P R O S P E C T U S

FOR 23rd BOND ISSUE OF $46,407,000

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.

NOVEMBER 2011

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.

TABLE OF CONTENTS

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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:	Financial Investment and Consultancy Services Limited
Address:	7 Bridge Street P.O. Box 1516 Castries Saint Lucia
Email:	fics_ltd@candw.lc
Telephone No. :	1-758-453-0225
Facsimile No. :	1-758-453-2303
Contact Persons:	Mrs. Sharmaine Francois — Managing Director Mr. Anderson Soomer — Business Development Manager
Date of Publication:	November 2011
Purpose of Issues:	To redeem the following Bonds:- 15th $ 6,450,000) 20th $21,187,000) 14th $18,770,000)
Amount of Issue:	Forty six million, four hundred and seven thousand dollars ($46,407,000).

2.0 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 Third (23rd) Bond Issue of $46,407,000 Secured Fixed Rate (Tax Free) Bond (the Bond) in two Tranches. 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 third (23rd) Bond Issue of $46,407,000 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 this document all references to "dollars" or "$" are to Eastern Caribbean Dollars except for the Caribbean Development Bank Long Term Loan in Section 3.0 Bond Terms and Conditions-Security, 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 27th January 2012 / 30th January 2012 2nd Tranche 27th September 2012 / 28th September 2012
Issue Dates & Issue Amounts	:	1st Tranche 30th January 2012 $27,637,000 2nd Tranche 28th September 2012 $18,770,000
Tenors	:	1st Tranche 3 Years 2nd Tranche 5 Years
Coupon Rates	:	Competitive Bid Auction up to a maximum of 5.5%
Over-Allotment Option	:	No Over-Allotment Option
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: Tranche 1 No.15 $6,450,000 No. 20 $21,187,000 $27,637,000 Tranche 2 No. 14 $18,770,000
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 US$10,000,000 pursuant to a Loan Agreement of 31st January, 2008.
Issuer Rating	:	At April 5th, 2011 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 and listed on the Eastern Caribbean Securities Market (ECSM).
Method of Issue	:	Uniform Price Auction
Trading Symbol	:	The trading symbols will be:- 1st Tranche HMB300115 2nd Tranche HMB280917
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 ▪ Bank of Saint Vincent and the Grenadines Limited ▪ ECFH Global Investment Solutions Limited ▪ Financial Investment and Consultancy Services Limited ▪ First Citizens Investment Services Limited ▪ National Bank of Anguilla 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 30th November 2011 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 30th November 2011, authorizing the 23rd 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 from the date if the issue of this prospectus. 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 Licensed 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. First Caribbean International Trust and Merchant Bank (Barbados) limited acts as Trustee for the benefit of bondholders under a Trust Deed specific to each Bond.

5.4 Interest

5.4.1 Accrual of Interest

The Bond will bear interest from and including the "Issue Date" (which expression means 30th January 2012 for the 1st Tranche and 28th September 2012 for the 2nd Tranche). 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.

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.30th July and 30th January for the 1st Tranche, and 28th March and 28th September for the 2nd Tranche. 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 July and January for the 1st Tranche, and each March and September for the 2nd Tranche. 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.

5.4.3 Rate of Interest

The Rates of Interest are fixed for the duration of the 1st Tranche and the 2nd Tranche of the Bond as determined by a Competitive Bid Auction up to a maximum of 5.5%.

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   30th January 2015
2nd Tranche 28th September 2017

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 23rd 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 changes in ownership of a Bond 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: 1st Tranche Bond No.15 $6,450,000 and Bond No. 20 $21,187,000, in aggregate $27,637,000 and 2nd Tranche Bond No. 14 $18,770,000.

5.12 Security Issuance Procedures and Settlement and Secondary Market Activities

The 23rd 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 Competitive Bid Auction. The ECSE and its subsidiaries are responsible for processing, clearance and settlement of securities and providing the Licensed Intermediaries with access to their settlement projections report, which indicates the obligations of the Intermediary.

Licensed 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 Licensed Intermediaries. Refunds in respect of unsuccessful applications will be made to all of the applicants concerned through their Licensed Intermediaries within ten (10) days of the close of the issue. For the avoidance of doubt ask prospective investors are asked to note that interest on subscriptions deposited with the License Intermediary is the sole responsibility of that Licensed Intermediary.

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 (15) years. In the last eleven (11) 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 2011, ECHMB had the EC Dollar equivalent of US Dollar-denominated Financial Assets of $28,307,576, and Financial Liabilities of $27,000,000. 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. Licensed 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 22 Bonds, a Commercial Paper and a Long-term Loan amounting to $566.02million. As at September 1, 2011, ECHMB has ten (10) outstanding Bonds and a Long-Term Loan amounting to $275.50 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 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					
30th SEPTEMBER 2011					
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
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
Twentieth (20th)	21,187,000	6.0%	2 Years	February 1, 2010	February 1, 2012
Twenty first (21st)	61,200,000	6.0%	3Years	July 1, 2010	July 1, 2013
Twenty second (22nd) tranche1	24,984,700	6.0%	3Years	March 24, 2011	March 24, 2013
Twenty second (22nd) tranche2	49,560,000	4.72%	3Years	July 1, 2011	July 1, 2014
Twenty second (22nd) tranche3	35,043,300	4.49%	3Years	August 26, 2011	August 26, 2014
Caribbean Development Bank (CDB) Long-Term Loan	25,500,000	3.66%	12 Years	March 5, 2009	March 5, 2021
Total	**275,500,000**				

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
M Sc. Economics (Hons), UWI, Mona Campus, Jamaica

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 Eastern Caribbean Home Mortgage Bank 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 be treated as having an 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, 2011 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 Eastern Caribbean 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, 2011

CLASS	**INSTITUTION**	**AMOUNT ($)**	**PERCENTAGE (%)**
A	Eastern Caribbean Central Bank	9,189,920	24.84%
B	Social Security Schemes and National Insurance Boards and Government Controlled Commercial Banks	7,795,940	21.07%
C	Other Commercial Banks	10,829,060	29.27%
D	Insurance Companies and Credit Institutions	9,185,020	24.82%
E	International Finance Corporation	-	-
F	Home Mortgage Bank of Trinidad & Tobago	-	-
TOTAL		**$36,999,940**	**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 24.84% of the equity of ECHMB.

12.0 <u>MANAGEMENT</u>

(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 and approves the annual operating budget. 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's strategic plans.

Article 27 of the Eastern Caribbean Home Mortgage Bank 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 October 2011.

(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; ACA; *FCCA;* 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 <u>OPERATIONAL POLICIES</u>

(13.1) ECHMB has concentrated on purchasing mortgages in the lower middle to upper income category (i.e. homes with minimum appraised values of $100,000 and the value of the mortgage loan should not exceed $1,250,000). 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 72 are the audited Financial Statements of ECHMB for the years ended March 2009, 2010 and 2011.

15.0 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 Competitive Bid Auction methodology. The ECSE is responsible for dissemination of market information, providing Licensed 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 Licensed 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 Licensed 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 Licensed Intermediary. In the case where all or part of an investor's bid is not successful, the Licensed 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.

16. GENERAL INFORMATION

(16.1) The process of application for the 23rd Bond will open at 9:00 a.m., on the respective Auction Dates and close at 2.00pm on the same day. The full purchase price is payable on application.

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

LIST OF INTERMEDIARIES THAT 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 **Representatives** Idona Reid Shernika P. Connor
Antigua and Barbuda		
ABI Bank Ltd.	ABI Financial Centre Redcliffe Street St John's Tel: 268 480 2824 Fax: 268 480 2765 Email: abibsec@candw.ag	**Principals** Casroy James Carolyn Philip Representative Heather Williams
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 **Representatives** Sharon Nathaniel Alban Bass
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 Stephen Lander **Representatives** Joel Denis Curtis Clarendon
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 Angelica Lewis

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 Brian Carey **Representatives** Vernesia Walters Kelva Merchant Lisa Jones
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 Joel Allen **Representatives** Dianne Augustin Lawrence Jean Amobi Armstrong
First Citizens Investment Services Limited	9 Brazil Street Castries **Tel: 758 450 2662** Fax: 758 451 7984 Website: http://mycmmb.com	**Principal** Carole Eleuthere-Jn Marie **Representative** Samuel Agiste
Financial Investment and Consultancy Services Limited	#15 Bridge Street Castries **Tel: 758 453 0225** Fax: 758 453 2303 Website: http://www.ficsltd.com	**Principal** Sharmaine Francois **Representative** Anderson Soomer
St Vincent and The Grenadines		
Bank of St Vincent and the Grenadines Ltd	P O Box 880 Cnr. Bedford and Grenville Streets Kingstown **Tel: 784 457 1844** Fax: 784 456 2612/ 451 2589 Email: info@bosvg.com	**Principals** Monifa Latham Keith Inniss **Representatives** Patricia John Deesha Lewis

INSTITUTION	CONTACT INFORMATION	ASSOCIATED PERSONS
Trinidad and Tobago		
First Citizens Investment Services Limited	1 Richmond Street, Ground Floor Furness Court, Independence Square Port of Spain **Tel: 868 623 7815 / 5153** Fax: 868 624 4544 / 9833; 627 2930 Website: http://mycmmb.com	**Representative** Vishwatee Jagroop

APPENDIX 2: FINANCIAL STATEMENTS MARCH 2009 TO MARCH 2011

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 2009, 31 March 2010 and 31 March 2011, 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 Dwight Venner
Chairman, ECHMB

30th November 2011

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 2009, 31 March 2010 and 31 March 2011. We hereby give consent to ECHMB to include the Auditors' report on the Financial Statements for the years ended 31 March 2009, 31 March 2010 and 31 March 2011, in the Prospectus.

PKF

Chartered Accountants:

BASSETERRE - ST KITTS

30th November 2011

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 2009, 31 March 2010 and 31 March 2011, from which the accompanying summarised financial statements were derived, in accordance with International Standards on Auditing. In our reports dated 27 April 2009, 31 May 2010 and 14 June 2011, 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

Chartered Accountants:

BASSETERRE - ST KITTS

30th November 2011

EASTERN CARIBBEAN HOME MORTGAGE BANK
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2009, 2010 AND 2011
(Expressed in Eastern Caribbean Dollars)

ASSETS	Notes	2011	2010	2009
		$	$	$
Cash and cash equivalents	5	**57,493,887**	62,943,509	17,995,939
Interest receivable	6	**2,752,581**	1,574,610	725,683
Accounts receivable & prepayments	7	**1,316,087**	455,908	112,004
Investment securities	8	**41,350,000**	2,600,000	13,100,000
Mortgages portfolio	9	**226,321,261**	224,883,064	184,269,250
Intangible assets	10	-	7,506	136,657
Other assets	11	**745,669**	894,897	609,156
Property and equipment	2(k) 12 & 15(a)	**214,012**	87,743	96,144
TOTAL ASSETS		**330,193,497**	293,447,237	217,044,833
LIABILITIES				
Interest payable	13	**2,724,290**	2,461,591	1,841,131
Other liabilities and payables	14	**1,276,372**	1,612,991	1,169,060
Borrowings	15	**277,000,000**	259,270,300	193,769,047
TOTAL LIABILITIES		**281,000,662**	263,344,882	196,779,238
SHAREHOLDERS' EQUITY				
Share capital	16	**36,999,940**	19,658,020	10,000,000
Retained earnings		**6,546,533**	5,497,397	5,390,153
Reserves	17	**5,646,362**	4,946,938	4,875,442
TOTAL SHAREHOLDERS' EQUITY		**49,192,835**	30,102,355	20,265,595
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**330,193,497**	293,447,237	217,044,833

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

Approved by the Board of Directors on 21st June 2011.

Sir K Dwight Venner – Chairman

Mr. Dexter Ducreay

EASTERN CARIBBEAN HOME MORTGAGE BANK
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 MARCH 2009, 2010 AND 2011
(Expressed in Eastern Caribbean Dollars)

	Notes	2011	2010	2009
		$	$	$
Interest income	18	25,219,760	21,585,321	16,005,183
Interest expense	19	(15,542,432)	(13,075,084)	(9,515,066)
Net interest income		9,677,328	8,510,237	6,490,117
Mortgage administration fees		(2,144,825)	(2,034,136)	(1,568,360)
Other expenses	20	(126,912)	(114,694)	(74,653)
Other income	21	12,415	8,593	7,220
Operating income		7,418,006	6,370,000	4,854,324
Operating expenses				
General and administrative expenses	22	1,976,542	1,884,697	1,786,114
Depreciation		64,675	52,720	58,253
Amortization		583,989	590,234	455,203
Audit Fees		30,000	30,000	30,000
Foreign exchange loss		2,413	11,802	18,979
Impairment loss on investment securities		1,250,000	2,500,000	-
Directors' fees and expenses		158,207	121,807	130,510
		4,065,826	5,191,260	2,479,059
Total comprehensive income for the year		3,352,180	1,178,740	2,375,265
Basic earnings per share	23	$16.14	$9.46	$23.75

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 2009, 2010 AND 2011
(Expressed in Eastern Caribbean Dollars)

	Share Capital	Building Reserve	Portfolio Risk Reserve	Retained Earnings	Total
	$	$	$	$	$
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	-	276,053	276,053	(552,106)	-
Balance at 1 April 2009	**10,000,000**	**2,687,721**	**2,187,721**	**5,390,153**	**20,265,595**
Changes in equity for 2010:					
Issuance of shares	9,658,020	-	-	-	9,658,020
Total comprehensive income for the year	-	-	-	1,178,740	1,178,740
Dividends	-	-	-	(1,000,000)	(1,000,000)
Transfer to reserves	-	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**
Changes in equity for 2011:					
Issuance of shares	17,341,920	-	-	-	17,341,920
Total comprehensive income for the year	-	-	-	3,352,180	3,352,180
Dividends	-	-	-	(1,603,620)	(1,603,620)
Transfer to reserves	-	349,712	349,712	(699,424)	-
Balance at 31 March 2011	**36,999,940**	**3,073,181**	**2,573,181**	**6, 546,533**	**49,192,835**

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 2009, 2010 AND 2011
(Expressed in Eastern Caribbean Dollars)

	2011	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES	$	$	$
Net income for the year	3,352,180	1,178,740	2,375,265
Adjustment for:			
Depreciation	64,675	52,720	58,253
Amortisation of intangible assets	20,118	90,959	165,723
Amortisation of bond issue costs	539,550	474,955	289,480
Amortisation of transaction fees borrowed funds	24,321	24,320	-
Impairment loss provision on investment securities	1,250,000	2,500,000	-
Interest income	(25,219,760)	(21,585,321)	(16,005,183)
Interest expenses	15,542,432	13,075,084	9,515,066
CASH FLOWS USED IN OPERATING PROFITS BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES	(4,426,484)	(4,188,543)	(3,601,396)
Changes in operating assets and liabilities			
Decreasein accounts receivable and prepayments	(860,179)	(218,643)	1,951,163
(Decrease)/Increase in other liabilities and payables	(336,619)	443,931	842,215
Cash used in operations before interest	(5,623,282)	(3,963,255)	(808,018)
Interest received	24,041,789	20,611,133	17,052,269
Interest paid	(15,279,733)	(12,454,624)	(9,334,077)
Net cash from operating activities	3,138,774	4,193,254	6,910,174
CASH FLOWS FROM INVESTING ACTIVITIES			
(Increase)/Decrease in term deposits	(40,000,000)	8,000,000	13,000,000
Decrease in mortgage interfacing system cost	-	50,806	-
Purchase of mortgages	(30,069,909)	(49,752,354)	(62,122,390)
Proceeds from resale of mortgages	19,182,196	1,617,034	-
Proceeds from principal repayment on mortgages	10,038,040	8,792,460	6,874,228
Increases in mortgages repurchased/replaced	(588,524)	(1,270,954)	643,175
Purchase of property and equipment	(190,944)	(44,319)	-
Net cash used in Investing Activities	(41,629,141)	(32,607,327)	(41,604,987)

EASTERN CARIBBEAN HOME MORTGAGE BANK
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED 31 MARCH 2009, 2010 AND 2011
(Expressed in Eastern Caribbean Dollars)

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

	2011	2010	2009
Cash flows from financing activities			
Proceed from borrowings	86,184,700	114,610,300	70,887,047
Repayment of borrowings	(68,455,000)	(49,402,000)	(29,700,000)
Payment for bond issue costs	(427,255)	(504,677)	(313,548)
Proceeds from issuance of shares	17,341,920	9,658,020	-
Dividends paid	(1,603,620)	(1,000,000)	(1,000,000)
Net cash provided by financing activities	33,040,745	73,361,643	39,873,499
Net (decrease)/increase in cash and cash equivalents	(5,449,622)	44,947,570	5,178,686
Cash and cash equivalents at beginning of year	62,943,509	17,995,939	12,817,253
Cash and cash equivalent at end of year (Note 5)	57,493,887	62,943,509	17,995,939

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

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 (hereinafter referred to as "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 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

i) Statement of compliance

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

ii) 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.

iii) 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.

iv) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, 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 and critical judgements in applying accounting

2 SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation (continued)

iv) Use of estimates and judgements

policies that have the most significant effect on the amounts recognized in the financial statements are disclosed in Note 4.

Standards, amendments and interpretations to published standards effective in the current year

Certain new standards, amendments and interpretations to existing standards came into effect during the current financial year. The Bank has assessed the relevance of all such new standards, interpretations and amendments and has adopted those which are relevant to its operations.

The following standards, interpretations and amendments, became effective for annual accounting periods beginning or after 1 January 2010 and are relevant to the Bank's operations:

- IAS 32 (Amendment), 'Financial instruments: Presentation on classification of rights issues'. This amendment is effective for annual periods beginning on or after I February 2010. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are satisfied, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. The amendment applies retrospectively in accordance with IAS 8 'Accounting policies, changes in accounting estimates and errors'. The adoption of this amendment did not have any effect on the Bank as there were no such specific transactions to which it applied.

- IFRIC 19, 'Extinguishing financial liabilities with equity instruments' (effective 1 July, 2010). The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognized in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. The adoption of this interpretation did not have any effect on the Bank as there were no transactions to which it applied.

In addition, in April 2009 and May 2010, the International Accounting Standards Board issued "Improvements to IFRSs," as part of its April 2009 annual improvements project comprising necessary amendments to various IFRSs. These amendments primarily became effective for annual reporting periods beginning on or after 1 January, 2010. The adoption of these amendments does not have a significant financial impact on the Bank's operation; however, these standards have resulted in revisions of the composition of the financial statements. The following shows the IFRSs and topics addressed by these amendments:

- IAS 1, 'Presentation of financial statements' (effective 1 January 2010).
- IAS 7, 'Statement of cash flows' (effective 1 January 2010).
- IAS 17, 'Leases' (effective 1 January 2010).

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

a) **Basis of preparation (continued)**

- IAS 18, 'Revenue' (effective 1 January 2010).
- IAS 36, 'Impairment of assets' (effective 1 January 2010).
- IAS 38, 'Intangible assets' (effective 1 January 2010).
- IAS 39, 'Financial instruments: recognition and disclosure' (effective 1 January 2010).

Standards, amendments and interpretations that were issued during the year but are not considered relevant to the Bank's operations

The following standards, amendments and interpretations signify changes to the standards arising from the 2010 annual improvement project and are effective for accounting periods beginning on or after January 1, 2010 or later but are not relevant for the Bank's operations:

- IAS 27 (Amendments) 'Consolidated and Separate Financial Statements' (effective 1 July 2010).
- IAS 34 (Amendment) 'Interim financial reporting' (effective 1 July 2010).
- IFRS1 (Amendment), 'First-time adoption' for additional exemptions (effective 1 January 2010).
- IFRS1 (Amendment), 'First-time adoption' on financial instrument disclosures (effective 1 July, 2010).
- IFRS2 (Amendment) 'Share based payments – Bank cash-settled share based payment transactions' (effective 1 July, 2010).
- IFRS3 (Amendment), 'Business Combinations' – contingent consideration (effective 1 July 2010)
- IFRS3 (Amendment), 'Business Combinations' – non-controlling interests (effective 1 July 2010)
- IFRIC13, (Amendment), 'Customer loyalty programmes' – fair value (effective 1 January 2011).
- IFRIC14, IAS 19 (Amendments), 'Prepayment of minimum funding requirement' (effective 1 January 2011).

Standards, amendments and interpretations issued but have not been early adopted by the Bank

The following standards and amendments to existing standards have been published but have not been early adopted by the Bank:

- IAS 24 (Revised), 'Related party disclosures' (effective for periods beginning on or after 1 January 2011). It supersedes IAS 24, 'Related party disclosures', issued in 2003. IAS 24 (revised) clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities.

- IFRS 7 (Amendment) 'Financial instruments: Disclosures' – nature and extent of risks from financial instruments (effective for annual periods beginning on or after 1 January 2011). Retrospective application is required. It emphasizes the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments.

- IFRS 7 (Amendment) 'Financial instruments: Disclosures' – disclosures on transfer of financial assets (effective for annual periods beginning on or after 1 July 2011).

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

a) Basis of preparation (cont'd)

- IFRS 9, Financial instruments part 1: Classification and measurement (effective for annual periods beginning on or after 1 January 2013) was issued in November 2009 and replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Key features of IFRS 9 are as follows:

  This standard specifies how an entity should classify and measure financial instruments. The standard requires all financial assets to be classified into two categories on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset: those initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, particular transaction costs; and those to be subsequently measured at amortised cost. The decision is to be made at initial recognition.

  These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of IAS 39. They apply a consistent approach to classifying financial assets and replace the four categories of financial assets in IAS 39, each of which had its own classification criteria. They also result in one impairment method, replacing the two impairment methods in IAS 39 that arise from the different classification categories. While IFRS 9 is mandatory from January 2013, early adoption is permitted. The Bank is still assessing the potential impact of IFRS 9.

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

The standard treatment for recognition, derecognition, classification and measurement of the Bank's financial assets are noted below.

Classification

The Bank classifies its financial assets into the following IAS 39 categories: loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. 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 that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Financial assets (Cont'd)

i) Loans and receivables (cont'd)

The Bank's loans and receivables are reported in the statement of financial position as mortgage portfolio, cash and cash equivalents, investments and receivables. Interest on loans is included in the statement of comprehensive income and is reported as 'Interest Income' (note 3).

ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of 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 available-for-sale financial assets are recognized on trade-date, the date on which the Bank commits to purchase or sell the assets. Available-for-sale financial assets are subsequently carried at fair value.

Gains and losses arising from change in the fair value of available-for-sale financial assets are recognised in other comprehensive income, until the financial asset is derecognised or impaired. At this time, the cumulative gain or loss previously recognised in other comprehensive income is recognised in profit or loss. Interest calculated using the effective interest method and foreign currency gains and losses on monetary assets classified as available-for- sale are recognised 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 prices. If there is no active market for a financial asset, the Bank establishes fair value using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

d) Recognition and measurement

Financial assets and financial liabilities are recognised in the statement of financial position when the Bank assumes related contractual rights or obligations. Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Bank commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Bank has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Impairment of financial assets

(i) Financial assets carried at amortised cost

The Bank assesses at the end of each statement of financial position date whether there is objective evidence that a financial asset or bank of financial assets is impaired. A financial asset or a bank 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 bank of financial assets that can be reliably estimated.

Objective evidence that a financial asset or bank 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 bank of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Bank, including:
    a. adverse changes in the payment status of borrowers in the Bank; or
    b. national or local economic conditions that correlate with defaults on the assets in the Bank.

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 bank 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 (cont'd)

e) Impairment of financial assets (cont'd)

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 banked together on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for banks 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 bank 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.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

e) Impairment of financial assets (cont'd)

(ii) Assets classified as available-for-sale (cont'd)

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.

f) Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities. The Bank classifies its financial liabilities as other financial liabilities measured at amortised cost using the effective interest method.

<u>Other financial liabilities</u>
Other financial liabilities, including borrowings, are initially measured at fair value net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

<u>Other financial liabilities measured at amortised cost</u>
Financial liabilities that are not classified as 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 include bonds in issue and long-term loans.

<u>Transaction costs on financial assets and liabilities</u>
Transaction costs or fees should be included in the initial measurement of financial assets and financial liabilities other 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.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

g) 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.

h) Derecognition of financial assets and liabilities

Financial assets
Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired, the rights to receive cash flows from the asset have been transferred or there is an obligation to pay the received cash flows in full without material delay to a third party, and where the Bank has transferred substantially all risks and rewards of ownership or the Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of income.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

j) 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 computer software programmes are recognized as an expense as incurred.

k) 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. 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.

l) 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.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

m) Foreign currency transactions

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.

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 statement of comprehensive income.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss.

n) 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.

o) 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.

p) 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.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

q) Bond issue costs

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

r) Payables

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

s) 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.

t) 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.

u) 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.

v) Comparatives

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

w) 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

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 mortgage loans and term deposits.

3 FINANCIAL RISK MANAGEMENT (cont'd)

Risk management framework (cont'd)

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.

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 counterparties 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.

3 FINANCIAL RISK MANAGEMENT (cont'd)

(a) Credit risk (cont'd)

The table below breaks down the Bank's main credit exposure at the carrying amounts, categorised by geographical regions as of 31 March 2011. 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 2011				
ECCU Member States	328,718,497	99.6	244,734,920	87.1
Barbados	1,475,000	0.4	32,330,482	11.5
Trinidad and Tobago	-		2,930,000	1.0
Guyana	-		1,005,260	0.4
	330,193,497	100.0	281,000,662	100.0
As of 31 March 2010				
OECS Member States	290,522,237	99.0	228,024,671	86.6
Barbados	2,925,000	1.0	31,981,178	12.1
Trinidad and Tobago	-		1,826,334	0.7
Guyana	-		1,512,699	0.6
	293,447,237	100.0	263,344,882	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 ECCU Member States	Barbados	Total
	$	$	$	$
Cash and cash equivalents	57,493,887	-	-	57,493,887
Mortgage portfolio	17,013,560	209,307,701	-	226,321,261
Interest receivable	-	2,527,581	225,000	2,752,581
Accounts receivable	75,655	1,240,432	-	1,316,087
Investment securities	100,000	40,000,000	1,250,000	41,350,000
As of 31 March 2011	74,683,102	253,075,714	1,475,000	329,233,816
As of 31 March 2010	80,815,790	208,336,300	2,925,000	292,077,090
As of 31 March 2009	36,570,748	174,395,931	5,204,932	216,171,611

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)

(b) Liquidity risk (cont'd)

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 bonds, 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 meeting 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 (Cont'd)

(b) Liquidity risk (cont'd)

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 2011					
Assets:					
Cash and cash equivalents	**57,493,887**	**-**	**-**	**-**	**57,493,887**
Interest receivable	**2,527,581**	**225,000**	**-**	**-**	**2,752,581**
Accounts receivable	**1,288,201**	**27,886**	**-**	**-**	**1,316,087**
Mortgage portfolio	**6,989**	**191,751**	**7,582,368**	**218,540,153**	**226,321,261**
Investment securities	**-**	**41,250,000**	**-**	**100,000**	**41,350,000**
Other assets	**-**	**428,518**	**246,214**	**70,937**	**745,669**
Property and equipment	**-**	**58,452**	**155,560**	**-**	**214,012**
Total Assets	**61,316,658**	**42,181,607**	**7,984,142**	**218,711,090**	**330,193,497**
Liabilities:					
Interest payable	**608,512**	**2,115,778**	**-**	**-**	**2,724,290**
Other liabilities and payables	**1,193,424**	**82,948**	**-**	**-**	**1,276,372**
Borrowings	**-**	**94,053,300**	**170,946,700**	**12,000,000**	**277,000,000**
Total Liabilities	**1,801,936**	**96,252,026**	**170,946,700**	**12,000,000**	**281,000,662**
Net Liquidity Gap	**59,514,722**	**(54,070,419)**	**(162,962,558)**	**206,711,090**	**49,192,835**
As at 31 March 2010					
Assets:					
Cash and cash equivalents	62,943,509	-	-	-	62,943,509
Interest receivables	1,149,610	425,000	-	-	1,574,610
Accounts receivables	410,638	45,270	-	-	455,908
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	-	511,997	287,752	95,148	894,897
Property and equipment	-	52,720	35,023	-	87,743
Total Assets	64,507,850	3,715,814	6,555,069	218,668,504	293,447,237
Liabilities:					
Interest payable	656,436	1,805,155	-	-	2,461,591
Other liabilities and payables	1,342,558	270,433	-	-	1,612,991
Borrowings	-	68,455,000	175,839,620	14,975,680	259,270,300
Total Liabilities	1, 998,994	70,530,588	175,839,620	14,975,680	263,344,882
Net Liquidity Gap	**62,508,856**	**(66,814,774)**	**(169,284,551)**	**203,692,824**	**30,102,355**

3 FINANCIAL RISK MANAGEMENT (Continued)

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**

(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) 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, 2009, 2010 and 2011. Included in the table are the Bank's financial instruments at carrying amounts, categorised by currency.

(i) Currency risk (continued)

	Eastern Caribbean Dollar	United States Dollar	Total
At March 31, 2011	**$**	**$**	**$**
Financial assets			
Cash and cash equivalents	56,278,542	1,215,345	57,493,887
Mortgage portfolio	198,962,900	27,358,361	226,321,261
Interest receivable	2,711,815	40,766	2,752,581
	257,953,257	28,614,472	286,567,729
Financial liabilities			
Borrowings	250,000,000	27,000,000	277,000,000
Interest payable	2,445,585	278,705	2,724,290
	252,445,585	27,278,705	279,724,290
Net statement of financial position	5,507,672	1,335,767	6,843,439
At March 31, 2010			
Cash and cash equivalents	62,738,294	205,215	62,943,509
Mortgage portfolio	196,971,586	27,911,478	224,883,064
Interest receivable	1,307,843	266,767	1,574,610
	261,017,723	28,383,460	289,401,183
Financial liabilities			
Borrowings	232,270,300	27,000,000	259,270,300
Interest payable	2,137,591	324,000	2,461,591
	234,407,891	27,324,000	261,731,891
Net statement of financial position	26,609,832	1,059,460	27,669,292
At March 31, 2009			
Financial assets			
Cash and cash equivalent	17,783,182	212,757	17,995,939
Mortgage portfolio	157,465,536	26,803,714	184,269,250
Interest receivable	725,683	-	725,683
	175,974,401	27,016,471	202,990,872
Financial liabilities			
Borrowings	167,062,000	26,707,047	193,769,047
Interest payable	1,841,131	-	1,841,131
	168,903,131	26,707,047	195,610,178
Net financial position	7,071,270	309,424	7,380,694

EASTERN CARIBBEAN HOME MORTGAGE BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 MARCH 2009, 2010 AND 2011

(Expressed in Eastern Caribbean Dollars)

3 **FINANCIAL RISK MANAGEMENT** (Cont'd)

(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 2011						
Financial assets:						
Cash and cash equivalents	**57,420,060**	**-**	**-**	**-**	**73,827**	**57,493,887**
Interest receivable	**-**	**-**	**-**	**-**	**2,752,581**	**2,752,581**
Accounts receivable	**-**	**-**	**-**	**-**	**1,316,087**	**1,316,087**
Mortgage portfolio	**6,989**	**191,751**	**7,582,368**	**218,540,153**	**-**	**226,321,261**
Investment securities	**-**	**41,250,000**	**-**	**-**	**100,000**	**41,350,000**
Total financial assets	**57,427,049**	**41,441,751**	**7,582,368**	**218,540,153**	**4,242,495**	**329,233,816**
Financial liabilities:						
Interest payable	-	-	-	-	2,724,290	2,724,290
Other liabilities and payables	-	-	-	-	1,276,372	1,276,372
Borrowings	-	94,053,301	170,971,025	11,975,674	-	277,000,000
Total financial liabilities	-	94,053,301	170,971,025	11,975,674	4,000,662	281,000,662
Interest Sensitivity Gap	57,427,049	(52,611,550)	(163,388,657)	206,564,479	241,833	48,233,154
As at 31 March 2010						
Financial assets:						
Cash and cash equivalents	62,140,260	-	-	-	803,249	62,943,509
Interest receivable	-	-	-	-	1,574,610	1,574,610
Accounts receivable	-	-	-	-	424,719	424,719
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 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	-	68,455,001	175,839,625	14,975,674	-	259,270,300
Total financial liabilities	-	68,455,001	175,839,625	14,975,674	4,074,582	263,344,882
Interest Sensitivity Gap	**62,144,353**	**(65,781,680)**	**(169,607,331**	**203,497,682**	**(1,172,004)**	**29,081,020**

(ii) Interest rate risk (continued)

Interest sensitivity of assets and liabilities (continued)

	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
	$	$	$	$	$	$
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:

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

	Carrying Value 2011	Carrying Value 2010	**Fair Value 2011**	Fair Value 2010
	$	$	**$**	$
Financial assets:				
Cash and cash equivalents	**57,493,887**	62,943,509	**57,493,887**	62,943,509
Mortgage portfolio	**226,321,261**	224,883,064	**226,321,261**	224,883,064
Interest receivable	**2,752,581**	1,574,610	**2,752,581**	1,574,610
Investment securities	**41,350,000**	2,600,000	**41,350,000**	2,600,000
Accounts receivable	**1,316,087**	455,908	**1,316,087**	455,908
	329,233,816	292,457,091	**329,233,816**	292,457,091
Financial liabilities:				
Borrowings	**277,000,000**	259,270,300	**277,000,000**	259,270,300
Interest payable	**2,724,290**	2,461,591	**2,724,290**	2,461,591
Other liabilities and payables	**1,276,372**	1,612,991	**1,276,372**	1,612,991
	281,000,662	263,344,882	**281,000,662**	263,344,882

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Fair value of financial assets and liabilities (continued)

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Fair value of financial assets and liabilities (continued)

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.

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

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.

Valuation 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

	2011	2010	2009
	$	$	$
Cash with banks	**57,493,387**	62,943,009	17,995,439
Cash on hand	**500**	500	500
	57,493,887	62,943,509	17,995,939

Cash with Banks attracted interest rates varying between 1.5% and 7% (2010 = 1.5% and 7% 2009= 1.5% and 7%) during the year under review.

6 INTEREST RECEIVABLE

	2011	2010	2009
	$	$	$
Investment Interest Receivable	**278,699**	571,857	266,637
Mortgage Portfolio Interest Receivable	**2,473,882**	1,002,753	459,046
	2,752,581	1,574,610	725,683

7 ACCOUNTS RECEIVABLE AND PREPAYMENTS	**2011**	**2010**	**2009**
	$	$	$
Prepaid expenses	**34,250**	31,189	80,739
Mortgage Payments Receivable	**1,240,432**	348,812	-
Other Receivables	**41,405**	75,907	31,265
	1,316,087	455,908	112,004

8 INVESTMENT SECURITIES	**2011**	**2010**	**2009**
Loans and receivables	$	$	$
Term deposits			
- CLICO International Life Insurance Limited	**5,000,000**	5,000,000	13,000,000
- Bank of St. Lucia Ltd	**20,000,000**	-	-
	25,000,000	5,000,000	13,000,000
Provision for impairment-CLICO (note 8.1)	**(3,750,000)**	(2,500,000)	-
	21,250,000	2,500,000	13,000,000
Other Deposits-First Citizens Investment Services Limited	**20,000,000**	-	-
	41,250,000	2,500,000	13,000,000
Available-for-sale securities			
Eastern Caribbean Securities Exchange			
10,000 Class C shares of $10 each-unquoted	**100,000**	100,000	100,000
Total investment securities	**41,350,000**	2,600,000	13,100,000

Term deposit held with CLICO International Life Insurance Limited

The Bank holds a fixed deposit with CLICO International Life Insurance Limited (CLICO Barbados), member of the CL Financial Bank. The deposit matured in October 2009. During the financial year ended 31 March, 2010, the Board of Directors of the Bank considered it prudent to make a provision for impairment of 50% of the principal value of the term deposit. During the 2011 financial year, the Bank was informed that CLICO has been placed under judicial management. The Board of Directors has agreed to make an additional provision for impairment of 25% on the value of the deposit for the financial year ended 31 March 2011. No interest income has been accrued in respect of the fixed deposit for the year ended 31 March 2011.

Term deposit held with Bank of St. Lucia Limited

During the year, the Bank placed a fixed deposit of $20,000,000 with Bank of St. Lucia bearing interest of 6.25% per annum.

8 INVESTMENT SECURITIES (cont'd)

Other deposits held with First Citizens Investment Services Limited

During the year, the Bank placed other deposits of $20,000,000 with First Citizens Investment Services Limited bearing interest of 6% per annum.

8.1 Provision for Impairment

	2011	2010	2009
	$	$	$
Balance at beginning of year	**2,500,000**	-	-
Increase in provision for the year	**1,250,000**	2,500,000	-
Balance at end of year	**3,750,000**	2,500,000	-

9 MORTGAGES PORTFOLIO

	2011	2010	2009
	$	$	$
Balance at the beginning of the year	**224,883,064**	184,269,250	129,664,263
Add: Purchases during the year	**30,069,909**	49,752,354	62,122,390
Less: Principal repayments	**(10,038,040)**	(8,792,460)	(6,874,228)
Resale of mortgages	**(19,182,196)**	(1,617,034)	-
Net mortgages (replaced)/repurchase	**588,524**	1,270,954	(643,175)
Represented By:			
Mortgages with recourse	**226,321,261**	224,883,064	184,269,250
Mortgages without recourse	**-**	-	-
Balance at the end of the year	**226,321,261**	224,883,064	184,269,250

Territory Analysis	2011	2010	2009
	$	$	$
Antigua and Barbuda	**32,174,651**	33,931,893	27,192,806
Anguilla	**41,182,588**	42,083,559	41,155,880
Grenada	**20,684,784**	15,890,180	11,348,652
Montserrat	**5,470,431**	6,077,311	6,810,921
St Kitts and Nevis	**17,013,560**	17,648,353	18,394,519
St. Lucia	**65,661,012**	42,879,742	43,740,407
St Vincent & the Grenadines	**44,134,235**	66,372,026	35,626,065
	226,321,261	224,883,064	184,269,250

9 MORTGAGES PORTFOLIO (Continued)

Terms and Conditions of Purchased Mortgages

1 Purchase of Mortgages:

The Bank entered into a Sale and Administration Agreement with 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 occurring during the life of the loans secured by the Purchased Mortgages will be remedied.

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 2009	421,334	28,082	449,416
Additions (Cost write down)	(50,806)	-	(50,806)
At 31 March 2010	370,528	28,082	398,610
At 31 March 2010	370,528	28,082	398,610
Additions	-	-	-
At 31 March 2011	370,528	28,082	398,610
Amortisation and Impairment			
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
At 31 March 2010	370,528	20,576	391,104
Amortisation	-	7,506	7,506
At 31 March 2011	370,528	28,082	398,610
Net Book Value:			
At 31 March 2009	119,791	16,866	136,657
At 31 March 2010	-	7,506	7,506
At 31 March 2011	-	-	-

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

11 OTHER ASSETS

		2011	2010	2009
a)	**Capitalized Bond Issue Costs**	$	$	$
	Balance brought forward	**628,495**	571,319	547,251
	Additions	**427,255**	532,131	313,548
		1,055,750	1,103,450	860,799
	Less: Amortization for year	**(539,550)**	(474,955)	(289,480)
	Balance carried forward	**516,200**	628,495	571,319
b)	**Defined pension costs**			
	Past service contribution			
	Balance brought forward	**25,224**	37,837	50,450
	Less: Amortization for year	**(12,612)**	(12,613)	(12,613)
	Balance carried forward	**12,612**	25,224	37,837
c)	**Transaction fees**			
	Balance	**241,178**	265,498	-
	Less: Amortization for Year	**(24,321)**	(24,320)	-
	Balance carried forward	**216,857**	241,178	-
	Total other assets	**745,669**	894,897	609,156

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.

c) Transaction fees on other borrowed funds

The Costs associated with the negotiation of other borrowings are being amortized over the tenure of the funds acquired.

12 PROPERTY, AND EQUIPMENT

	Motor Vehicle	Computer Equipment	Furniture & Fixtures	Machinery & Equipment	TOTAL 2011	TOTAL 2010	TOTAL 2009
	$	$	$	$	$	$	$
Cost							
At beginning of year	108,000	320,781	41,982	42,763	**513,526**	469,207	469,207
Additions	160,000	16,821	-	14,123	**190,944**	44,319	-
Disposals	-	-	-	-	**-**	-	-
At end of year	268,000	337,602	41,982	56,886	**704,470**	513,526	469,207
Accumulated Depreciation							
At beginning of year	82,800	269,727	41,013	32,243	**425,783**	373,063	314,810
Charge for Year	29,600	30,499	387	4,189	**64,675**	52,720	58,253
Disposals	-	-	-	-	**-**	-	-
	112,400	300,226	41,400	36,432	**490,458**	425,783	373,063
Net book Value	155,600	37,376	582	20,454	**214,012**	87,743	96,144

As explained in Note 15 to the financial statements, the Property and Equipment are pledged to secure the Bond in issue.

13 INTEREST PAYABLE	2011	2010	2009
	$	$	$
Bond Interest payable	**2,448,215**	2,137,591	1,723,546
Long-term loan interest payable	**276,075**	324,000	117,585
	2,724,290	2,461,591	1,841,131

14 OTHER LIABILITIES AND PAYABLES	2011	2010	2009
	$	$	$
Sundry creditors and accruals	**1,271,859**	1,604,048	1,153,844
Other Payables	**4,513**	8,943	15,216
	1,276,372	1,612,991	1,169,060

15 BORROWINGS	2011	2010	2009
	$	$	$
Bond in issue			
Balance at beginning of year	**232,270,300**	167,062,000	152,582,000
Add: Issues during the year	**86,184,700**	114,610,300	14,480,000
Less: Redemptions during the year	**(68,455,000)**	(49,402,000)	-
Balance at end of the year	**250,000,000**	232,270,300	167,062,000
Other borrowed funds			
Caribbean Development Bank	**27,000,000**	27,000,000	27,000,000
	277,000,000	259,270,300	194,062,000
Unamortised Transaction Fees	-	-	(292,953)
	277,000,000	259,270,300	193,769,047

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% (2010: 5.5% to 6%); (2009:5.5% to 6%).

15 BORROWINGS (continued)

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

Maturity analysis	**2011**	**2010**	**2009**
	$	$	$
Within 1 year	**91,053,300**	68,455,000	49,402,000
1 to 2 years	**61,462,000**	112,240,300	52,935,000
2 to 3 years	**86,184,700**	40,275,000	13,150,000
3 to 4 years	**11,300,000**	-	40,275,000
4 to 5 years	**-**	11,300,000	-
Over 5 years	**-**	-	11,300,000
	250,000,000	232,270,300	167,062,000

c) The Bonds are tax free.

	2011	**2010**	**2009**
Caribbean Development Bank Loan	**27,000,000**	27,000,000	27,000,000
Maturity Analysis			
Within 1 year	**3,000,000**	-	-
Over 1 year	**24,000,000**	27,000,000	27,000,000
	27,000,000	27,000,000	27,000,000

Loan for USD$10M (EC$27M) obtained from CDB 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) year moratorium.

The interest rate on the loan was reduced from 4.80% to 4.09% during the financial year.

EASTERN CARIBBEAN HOME MORTGAGE BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 MARCH 2009, 2010 AND 2011

(Expressed in Eastern Caribbean Dollars)

16 SHARE CAPITAL	2011	2010	2009
	$	$	$
Authorised: 400,000 (2010: 400,000) (2009: 400,000) Ordinary share of no par value			
Issued and fully paid up 268,749 ordinary shares of no par value (2010:163,363 ordinary shares of no par value) (2009: 100,000 ordinary shares of no par value)			
Class A	**9,189,920**	5,000,000	2,500,000
Class B	**7,795,940**	2,854,820	1,133,700
Class C	**10,829,060**	6,374,380	2,853,800
Class D	**9,185,020**	5,428,820	3,512,500
	36,999,940	19,658,020	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, 108,386 shares were issued for cash which pertained to an Additional Private Offering (APO) of ordinary shares. These shares were sold for $160 each. The shares are not traded in an open market or organized exchange.

17 RESERVE FUNDS	2011	2010	2009
	$	$	$
Building Reserve Fund	**3,073,181**	2,723,469	2,687,721
Portfolio Risk Reserve Fund	**2,573,181**	2,223,469	2,187,721
	5,646,362	4,946,938	4,875,442

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.

EASTERN CARIBBEAN HOME MORTGAGE BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 MARCH 2009, 2010 AND 2011
(Expressed in Eastern Caribbean Dollars)

18	INTEREST INCOME	2011	2010	2009
		$	$	$
	Mortgage portfolio	**20,751,931**	18,586,362	13,401,861
	Cash and investments	**4,456,182**	2,990,213	2,562,664
	Other interest income	**11,647**	8,746	40,658
		25,219,760	21,585,321	16,005,183

19	INTEREST EXPENSE	2011	2010	2009
		$	$	$
	Bonds in issue	**14,327,816**	11,688,679	8,987,989
	Long-term loan	**1,207,575**	1,386,405	119,821
	Other borrowed funds	**7,041**	-	407,256
		15,542,432	13,075,084	9,515,066

20	OTHER EXPENSES	2011	2010	2009
		$	$	$
	Trustee fees	**8,900**	12,520	6,075
	Sundry bond	**118,012**	102,174	68,578
		126,912	114,694	74,653

21	OTHER INCOME	2011	2010	2009
		$	$	$
	Seminar costs recovered	**150,000**	129,000	120,000
	Seminar expenses	**(137,585)**	(120,407)	(112,780)
		12,415	8,593	7,220

22	GENERAL AND ADMINISTRATIVE EXPENSES	2011	2010	2009
		$	$	$
	Salaries and related costs	**1,373,628**	1,434,692	1,256,934
	Ancillary services	**215,895**	100,643	156,134
	Promotional activities	**209,442**	187,448	211,659
	General services and supplies	**177,577**	161,914	161,387
		1,976,542	1,884,697	1,786,114

23 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.

	2011	**2010**	**2009**
Net income for Year	**$3,352,180**	$1,178,740	$2,375,265
Weighted average shares	**207,647**	124,583	100,000
Basic Earnings per Share	**$16.14**	$9.46	$23.75

24 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

At 31 March 2011, the Board of Directors approved capital expenditure in the amount of $91,925 for the acquisition of new computer equipment (2010: $22,000); (2009: $145,050). There were no outstanding contingent liabilities at 31 March 2011 (2010 & 2009: Nil).

25 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 24.9% (2010: 25.4%);(2009: 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 $765,292 (2010: $683,153); (2009: $636,622).

26 RECLASSIFICATION

Certain amounts in the March 31, 2010 financial statements have been reclassified to conform to the March 31, 2011 financial statements presentation. This reclassification has no effect on the results as reported for the current and previous years.

27 SUBSEQUENT EVENTS

As at 1st May 2011, the Board of Directors approved the repurchase of mortgages amounting to $20.17m by a primary lender domiciled in St. Lucia.

APPENDIX 3: UN-AUDITED FINANCIAL STATEMENTS OCTOBER 31, 2011

a) STATEMENT BY EASTERN CARIBBEAN HOME MORTGAGE BANK

The information provided in Appendix -3, unaudited statement of income for the seven (7) months ended October 31, 2011; un-audited balance sheet as at October 31, 2011; and un-audited statement of cash flows for the seven (7) months ended October 31, 2011, is the sole responsibility of the Eastern Caribbean Home Mortgage Bank. The audit firm of Pannell Kerr Forster (PKF) has not been asked to comment on these un-audited financial statements.

APPENDIX 3: UN-AUDITED STATEMENTS OF INCOME FOR THE NINE (9) MONTHS ENDED OCTOBER 31, 2011

EASTERN CARIBBEAN HOME MORTGAGE BANK

UNAUDITED STATEMENT OF INCOME
FOR THE SEVEN (7) MONTHS ENDED OCTOBER 31, 2011
(Expressed in Eastern Caribbean Dollars)

	2011 OCTOBER (7 MONTHS) $	2010 OCTOBER (7 MONTHS) $
Interest Income	14,998,753	14,281,884
Interest expense	(9,273,216)	(9,327,740)
Net interest income	**5,725,537**	**4,954,144**
Gain on Asset Disposal	45,200	-
Net Seminar Cost Recovered	4,531	(3,075)
Operating income	**5,775,268**	**4,951,069**
Operating expenses		
Operating expenses	1,313,355	1,269,723
Mortgage admin. expenses	1,118,243	1,251,049
Total operating expenses	**2,431,598**	**2,520,772**
Net Income	**3,343,670**	**2,430,297**

APPENDIX 3: UN-AUDITED BALANCE SHEET AS AT OCTOBER 31, 2011

EASTERN CARIBBEAN HOME MORTGAGE BANK

BALANCE SHEET (UNAUDITED)
AS AT OCTOBER 31, 2011
(Expressed In Eastern Caribbean Dollars)

	2011 OCTOBER	2010 OCTOBER
Assets	$	$
Cash and short term funds	83,784,425	58,056,697
Accounts receivable & prepayments	3,378,306	3,158,084
Mortgages	199,190,053	249,542,758
Investments	41,350,000	2,600,000
Deferred expenses	790,793	604,929
Intangible assets	3,815	2,045
Fixed assets	201,585	81,844
Total assets	**328,698,977**	**314,046,357**
Liabilities		
Accounts payable & accruals	4,099,963	4,466,624
Bonds in issue	250,000,000	250,015,300
Long-term loan	24,750,000	26,773,009
Total liabilities	**278,849,963**	**281,254,933**
Shareholders' equity		
Share capital	36,999,940	21,520,420
Special Reserves	5,646,361	4,946,938
Retained earnings	7,202,713	6,324,066
Total shareholders' equity	**49,849,014**	**32,791,424**
Total shareholders' equity and liabilities	**328,698,977**	**314,046,357**

APPENDIX 3: UN-AUDITED CASH FLOWS OCTOBER 31, 2011

EASTERN CARIBBEAN HOME MORTGAGE BANK
UNAUDITED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED OCTOBER 31, 2011

	2011 OCTOBER $	2010 OCTOBER $
Cash flow from operating activities:		
Net Income for the period	3,343,670	2,430,297
Adjustments for:		
Profit on disposal of fixed assets	(45,200)	-
Depreciation/ Amortisation	162,731	378,349
Interest income	(14,998,753)	(14,281,884)
Interest expense	9,273,216	9,327,740
Operating profit before changes in operating assets and liabilities	(2,264,336)	(2,145,498)
Changes In operating Assets & liabilities		
Increase in Accounts Receivable and Prepayments	(2,062,219)	(2,702,176)
Decrease in Other Liabilities and payables	2,823,591	2,853,663
Cash flow from operating activities before changes In operating assets	(1,502,964)	(1,994,041)
Cash used in operating activities		
Interest paid	(10,109,127)	(9,087,155)
Interest received	15,689,115	13,154,318
Cash generated from operating Activities	**4,077,024**	**2,073,122**
Cash flow from Investing activities:		
Proceeds from disposal of fixed assets	47,000	-
Purchase of fixed assets	(20,663)	(28,972)
Purchase of software	(6,541)	-
Movement of mortgage portfolio	27,131,208	(24,659,694)
Cash generated from /(used in) Investing Activities	**27,151,004**	**(24,688,666)**
Cash flow from financing activities:		
Proceeds from issuance of shares	-	1,862,400
Proceeds of bond issue	84,603,300	23,190,000
Redemption of bond issue	(84,803,300)	(5,445,000)
Dividend paid	(2,687,490)	(1,603,620)
Repayment of long-term borrowings	(2,250,000)	(275,048)
Cash generated from /(used in) Financing Activities	**(4,937,490)**	**17,728,732**
Net (decrease)/increase in cash	26,290,538	(4,886,812)
Cash balance at the beginning of the period	57,493,887	62,943,509
Cash balance at end of period	**83,784,425**	**58,056,697**