements. Management sets limits on the level of interest rate repricing.

The table below summarises the Bank's exposure to interest rate risks. Included in the table are the Bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
As at 31 March 2010						
Financial assets:						
Cash and cash equivalents	62,140,260	-	-	-	803,249	62,943,509
Interest receivables	-	-	-	-	1,923,422	1,923,422
Accounts receivables	-	-	-	-	75,907	75,907
Mortgage portfolio	4,093	173,321	6,232,294	218,473,356	-	224,883,064
Investment securities	-	2,500,000	-	-	100,000	2,600,000
Total financial assets	62,144,353	2,673,321	6,232,294	218,473,356	2,902,578	292,425,902
Financial liabilities:						
Interest payable	-	-	-	-	2,461,591	2,461,591
Other liabilities and payables	-	-	-	-	1,612,991	1,612,991
Borrowings	-	68,430,680	175,718,020	14,880,422	-	259,029,122
Total financial liabilities	-	68,430,680	175,718,020	14,880,422	4,074,582	263,103,704
Total Interest Repricing Gap	**62,144,353**	**(65,757,359)**	**(169,485,726)**	**203,592,934**	**(1,172,004)**	**29,322,198**

(ii) Interest rate risk (continued)

Interest sensitivity of assets and liabilities (continued)

As at 31 March 2009

Financial assets:						
Cash and cash equivalents	17,871,577	-	-	-	124,362	17,995,939
Interest receivable	-	-	-	-	725,683	725,683
Accounts receivables	-	-	-	-	80,739	80,739
Mortgage portfolio	-	134,560	4,846,125	179,288,565	-	184,269,250
Investment securities	-	13,000,000	-	-	100,000	13,100,000
Total assets	17,871,577	13,134,560	4,846,125	179,288,565	1,030,784	216,171,611
Financial liabilities:						
Interest payable	-	-	-	-	1,841,131	1,841,131
Other liabilities and payables	-	-	-	-	1,169,060	1,169,060
Borrowings	-	49,343,409	112,931,564	31,494,074	-	193,769,047
Total financial liabilities	-	49,343,409	112,931,564	31,494,074	3,010,191	196,779,238
Total Interest Repricing Gap	**17,871,577**	**(36,208,849)**	**(108,085,439)**	**147,794,491**	**(1,979,407)**	**$19,392,373**

3 FINANCIAL RISK MANAGEMENT (Continued)

(c) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank's operations and are faced by all business entities.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

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

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Fair value of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Market price is used to determine fair value where an active market (such as a recognised stock exchange) exists as it is the best evidence of the fair value of a financial instrument. However, market prices are not available for a number of the financial assets and liabilities held and issued by the Bank. Therefore, for financial instruments where no market price is available, the fair values presented have been estimated using present value or other estimation and valuation techniques based on market conditions existing at statement of financial position dates.

Due to their short-term maturity, the carrying value of certain financial assets and liabilities is assumed to approximate their fair values.

The following table summarizes the carrying amounts and the fair values of the Bank's financial assets and liabilities:

	Carrying Value 2010	Carrying Value 2009	Fair Value 2010	Fair Value 2009
Financial assets:				
Cash and cash equivalents	62,943,509	17,995,939	62,943,509	17,995,939
Mortgage portfolio	224,883,064	184,269,250	224,883,064	184,269,250
Interest receivable	1,923,422	725,683	1,923,422	725,683
Investment securities	2,600,000	13,100,000	2,600,000	13,100,000
Accounts receivable	75,907	80,739	75,907	80,739
	$292,425,902	$216,171,611	$292,425,902	$216,171,611
Financial liabilities:				
Borrowings	259,029,122	193,769,047	259,029,122	193,769,047
Interest payable	2,461,591	1,841,131	2,461,591	1,841,131
Other liabilities and payables	1,612,991	1,169,060	1,612,991	1,169,060
	$ 263,103,704	$196,779,238	$ 263,103,704	$196,779,238

Liquid assets

The fair value of liquid assets and other assets maturing within one year is assumed to approximate their carrying amount. This assumption is applied to liquid assets and the short-term elements of all other financial assets and financial liabilities.

3 FINANCIAL RISK MANAGEMENT (Continued)

Mortgage portfolio
Mortgages are residential mortgages and are carried at principal outstanding balance. The fair value of mortgages approximates their carrying values.

Investment securities
Investment securities are initially measured at fair value, and subsequently accounted for depending on their classification as either held-to-maturity, fair value through profit or loss, or available-for-sale. The Bank's available-for-sale investment securities are not actively traded in organized financial markets, and fair value is determined using discounted cash flow analysis. Accordingly, estimates contained herein are not necessarily indicative of the amounts that the Bank could realise in a current market exchange. The fair value information for available-for-sale investments is based on information available to management as of the dates presented. Management is not aware of any factors that would significantly affect the estimated fair value amounts. Fair value is equal to the carrying amount for these items.

3.1 Fair value of financial assets and liabilities

The fair values for all other financial assets and liabilities approximate their carrying values.

3.2 Financial assets and liabilities by category

The following table analyses the Bank's financial assets and liabilities by category:

	Loans and Receivables	**Held-to-maturity**	**Available-for-sale**	**Total**
As at March 31, 2010				
Financial assets				
Cash and cash equivalents	62,943,509	-	-	62,943,509
Mortgage portfolio	224,883,064	-	-	224,883,064
Interest receivable	1,923,422	-	-	1,923,422
Accounts receivable & prepayments	75,907	-	-	75,907
Investment securities	-	2,500,000	100,000	2,600,000
Total financial assets	289,825,902	2,500,000	100,000	292,425,902

Financial liabilities	**Other financial liabilities $**
Borrowings	259,029,122
Interest payable	2,461,591
Other liabilities and payables	1,612,991
Total financial liabilities	263,103,704

	Loans and Receivables	**Held-to-maturity**	**Available-for-sale**	**Total**
As at March 31, 2009				
Financial assets				
Cash and cash equivalents	17,995,939	-	-	17,995,939
Mortgage portfolio	184,269,250	-	-	184,269,250
Interest receivable	725,683	-	-	725,683
Accounts receivable	80,739	-	-	80,739
Investment securities	-	13,000,000	100,000	13,100,000
Total financial assets	203,071,611	13,000,000	100,000	216,171,611

Financial liabilities	Other financial liabilities $
Borrowings	193,769,047
Interest payable	1,841,131
Other liabilities and payables	1,169,060
Total financial liabilities	**196,779,238**

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Bank makes estimates and assumptions concerning the future. Management does not consider that there are estimates and assumptions that will have a significant risk, causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management has made the following judgements in its application of the Bank's accounting policies which have the most significant effect on the amounts reported in the financial statements:

Impairment of financial assets

Management makes judgements at each statement of financial position date to determine whether financial assets are impaired. Financial assets are impaired when the carrying value is greater than the recoverable amount and there is objective evidence of impairment. The recoverable amount is the present value of the future cash flows.

V*aluation of investments securities*

The Bank has applied IAS 39 in its classification of investment securities which requires measurement of securities at fair value. For unquoted equity instruments and unlisted securities, fair values are estimated using price/earnings or price/cash flow ratios which have been refined to accommodate the specific circumstances of the issuer.

5 CASH AND CASH EQUIVALENTS	2010	2009	2008
Cash with Banks	62,943,009	17,995,439	12,816,753
Cash on Hand	500	500	500
	62,943,509	17,995,939	12,817,253

Cash with Banks attracted interest rates varying between 1.5% and 7% (2009 = 2% and 7%/ 2008= 2% and 7%) during the year under review.

6 INTEREST RECEIVABLE	2010	2009	2008
Interest Receivable	571,857	266,637	449,767
Mortgage Payment Receivable	1,351,565	459,046	1,323,002
	1,923,422	725,683	1,772,769

7 ACCOUNTS RECEIVABLE AND PREPAYMENTS	2010	2009	2008
Prepaid Expenses	75,907	80,739	32,573
Mortgage Origination Advance	-	-	2,000,000
Other Receivable	31,189	31,265	30,594
TOTAL	107,096	112,004	2,063,167

8 INVESTMENT SECURITIES	2010	2009	2008
Available-for-sale securities			
Eastern Caribbean Securities Exchange			
10,000 Class C Shares of $10 each –unquoted at cost	100,000	100,000	100,000
Held-to-maturity investment			
Term deposits-CLICO International Life Insurance Limited	5,000,000	13,000,000	26,000,000
Provision for impairment (Page 30)	(2,500,000	-	-
	2,500,000	13,000,000	26,000,000
Total investment securities	2,600,000	13,100,000	26,100,000

Term deposit held with CLICO International Life Insurance Limited

By letter dated April 28, 2010 the President of CLICO International Life Insurance Limited (CLICO Barbados), member of the CL Financial Group, informed that the company is currently finalizing a plan for the liquidation of all its EFPA's and that the plan will be delivered to an oversight committee within the first week of May 2010 for their review and further submission to the Ministry of Finance-Barbados for approval. As a result, Board of Directors of the Bank has considered it prudent to make a provision for impairment of 50% of the principal value of the term deposit for the financial year ended 31 March, 2010. The term deposit earned interest rate of 3.75% (2009: 8.5%) per annum.

9 MORTGAGES PORTFOLIO	2010	2009	2008
Balance at the beginning of the year	184,269,250	129,664,263	74,513,336
Add: Purchases during the year	49,752,354	62,122,390	59,461,846
Less: Principal repayments	(8,792,460)	(6,874,228)	(4,916,545)
Resale of mortgages	(1,617,034)	-	-
Net mortgages (replaced)/repurchase	1,270,954	(643,175)	605,626
	224,883,064	184,269,250	129,664,263
Represented By:			
Mortgages with recourse	224,883,064	184,269,250	129,664,263
Mortgages without recourse	-	-	-
Balance at the end of the year	224,883,064	184,269,250	129,664,263

Territory Analysis	2010	2009	2008
Antigua and Barbuda	33,931,893	27,192,806	28,709,413
Anguilla	42,083,559	41,155,880	-
Grenada	15,890,180	11,348,652	5,925,148
Montserrat	6,077,311	6,810,921	3,779,345
St Kitts and Nevis	17,648,353	18,394,519	9,493,543
St. Lucia	42,879,742	43,740,407	42,919,217
St Vincent & the Grenadines	66,372,026	35,626,065	38,837,597
	224,883,064	184,269,250	129,664,263

9 MORTGAGES PORTFOLIO (Continued)

Terms and Condition of Purchased Mortgages

1 Purchase of Mortgages:

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

2 Recourse to Primary Lending Institutions:

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

3 Administration Fees:

Under the terms of the Sale and Administration Agreement between the Bank and each Primary Lending Institution, the Primary Lending Institution 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.

10 INTANGIBLE ASSETS

	Interfacing System	Computer Software	Total
Cost			
At 31 March 2007	421,334	-	421,334
Additions	-	28,082	28,082
At 31 March 2008	421,334	28,082	449,416
Additions	-	-	-
At 31 March 2009	421,334	28,082	449,416
Less: Cost write down	(50,806)	-	(50,806)
Additions	-	-	-
At 31 March 2010	370,528	28,082	398,610
Amortisation and Impairment			
At 31 March 2007	14,045	-	14,045
Amortisation	143,749	1,855	145,604
At 31 March 2008	157,794	1,855	159,649
Amortisation	143,749	9,361	153,110
At 31 March 2009	301,543	11,216	312,759
Amortisation	68,985	9,360	78,345
At 31 March 2010	370,528	20,576	391,104
Net Book Value:			
At 31 March 2010	-	7,506	7,506
At 31 March 2009	119,791	16,866	136,657
At 31 March 2008	263,540	26,227	289,767

The intangible assets are being written off over the estimated life of the various software.

11 OTHER ASSETS

		2010	2009	2008
a)	Bond Issue Costs			
	Balance brought forward	571,319	547,251	470,482
	Additions	532,131	313,548	327,222
		1,103,450	860,799	797,704
	Less: Amortization for Year	(474,955)	(289,480)	(250,453)
	Balance Carried Forward	628,495	571,319	547,251
b)	Defined pension cost			
	Past Service Contribution			
	Balance brought forward	37,837	63,063	63,063
	Less: Amortization for Year	(12,613)	(12,613)	(12,613)
	Balance Carried Forward	25,224	37,837	50,450
		653,719	609,156	597,701

a) Bond issue costs

The bond issue costs are being amortised over the duration of the life of the respective Bond.

b) Past Service Contribution:

The Bank established a defined contribution plan for its employees. The directors agreed for the Bank to make a one-off contribution to the plan on the behalf of existing employees to cover past services. The amount is to be amortized over a period of seven (7) years.

12	INTEREST PAYABLE	2010	2009	2008
	Bond Interest Payable	2,137,591	1,723,546	1,660,142
	Long-term Loan Interest Payable	324,000	117,585	-
	TOTAL	2,461,591	1,841,131	1,660,142

13	OTHER LIABILITIES AND PAYABLES	2010	2009	2008
	Sundry Creditors and Accruals	1,604,048	1,153,844	316,263
	Other Payables	8,943	15,216	10,582
	TOTAL	1,612,991	1,169,060	326,845

14	BORROWINGS	2010	2009	2008
	Debt securities			
	Bond in issue			
	Balance at beginning of year	167,062,000	152,582,000	111,930,000
	Add: Issues during the year	114,610,000	14,480,000	54,457,000
	Less: Redemptions during the year	(49,402,000)	-	(13,805,000)
	Balance at end of the year	232,270,300	167,062,000	152,582,000
	Other borrowed funds			
	Caribbean Development Bank	27,000,000	27,000,000	-
		259,270,300	194,062,000	152,582,000
	Unamortised Transaction Fees	(241,178)	(292,953)	-
	Total Borrowings	259,029,122	193,769,047	152,582,000

a) The Bonds are secured by debentures over the fixed and floating assets of the Bank. Interest is payable semi-annually in arrears at rates varying between 5.50% to 6% (2009:5.5% to 6%) (2008 = 5.5% to 6%).

b) The amounts outstanding on Bond issued are redeemable as follows:

Maturity analysis	**2010**	**2009**	**2008**
Within 1 year	68,455,000	49,402,000	-
1 to 2 years	112,240,300	52,935,000	44,402,000
2 to 3 years	40,275,000	13,150,000	43,455,000
3 to 4 years	-	40,275,000	13,150,000
4 to 5 years	11,300,000	-	40,275,000
Over 5 years	-	11,300,000	11,300,000
	232,270,300	167,062,000	152,582,000

c) The Bonds are tax free.

	2010	2009	2008
Caribbean Development Bank Loan	27,000,000	27,000,000	-
Maturity Analysis			
Within 1 year	-	-	-
Over 1 year	27,000,000	27,000,000	-
	27,000,000	27,000,000	-

Loan for USD$10M (EC$27M) obtained during the previous financial year, for a period of 11 years with a two year moratorium on principal. ECHMB will repay the loan in 36 equal or approximately equal and consecutive quarterly installments commencing from the first due date after the expiry of the two (2) years moratorium.

The interest rate on the loan reduced from 5.42% to 4.80% during the financial year.

15 SHARE CAPITAL	2010	2009	2008
Authorised: 400,000 (2009: 400,000) (2008:400,000) Ordinary share of no par value			
Issued and fully paid up 160,363 ordinary shares of no par value (2009: 100,000 ordinary shares of no Par value)			
Class A	5,000,000	2,500,000	2,500,000
Class B	2,854,820	1,133,700	1,133,700
Class C	6,374,380	2,853,800	2,853,800
Class D	5,428,820	3,512,500	3,512,500
Class F			
	19,658,020	10,000,000	10,000,000

The Bank has adopted the provisions of the Grenada Companies Act No. 35 of 1994, which requires companies to issue shares without nominal or par value.

During the financial year, 60,363 shares were issued for cash which pertained to an Additional Private Offering (APO) of 62,500 ordinary shares. These shares were sold for $160 each. The shares are not traded in an open market or organized exchange.

16 RESERVE FUNDS	2010	2009	2008
Building Reserve Fund	2,723,469	2,687,721	2,411,668
Portfolio Risk Reserve Fund	2,223,469	2,187,721	1,911,668
	4,946,938	4,875,442	4,323,336

In March 2004, the Board of Directors approved the creation of two special reserve accounts, a Building Reserve Fund and a Portfolio Risk Reserve Fund. After the initial transfers from Retained Earnings, the Directors also agreed to an annual allocation to each reserve fund of 20% of profits after the appropriation for dividends, effective March 31, 2005.

The Board of Directors considered it prudent, in light of the emerging trend in refinancing, to create a Portfolio Risk Reserve Fund to provide cover against general risks associated with the Secondary Mortgage Market.

17 INTEREST INCOME

	2010	2009	2008
Mortgage portfolio	18,586,362	13,401,861	4,124,670
Cash and investments	2,990,213	2,562,664	9,021,097
Other interest income	8,746	40,658	140,415
	21,585,321	16,005,183	13,286,182

18 INTEREST EXPENSE

	2010	2009	2008
Bond in issue	11,688,679	8,989,989	7,810,282
Long-term loan	1,386,405	119,821	-
Other borrowed funds	-	407,256	-
	13,075,084	9,515,066	54,151

19 OTHER EXPENSES

	2010	2009	2008
Trustee fees	12,520	6,075	6,075
Sundry bond	102,174	68,578	59,656
	114,694	74,653	65,731

20 OTHER INCOME

	2010	2009	2008
Seminar costs recovered	129,000	120,000	117,000
Seminar expenses	(120,407)	(112,780)	(124,676)
	8,593	7,220	(7,676)

21 GENERAL AND ADMINISTRATIVE EXPENSES

	2010	2009	2008
Salaries and related costs	1,434,692	1,256,934	1,213,104
Ancillary services	100,643	156,134	127,943
Promotional activities	187,448	211,659	220,850
General services and supplies	161,914	161,387	165,775
	1,884,697	1,786,114	1,727,672

22 EARNINGS PER SHARE

Basic earnings per share (EPS) is calculated by dividing net income by the weighted average number of common shares outstanding during the year.

	2010	2009	2008
Net income for Year	$1,178,740	$2,375,265	$1,889,539
Weighted average shares	124,583	100,000	100,000
Basic Earnings per Share	$9.46	$23.75	$18.90

23 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

At 31 March 2010, the Board of Directors approved capital expenditure in the amount of $22,000 for the acquisition of new computer equipment (2009: $145,050). There were no outstanding contingent liabilities at 31 March 2010 (2009: Nil); (2008: Nil)

24 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The Eastern Caribbean Central Bank, which provided material support to the Bank in its formative years, holds 25.4% of its share capital and controls the chairmanship of the board of directors.

Additionally, the bank is housed in the complex of the Eastern Caribbean Central Bank at an annual rent of $51,386.

Key management compensation

The salaries and other benefits paid to key management personnel of the Bank during the year amounted to $683,153 (2009: $636,622); (2008=$627,229).

25 RECLASSIFICATION

Certain amounts in the March 31, 2009 financial statements have been reclassified to conform to the March 31, 2010 financial statements presentation. This reclassification has no effect on the results as reported for the current and previous years.

26 SUBSEQUENT EVENTS

There have been no material subsequent events as of the date of approval of these financial statements.