P R O S P E C T U S

FOR **26th** BOND ISSUE OF **$87,637,000**

BY THE EASTERN CARIBBEAN HOME MORTGAGE BANK (ECHMB)

ECCB Complex, Bird Rock Road
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.

MAY 2015

NOTICE TO INVESTORS

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

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

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

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1.0 GENERAL INFORMATION ON THE BOND ISSUE

Issuer: Eastern Caribbean Home Mortgage Bank (ECHMB)

Address: ECCB Complex, Bird Rock Road
P.O. Box 753, Basseterre, St. Kitts

Email: info@echmb.com

Telephone No.: 1-869-466-7869

Facsimile No.: 1-869-466-7518

Date Established Under Agreement: 27 May 1994

Registered Office: ECCB Agency Office, Monckton Street, St. George's, Grenada

Contact persons: Randy Lewis, ACA; FCCA, MBA; AccDir – Chief Executive Officer
Shanna Herbert, ACCA – Chief Financial Officer (Ag)
P. O. Box 753, Basseterre
St. Kitts, West Indies

Arranger & Lead Broker: ECFH Global Investment Solutions Limited

Address: 5th Floor, Financial Centre Building
#1 Bridge Street, P.O. Box 1860
Castries, Saint Lucia

Email: info@ecfhglobalinvestments.com

Telephone No.: 1(758) 456-6826

Facsimile No.: 1(758) 456-6733

Contact Persons: Lawrence Jean – Broker Relationship Manager
Dianne Augustin – Senior Merchant Banking Officer

Date of Publication: May 2015

Purpose of Issues: To redeem the following Bonds:

Bond	Tranche	Amount
Bond-24	3	$30,000,000
Bond-25	3	$30,000,000
Bond-23	1	$27,637,000

Offer Period: 1st June 2015 to 28th January 2016

Amount of Issues: Eighty-seven million, six hundred and thirty-seven thousand dollars. ($87,637,000)

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-six (26th) Bond Issue of $87,637,000 Secured Fixed Rate (Tax-Free) Bonds (the Bonds). 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-six (26th) Bond Issue of $87,637,000 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 :

Tranche	Auction Date	Settlement Date
1st Tranche	1st July 2015	2nd July 2015
2nd Tranche	2nd July 2015	3rd July 2015
3rd Tranche	28th January 2016	29th January 2016

Issue Dates & Issue Amounts :

Tranche	Issue Date	Issue Amount
1st Tranche	2nd July 2015	$30,000,000
2nd Tranche	3rd July 2015	$30,000,000
3rd Tranche	29th January 2016	$27,637,000

Tenors :

Tranche	Tenor	Redemption Date
1st Tranche	277 days	4th April 2016
2nd Tranche	335 days	2nd June 2016
3rd Tranche	336 days	30th December 2016

Coupon Rates : 1st Tranche-Competitive Bid Auction up to a maximum of 2.80%
2nd Tranche-Competitive Bid Auction up to a maximum of 3.00%
3rd Tranche-Competitive Bid Auction up to a maximum of 3.00%

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:

Bond	Tranche	Amount
Bond-24	3	$30,000,000
Bond-25	3	$30,000,000
Bond-23	1	$27,637,000

Interest Payments & Due Dates : On maturity in arrears from the Issue Date 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 : On the 23rd June 2014, CariCRIS assigned ratings of CariA (Foreign

		Currency Rating) and CariA (Local Currency Rating) on the regional rating scale the debt issue of the size of US$30,000,000 of the ECHMB.
Minimum Bid	:	The Bond will be issued with a minimum bid amount of $5,000.
Governing Law	:	The Issue will be governed according to the laws of Grenada.
Trading Platform	:	Each Tranche of the Bond will be issued on the Eastern Caribbean Securities Market (ECSM).
Method of Issue	:	Uniform Price Auction
Trading Symbol	:	The trading symbols will be:-
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.
Expenses of the Offer	:	The expenses associated with this 26th Bond Issue of $87,637,000 are estimated at $300,000, including cost of marketing the Bond Issue and preparation and printing of the Prospectus, payable by ECHMB. There is no commission payable by ECHMB to any person in consideration of his agreeing to subscribe for the Bond Issue or his procuring or agreeing to procure subscriptions for this Bond Issue.
List of Licensed Intermediaries who are Members of the ECSE		▪ Bank of Saint Vincent and the Grenadines Limited ▪ ECFH Global Investment Solutions Limited ▪ First Citizens Investment Services Limited ▪ St. Kitts Nevis Anguilla National Bank Limited ▪ The Bank of Nevis Limited.

Trading symbols:

Tranche	Trading Symbol
1st Tranche	HMB040416
2nd Tranche	HMB020616
3rd Tranche	HMB301216

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 the board of directors of the Eastern Caribbean Home Mortgage Bank on 23rd March 2015 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:-

- Corporate Resolution dated 23rd March 2015, authorizing the 26th 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 of issuance 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, P. O. Box 753, Basseterre, St. Kitts and will also be available for inspection at the Offices of Licensed Intermediaries listed in Section 3.0 above.

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 with the minimum bid of $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 Interest

5.3.1 Accrual of Interest

The Bond will bear interest from and including the "Issue Date" (which expression means 2nd July 2015 for the 1st Tranche; 2nd Tranche – 3rd July 2015; 3rd Tranche – 29th January 2016. Interest in respect of the amount of Bond 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.

5.3.2 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 5.5 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 maturity date of the instrument, i.e. 4th April 2016 for the 1st Tranche; and 2nd June 2016 for the 2nd Tranche; and 30th December 2016 for the 3rd 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 5.4.2 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 the month. 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.

5.3.3 Rate of Interest

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

1st Tranche-Competitive Bid Auction up to a maximum of 2.80%
2nd Tranche-Competitive Bid Auction up to a maximum of 3.00%
3rd Tranche-Competitive Bid Auction up to a maximum of 3.00%

5.3.4 Notifications to be final

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Section 5, 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.

5.4. Redemption and Purchase

5.4.1 Redemption

The Bond shall be redeemed on the following dates:-

Tranche	Redemption Date
1st Tranche	4th April 2016
2nd Tranche	2nd June 2016
3rd Tranche	30th December 2016

5.4.2 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 26th 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.

5.5 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.

5.6 Prescription

Any Principal and Interest payable that remains outstanding after the maturity date of the Bond shall be held by ECSE 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.

5.7 Replacement of Bond

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

5.8 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.

5.9 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.

5.10 Use of Proceeds

To redeem the following Bonds:

Bond	Tranche	Amount
Bond-24	3	$30,000,000
Bond-25	3	$30,000,000
Bond-23	1	$27,637,000

5.11 Security Issuance Procedures and Settlement and Secondary Market Activity

The 26th 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. 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 further information of Licensed Intermediaries please contact the Eastern Caribbean Securities Exchange at info@ecseonline.com or visit its website at www.ecseonline.com

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 nineteen (19) years. In the last thirteen (13) 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 pattern of dividend payments is expected to remain consistent over the next two (2) years. The following represents the dividend paid for the last five (5) years:

Year	Aggregate Dividend Paid	Date of Payment
2010	2,687,490	July 29th, 2010
2011	2,487,490	September 20th, 2011
2012	2,487,490	August 1st, 2012
2013	2,487,490	October 30th, 2013
2014	2,487,490	November 4th, 2014

The results of primary lending institutions reflect on the performance of the ECHMB, 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 Foreign Currency Risk

Foreign currency 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 2015, ECHMB had the EC Dollar equivalent of US Dollar-denominated Financial Assets of $3,402,374 and Financial Liabilities of $15,026,675. 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 mortgage portfolio remains at a relatively low risk. 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 Risk

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 Suitability

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

(6.2.1) Review the Financial Statements of ECHMB.

(6.2.2) 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.

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

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

(6.2.5) 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 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; and

(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 borrowers.

7.5 ECHMB has issued a total of twenty- five (25) Bonds amounting to $762.22M and secured a Long Term Loan of $27.0M. As at 31st March, 2015, ECHMB has six (6) outstanding Bonds and a Long-Term Loan amounting in aggregate to $199.10M. 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 ECCU.

7.6 On a broader level, the ECSE continues to operate 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 27th 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 31st March 2015					
Bondholder	Amount	Interest Rate	Maturity Period	Issue Date	Maturity Date
Twenty third (23rd) tranche1	27,637,000	4.0%	4 Years	30, January 2012	30, January 2016
Twenty third (23rd) tranche 2	18,770,000	4.0%	4 Years	28, September 2012	28, September 2016
Twenty fourth (24th) Tranche 1	21,505,000	3.75%	4 Years	30 January 2013	30 January 2017
Twenty fourth (24th) Tranche 2	31,200,000	3.750%	3 Years	1 July 2013	1 July 2016
Twenty fourth (24th) Tranche 3	30,000,000	3.749%	2 Years	2 July 2013	2 July 2015
Twenty fifth (25th) Tranche 1	24,984,700	4.000%	3 Years	24 March 2014	24 March 2017
Twenty fifth (25th) Tranche 3	30,000,000	2.750%	1 Year	2 July 2014	2 July 2015
Caribbean Development Bank (CDB) Long-Term Loan	15,000,000	3.95%	12 Years	5 March, 2009	5 March, 2021
Total	**199,096,700**				

10.0 BOARD OF DIRECTORS

The Honourable Sir K Dwight Venner
Chairman

The Honourable Sir K Dwight Venner is Governor of the Eastern Caribbean Central Bank (ECCB), a position he has held since December 1989. He was appointed to the Board of Directors of the ECHMB in 1996, representing the ECCB, the Class A shareholder. Prior to that he served in the position of Director of Finance and Planning in the Saint Lucian Government between November 1981 and November 1989. The Honourable Sir Dwight is an Economist by training and was educated at the University of the West Indies, Mona, Jamaica where he obtained both a Bachelor of Science (BSc) and a Master of Science (MSc) Degree in Economics. He served as a Junior Research Fellow at the Institute of Social and Economic Research at the University of the West Indies and then as a Lecturer in Economics from 1974 to 1981.

The Honourable Sir K Dwight Venner has written and published extensively in the areas of Monetary and International Economics, Central Banking, Public Finance, Economic Development, Political Economy and International Economic Relations. Currently, he is a member of the Board of Directors of the Eastern Caribbean Securities Exchange Limited, the Caribbean Knowledge and Learning Network, and a member of the Commission for Growth and Development, World Bank. He is also Chairman the UWI Open Campus Council and was Chairman of the OECS Economic Union Task Force.

The Honourable Sir K Dwight Venner received the award of Commander of the British Empire (CBE) in 1996 in Saint Lucia and was recognised as a Distinguished Graduate of the University of the West Indies on its 50th Anniversary in July 1998. In June 2001 he was awarded Knight Commander of the Most Excellent Order of the British Empire (KBE) in St Vincent and the Grenadines for services to the financial sector. In October 2003, the Honourable Sir Dwight was recipient of an honorary degree, the Doctor of Laws from the University of the West Indies. In December 2011, he was awarded the Saint Lucia Cross for distinguished and outstanding service of national importance to Saint Lucia.

Mailing Address: Eastern Caribbean Central Bank Headquarters, P.O. Box 89, Basseterre, St. Kitts
Telephone No.: Tel: (869) 465-2537

Mr. Dexter Ducreay
Deputy Chairman

Mr. Dexter Ducreay is the General Manager of A.C. Shillingford & Company Limited, Dominica, a position he has held since 2000. He holds a B Sc. (Hons) in Accounting from St. John's University-New York. He was appointed to the Board of Directors in July 2008, representing Class D shareholders. He is a former General Manager of Dominica Water and Sewage Company and is credited with leading the amalgamation of five (5) credit Unions in Dominica which is currently referred to as the National Co-operative Credit Union. He is the President of the National Cooperative Credit Union Limited, Dominica and has in excess of sixteen (16) years of senior level management experience.

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

Mr. Gordon Derrick
Director

Mr. Gordon Derrick is the Managing Director of G.D.E.C. Limited, Antigua, a position he has held since 2004. Mr. Derrick holds a BSc./Mechanical Engineering from the Florida Institute of Technology and a MBA/Social Science from UWI Cave Hill Campus, Barbados. He was appointed to the Board of Directors in July 2008, representing Class C shareholders. Mr. Derrick is the General Secretary of the Antigua and

Barbuda Football Association and has been elected the new President of the Caribbean Football Union. He is a Director of ACB Mortgage &Trust, Antigua and SCS Promotions Limited, Antigua.

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

Mrs. Missi P Henderson
Director

Mrs. Missi P Henderson has been with the Dominica Social Security Board for the past eleven (11) years and currently holds the position of Chief Financial Officer. She has the responsibility for directing and controlling the accounting and financial functions including the administration of the Investment portfolio in the National Insurance Program; budget control and risk management.

Prior to joining the Dominica Social Security, Mrs. Henderson worked in the telecommunications industry for thirteen (13) years in senior finance roles including the management of the Capital Efficiency Programme and managed system support to sixteen (16) Cable & Wireless Business Units. She also served on the Supervisory Committee of the Roseau Cooperative Credit Union (now National Cooperative Credit Union Union).

Mrs. Henderson holds various certifications in Finance, including a BA in Accounting and is currently completing an MSc in Finance and Accounting with the University of Liverpool.

Mailing Address: P. O. Box 772, Cnr. Hanover and Hillsborough Street, Roseau, Dominica
Telephone No.: 1(767) 255- 8324 (W)

Mrs. Sharmaine Francois
Director

Mrs. Sharmaine Francois has fifteen years progressive senior executive experience in the field of Banking, ten of which were spent in investment banking and business development. Her varied experience covers retail and corporate banking, investment management, securities trading and underwriting, pension fund management and business development.

Mrs. Sharmaine Francois holds B.Sc. in Accounting and Statistics from the University of the West Indies and a Post Graduate Certificate in Business Administration from Manchester Business School, U.K. She is an Accredited Director, having completed the directors' programme with ICSA Chartered Secretaries Canada. Sharmaine has completed several training courses in financial and investment planning, financial counseling and has attended a wide range of training programmes in banking and financial management.

Her career successes include the structuring and arranging of over one billion in corporate and government bond issues on the Regional Government Securities Market (RGSM) and the recipient of the 2012 Corporate Leadership Award from the St. Lucia Chamber of Commerce for her distinguished performance in leading a local financial institution. She has spent most of her career providing sound investment and money management advice to corporate and retail investors throughout the Eastern Caribbean. Sharmaine is the mother of two children, a role she enjoys foremost.

Mailing Address: C/O Bank of Montserrat, P.O. Box 10, Brades, Montserrat
Telephone No.: (664) 491 3843 (w)

10.1.1 **Board Charter**

The Board is guided by its Charter and the Eastern Caribbean Home Mortgage Bank Agreement which provide references for directors in relation to their roles, powers, duties and functions. Apart from reflecting current best practices and applicable rules and regulations, the Charter and the Eastern Caribbean Home Mortgage Bank Agreement outline processes and procedures to ensure the effectiveness and efficiency of Bank's Board and its Committees. The Charter is updated at regular intervals to reflect changes to the Bank's policies, procedures and processes as well as to incorporate amended relevant rules and regulations.

10.1.2 **Roles and Responsibilities of the Board**

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

The responsibilities of the Board include the following:-

- reviewing and approving the strategic business plans for the Bank;
- identifying and managing principal risks affecting the Bank;
- reviewing the adequacy and integrity of the Bank's internal controls systems;
- approving the appointment and compensation of the Chief Executive Officer and Senior Management Staff;
- approving new policies pertaining to staff salaries and benefits; and
- approving changes to the corporate organization structure.

10.1.3 **Director Independence and Independent Non-executive Directors**

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

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

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

10.1.4 **Quality and Supply of Information to the Board**

In order to effectively discharge its duties, the Board has full and unrestricted access to all information pertaining to the Bank's business and affairs as well as to the advice and services of the Senior Management. In addition to formal Board meetings, the Chairman maintains regular contact with the Chief Executive Officer to discuss specific matters, and the latter assisted by the Company Secretary ensures that frequent and timely communication between the Senior Management and the Board is maintained at all times as appropriate. The Board is regularly kept up to date on and apprised of any regulations and guidelines.

10.1.5 **Corporate Secretary**

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

10.1.6 **Conflict of Interest**

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

10.1.7 **Structured Training Programme for Directors**

Directors are expected to participate in the Directors Education & Accreditation Programme (“DEAP”). This is an advanced director training course, aimed at preparing directors for the important role that they play in the governance of the Bank. The DEAP was developed by the Institute of Chartered Secretaries and Administrators/Chartered Secretaries Canada (ICSA/CSC), in partnership with the law firm of Borden Ladner Gervais, and with contributions from AON Canada.

10.1.8 **Executive Committee**

Article 22 of the Eastern Caribbean Home Mortgage Bank Agreement provides that the Board may appoint an Executive Committee of the Board, consisting of not less than three Directors drawn from three different classes of shareholders, the General Manager and the Chief Financial Officer of the Bank, to supervise asset and liability management and examine and approve financial commitments in accordance with the regulations and policies established by the Board. The Committee is comprised of the following members:-

- Honourable Sir K Dwight Venner – Chairman
- Mr. Gordon Derrick
- Mr. Dexter Ducreay
- Mrs. Sharmaine Francois
- Mr. Randy Lewis
- Ms. Shanna Herbert

10.1.9 **Audit Committee**

The Audit Committee provides guidance on the Bank’s systems of accounting and internal controls, thus ensuring the integrity of financial reporting. This Committee also serves as an effective liaison between Senior Management and the External Auditors. The Audit Committee is comprised of the following members:-

- Mr. Dexter Ducreay - Chairman
- Mrs. Sharmaine Francois
- Mrs. Missi Henderson

The 2015 activities of the Audit Committee included:

- reviewed the Bank's compliance with financial covenants;
- approved the 2015 audit engagement letter;
- reviewed and approved the external audit plan and timetable;
- evaluated the performance of the External Auditors and approved their remuneration;
- reviewed the External Auditors' 2015 management letter and report on the 2015 audit;
- reviewed monthly management accounts;
- examined the implications of changes to International Financial Reporting Standards; and
- approved the 2015 Internal Audit Plan, Internal Audit report and monitored Management's implementation of Internal Auditors' recommendations;

10.1.10 **Strategy Committee**

The Strategy Committee considers and approves the ECHMB's Strategic Plan and is comprised of the following members:-

- Honourable Sir K Dwight Venner – Chairman
- Mr. Gordon Derrick
- Mr. Dexter Ducreay
- Mrs. Sharmaine Francois
- Mrs. Missi Henderson

The responsibilities of the Strategic Committee include the following:

- reviewed and recommended strategic actions to be taken by the Bank for the Board's approval;
- developed and fostered a risk aware culture within the Bank;
- reviewed and approved risk management strategies, risk frameworks, policies, risk tolerance and risk appetite limits, adequacy of risk management policies and framework in identifying, measuring, monitoring and controlling risks and the extent to which they operate effectively;
- ensured infrastructure, resources and systems are in place for risk management, i.e. that the staff responsible for implementing risk management systems perform those duties independently of the financial institution's risk –taking activities;
- reviewed and assessed the appropriate levels of capital for the Bank, vis-à-vis its risk profile;

10.1.11 **Human Resources Committee**

The Human Resources Committee is responsible for staff compensation and the approval of amendments to staff policies. The Committee is comprised of the following members:-

- Mr. Gordon Derrick- Chairman
- Mr. Dexter Ducreay
- Mrs. Missi Henderson

10.1.12 **The ECHMB Best Practice**

- Since incorporation, ECHMB's Board of Directors has been chaired by a non-executive Chairman to ensure independent leadership.
- Shareholders appoint directors every two (2) years in accordance with the Eastern Caribbean Home Mortgage Bank Agreement.
- The five (5) directors are non-executive and are required to declare their interests in any transaction that the ECHMB undertakes.
- Board Committees have the authority to retain independent advisors, as determined necessary by each Committee.
- The Internal Audit function is undertaken by an independent contractor.
- The Audit Committee meets separately with the Internal Auditor

10.2 Other Directorship held by Directors

Honourable 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

Mr. Gordon Derrick

- General Secretary, Antigua and Barbuda Football Association
- President of the Caribbean Football Union
- ACB Mortgage & Trust, Antigua
- DSC Promotions Limited, Antigua

Mr. Dexter Ducreay

- National Cooperative Credit Union Limited, Dominica

Mrs. Missi Pearl Henderson

- Marpin 2K4 Ltd

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 By-laws 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, 2015 an amount of $142,500 was paid to the Directors (2016 Budget: $142,500).

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;

(b) 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.

Transfer of shares

All shares in the Bank are transferable.

(1) Class A shares are transferable to a Class B, Class C or Class D shareholder or to a company or institution qualified to be a Class B, Class C or Class D shareholder.

(2) Class B shares are transferable to a Class A, Class B, Class C or Class D shareholder or to a company or institution qualified to be a Class A, Class B, Class C or Class D shareholder.

(3) Class C shares are transferable only to Class C or Class D shareholder or to a company or institution qualified to be a Class C or Class D shareholder.

(4) Class D shares are transferable only to Class C or Class D shareholder or to a company or institution qualified to be a Class C or Class D shareholder.

(5) Class E and F shares are transferrable to Class C or Class D shareholder or to a company or institution qualified to be a Class C or D shareholder.

(6) Class E and F shares and such other shares as may be determined by the Council are transferable to non-government related companies or institutions or to other private sector investors and where these shares are transferred to other private sector investors, these investors shall become ordinary shareholders.

SHAREHOLDINGS AS AT 31st MARCH 2015

Class	Institutions	Number	Amount ($)	%
A	Eastern Caribbean Central Bank	66,812	9,189,920	24.84%
B	Social Security Schemes and National Insurance Boards and Government Controlled Commercial Banks	51,178	7,562,200	20.44%
C	Other Commercial Banks	80,181	11,062,800	29.90%
D	Insurance Companies and Credit Institutions	70,578	9,185,020	24.82%
		268,749	36,999,940	100.00%

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 MANAGEMENT

12.1 The Board of Directors is chaired by the Honourable 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 March 2015.

12.2 ECHMB is currently headed by a Chief Executive Officer, Mr. Randy Lewis, who is a Fellow of the Association of Chartered and Certified Accountant of the UK as well as an Associate of the Institute of Chartered Accountants in England and Wales and holds a Masters in Business Administration.

12.3 The business of the ECHMB is managed through the services of four Departments, each headed by the following persons:

(i) Finance – **Ms. Shanna L Herbert; A*CCA***
(ii) Mortgage – **Ms. Cynthia M. E. Joseph; *MBA; CRU***
(iii) Research and Compliance – **Mr. Dennis S. M. Cornwall; *Msc. Econ;* CRU**
(iv) Information Technology – **Mr. Justin Skeete; MCITP**

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

13.0 OPERATIONAL POLICIES

13.1 ECHMB has concentrated on purchasing mortgages in the lower middle to upper income category (i.e. homes 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 in Appendix -1 and 2 are the Audited Financial Statements of ECHMB for the years ended 31st March 2013 and 2014. Appendix – 3 Unaudited Financial Statements for the year ended March 31, 2015.

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. For further information of Licensed Intermediaries please contact the Eastern Caribbean Securities Exchange at info@ecseonline.com or visit its website at www.ecseonline.com. 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

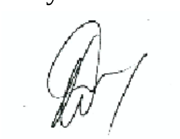
16.1 The process of application for the 26th Bond will open at 9:00 a.m., on the respective Auction Dates and close at 2.00pm on the same day. The full purchase price is payable on application.

16.2 Applications must be for $5,000 or more and will be irrevocable.

17.0 STATEMENT BY THE DIRECTORS OF ECHMB

17.1 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 31st March 2013, 31st March 2014 and 31st March 2015, 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



Chairman of Audit Committee, ECHMB

10th June 2015

APPENDICES

Audited Financial Statements for year ended 31st March, 2013

pwc

June 10, 2015

The Directors of Eastern Caribbean Home Mortgage Bank
ECCB Complex
Bird Road
P.O. Box 753
Basseterre
St. Kitts & Nevis

Dear Sirs,

Re: East Caribbean Home Mortgage Bank

We give our consent, and have not withdrawn such consent, to being named as the Independent Auditors of the Eastern Caribbean Home Mortgage Bank for the year ended March 31, 2013 in the Prospectus dated June 10, 2015 and issued by Eastern Caribbean Home Mortgage Bank ("the Prospectus") and for the inclusion in the Prospectus of the Independent Auditors' Report (the "Report") to the Participating Governments of the Eastern Caribbean Home Mortgage Bank dated June 27, 2013 in respect of the Financial Statements for the year ended 31 March 2013.

We further consent to, and authorise the use of the Report in the Prospectus.

We have not audited any financial statements of the Eastern Caribbean Home Mortgage Bank as of any date or for any period subsequent to March 31, 2013. Further, as of September 27, 2013 we are no longer the appointed auditors of the Eastern Caribbean Home Mortgage Bank.

Yours truly,

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants
Bridgetown, Barbados

PricewaterhouseCooopers, The Financial Services Centre, Bishop's Court Hill, P.O. Box 111, St. Michael BB14004, Barbados, West Indies
T: (246) 626-6700, F: (246) 436-1275, www.pwc.com/bb

Eastern Caribbean Home Mortgage Bank

Financial Statements
Year end March 31, 2013
(expressed in Eastern Caribbean dollars)

pwc

Independent Auditors' Report

To the Participating Governments
Eastern Caribbean Home Mortgage Bank

We have audited the accompanying financial statements of **Eastern Caribbean Home Mortgage Bank** which comprise the statement of financial position as of March 31, 2013, and the statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Eastern Caribbean Home Mortgage Bank** as of March 31, 2013 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers

Chartered Accountants
June 27, 2013
Basseterre, St. Kitts

PricewaterhouseCoopers, Cnr. Bank Street & W. Independence Sq., P.O. Box 1038, Basseterre, St. Kitts, West Indies
T: (869) 466-8200, F: (869) 466-9822, www.pwc.com/kn

Eastern Caribbean Home Mortgage Bank

Statement of Financial Position

As at March 31, 2013

(expressed in Eastern Caribbean dollars)

	2013 $	2012 $
Assets		
Cash and cash equivalents (note 5)	**55,622,261**	74,515,047
Securities purchased under agreements to resell (note 6)	**20,028,630**	20,030,137
Accounts receivable and prepayments (note 7)	**67,309**	93,900
Investment securities (note 8)	**53,133,331**	31,415,615
Mortgage loans portfolio (note 9)	**200,458,850**	202,307,888
Available-for-sale investment (note 10)	**100,000**	100,000
Motor vehicles and equipment (note 11)	**285,414**	184,549
Total assets	**329,695,795**	328,647,136
Liabilities		
Borrowings (note 12)	**272,782,798**	275,655,575
Other liabilities and accrued expenses (note 13)	**1,334,241**	684,001
Dividends payable (note 14)	**400,000**	200,000
Total liabilities	**274,517,039**	276,539,576
Equity		
Share capital (note 15)	**36,999,940**	36,999,940
Reserves (note 16)	**8,040,730**	6,812,252
Retained earnings	**10,138,086**	8,295,368
Total equity	**55,178,756**	52,107,560
Total liabilities and equity	**329,695,795**	328,647,136

The notes on pages 1 to 40 are an integral part of these financial statements.

Approved for issue by the Board of Directors on June 27, 2013.

Chairman

Director

Eastern Caribbean Home Mortgage Bank

Statement of Comprehensive Income

For the year ended March 31, 2013

(expressed in Eastern Caribbean dollars)

	2013 $	2012 $
Interest income (note 17)	**24,435,979**	25,547,822
Interest expense (note 18)	**(13,821,535)**	(14,936,366)
Net interest income	**10,614,444**	10,611,456
Other income (note 19)	**15,220**	54,183
Operating income	**10,629,664**	10,665,639
Expenses		
General and administrative expenses (note 20)	**(2,236,912)**	(2,242,101)
Mortgage administrative fees	**(1,765,079)**	(1,881,921)
Other operating expenses (note 21)	**(868,987)**	(939,402)
Total expenses	**(4,870,978)**	(5,063,424)
Net profit for the year	**5,758,686**	5,602,215
Other comprehensive income	**–**	–
Total comprehensive income for the year	**5,758,686**	5,602,215
Basic earnings per share (note 23)	**21.43**	20.84

The notes on pages 1 to 40 are an integral part of these financial statements.

Eastern Caribbean Home Mortgage Bank

Statement of Changes in Equity

For the year ended March 31, 2013

(expressed in Eastern Caribbean dollars)

	Share Capital $	Building Reserve $	Portfolio Risk Reserve $	Retained Earnings $	Total $
Balance at March 31, 2011	36,999,940	3,073,181	2,573,181	6,546,533	49,192,835
Total comprehensive income for the year	–	–	–	5,602,215	5,602,215
Dividends - $10 per share (note 14)	–	–	–	(2,687,490)	(2,687,490)
Transfer to reserves	–	582,945	582,945	(1,165,890)	–
Balance at March 31, 2012	**36,999,940**	**3,656,126**	**3,156,126**	**8,295,368**	**52,107,560**
Total comprehensive income for the year	–	–	–	**5,758,686**	**5,758,686**
Dividends - $10 per share (note 14)	–	–	–	**(2,687,490)**	**(2,687,490)**
Transfers to reserves	–	**614,239**	**614,239**	**(1,228,478)**	–
Balance at March 31, 2013	**36,999,940**	**4,270,365**	**3,770,365**	**10,138,086**	**55,178,756**

The notes on pages 1 to 40 are an integral part of these financial statements.

Eastern Caribbean Home Mortgage Bank

Statement of Cash Flows

For the year ended March 31, 2013

(expressed in Eastern Caribbean dollars)

	2013 $	2012 $
Cash flows from operating activities		
Net profit for the year	**5,758,686**	5,602,215
Items not affecting cash:		
Depreciation (note 11)	**72,559**	60,880
Amortisation (note 12)	**306,065**	420,636
Gain on disposal of equipment and motor vehicle	**(4,000)**	(45,200)
Provision for impairment loss on investment securities (note 8)	**112,500**	125,000
Interest income (note 17)	**(24,435,979)**	(25,547,822)
Interest expense (note 18)	**13,821,535**	14,936,366
Operating loss before working capital changes	**(4,368,634)**	(4,447,925)
Changes in operating assets and liabilities:		
Decrease in accounts receivable and prepayments	**26,591**	(18,245)
Increase/(decrease) in other liabilities and accrued expenses	**650,240**	(592,371)
Cash used in operations before interest	**(3,691,803)**	(5,058,541)
Interest received	**22,642,747**	27,135,928
Interest paid	**(13,846,304)**	(15,264,274)
Net cash generated from operating activities	**5,104,640**	6,813,113
Cash flows from investing activities		
Purchase of investment securities	**(40,246,575)**	(10,000,000)
Proceeds from maturity of investment securities	**20,000,000**	–
Purchase of mortgages	**(29,310,342)**	(10,296,742)
Proceeds from the pool of mortgages repurchased by primary lenders	**11,825,278**	23,706,110
Proceeds from principal repayment on mortgages	**9,106,970**	9,436,523
Increase in mortgages repurchased/replaced	**10,438,230**	3,251,637
Purchase of motor vehicle and equipment	**(173,424)**	(33,217)
Proceeds from disposal of equipment and motor vehicle	**4,000**	47,000
Net cash (used in)/from investing activities	**(18,355,863)**	16,111,311
Cash flows from financing activities		
Proceeds from bond issues	**40,275,000**	112,240,300
Repayment of bonds	**(40,275,000)**	(112,240,300)
Repayment of borrowings	**(3,000,000)**	(3,000,000)
Payment for bond issue costs	**(154,073)**	(415,774)
Dividends paid	**(2,487,490)**	(2,487,490)
Net cash used in financing activities	**(5,641,563)**	(5,903,264)
(Decrease)/Increase in cash and cash equivalents	**(18,892,786)**	17,021,160
Cash and cash equivalents, beginning of year	**74,515,047**	57,493,887
Cash and cash equivalents, end of year	**55,622,261**	74,515,047

The notes on pages 1 to 40 are an integral part of these financial statements.

(expressed in Eastern Caribbean dollars)

1 Incorporation and principal activity

The Governments of Anguilla, Antigua and Barbuda, The Commonwealth of Dominica, Grenada, Montserrat, St. Kitts-Nevis, St. Lucia and St. Vincent and the Grenadines signed an agreement on May 27, 1994, to establish the Eastern Caribbean Home Mortgage Bank (hereinafter referred to as "the Bank").

The Eastern Caribbean Home Mortgage Bank was formally established on August 19, 1994, in accordance with Article 40 of the Eastern Caribbean Home Mortgage Bank Agreement, which was incorporated in the Eastern Caribbean Home Mortgage Bank Agreement Act, and subsequently passed in the member territories.

The principal 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.

The registered office of the Bank is located at ECCB Agency Office, Monckton Street, St. George's, Grenada.

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

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

b) Changes in accounting policy

New and amended standards adopted by the Bank

There are no IFRS or IFRIC interpretations that are effective for the first time for the financial year beginning on or after April 1, 2012 that would be expected to have a material impact on the Bank.

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies...*continued*

b) Changes in accounting policy... *continued*

New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after April 1, 2012 and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Bank, except as set out below:

- Amendment to International Accounting Standard (IAS) 1, 'Financial Statement Presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Bank is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on April 1, 2013.

- IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and the United States generally accepted accounting principles (US GAAP), do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Bank is yet to assess IFRS13's full impact and intends to adopt IFRS 13 no later than the accounting period beginning on January 1, 2013.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Bank.

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies...*continued*

c) Cash and cash equivalents

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

d) Securities purchased under agreements to resell

Securities purchased under agreements to resell ('reverse repos') are recorded as loans and advances to other banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

e) Financial assets and liabilities

In accordance with IAS 39, all financial assets and liabilities – which include derivative financial instruments - are recognised in the statement of financial position and measured in accordance with their assigned category.

Financial assets

The Bank allocates its financial assets to the IAS 39 category of: 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 financial assets 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 other than: (a) those that the Bank intends to sell immediately or in the short term, which are classified or held for trading and those that the entity upon initial recognition designates at fair value through profit or loss; (b) those that the Bank upon initial recognition designates as available-for- sale; (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

The Bank's loans and receivables include cash and cash equivalents, Securities purchased under agreements to resell, investment securities, accounts receivables and mortgage loans portfolio.

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies...*continued*

e) Financial assets and liabilities...*continued*

(ii) Available-for-sale financial assets

Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

The Bank's available-for-sale financial assets are separately presented in the statement of financial position.

Recognition and measurement

Regular purchase and sales of financial assets are recognized on trade-date, being the date on which the Bank commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit and loss. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Bank has transferred substantially all risks and reward of ownership.

Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method. Changes in the fair value of available-for-sale financial assets are recognized in other comprehensive income. However, interest calculated using the effective interest method is recognized in the statement of comprehensive income. Dividends on available-for-sale equity instruments are recognized in the statement of comprehensive income when the entity's right to receive payment is established.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the statement of comprehensive income as 'gains and losses from investment securities'.

The fair values of quoted investments in active markets are based on current bid prices. If the market for financial assets is not active (and for unlisted securities), the Bank establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, and other valuation techniques commonly used by market participants.

Financial liabilities

The Bank's financial liabilities are carried at amortised cost.

Financial liabilities measured at amortised cost are borrowings and other liabilities and accrued expenses.

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies...*continued*

e) Financial assets and liabilities...*continued*

Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Bank tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition). Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

Reclassification of financial assets

The Bank may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Bank has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies...*continued*

f) Classes of financial instruments

The Bank classifies the financial instruments into classes that reflect the nature of information disclosed and take into account the characteristics of those financial instruments. The classification hierarchy can be seen in the table below:

<table>
<tr><td rowspan="6">Financial assets</td><td rowspan="5">Loans and receivables</td><td>Cash and cash equivalents</td><td>Bank accounts</td></tr>
<tr><td>Securities purchased under agreements to resell</td><td>Government fixed rated bonds</td></tr>
<tr><td>Accounts receivables</td><td>Primary lenders</td></tr>
<tr><td>Investment securities</td><td>Banks</td></tr>
<tr><td>Mortgage loans portfolio</td><td>Primary lenders</td></tr>
<tr><td>Available-for-sale financial assets</td><td colspan="2">Available-for-sale investments</td></tr>
<tr><td rowspan="2">Financial liabilities</td><td rowspan="2">Financial liabilities at amortised cost</td><td colspan="2">Borrowings</td></tr>
<tr><td colspan="2">Other liabilities and accrued expenses</td></tr>
</table>

g) Impairment of financial assets

(a) *Assets carried at amortised cost*

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

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, 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

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies...*continued*

g) Impairment of financial assets...*continued*

carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income. If a loan or held-to-maturity investment 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 group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a 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 improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

h) 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.

i) Employee benefits

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

The Bank pays contributions to a privately administered pension insurance plan. The Bank has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

j) Provisions

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

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

k) Motor vehicles and equipment

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

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies...*continued*

k) Motor vehicles and equipment...*continued*

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

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

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

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

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

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

l) Impairment of non-financial assets

Non-financial assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

m) Borrowings

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies*...continued*

m) Borrowings *...continued*

all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

n) Interest income and expense

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

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

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

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

o) Dividends distribution

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

p) Foreign currency translation

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.

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'General and administrative expenses'.

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies...*continued*

q) Share capital

Ordinary shares are classified as equity.

r) Comparatives

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

3 Financial risk management

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

a) Enterprise risk management approach

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

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

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

Board of Directors

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

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

a) Enterprise risk management approach...*continued*

The Board carries out its risk management oversight function by:

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

b) Risk measurement and reporting systems

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

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

c) Excessive risk concentration

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

d) Credit risk exposure

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, securities purchased under agreements to resell and term deposits.

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

d) Credit risk exposure...*continued*

The table below shows the maximum exposure to credit risk for the components of the statement of financial position.

	Gross Maximum Exposure 2013 $	Gross Maximum Exposure 2012 $
Credit risk exposure relating to on-balance sheet position		
Cash and cash equivalents	**55,622,261**	74,515,047
Securities purchased under agreements to resell	**20,028,630**	20,030,137
Accounts receivable	**43,929**	64,349
Investment securities	**53,133,331**	31,415,615
Mortgage loans portfolio	**200,458,850**	202,307,888
Available-for-sale investment	**100,000**	100,000
	329,387,001	328,433,036

The above table represents a worst case scenario of credit exposure to the Bank as at March 31, 2013 and 2012, without taking account of any collateral held or other enhancements attached. The exposure set out above is based on net carrying amounts as reported in the statement of financial position.

As shown above, 61% of the total maximum exposure is derived from the mortgage loans portfolio (2012: 62%). 16% (2012:10%) of the total maximum exposure represents investments securities.

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Bank resulting from both its mortgage loans portfolio and short-term marketable securities, based on the following:

- *Cash and cash equivalents, securities purchased under agreements to sell and investment securities*
  These are held with banks regulated by the Eastern Caribbean Central Bank and collateral is not required for such accounts as management regards the institutions as strong.

- *Mortgage loans portfolio*
  A due diligence assessment is undertaken before a pool of mortgages is purchased from the Primary Lender who has to meet the standard requirements of the Bank. Subsequently, annual onsite assessments are conducted to ensure that the quality standards of the loans are maintained.

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

d) Credit risk exposure...*continued*

- *Available-for-sale investments*
  Equity securities are held in a reputable securities exchange company in which the Eastern Caribbean Central Bank is the major shareholder.

There were no changes to the Bank's approach to managing credit risk during the year.

e) Management of credit risk

Mortgage loans portfolio

The Bank enters into Sale and Administration Agreements 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 is 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 concentration of credit risk by geographic location and by primary lending institutions. The Bank's credit exposure for mortgage loans at their carrying amounts, categorised by individual Eastern Caribbean Currency Union territory is disclosed in Note 9.

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

e) Management of credit risk...*continued*

The table below breaks down the Bank's main credit exposure at the carrying amounts, categorised by geographical regions as of March 31, 2013 with comparatives for 2012. In this table, the Bank has allocated exposure to regions based on the country of domicile of the counterparties.

	St. Kitts & Nevis $	Other ECCU Member States $	Barbados $	Total $
Cash and cash equivalents	**55,622,261**	–	–	**55,622,261**
Securities purchased under agreements to resell	–	**20,028,630**	–	**20,028,630**
Accounts receivable	**43,929**	–	–	**43,929**
Investment securities	–	**51,895,831**	**1,237,500**	**53,133,331**
Mortgage loans portfolio	**15,391,716**	**185,067,134**	–	**200,458,850**
Available-for-sale investment	**100,000**	–	–	**100,000**
As of March 31, 2013	**71,157,906**	**256,991,595**	**1,237,500**	**329,387,001**
Cash and cash equivalents	74,515,047	–	–	74,515,047
Securities purchased under agreements to resell	–	20,030,137	–	20,030,137
Accounts receivable	64,349	–	–	64,349
Investment securities	–	30,065,615	1,350,000	31,415,615
Mortgage loans portfolio	15,455,196	186,852,692	–	202,307,888
Available-for-sale investment	100,000	–	–	100,000
As of March 31, 2012	90,134,592	236,948,444	1,350,000	328,433,036

Economic sector concentrations within the mortgage loans portfolio were as follows:

	2013 $	2013 %	2012 $	2012 %
Commercial banks	**146,457,372**	**73**	135,367,187	67
Credit unions	**29,378,400**	**15**	35,002,759	17
Building society	**12,434,347**	**6**	15,754,191	8
Development bank	**11,133,910**	**6**	11,534,600	6
Finance company	–	–	3,805,428	2
	199,404,029	**100**	201,464,165	100

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

f) Market risk

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

The Bank manages interest rate risk by monitoring interest rates daily, and ensuring that the maturity profile of its financial assets is matched by that of its financial liabilities to the extent practicable, given the nature of the business. The directors and management believe that the Bank has limited exposure for foreign currency risk as its foreign current assets and liabilities are denominated in United States Dollars, which is fixed to Eastern Caribbean Dollars at the rate of $2.70. The Bank has no significant exposure to equity price risk as it has no financial assets which are to be realized by trading in the securities market.

g) Interest rate risk

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

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

g) Interest rate risk...*continued*

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

	Within 3 months $	3 to 12 months $	1 to 5 years $	Over 5 years $	Non-interest bearing $	Total $
As at 31 March 2013						
Financial assets:						
Cash and cash equivalents	55,232,755	–	–	–	389,506	55,622,621
Securities purchased under agreements to resell	–	20,000,000	–	–	28,630	20,028,630
Accounts receivable	–	–	–	–	43,929	43,929
Investment securities	20,246,575	30,000,000	–	–	2,886,756	53,133,331
Mortgage loans portfolio	3,442,669	7,097,593	34,488,596	153,782,637	1,647,355	200,458,850
Available-for- sale investment	–	–	–	–	100,000	100,000
Total financial assets	**78,921,999**	**57,097,593**	**34,488,596**	**153,782,637**	**5,096,176**	**329,387,001**
Financial liabilities:						
Borrowings	61,950,000	27,234,700	178,815,300	3,000,000	1,782,798	272,782,798
Other liabilities and accrued expenses	–	–	–	–	1,334,241	1,334,241
Dividends payable	–	–	–	–	400,000	400,000
Total financial liabilities	**61,950,000**	**27,234,700**	**178,815,300**	**3,000,000**	**3,517,039**	**274,517,039**
Interest Sensitivity Gap	**16,671,999**	**29,862,893**	**(144,326,704)**	**150,782,637**	**1,579,137**	**54,869,962**

(expressed in Eastern Caribbean dollars)

3 Financial risk management *...continued*

g) Interest rate risk*...continued*

	Within 3 months $	3 to 12 months $	1 to 5 years $	Over 5 years $	Non-interest bearing $	Total $
As at 31 March 2012						
Financial assets:						
Cash and cash equivalents	74,127,992	–	–	–	387,055	74,515,047
Securities purchased under agreements to resell	–	20,000,000	–	–	30,137	20,030,137
Accounts receivable	–	–	–	–	64,349	64,349
Investment securities	–	20,000,000	10,000,000	–	1,415,615	31,415,615
Mortgage loans portfolio	3,147,995	6,765,156	40,291,039	151,636,777	466,921	202,307,888
Available-for- sale investment	–	–	–	–	100,000	100,000
Total financial assets	**77,275,987**	**46,765,156**	**50,291,039**	**151,636,777**	**2,464,077**	**328,433,036**
Financial liabilities:						
Borrowings	750,000	42,525,000	224,725,000	6,000,000	1,655,575	275,655,575
Other liabilities and accrued expenses	–	–	–	–	684,001	684,001
Dividends payable	–	–	–	–	200,000	200,000
Total financial liabilities	**750,000**	**42,525,000**	**224,725,000**	**6,000,000**	**2,539,576**	**276,539,576**
Interest Sensitivity Gap	**76,525,987**	**4,240,156**	**(174,433,961)**	**145,636,777**	**(75,499)**	**51,893,460**

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

h) Foreign currency risk

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

The following table summarises the Bank's exposure to foreign currency exchange risk at March 31, 2012. Included in the table are the Bank's financial instruments at carrying amounts, categorised by currency.

	Eastern Caribbean dollar $	United States dollar $	Total $
At March 31, 2013			
Financial assets			
Cash and cash equivalents	52,959,923	2,662,338	55,622,261
Mortgage loans portfolio	178,740,197	21,718,653	200,458,850
	231,700,120	**24,380,991**	**256,081,111**
Financial liabilities			
Borrowings	**251,749,939**	**21,032,859**	**272,782,798**
Net statement of financial position	**(20,049,819)**	**3,348,132**	**(16,701,687)**
At March 31, 2012			
Financial assets			
Cash and cash equivalents	72,984,038	1,531,009	74,515,047
Mortgage loans portfolio	176,865,008	25,442,880	202,307,888
	249,849,046	26,973,889	276,822,935
Financial liabilities			
Borrowings	251,617,712	24,037,863	275,655,575
Net statement of financial position	(1,768,666)	2,936,026	1,167,360

(expressed in Eastern Caribbean dollars)

3 Financial risk management ... *continued*

i) Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value. Prudent liquidity risk management requires the Bank to maintain sufficient cash and marketable securities, monitoring future cash flows and liquidity on a daily basis and have funding available through an adequate amount of committed facilities.

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

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

(expressed in Eastern Caribbean dollars)

3 Financial risk management ... *continued*

j) Maturities analysis of assets and liabilities

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

	Within 3 Months $	3 to 12 months $	1 to 5 years $	Over 5 years $	Total $
As at March 31, 2013					
Assets:					
Cash and cash equivalents	55,622,261	–	–	–	55,622,261
Securities purchased under agreements to resell	–	20,028,630	–	–	20,028,630
Accounts receivable	43,929	–	–	–	43,929
Investment securities	20,246,625	32,886,706	–	–	53,133,331
Mortgage loans portfolio	5,090,024	7,097,593	34,488,596	153,782,637	200,458,850
Available for-sale-investment	–	–	–	100,000	100,000
Total Assets	**81,002,839**	**60,012,929**	**34,488,596**	**153,882,637**	**329,387,001**
Liabilities:					
Borrowings	63,820,522	27,429,725	178,579,162	2,953,389	272,782,798
Other liabilities and accrued expenses	1,056,557	277,684	–	–	1,334,241
Dividends payable	–	400,000	–	–	400,000
	64,877,079	**28,107,409**	**178,579,162**	**2,953,389**	**274,517,039**
Net Liquidity Gap	**16,125,760**	**31,905,520**	**(144,090,566)**	**150,929,248**	**54,869,962**

(expressed in Eastern Caribbean dollars)

3 Financial risk management ... *continued*

j) Maturities analysis of assets and liabilities ... *continued*

As at March 31, 2012	Within 3 Months $	3 to 12 months $	1 to 5 years $	Over 5 years $	Total $
Assets:					
Cash and cash equivalents	74,515,047	–	–	–	74,515,047
Securities purchased under agreements to resell	–	20,030,137	–	–	20,030,137
Accounts receivable and prepayments	64,349	–	–	–	64,349
Short-term marketable securities	290,615	21,125,000	10,000,000	–	31,415,615
Mortgage loans portfolio	3,614,916	6,765,156	40,291,039	151,636,777	202,307,888
Available for-sale-investment	–	–	–	100,000	100,000
Total Assets	78,484,927	47,920,293	50,291,039	151,736,777	328,433,036
Liabilities:					
Borrowings	1,175,844	44,087,512	224,463,151	5,929,068	275,655,575
Other liabilities and accrued expenses	430,445	253,556	–	–	684,001
Dividends payable	–	200,000	–	–	200,000
Total Liabilities	1,606,289	44,541,068	224,463,151	5,929,068	276,539,576
Net Liquidity Gap	76,878,638	3,379,225	(174,172,112)	145,807,709	51,893,460

(expressed in Eastern Caribbean dollars)

3 Financial risk management approach ... *continued*

k) Operational risk

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

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

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

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

l) Capital management

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

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

(expressed in Eastern Caribbean dollars)

3 Financial risk management ... *continued*

l) Capital management...*continued*

The Bank monitors capital on the basis of the gearing ratio. This ratio is calculated as total long-term debt divided by total capital. Total long-term debt is calculated as total bonds in issue plus the Caribbean Development Bank long-term loan (as shown in the statement of financial position as "Borrowings"). Total capital is calculated as 'equity' as shown in the statement of financial position.

During 2013, the Bank's strategy, which was unchanged from 2012, was to maintain the gearing ratio within 8:1 and an AA- credit rating. The AA- credit rating has been maintained throughout the period. The gearing ratios at March 31, 2013 and 2012 were as follows:

	2013	**2012**
	$	**$**
Total Debt	**272,782,798**	275,655,575
Total Equity	**55,178,756**	52,107,560
Gearing Ratio	**4.94**	5.29

There were no changes to the Bank's approach to capital management during the year.

(expressed in Eastern Caribbean dollars)

3 Financial risk management ... *continued*

m) Fair value estimation

The table below summarises the carrying and fair values of the Bank's financial assets and liabilities.

	Carrying value		Fair value	
	2013	**2012**	**2013**	**2012**
	$	**$**	**$**	**$**
Cash and cash equivalents	**55,622,261**	74,515,047	**55,622,261**	74,515,047
Securities purchased under agreements to resell	**20,028,630**	20,030,137	**20,028,630**	20,030,137
Accounts receivable	**43,929**	64,349	**43,929**	64,349
Investment securities	**53,133,331**	31,415,615	**53,133,331**	31,415,615
Mortgage loans portfolio	**200,458,850**	202,307,888	**200,458,850**	202,307,888
Available-for-sale investment	**100,000**	100,000	**100,000**	100,000
Total assets	**329,387,001**	328,433,036	**329,387,001**	328,433,036
Borrowings	**272,782,798**	275,655,575	**272,782,798**	275,655,575
Other liabilities and accrued expenses	**1,334,241**	684,001	**1,334,241**	684,001
Dividends payable	**400,000**	200,000	**400,000**	200,000
	274,517,039	276,539,576	**274,517,039**	276,539,576

Fair value amounts represent estimates of the consideration that would currently be agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market value, if one exists. Accordingly, fair values are equal to their carrying values due to their short-term nature.

Mortgage loans portfolio represents residential mortgages and outstanding balances are carried based on its principal and interests. The fair values of mortgages are equal to their carrying values.

The Bank's available-for-sale investments are not actively traded in organised financial markets, and fair value is determined using discounted cash flow analysis, which requires considerable judgement in interpreting market data and developing estimates.

(expressed in Eastern Caribbean dollars)

3 Financial risk management ... *continued*

m) Fair value estimation... *continued*

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

Financial instruments where carrying value is equal to fair value due to their short-term maturity, the carrying value of financial instruments are equal to their fair values. These include cash and cash equivalents, accounts receivable, other assets and other liabilities.

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

4 Critical accounting estimates and judgements

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

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

(a) Impairment losses on investment securities

The Bank reviews its investment securities to assess impairment on a regular and periodic basis. In determining whether an impairment loss should be recorded, the Bank makes judgments as to whether there is any observable data indicating an impairment trigger followed by a measurable decrease in the estimated future cash flows from investment securities. Such observable data may indicate that there has been an adverse change in the payment ability and financial condition of the counterparty. Management use experience judgment and estimates based on objective evidence of impairment when assessing future cash flows. The impairment losses on investment securities as at March 31, 2013 amounted to $112,500 (2012: 125,000).

(b) Impairment losses on mortgage loans portfolio

The Bank reviews its mortgage loans portfolio to assess impairment on a periodic basis. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of mortgage loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers, or local economic conditions that correlate with defaults on assets in the Bank.

(expressed in Eastern Caribbean dollars)

4 Critical accounting estimates and judgements...*continued*

(b) Impairment losses on mortgage loans portfolio...continued

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. There was no provision recorded as at March 31, 2013 (2012: Nil)

(c) Impairment losses on available-for-sale securities

The Bank follows the guidelines of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the Bank evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows. To the extent that the actual results regarding impairment may differ from management's estimate. There was no provision recorded as at March 31, 2013 (2012: Nil).

5 Cash and cash equivalents

	2013 $	2012 $
Cash on hand	**500**	880
Balances with commercial banks	**55,621,761**	74,514,167
	55,622,261	74,515,047

Balances with commercial banks earned interest at rates ranging from 1.5% to 7% (2012: 1.5% to 7%) during the year.

6 Securities purchased under agreements to resell

Securities purchased under agreements to resell held with First Citizens Investment Services Ltd

	2013 $	2012 $
1 year security maturing March 21, 2014, interest rate of 4.75% (2012: 5.50%)	**10,000,000**	10,000,000
1 year security maturing March 21, 2014, interest rate of 4.75% (2012: 5.50%)	**10,000,000**	10,000,000
	20,000,000	20,000,000
Interest receivable	**28,630**	30,137
	20,028,630	20,030,137

(expressed in Eastern Caribbean dollars)

6 Securities purchased under agreements to resell...*continued*

These repurchase agreement securities are collateralized by bonds issued by the Governments of St. Lucia and St. Vincent and the Grenadines in the amount of $15,191,537 and $4,948,535 respectively.

7 Accounts receivable and prepayments

	2013 $	2012 $
Other receivables	**43,929**	64,349
Prepayments	**23,380**	29,551
	67,309	93,900

8 Investment securities

	2013 $	2012 $
Loans and receivables		
Term deposits		
CLICO International Life Insurance Limited	**5,000,000**	5,000,000
Provision for impairment – CLICO	**(3,762,500)**	(3,650,000)
	1,237,500	1,350,000
One month fixed deposit at Bank of St. Vincent & Grenadines Limited maturing on April 30, 2013 bearing interest at a rate of 5%.	**20,246,575**	–
One year fixed deposit at Bank of St. Lucia Limited maturing on March 22, 2014 bearing interest at a rate of 4.75% (2012: 5.25%).	**20,000,000**	20,000,000
Two year fixed deposit at Grenada Co-operative Bank Limited maturing on March 2, 2014 bearing interest at a rate of 5% (2012: 5%).	**10,000,000**	10,000,000
	50,246,575	30,000,000
Total	**51,484,075**	31,350,000
Interest receivable	**1,874,256**	290,615
Less provision for impairment - CLICO	**(225,000)**	(225,000)
Total investment securities	**53,133,331**	31,415,615

(expressed in Eastern Caribbean dollars)

8 Investment securities...*continued*

Term deposit held with CLICO International Life Insurance Limited

The Bank holds an Executive Flexible Premium Annuity (EFPA) with CLICO International Life Insurance Limited (CLICO Barbados), a member of the CL Financial Group. The EFPA matured in October 2009. During the 2011 financial year, the Bank was informed that CLICO has been placed under judicial management. On July 28, 2011 the Judicial Manager submitted its final report to the High Court in Barbados setting out its findings and recommendations. As at March 31, 2013, the Bank's management have adopted a prudent approach to this matter and have established an impairment provision of 75% (2012: 73%) of the deposit balance and 100% (2012: 100%) of the accrued interest.

Movement on provision for impairment – CLICO Principal balance

	2013 $	2012 $
Balance at beginning of year	**3,650,000**	3,525,000
Provision for the year	**112,500**	125,000
Balance at end of year	**3,762,500**	3,650,000

Movement on provision for impairment – CLICO Interest balance

	2013 $	2012 $
Balance at beginning of year	**225,000**	225,000
Provision for the year	–	–
Balance at end of year	**225,000**	225,000

9 Mortgage loans portfolio

	2013 $	2012 $
Commercial banks	**146,457,372**	135,367,187
Credit unions	**29,378,400**	35,002,759
Building society	**12,434,347**	15,754,191
Development bank	**11,133,910**	11,534,600
Finance company	–	3,805,428
	199,404,029	201,464,165
Interest receivable	**1,054,821**	843,723
	200,458,850	202,307,888

(expressed in Eastern Caribbean dollars)

9 Mortgage loans portfolio...*continued*

Territory Analysis

	2013 $	2012 $
Antigua and Barbuda	27,676,546	29,780,966
Anguilla	34,052,988	39,163,991
Grenada	53,352,782	30,722,913
Montserrat	–	4,078,317
St. Kitts and Nevis	14,336,895	15,455,196
St Lucia	35,923,434	40,895,880
St. Vincent and the Grenadines	34,061,384	41,366,902
	199,404,029	201,464,165

	2013 $	2012 $
Movement in the balance is as follows:		
Balance at the beginning of the year - principal	200,997,244	226,321,261
Add: Loans purchased	29,310,342	10,296,742
Mortgage receivable	1,647,355	466,921
Less: Principal repayments	(9,106,970)	(9,436,523)
Mortgages pools repurchased	(11,825,278)	(23,706,110)
Mortgages that were repurchased and replaced	(11,618,664)	(2,478,126)
Balance at the end of the year – principal	199,404,029	201,464,165
Interest receivable	1,054,821	843,723
	200,458,850	202,307,888

Mortgage receivables pertain to overdue principal and interest repayments.

Terms and Conditions of Purchased Mortgages

a) *Purchase of Mortgages*

The Bank enters into Sale and Administration Agreements with Primary Lending Institutions in the OECS territories for the purchase of mortgages. Mortgages are purchased at the outstanding principal on the settlement date.

b) *Recourse to Primary Lending Institutions*

Under the terms of the Sale and Administration Agreement, the Administrator (Primary Lending Institution) warrants that any default, loss or title deficiency occurring during the life of the loans secured by the Purchased Mortgages will be remedied.

(expressed in Eastern Caribbean dollars)

9 Mortgage loans portfolio...*continued*

c) *Administration Fees*

The Primary Lending Institutions are responsible for administering the mortgages on behalf of the Bank at an agreed fee on the aggregate principal amount, excluding any accrued interest, penalties or bonuses, outstanding at the beginning of the month in reference.

d) *Rates of Interest*

Rates of interest earned vary from 7% to 12% (2012: 7% to 12%).

10 Available-for- sale investment

	2013 $	2012 $
Eastern Caribbean Securities Exchange 10,000 Class C shares of $10 each - unquoted carried at cost	**100,000**	100,000

(expressed in Eastern Caribbean dollars)

11 Motor vehicles and equipment

	Motor Vehicles $	Computer Equipment $	Furniture & Fixtures $	Machinery & Equipment $	Total $
At March 31, 2011					
Cost	268,000	337,602	41,982	56,886	704,470
Accumulated depreciation	(112,400)	(300,226)	(41,400)	(36,432)	(490,458)
Net Book Value	**155,600**	**37,376**	**582**	**20,454**	**214,012**
Year ended March 31, 2012					
Opening net book value	155,600	37,376	582	20,454	214,012
Additions	–	30,058	3,159	–	33,217
Disposals	(1,800)	–	–	–	(1,800)
Depreciation charge	(33,800)	(22,586)	(691)	(3,803)	(60,880)
Closing net book value	**120,000**	**44,848**	**3,050**	**16,651**	**184,549**
At March 31, 2012					
Cost	160,000	85,378	5,744	25,541	276,663
Accumulated depreciation	(40,000)	(40,530)	(2,694)	(8,890)	(92,114)
Net Book Value	**120,000**	**44,848**	**3,050**	**16,651**	**184,549**
Year ended March 31, 2013					
Opening net book value	120,000	44,848	3,050	16,651	184,549
Additions	130,000	4,447	–	38,977	173,424
Depreciation charge	(36,065)	(27,859)	(697)	(7,938)	(72,559)
Closing net book value	**213,935**	**21,436**	**2,353**	**47,690**	**285,414**
At March 31, 2013					
Cost	**290,000**	**89,825**	**5,744**	**64,518**	**450,087**
Accumulated depreciation	**(76,065)**	**(68,389)**	**(3,391)**	**(16,828)**	**(164,673)**
Net Book Value	**213,935**	**21,436**	**2,353**	**47,690**	**285,414**

(expressed in Eastern Caribbean dollars)

12 Borrowings

	2013 $	2012 $
Bonds in issue		
Balance at the beginning of the year	**250,000,000**	250,000,000
Add: Issues during the year	**40,275,000**	112,240,300
Less: Redemptions during the year	**(40,275,000)**	(112,240,300)
	250,000,000	250,000,000
Less: unamortised bond issue costs	**(420,598)**	(548,269)
	249,579,402	249,451,731
Other borrowed funds		
Caribbean Development Bank Loan	**21,000,000**	24,000,000
Less: unamortised transaction costs	**(168,216)**	(192,537)
	20,831,784	23,807,463
	270,411,186	273,259,194
Interest payable	**2,371,612**	2,396,381
Total	**272,782,798**	275,655,575

Bonds in issue	2013 $	2012 $
3 year bond maturing on July 1, 2013 bearing interest at a rate of 6%	**50,000,000**	50,000,000
3 year bond maturing on July 1, 2014 bearing interest at a rate of 4.72%	**49,560,000**	49,560,000
3 year bond maturing on August 26, 2014 bearing interest at a rate of 4.497%	**35,043,300**	35,043,300
4 year bond maturing on March 25, 2014 bearing interest at a rate of 6%	**24,984,700**	24,984,700
4 year bond maturing on January 30, 2016 bearing interest at a rate of 4%	**27,637,000**	27,637,000
4 year bond maturing on January 30, 2017 bearing interest at a rate of 3.75%	**21,505,000**	–
4 year bond maturing on September 28, 2016 bearing interest at a rate of 4%	**18,770,000**	–
12 year bond maturing on June 14, 2014 bearing interest at a rate of 5.9%	**11,300,000**	11,300,000
3 year bond maturing on July 1, 2013 bearing interest at a rate of 6%	**11,200,000**	11,200,000
5 year bond matured on January 30, 2013 bearing interest at a rate of 6%	–	5,300,000
2 year bond matured on September 30, 2012 bearing interest at a rate of 5.9%	–	18,770,000
5 year bond matured on January 30, 2013 bearing interest at a rate of 6%	–	16,205,000
Total	**250,000,000**	250,000,000

(expressed in Eastern Caribbean dollars)

12 Borrowings*...continued*

Bonds issued by the Bank are secured by debentures over the fixed and floating assets of the Bank. Interest is payable semi-annually in arrears at rates varying between 3.75% to 6% (2012: 4.0% to 6%).

Caribbean Development Bank (CDB) Loan

On January 31, 2008, the Bank obtained a loan from Caribbean Development Bank in the amount of US$10,000,000 (EC$27,000,000) for a period of 11 years with a two-year moratorium. The loan is payable in 36 equal or approximately equal and consecutive quarterly instalments from the first due date after the expiry of the two (2) year moratorium. Under the terms of the loan agreement between CDB and the Bank, CDB has the right to increase or decrease the rate of interest payable on the loan. The interest rate on the loan was increased from 3.61% to 3.83% (2012: 3.66% to 4.09%) during the financial year. The interest incurred for the year ended March 31, 2013 amounted to $823,631 (2012: $958,595) and is payable quarterly.

The exposure of the Bank's borrowings to interest rate changes and the contractual repricing dates at the end of the reporting period are as follows:

Maturity analysis

	2013 $	2012 $
6 months or less	**750,000**	750,000
6-12 months	**2,250,000**	2,250,000
1-5 years	**15,000,000**	15,000,000
Over 5 years	**3,000,000**	6,000,000
	21,000,000	24,000,000

The breakdown of interest payable is as follows:

	2013 $	2012 $
Bonds interest payable	**2,170,537**	2,165,981
Long-term loan interest payable	**201,075**	230,400
	2,371,612	2,396,381

(expressed in Eastern Caribbean dollars)

12 Borrowings...*continued*

The breakdown of capitalised bond issue costs and transaction costs are as follows:

	2013	2012
	$	$
Capitalised bond issue costs		
Balance brought forward	**548,269**	516,200
Additions	**154,073**	415,773
	702,342	931,973
Less: amortization for year	**(281,744)**	(383,704)
Balance carried forward	**420,598**	548,269
Transaction fees on other borrowed funds		
Balance brought forward	**192,537**	216,857
Less: amortization for year	**(24,321)**	(24,320)
Balance carried forward	**168,216**	192,537
Total Other assets	**588,814**	740,806

Capitalised Bond issue costs
The bond issue costs are being amortised over the duration of the life of the respective bonds ranging from three (3) to twelve (12) years (2012: two (2) to twelve (12) years) which carry an interest rate ranging from 3.75% to 6% (2012: 3.75% to 6%).

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.

13 Other liabilities and accrued expenses

	2013	2012
	$	$
Other liabilities	**852,294**	145,736
Accrued expenses	**481,947**	538,265
	1,334,241	684,001

(expressed in Eastern Caribbean dollars)

14 Dividends

At the Annual General Meeting on July 27, 2012, dividends of $10.00 were approved amounting to $2,687,490.

Dividends paid during the financial year amounted to $2,487,490 (2012: $2,487,490). The Dividends payable balance of $400,000 at March 31, 2013 includes $200,000 relating to each of 2012 and 2011.

15 Share capital

The Bank is authorised to issue 400,000 (2012: 400,000) ordinary shares of no par value.

At March 31, 2013 there were 268,749 (2012: 268,749) ordinary shares of no par value issued and outstanding.

	Number of shares	2013 $	2012 $
Class A	**66,812**	**9,189,920**	9,189,920
Class B	**51,178**	**7,562,200**	7,562,200
Class C	**80,181**	**11,062,800**	11,062,800
Class D	**70,578**	**9,185,020**	9,185,020
	268,749	**36,999,940**	36,999,940

The Bank has adopted the provisions of the Grenada Companies Act No. 35 of 1994, which requires companies to issue shares without nominal or par value. Under Article 29 – Capital Structure of the Eastern Caribbean Home Mortgage Bank Act, (1) Subject to Article 30, the authorized shares capital of the Bank is $40,000,000 divided into 400,000 shares of the $100 each, in the following classes:

(a) 100,000 Class A shares which may be issued only to the Central Bank;
(b) 60,000 Class B shares out of which 40,000 maybe issued only to the Social Security Scheme or National Insurance Board and 20,000 to any Government owned or controlled commercial bank;
(c) 80,000 Class C shares which may be issued only to commercial banks, other than a Government owned or controlled commercial bank;
(d) 40,000 Class D shares which may be issued only to insurance companies and credit institutions
(e) 40,000 Class E shares which may be issued only to the International Finance Corporation; and
(f) 80,000 Class F shares which may be issued only to the Home Mortgage Bank of Trinidad and Tobago.

(expressed in Eastern Caribbean dollars)

16 Reserves

	2013 $	2012 $
Building reserve	**4,270,365**	3,656,126
Portfolio risk reserve	**3,770,365**	3,156,126
Total reserves	**8,040,730**	6,812,252

In March 2004, the Board of Directors approved the creation of two special reserve accounts, a Building Reserve and a Portfolio Risk Reserve. 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 to provide cover against general risks associated with the Secondary Mortgage Market.

The Board of Directors has also agreed to appropriate annually to Building reserve, for the future establishment of Bank's own headquarters building.

17 Interest income

	2013 $	2012 $
Mortgage loans portfolio	**16,227,649**	17,515,727
Bank deposits	**5,066,247**	5,543,465
Investment income	**3,142,083**	2,488,630
	24,435,979	25,547,822

18 Interest expense

	2013 $	2012 $
Bonds in issue	**12,997,904**	13,977,771
CDB loan	**823,631**	958,595
	13,821,535	14,936,366

(expressed in Eastern Caribbean dollars)

19 Other income

	2013 $	2012 $
Mortgage underwriting seminar income	**131,984**	140,988
Mortgage underwriting seminar expenses	**(120,764)**	(132,005)
	11,220	8,983
Gain on disposal of equipment and motor vehicles	**4,000**	45,200
	15,220	54,183

20 General and administrative expenses

	2013 $	2012 $
Salaries and related cost	**1,624,676**	1,596,655
Home Ownership Day	**104,078**	18,089
CEO's travel expenses	**86,073**	92,090
Rent expense	**51,386**	51,386
Credit rating fee	**49,399**	50,729
Hotel accommodation	**42,185**	32,159
Airfares	**35,782**	23,271
Internal audit fees	**35,726**	41,511
Legal and professional expense	**34,759**	49,961
Telephone expense	**29,327**	19,570
Computer repairs and maintenance	**22,851**	20,789
Printing and stationery expense	**22,537**	36,939
Office supplies expense	**21,009**	20,546
Dues and subscriptions expense	**13,649**	11,152
Insurance expense	**11,786**	8,679
Other expense	**11,362**	18,675
Repairs and maintenance expense	**10,541**	8,795
Travel expense	**9,520**	12,088
Consultancy expenses	**9,028**	108,360
Courier services expense	**5,658**	4,633
Advertising/promotion expense	**5,580**	16,024
	2,236,912	2,242,101

(expressed in Eastern Caribbean dollars)

21 Other operating expenses

	2013 $	2012 $
Amortization	**306,065**	420,636
Directors fees and expenses	**197,052**	155,509
Other expenses (note 22)	**115,691**	159,960
Impairment losses on investment securities	**112,500**	125,000
Depreciation (note 11)	**72,559**	60,880
Audit fees	**56,160**	39,750
Foreign exchange loss/(gain)	**8,960**	(22,333)
	868,987	939,402

22 Other expenses

	2013 $	2012 $
Sundry bond expenses	**104,691**	147,460
Trustee fees	**11,000**	12,500
	115,691	159,960

23 Earnings per share

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

	2013 $	2012 $
Net profit for the year	**5,758,686**	5,602,215
Weighted average number of shares issued	**268,749**	268,749
Basic earnings per share	**21.43**	20.84

(expressed in Eastern Caribbean dollars)

24 Contingent liabilities and capital commitments

At March 31, 2013, the Board of Directors approved capital expenditure in the amount of $89,950 for the acquisition of new computer equipment (2012: $87,840). There were no outstanding contingent liabilities at March 31, 2013 (2012: Nil).

25 Related party transactions

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

The Eastern Caribbean Central Bank, which provided material support to the Bank in its formative years, holds 24.9% 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.

Compensation of key management personnel

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

	2013 **$**	**2012** **$**
Short-term benefits	**737,877**	727,882
Director fees	**66,000**	66,000
Post-employment benefits	**55,125**	55,125
	859,002	849,007

26 Reclassification of 2012 comparative figures

The reclassification of certain items in the financial statement has been changed from the prior year to achieve more appropriate presentation. The items reclassified are as follows:

a) Interest receivable relating to investment securities were reclassified from “accounts receivables and prepayments” account to “investment securities” in the statement of financial position.

b) Interest payable relating to borrowings which was separately presented in the 2012 statement of financial position was grouped under “borrowings” account in the statement of financial position.

c) Short-term marketable securities were renamed to investment securities in the statement of financial position.

d) Dividends payable was separately presented in the 2012 statement of financial position which was previously grouped under “other liabilities and accrued expenses” account.

(expressed in Eastern Caribbean dollars)

26 Reclassification of 2012 comparative figures...*continued*

e) Accounts receivable relating to mortgage receivables were classified from "accounts receivable and prepayments" account to "mortgage loan portfolio" account in the statement of financial position.

f) Other assets relating to unamortized bond issue cost and transaction fees were netted to "borrowings" account in the statement of financial position.

	As previously classified $	Reclassified $	As reclassified $
Accounts receivable and prepayments	851,436	(757,536)	93,900
Investment securities	31,125,000	290,615	31,415,615
Other assets	740,806	(740,806)	–
Mortgage loans portfolio	201,840,967	466,921	202,307,888
Other liabilities and accrued expenses	884,001	(200,000)	684,001
Dividends payable	–	200,000	200,000
Interest payable	2,396,381	(2,396,381)	–
Borrowings	274,000,000	1,655,575	275,655,575

Audited Financial Statements for year ended 31st March, 2014

Grant Thornton
An instinct for growth™

June 2, 2015

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The Directors
Eastern Caribbean Home Mortgage Bank
ECCB Complex
Bird Rock
P.O. Box 753
Basseterre
St. Kitts

Dear Sirs,

Re: Eastern Caribbean Home Mortgage Bank

We give our consent, and have not withdrawn such consent, to being named as the Independent Auditors of Eastern Caribbean Home Mortgage Bank for the year ended March 31, 2014 in the Prospectus dated May, 2015 and issued by Eastern Caribbean Home Mortgage Bank (the "Prospectus") and for the inclusion in the Prospectus of the Independent Auditors' Report (the "Report") to the Shareholders of the Eastern Caribbean Home Mortgage Bank dated July 3, 2014 in respect of the Financial Statements for the year ended March 31, 2014.

We are not aware, since the date of the Report, of any matter affecting the validity of that Report at that date.

We further consent to, and authorise the use of, the Report in the Prospectus.

Yours truly,

Grant Thornton

Chartered Accountants
Basseterre
St. Kitts

Eastern Caribbean Home Mortgage Bank

Financial Statements
March 31, 2014
(expressed in Eastern Caribbean dollars)

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Independent Auditors' Report

To the Shareholders
Eastern Caribbean Home Mortgage Bank

We have audited the accompanying financial statements of **Eastern Caribbean Home Mortgage Bank** which comprise the statement of financial position as of March 31, 2014, and the statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Eastern Caribbean Home Mortgage Bank** as of March 31, 2014 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Grant Thornton

Chartered Accountants
July 3, 2014
Basseterre, St. Kitts

Eastern Caribbean Home Mortgage Bank

Statement of Financial Position

As at March 31, 2014

(expressed in Eastern Caribbean dollars)

	2014 $	2013 $
Assets		
Cash and cash equivalents (note 5)	**28,261,958**	55,622,261
Securities purchased under agreements to resell (note 6)	**20,974,227**	20,028,630
Accounts receivable and prepayments (note 7)	**60,976**	67,309
Investment securities (note 8)	**129,861,401**	53,133,331
Mortgage loans portfolio (note 9)	**148,483,829**	200,458,850
Available–for–sale investment (note 10)	**100,000**	100,000
Motor vehicles and equipment (note 11)	**249,527**	285,414
Intangible assets (note 12)	**25,125**	–
Total assets	**328,017,043**	329,695,795
Liabilities		
Borrowings (note 13)	**269,304,595**	272,782,798
Other liabilities and accrued expenses (note 14)	**1,259,197**	1,334,241
Dividends payable (note 15)	**600,000**	400,000
Total liabilities	**271,163,792**	274,517,039
Equity		
Share capital (note 16)	**36,999,940**	36,999,940
Reserves (note 17)	**8,710,528**	8,040,730
Retained earnings	**11,142,783**	10,138,086
Total equity	**56,853,251**	55,178,756
Total liabilities and equity	**328,017,043**	329,695,795

The notes on pages 1 to 40 are an integral part of these financial statements.

Approved for issue by the Board of Directors on July 3, 2014.

Chairman

Director

Eastern Caribbean Home Mortgage Bank

Statement of Comprehensive Income

For the year ended March 31, 2014

(expressed in Eastern Caribbean dollars)

	2014 $	2013 $
Interest income (note 18)	**20,690,064**	24,435,979
Interest expense (note 19)	**(12,121,614)**	(13,821,535)
Net interest income	**8,568,450**	10,614,444
Other income (note 20)	**40,992**	15,220
Operating income	**8,609,442**	10,629,664
Expenses		
General and administrative expenses (note 21)	**(1,793,285)**	(2,236,912)
Mortgage administrative fees	**(1,565,101)**	(1,765,079)
Other operating expenses (note 22)	**(889,071)**	(868,987)
Total expenses	**(4,247,457)**	(4,870,978)
Net profit for the year	**4,361,985**	5,758,686
Other comprehensive income	**–**	–
Total comprehensive income for the year	**4,361,985**	5,758,686
Basic earnings per share (note 24)	**16.23**	21.43

The notes on pages 1 to 40 are an integral part of these financial statements.

Eastern Caribbean Home Mortgage Bank

Statement of Cash Flows

For the year ended March 31, 2014

(expressed in Eastern Caribbean dollars)

	2014 $	2013 $
Cash flows from operating activities		
Net profit for the year	**4,361,985**	5,758,686
Items not affecting cash:		
Amortisation: Bond issue costs (note 13)	**338,762**	306,065
Depreciation (note 11)	**84,082**	72,559
Amortisation: Intangible assets (note 12)	**3,141**	–
Loss/(gain) on disposal of equipment	**632**	(4,000)
Provision for impairment loss on investment securities (note 8)	**–**	112,500
Interest income (note 18)	**(20,690,064)**	(24,435,979)
Interest expense (note 19)	**12,121,614**	13,821,535
Operating loss before working capital changes	**(3,779,848)**	(4,368,634)
Changes in operating assets and liabilities:		
Decrease in accounts receivable and prepayments	**6,333**	26,591
(Decrease)/increase in other liabilities and accrued expenses	**(75,044)**	650,240
Cash used in operations before interest	**(3,848,559)**	(3,691,803)
Interest received	**19,156,972**	22,642,747
Interest paid	**(12,494,006)**	(13,846,304)
Net cash generated from operating activities	**2,814,407**	5,104,640
Cash flows from investing activities		
Purchase of investment securities	**(90,264,502)**	(40,246,575)
Proceeds from maturity of investment securities	**14,893,872**	20,000,000
Purchase of mortgages	**(14,893,872)**	(29,310,342)
Proceeds from the pool of mortgages repurchased by primary lenders	**25,375,040**	11,825,278
Proceeds from principal repayment on mortgages	**9,322,782**	9,106,970
Increase in mortgages repurchased/replaced	**31,401,127**	10,438,230
Purchase of motor vehicle and equipment	**(48,828)**	(173,424)
Purchase of intangible assets	**(28,266)**	–
Proceeds from disposal of equipment	**–**	4,000
Net cash (used in)/from investing activities	**(24,242,647)**	(18,355,863)
Cash flows from financing activities		
Proceeds from bond issues	**86,184,700**	40,275,000
Repayment of bonds	**(86,184,700)**	(40,275,000)
Repayment of borrowings	**(3,000,000)**	(3,000,000)
Payment for bond issue costs	**(444,573)**	(154,073)
Dividends paid	**(2,487,490)**	(2,487,490)
Net cash used in financing activities	**(5,932,063)**	(5,641,563)
Decrease in cash and cash equivalents	**(27,360,303)**	(18,892,786)
Cash and cash equivalents, beginning of year	**55,622,261**	74,515,047
Cash and cash equivalents, end of year	**28,261,958**	55,622,261

The notes on pages 1 to 40 are an integral part of these financial statements.

Eastern Caribbean Home Mortgage Bank

Statement of Changes in Equity

For the year ended March 31, 2014

(expressed in Eastern Caribbean dollars)

	Share capital $	Building reserve $	Portfolio risk reserve $	Retained earnings $	Total $
Balance at March 31, 2012	**36,999,940**	**3,656,126**	**3,156,126**	**8,295,368**	**52,107,560**
Total comprehensive income for the year	–	–	–	5,758,686	5,758,686
Dividends – $10 per share (note 15)	–	–	–	(2,687,490)	(2,687,490)
Transfer to reserves	–	614,239	614,239	(1,228,478)	–
Balance at March 31, 2013	**36,999,940**	**4,270,365**	**3,770,365**	**10,138,086**	**55,178,756**
Total comprehensive income for the year	–	–	–	4,361,985	4,361,985
Dividends – $10 per share (note 15)	–	–	–	(2,687,490)	(2,687,490)
Transfers to reserves	–	334,899	334,899	(669,798)	–
Transfer to portfolio risk reserve	–	(4,605,264)	4,605,264	–	–
Balance at March 31, 2014	**36,999,940**	**–**	**8,710,528**	**11,142,783**	**56,853,251**

The notes on pages 1 to 40 are an integral part of these financial statements.

(expressed in Eastern Caribbean dollars)

1 Incorporation and principal activity

The Governments of Anguilla, Antigua and Barbuda, The Commonwealth of Dominica, Grenada, Montserrat, St. Kitts–Nevis, St. Lucia and St. Vincent and the Grenadines signed an agreement on May 27, 1994, to establish the Eastern Caribbean Home Mortgage Bank (hereinafter referred to as "the Bank").

The Eastern Caribbean Home Mortgage Bank was formally established on August 19, 1994, in accordance with Article 40 of the Eastern Caribbean Home Mortgage Bank Agreement, which was incorporated in the Eastern Caribbean Home Mortgage Bank Agreement Act, and subsequently passed in the member territories.

The principal 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.

The registered office of the Bank is located at ECCB Agency Office, Monckton Street, St. George's, Grenada.

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

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC).The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

b) Changes in accounting policy

New and amended standards adopted by the Bank

There are no IFRS or IFRIC interpretations that are effective for the first time for the financial year beginning on or after April 1, 2013 that would be expected to have a material impact on the Bank.

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies*…continued*

b) Changes in accounting policy… *continued*

New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after April 1, 2013 and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Bank, except as set out below:

- The IASB aims to replace IAS 39 'Financial Instruments: Recognition and Measurement (IAS 39) in its entirety with IFRS 9. To date, the chapters dealing with recognition, classification, measurement and de–recognition of financial assets and liabilities and hedge accounting have been issued. The IASB is still considering limited amendments to the classification and measurement requirements already included in IFRS 9 and are working on finalising the new expected credit loss impairment model. It also has a separate active project on accounting for macro hedging which it continues to work on. The January 1, 2015 mandatory effective date of IFRS 9 has been removed to provide sufficient time for entities to make the transition to the new requirements. However, early adoption is permitted. The IASB will decide upon a new effective date when the entire IFRS 9 project is closer to completion. The Bank's management have yet to assess the impact of this new standard on the Bank's financial statements. However, management does not expect to implement IFRS 9 until all of its chapters have been published and its overall impact can be assessed.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32). The Amendments to IAS 32 add application guidance to address inconsistencies in applying IAS 32's criteria for offsetting financial assets and financial liabilities in the following two areas:

  - the meaning of 'currently has a legally enforceable right of set–off'
  - that some gross settlement systems may be considered equivalent to net settlement.

  The amendments are effective for annual periods beginning on or after January 1, 2014 and are required to be applied retrospectively. Management does not anticipate a material impact on the Company's financial statements from these amendments.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Bank.

c) Cash and cash equivalents

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

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies…*continued*

d) Securities purchased under agreements to resell

Securities purchased under agreements to resell ('reverse repos') are recorded as loans and advances to other banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

e) Financial assets and liabilities

In accordance with IAS 39, all financial assets and liabilities – which include derivative financial instruments – are recognised in the statement of financial position and measured in accordance with their assigned category.

Financial assets

The Bank allocates its financial assets to the IAS 39 category of: 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 financial assets 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 other than: (a) those that the Bank intends to sell immediately or in the short term, which are classified or held for trading and those that the entity upon initial recognition designates at fair value through profit or loss; (b) those that the Bank upon initial recognition designates as available–for– sale; (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

The Bank's loans and receivables include cash and cash equivalents, Securities purchased under agreements to resell, investment securities, accounts receivables and mortgage loans portfolio.

(ii) Available–for–sale financial assets

Available–for–sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

The Bank's available–for–sale financial assets are separately presented in the statement of financial position.

Recognition and measurement

Regular purchase and sales of financial assets are recognized on trade–date, being the date on which the Bank commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit and loss. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Bank has transferred substantially all risks and reward of ownership.

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies*…continued*

e) Financial assets and liabilities*…continued*

Recognition and measurement*…continued*

Available–for–sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method. Changes in the fair value of available–for–sale financial assets are recognized in other comprehensive income. However, interest calculated using the effective interest method is recognized in the statement of comprehensive income. Dividends on available–for–sale equity instruments are recognized in the statement of comprehensive income when the entity's right to receive payment is established.

When securities classified as available–for–sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the statement of comprehensive income as 'gains and losses from investment securities'.

The fair values of quoted investments in active markets are based on current bid prices. If the market for financial assets is not active (and for unlisted securities), the Bank establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, and other valuation techniques commonly used by market participants.

Financial liabilities

The Bank's financial liabilities are carried at amortised cost. Financial liabilities measured at amortised cost are borrowings and other liabilities and accrued expenses.

Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Bank tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition). Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

Reclassification of financial assets

The Bank may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held–for–trading or available–for–sale categories if the Bank has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held–to–maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies*…continued*

f) Classes of financial instruments

The Bank classifies the financial instruments into classes that reflect the nature of information disclosed and take into account the characteristics of those financial instruments. The classification hierarchy can be seen in the table below:

<table>
<tr><td rowspan="6">Financial assets</td><td rowspan="5">Loans and receivables</td><td>Cash and cash equivalents</td><td>Bank accounts</td></tr>
<tr><td>Securities purchased under agreements to resell</td><td>Government fixed rated bonds</td></tr>
<tr><td>Accounts receivables</td><td>Primary lenders</td></tr>
<tr><td>Investment securities</td><td>Banks</td></tr>
<tr><td>Mortgage loans portfolio</td><td>Primary lenders</td></tr>
<tr><td>Available–for–sale financial assets</td><td colspan="2">Available–for–sale investments</td></tr>
<tr><td rowspan="2">Financial liabilities</td><td rowspan="2">Financial liabilities at amortised cost</td><td colspan="2">Borrowings</td></tr>
<tr><td colspan="2">Other liabilities and accrued expenses</td></tr>
</table>

g) Impairment of financial assets

(a) *Assets carried at amortised cost*

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

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies*...continued*

g) Impairment of financial assets*...continued*

For loans and receivables category, 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 and the amount of the loss is recognised in the statement of comprehensive income. If a loan or held–to–maturity investment 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 group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a 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 improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

h) 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.

i) Employee benefits

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

The Bank pays contributions to a privately administered pension insurance plan. The Bank has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

j) Provisions

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

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

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies*...continued*

k) Motor vehicles and equipment*...continued*

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

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

Depreciation is calculated using the straight–line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Furniture and fixtures	15%
Machinery and equipment	15%
Motor vehicle	20%
Computer equipment	33 1/3%

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

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

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

l) Impairment of non–financial assets

Non–financial assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash–generating units). Non–financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

m) Borrowings

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

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies*…continued*

m) Borrowings *…continued*

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

n) Interest income and expense

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

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

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

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

o) Dividends distribution

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

p) Foreign currency translation

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.

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re–measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year–end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies…*continued*

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'General and administrative expenses'.

q) Share capital

Ordinary shares are classified as equity.

r) Comparatives

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

3 Financial risk management

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

a) Enterprise risk management approach

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

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

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

Board of Directors

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

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

a) Enterprise risk management approach...*continued*

The Board carries out its risk management oversight function by:

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

b) Risk measurement and reporting systems

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

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

c) Excessive risk concentration

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

d) Credit risk exposure

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, securities purchased under agreements to resell and term deposits.

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

d) Credit risk exposure...*continued*

The table below shows the maximum exposure to credit risk for the components of the statement of financial position.

	Gross Maximum Exposure 2014 $	Gross Maximum Exposure 2013 $
Credit risk exposure relating to on–balance sheet position		
Cash and cash equivalents	**28,261,338**	55,621,761
Securities purchased under agreements to resell	**20,974,227**	20,028,630
Accounts receivable	**36,579**	43,929
Investment securities	**129,861,401**	53,133,331
Mortgage loans portfolio	**148,483,829**	200,458,850
Available–for–sale investment	**100,000**	100,000
	327,717,374	329,386,501

The above table represents a worst case scenario of credit exposure to the Bank as at March 31, 2014 and 2013, without taking into account of any collateral held or other enhancements attached. The exposure set out above is based on net carrying amounts as reported in the statement of financial position.

As shown above, 45% of the total maximum exposure is derived from the mortgage loans portfolio (2013: 61%). 40% (2013:16%) of the total maximum exposure represents investments securities.

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Bank resulting from both its mortgage loans portfolio and short–term marketable securities, based on the following:

- *Cash and cash equivalents, securities purchased under agreements to sell and investment securities*
  These are held with banks regulated by the Eastern Caribbean Central Bank and collateral is not required for such accounts as management regards the institutions as strong.

- *Mortgage loans portfolio*
  A due diligence assessment is undertaken before a pool of mortgages is purchased from the Primary Lender who has to meet the standard requirements of the Bank. Subsequently, annual onsite assessments are conducted to ensure that the quality standards of the loans are maintained.

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

d) Credit risk exposure...*continued*

- *Available–for–sale investments*
  Equity securities are held in a reputable securities exchange company in which the Eastern Caribbean Central Bank is the major shareholder.

There were no changes to the Bank's approach to managing credit risk during the year.

e) Management of credit risk

Mortgage loans portfolio

The Bank enters into Sale and Administration Agreements 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 is 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 concentration of credit risk by geographic location and by primary lending institutions. The Bank's credit exposure for mortgage loans at their carrying amounts, categorised by individual Eastern Caribbean Currency Union territory is disclosed in Note 9.

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

e) Management of credit risk...*continued*

The table below breaks down the Bank's main credit exposure at the carrying amounts, categorized by geographical regions as of March 31, 2014 with comparatives for 2013. In this table, the Bank has allocated exposure to regions based on the country of domicile of the counterparties.

	St. Kitts & Nevis $	Other ECCU Member States $	Barbados $	Total $
Cash and cash equivalents	**28,261,338**	**–**	**–**	**28,261,338**
Securities purchased under agreements to resell	**–**	**20,974,227**	**–**	**20,974,227**
Accounts receivable	**36,579**	**–**	**–**	**36,579**
Investment securities	**76,935,616**	**51,688,285**	**1,237,500**	**129,861,401**
Mortgage loans portfolio	**10,243,710**	**138,240,119**	**–**	**148,483,829**
Available–for–sale investment	**100,000**	**–**	**–**	**100,000**
As of March 31, 2014	**115,577,243**	**210,902,631**	**1,237,500**	**327,717,374**
Cash and cash equivalents	55,621,761	–	–	55,621,761
Securities purchased under agreements to resell	–	20,028,630	–	20,028,630
Accounts receivable	43,929	–	–	43,929
Investment securities	–	51,895,831	1,237,500	53,133,331
Mortgage loans portfolio	15,391,716	185,067,134	–	200,458,850
Available–for–sale investment	100,000	–	–	100,000
As of March 31, 2013	71,157,406	256,991,595	1,237,500	329,386,501

Economic sector concentrations within the mortgage loans portfolio were as follows:

	2014 $	2014 %	2013 $	2013 %
Commercial banks	**115,709,670**	**78**	146,457,372	73
Credit unions	**10,559,406**	**7**	29,378,400	15
Building society	**11,686,165**	**8**	12,434,347	6
Development bank	**10,243,711**	**7**	11,133,910	6
	148,198,952	**100**	199,404,029	100

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

f) Market risk

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

The Bank manages interest rate risk by monitoring interest rates daily, and ensuring that the maturity profile of its financial assets is matched by that of its financial liabilities to the extent practicable, given the nature of the business. The directors and management believe that the Bank has limited exposure for foreign currency risk as its foreign current assets and liabilities are denominated in United States Dollars, which is fixed to Eastern Caribbean Dollars at the rate of $2.70. The Bank has no significant exposure to equity price risk as it has no financial assets which are to be realized by trading in the securities market.

g) Interest rate risk

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

(expressed in Eastern Caribbean dollars)

3 Financial risk management*...continued*

g) Interest rate risk*...continued*

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

	Within 3 months $	3 to12 months $	1 to 5 years $	Over 5 years $	Non–interest bearing $	Total $
As at 31 March 2014						
Financial assets:						
Cash and cash equivalents	28,261,958	–	–	–	–	28,261,958
Securities purchased under agreements to resell	–	10,000,000	10,947,397	–	26,830	20,974,227
Accounts receivable	–	–	–	–	36,579	36,579
Investment securities	15,000,000	90,567,206	21,000,000	–	3,294,195	129,861,401
Mortgage loans portfolio	2,032,169	5,970,443	27,904,668	112,140,682	435,867	148,483,829
Available–for– sale investment	–	–	–	–	100,000	100,000
Total financial assets	**45,294,127**	**106,537,649**	**59,852,065**	**112,140,682**	**3,893,471**	**327,717,994**
Financial liabilities:						
Borrowings	12,050,000	86,853,300	169,096,700	–	1,304,595	269,304,595
Other liabilities and accrued expenses	–	–	–	–	1,259,197	1,259,197
Dividends payable	–	–	–	–	600,000	600,000
Total financial liabilities	**12,050,000**	**86,853,300**	**169,096,700**	–	**3,163,792**	**271,163,792**
Interest Sensitivity Gap	**33,244,127**	**19,684,349**	**(109,244,635)**	**112,140,682**	**729,679**	**56,554,202**

(expressed in Eastern Caribbean dollars)

3 Financial risk management *…continued*

g) Interest rate risk*…continued*

	Within 3 months $	3 to 12 months $	1 to 5 years $	Over 5 years $	Non–interest bearing $	Total $
As at 31 March 2013						
Financial assets:						
Cash and cash equivalents	55,232,755	–	–	–	389,506	55,622,261
Securities purchased under agreements to resell	–	20,000,000	–	–	28,630	20,028,630
Accounts receivable	–	–	–	–	43,929	43,929
Investment securities	20,246,575	30,000,000	–	–	2,886,756	53,133,331
Mortgage loans portfolio	3,442,669	7,097,593	34,488,596	153,782,637	1,647,355	200,458,850
Available–for– sale investment	–	–	–	–	100,000	100,000
Total financial assets	**78,921,999**	**57,097,593**	**34,488,596**	**153,782,637**	**5,096,176**	**329,387,001**
Financial liabilities:						
Borrowings	61,950,000	27,234,700	178,815,300	3,000,000	1,782,798	272,782,798
Other liabilities and accrued expenses	–	–	–	–	1,334,241	1,334,241
Dividends payable	–	–	–	–	400,000	400,000
Total financial liabilities	**61,950,000**	**27,234,700**	**178,815,300**	**3,000,000**	**3,517,039**	**274,517,039**
Interest Sensitivity Gap	**16,971,999**	**29,862,893**	**(144,326,704)**	**150,782,637**	**1,579,137**	**54,869,962**

(expressed in Eastern Caribbean dollars)

3 Financial risk management*...continued*

h) Foreign currency risk

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

The following table summarises the Bank's exposure to foreign currency exchange risk at March 31, 2014 and 2013. Included in the table are the Bank's financial instruments at carrying amounts, categorised by currency.

	Eastern Caribbean Dollar $	**United States Dollar $**	**Total $**
At March 31, 2014			
Financial assets			
Cash and cash equivalents	**27,063,657**	**1,198,301**	**28,261,958**
Mortgage loans portfolio	**127,646,690**	**20,837,139**	**148,483,829**
	154,710,347	**22,035,440**	**176,745,787**
Financial liabilities			
Borrowings	**251,263,991**	**18,040,604**	**269,304,595**
Net statement of financial position	**(96,553,644)**	**3,994,836**	**(92,558,808)**
At March 31, 2013			
Financial assets			
Cash and cash equivalents	52,959,923	2,662,338	55,622,261
Mortgage loans portfolio	178,740,197	21,718,653	200,458,850
	231,700,120	24,380,991	256,081,111
Financial liabilities			
Borrowings	251,749,939	21,032,859	272,782,798
Net statement of financial position	(20,049,819)	3,348,132	(16,701,687)

(expressed in Eastern Caribbean dollars)

3 Financial risk management … *continued*

i) Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value. Prudent liquidity risk management requires the Bank to maintain sufficient cash and marketable securities, monitoring future cash flows and liquidity on a daily basis and have funding available through an adequate amount of committed facilities.

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

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

(expressed in Eastern Caribbean dollars)

3 Financial risk management … *continued*

j) Maturities analysis of assets and liabilities

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

	Within 3 Months $	3 to 12 months $	1 to 5 years $	Over 5 years $	Total $
As at March 31, 2014					
Assets:					
Cash and cash equivalents	**28,261,958**	**–**	**–**	**–**	**28,261,958**
Securities purchased under agreements to resell	**–**	**10,012,808**	**10,961,419**	**–**	**20,974,227**
Accounts receivable	**36,579**	**–**	**–**	**–**	**36,579**
Investment securities	**16,433,528**	**92,382,805**	**21,045,068**	**–**	**129,861,401**
Mortgage loans portfolio	**2,468,036**	**5,970,443**	**27,904,668**	**112,140,682**	**148,483,829**
Available for–sale investment	**–**	**–**	**–**	**100,000**	**100,000**
Total assets	**47,200,101**	**108,366,056**	**59,911,155**	**112,240,682**	**327,717,994**
Liabilities:					
Borrowings	**11,735,319**	**88,472,576**	**169,096,700**	**–**	**269,304,595**
Other liabilities and accrued expenses	**1,259,197**	**–**	**–**	**–**	**1,259,197**
Dividends payable	**–**	**600,000**	**–**	**–**	**600,000**
	12,994,516	**89,072,576**	**169,096,700**	**–**	**271,163,792**
Net liquidity gap	**34,205,585**	**19,293,480**	**(109,185,545)**	**112,240,682**	**56,554,202**

(expressed in Eastern Caribbean dollars)

3 Financial risk management … *continued*

j) Maturities analysis of assets and liabilities … *continued*

As at March 31, 2013	Within 3 Months $	3 to 12 months $	1 to 5 years $	Over 5 years $	Total $
Assets:					
Cash and cash equivalents	55,622,261	–	–	–	55,622,261
Securities purchased under agreements to resell	–	20,028,630	–	–	20,028,630
Accounts receivable	43,929	–	–	–	43,929
Investment securities	20,246,625	32,886,706	–	–	53,133,331
Mortgage loans portfolio	5,090,024	7,097,593	34,488,596	153,782,637	200,458,850
Available for–sale investment	–	–	–	100,000	100,000
Total assets	81,002,839	60,012,929	34,488,596	153,882,637	329,387,001
Liabilities:					
Borrowings	63,820,522	27,429,725	178,579,162	2,953,389	272,782,798
Other liabilities and accrued expenses	1,056,557	277,684	–	–	1,334,241
Dividends payable	–	400,000	–	–	400,000
Total liabilities	64,877,079	28,107,409	178,579,162	2,953,389	274,517,039
Net liquidity gap	16,125,760	31,905,520	(144,090,566)	150,929,248	54,869,962

(expressed in Eastern Caribbean dollars)

3 Financial risk management approach … *continued*

k) Operational risk

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

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

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

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

l) Capital management

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

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

(expressed in Eastern Caribbean dollars)

3 Financial risk management … *continued*

l) Capital management…*continued*

The Bank monitors capital on the basis of the gearing ratio. This ratio is calculated as total long–term debt divided by total capital. Total long–term debt is calculated as total bonds in issue plus the Caribbean Development Bank long–term loan (as shown in the statement of financial position as "Borrowings"). Total capital is calculated as 'equity' as shown in the statement of financial position.

During 2014, the Bank's strategy, which was unchanged from 2013, was to maintain the gearing ratio within 8:1 and an AA– credit rating. The AA– credit rating has been maintained throughout the period. The gearing ratios at March 31, 2014 and 2013 were as follows:

	2014	**2013**
	$	**$**
Total Debt	**269,304,595**	272,782,798
Total Equity	**56,853,251**	55,178,756
Debt to Equity ratio	**4.74**	4.94

There were no changes to the Bank's approach to capital management during the year.

(expressed in Eastern Caribbean dollars)

3 Financial risk management … *continued*

m) Fair value estimation

The table below summarises the carrying and fair values of the Bank's financial assets and liabilities.

	Carrying value		Fair value	
	2014 **$**	**2013** **$**	**2014** **$**	**2013** **$**
Cash and cash equivalents	**28,261,958**	55,622,261	**28,261,958**	55,622,261
Securities purchased under agreements to resell	**20,974,227**	20,028,630	**20,974,227**	20,028,630
Accounts receivable	**36,579**	43,929	**36,579**	43,929
Investment securities	**129,861,401**	53,133,331	**129,861,401**	53,133,331
Mortgage loans portfolio	**148,483,829**	200,458,850	**148,483,829**	200,458,850
Available–for–sale investment	**100,000**	100,000	**100,000**	100,000
Total assets	**327,717,994**	329,387,001	**327,717,994**	329,387,001
Borrowings	**269,304,595**	272,782,798	**269,304,595**	272,782,798
Other liabilities and accrued expenses	**1,259,197**	1,334,241	**1,259,197**	1,334,241
Dividends payable	**600,000**	400,000	**600,000**	400,000
	271,163,792	274,517,039	**271,163,792**	274,517,039

Fair value amounts represent estimates of the consideration that would currently be agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market value, if one exists. Accordingly, fair values are equal to their carrying values due to their short–term nature.

Mortgage loans portfolio represents residential mortgages and outstanding balances are carried based on its principal and interests. The fair values of mortgages are equal to their carrying values.

The Bank's available–for–sale investments are not actively traded in organised financial markets, and fair value is determined using discounted cash flow analysis, which requires considerable judgement in interpreting market data and developing estimates.

(expressed in Eastern Caribbean dollars)

3 Financial risk management … *continued*

m) Fair value estimation… *continued*

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

Financial instruments where carrying value is equal to fair value due to their short–term maturity, the carrying value of financial instruments are equal to their fair values. These include cash and cash equivalents, accounts receivable, other assets and other liabilities.

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

4 Critical accounting estimates and judgements

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

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

(a) Impairment losses on investment securities

The Bank reviews its investment securities to assess impairment on a regular and periodic basis. In determining whether an impairment loss should be recorded, the Bank makes judgments as to whether there is any observable data indicating an impairment trigger followed by a measurable decrease in the estimated future cash flows from investment securities. Such observable data may indicate that there has been an adverse change in the payment ability and financial condition of the counterparty. Management use experience judgment and estimates based on objective evidence of impairment when assessing future cash flows. There were no impairment losses on investment securities as at March 31, 2014 (2013: 112,500).

(b) Impairment losses on mortgage loans portfolio

The Bank reviews its mortgage loans portfolio to assess impairment on a periodic basis. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of mortgage loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers, or local economic conditions that correlate with defaults on assets in the Bank.

(expressed in Eastern Caribbean dollars)

4 Critical accounting estimates and judgements...*continued*

(b) Impairment losses on mortgage loans portfolio...continued

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. There was no provision recorded as at March 31, 2014 (2013: Nil).

(c) Impairment losses on available–for–sale securities

The Bank follows the guidelines of IAS 39 to determine when an available–for–sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the Bank evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short–term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows. To the extent that the actual results regarding impairment may differ from management's estimate. There was no provision recorded as at March 31, 2014 (2013: Nil).

5 Cash and cash equivalents

	2014	**2013**
	$	**$**
Cash on hand	**620**	500
Balances with commercial banks	**28,261,338**	55,621,761
	28,261,958	55,622,261

Balances with commercial banks earned interest at rates ranging from 0 % to 2.5% (2013: 0 % to 7%) during the year.

6 Securities purchased under agreements to resell

Securities purchased under agreements to resell held with First Citizens Investment Services Ltd

	2014	**2013**
	$	**$**
1 year security maturing March 23, 2015, interest rate of 4.25% (2013: 4.75%)	**10,000,000**	10,000,000
2–year security maturing March 21, 2016, interest rate of 4.25% (2013: 4.75%)	**10,947,397**	10,000,000
	20,947,397	20,000,000
Interest receivable	**26,830**	28,630
	20,974,227	20,028,630

(expressed in Eastern Caribbean dollars)

6 Securities purchased under agreements to resell...*continued*

	2014 $	2013 $
Current	**10,012,808**	20,028,630
Non–current	**10,961,419**	–
	20,974,227	20,028,630

These repurchase agreement securities are collateralized by bonds issued by the Governments of St. Lucia and First Citizens Investment Reverse Repurchase (2013: St. Vincent and the Grenadines) in the amount of $10,705,243 and $9,990,564 (2013: $15,191,537 and $4,948,535) respectively.

7 Accounts receivable and prepayments

	2014 $	2013 $
Other receivables	**36,579**	43,929
Prepayments	**24,397**	23,380
	60,976	67,309

8 Investment securities

	2014 $	2013 $
Loans and receivables		
Term deposits		
CLICO International Life Insurance Limited	**5,000,000**	5,000,000
Provision for impairment – CLICO	**(3,762,500)**	(3,762,500)
	1,237,500	1,237,500

(expressed in Eastern Caribbean dollars)

8 Investment securities*...continued*

Two (2) 1–year fixed deposits at St. Kitts-Nevis-Anguilla National Bank Limited maturing on July 26, 2014 bearing interest at a rate of 4.25%	**60,000,000**	–
One year fixed deposit at The Bank of St. Lucia Limited maturing on March 23, 2015 bearing interest at a rate of 4.25% (2013: 4.75%)	**20,950,000**	20,000,000
Six months fixed deposit at St. Kitts-Nevis-Anguilla National Bank Limited maturing on April 24, 2014 bearing interest at a rate of 3.0%	**15,000,000**	–
Two years fixed deposit at Grenada Co–operative Bank Limited maturing on March 2, 2016 bearing interest at a rate of 4.50% (2013: 5%)	**11,000,000**	10,000,000
Two year fixed deposit at Eastern Amalgamated Bank Limited maturing on March 28, 2016 bearing interest at a rate of 4.0%	**10,000,000**	–
One year fixed deposit at The Bank of St. Vincent & Grenadines Limited maturing on January 31, 2015 bearing interest at a rate of 4.5% (2013:5%)	**6,063,982**	20,246,575
One year fixed deposit at ABI Bank Limited maturing on March 4, 2015 bearing interest at a rate of 3.5%	**3,553,224**	–
	126,567,206	50,246,575
Total	**127,804,706**	51,484,075
Interest receivable	**2,281,695**	1,874,256
Less provision for impairment – CLICO	**(225,000)**	(225,000)
Total investment securities	**129,861,401**	53,133,331
Current	**108,816,333**	53,133,331
Non–current	**21,045,068**	–
	129,861,401	53,133,331

Term deposit held with CLICO International Life Insurance Limited

The Bank holds an Executive Flexible Premium Annuity (EFPA) with CLICO International Life Insurance Limited (CLICO Barbados), a member of the CL Financial Group. The EFPA matured in October 2009. During the 2011 financial year, the Bank was informed that CLICO has been placed under judicial management. On July 28, 2011 the Judicial Manager submitted its final report to the High Court in Barbados setting out its findings and recommendations. As at March 31, 2014, the Bank's management have adopted a prudent approach to this matter and have established an impairment provision of 75% (2013: 75%) of the deposit balance and 100% (2013: 100%) of the accrued interest.

(expressed in Eastern Caribbean dollars)

8 Investment securities...*continued*

Movement on provision for impairment – CLICO Principal Balance

	2014 $	2013 $
Balance at beginning of year	**3,762,500**	3,650,000
Provision for the year	**–**	112,500
Balance at end of year	**3,762,500**	3,762,500

Movement on provision for impairment – CLICO Interest balance

	2014 $	2013 $
Balance at beginning of year	**225,000**	225,000
Provision for the year	–	–
Balance at end of year	**225,000**	225,000

9 Mortgage loans portfolio

	2014 $	2013 $
Commercial banks	**115,709,671**	146,457,372
Credit unions	**10,559,406**	29,378,400
Building society	**11,686,165**	12,434,347
Development bank	**10,243,710**	11,133,910
	148,198,952	199,404,029
Interest receivable	**284,877**	1,054,821
	148,483,829	200,458,850

(expressed in Eastern Caribbean dollars)

9 Mortgage loans portfolio…*continued*

Territory Analysis

	2014 $	2013 $
Antigua and Barbuda	**22,760,261**	27,676,546
Anguilla	**32,849,391**	34,052,988
Grenada	**5,214,151**	53,352,782
St. Kitts and Nevis	**10,243,711**	14,336,895
St Lucia	**33,631,801**	35,923,434
St. Vincent and the Grenadines	**43,499,637**	34,061,384
	148,198,952	199,404,029

	2014 $	2013 $
Movement in the balance is as follows:		
Balance at the beginning of the year - principal	**199,404,029**	201,464,165
Add: Loans purchased	**14,893,872**	29,310,342
Increase/(decrease) in mortgage receivable	**(1,496,365)**	1,180,434
Less: Principal repayments	**(9,322,782)**	(9,106,970)
Mortgages pools repurchased	**(25,375,040)**	(11,825,278)
Mortgages that were repurchased and replaced	**(29,904,762)**	(11,618,664)
Balance at the end of the year – principal	**148,198,952**	199,404,029
Interest receivable	**284,877**	1,054,821
	148,483,829	200,458,850

Terms and Conditions of Purchased Mortgages

a) Purchase of Mortgages

The Bank enters into Sale and Administration Agreements with Primary Lending Institutions in the OECS territories for the purchase of mortgages. Mortgages are purchased at the outstanding principal on the settlement date.

b) Recourse to Primary Lending Institutions

Under the terms of the Sale and Administration Agreement, the Administrator (Primary Lending Institution) warrants that any default, loss or title deficiency occurring during the life of the loans secured by the Purchased Mortgages will be remedied.

(expressed in Eastern Caribbean dollars)

9 Mortgage loans portfolio…*continued*

Terms and Conditions of Purchased Mortgages…*continued*

c) Administration Fees

The Primary Lending Institutions are responsible for administering the mortgages on behalf of the Bank at an agreed fee on the aggregate principal amount, excluding any accrued interest, penalties or bonuses, outstanding at the beginning of the month in reference.

d) Rates of Interest

Rates of interest earned vary from 7% to 11% (2013: 7% to 12%).

10 Available–for–sale investment

	2014 $	2013 $
Eastern Caribbean Securities Exchange		
10,000 Class C shares of $10 each – unquoted carried at cost	**100,000**	100,000

(expressed in Eastern Caribbean dollars)

11 Motor vehicles and equipment

	Motor vehicles $	Computer equipment $	Furniture & fixtures $	Machinery & equipment $	Total $
At March 31, 2012					
Cost	160,000	85,378	5,744	25,541	276,663
Accumulated depreciation	(40,000)	(40,530)	(2,694)	(8,890)	(92,114)
Net Book Value	**120,000**	**44,848**	**3,050**	**16,651**	**184,549**
Year ended March 31, 2013					
Opening net book value	120,000	44,848	3,050	16,651	184,549
Additions	130,000	4,447	–	38,977	173,424
Depreciation charge	(36,065)	(27,859)	(697)	(7,938)	(72,559)
Closing net book value	**213,935**	**21,436**	**2,353**	**47,690**	**285,414**
At March 31, 2013					
Cost	290,000	89,825	5,744	64,518	450,087
Accumulated depreciation	(76,065)	(68,389)	(3,391)	(16,828)	(164,673)
Net Book Value	**213,935**	**21,436**	**2,353**	**47,690**	**285,414**
Year ended March 31, 2014					
Opening net book value	213,935	21,436	2,353	47,690	285,414
Additions	–	40,031	–	8,797	48,828
Disposal	–	–	–	(1,350)	(1,350)
Written off of accumulated deprecation	–	–	–	717	717
Depreciation charge	(50,571)	(22,451)	(486)	(10,574)	(84,082)
Closing net book value	**163,364**	**39,016**	**1,867**	**45,280**	**249,527**
At March 31, 2014					
Cost	290,000	129,856	5,744	71,965	497,565
Accumulated depreciation	(126,636)	(90,840)	(3,877)	(26,685)	(248,038)
Net Book Value	**163,364**	**39,016**	**1,867**	**45,280**	**249,527**

(expressed in Eastern Caribbean dollars)

12 Intangible assets

	Computer software $	Website development $	Total $
Year ended March 31, 2014			
Net book value at April 1, 2013	–	–	–
Additions	14,761	13,505	28,266
Amortisation Charge	(1,640)	(1,501)	(3,141)
Net book amount	**13,121**	**12,004**	**25,125**
At March 31, 2014			
Cost	14,761	13,505	28,266
Accumulated Amortisation	(1,640)	(1,501)	(3,141)
	13,121	**12,004**	**25,125**

13 Borrowings

	2014 $	2013 $
Bonds in issue		
Balance at the beginning of the year	**250,000,000**	250,000,000
Add: Issues during the year	**86,184,700**	40,275,000
Less: Redemptions during the year	**(86,184,700)**	(40,275,000)
	250,000,000	250,000,000
Less: unamortised bond issue costs	**(550,730)**	(420,598)
	249,449,270	249,579,402
Other borrowed funds		
Caribbean Development Bank Loan	**18,000,000**	21,000,000
Less: unamortised transaction costs	**(143,895)**	(168,216)
	17,856,105	20,831,784
	267,305,375	270,411,186
Interest payable	**1,999,220**	2,371,612
Total	**269,304,595**	272,782,798

(expressed in Eastern Caribbean dollars)

13 Borrowings…*continued*

Bonds in issue	2014 $	2013 $
3 year bond maturing on July 1, 2014 bearing interest at a rate of 4.72%	**49,560,000**	49,560,000
3 year bond maturing on August 26, 2014 bearing interest at a rate of 4.497%	**35,043,300**	35,043,300
3 year bond maturing on July 1, 2016 bearing interest at a rate of 3.75%	**31,200,000**	–
2 year bond maturing on July 2, 2015 bearing interest at a rate of 3.749%	**30,000,000**	–
4 year bond maturing on January 30, 2016 bearing interest at a rate of 4%	**27,637,000**	27,637,000
3 year bond maturing on March 26, 2017 bearing interest at a rate of 4%	**24,984,700**	–
4 year bond maturing on January 30, 2017 bearing interest at a rate of 3.75%	**21,505,000**	21,505,000
4 year bond maturing on September 28, 2016 bearing interest at a rate of 4%	**18,770,000**	18,770,000
12 year bond maturing on June 14, 2014 bearing interest at a rate of 5.9%	**11,300,000**	11,300,000
3 year bond matured on July 1, 2013 bearing interest at a rate of 6%	**–**	50,000,000
4 year bond maturing on March 25, 2014 bearing interest at a rate of 6%	**–**	24,984,700
3 year bond matured on July 1, 2013 bearing interest at a rate of 6%	**–**	11,200,000
Total	**250,000,000**	250,000,000

Bonds issued by the Bank are secured by debentures over the fixed and floating assets of the Bank. Interest is payable semi–annually in arrears at rates varying between 3.749% to 6% (2013: 3.75% to 6%).

Caribbean Development Bank (CDB) Loan

On January 31, 2008, the Bank obtained a loan from Caribbean Development Bank in the amount of US$10,000,000 (EC$27,000,000) for a period of 11 years with a two–year moratorium. The loan is payable in 36 equal or approximately equal and consecutive quarterly instalments from the first due date after the expiry of the two (2) year moratorium. Under the terms of the loan agreement between CDB and the Bank, CDB has the right to increase or decrease the rate of interest payable on the loan. The interest rate on the loan was increased from 3.83% to 4.10% (2013: 3.61% to 3.83%) during the financial year. The interest incurred for the year ended March 31, 2014 amounted to $756,113 (2013: $823,631) and is payable quarterly.

The exposure of the Bank's borrowings to interest rate changes and the contractual repricing dates at the end of the reporting period are as follows:

(expressed in Eastern Caribbean dollars)

13 Borrowings*…continued*

Maturity analysis

	2014 $	2013 $
6 months or less	**750,000**	750,000
6–12 months	**2,250,000**	2,250,000
1–5 years	**15,000,000**	15,000,000
Over 5 years	**–**	3,000,000
	18,000,000	21,000,000

The breakdown of interest payable is as follows:

	2014 $	2013 $
Bonds interest payable	**1,814,720**	2,170,537
Long–term loan interest payable	**184,500**	201,075
	1,999,220	2,371,612

The breakdown of capitalised bond issue costs and transaction costs are as follows:

	2014 $	2013 $
Capitalised bond issue costs		
Balance brought forward	**420,598**	548,269
Additions	**444,573**	154,073
	865,171	702,342
Less: amortization for year	**(314,441)**	(281,744)
Balance carried forward	**550,730**	420,598
Transaction fees on other borrowed funds		
Balance brought forward	**168,216**	192,537
Less: amortization for year	**(24,321)**	(24,321)
Balance carried forward	**143,895**	168,216
	694,625	588,814

(expressed in Eastern Caribbean dollars)

13 Borrowings*…continued*

Breakdown of capitalised bond issue costs	2014 $	2013 $
3 year bond maturing on July 1, 2016 bearing interest at a rate of 3.75%	**133,547**	–
3 year bond maturing on March 26, 2017 bearing interest at a rate of 4%	**116,030**	–
2 year bond maturing on July 2, 2015 bearing interest at a rate of 3.749%	**109,744**	–
4 year bond maturing on January 30, 2017 bearing interest at a rate of 3.75%	**71,920**	97,303
4 year bond maturing on January 30, 2016 bearing interest at a rate of 4%	**57,669**	89,125
4 year bond maturing on September 28, 2016 bearing interest at a rate of 4%	**32,828**	45,963
3 year bond maturing on July 1, 2014 bearing interest at a rate of 4.72%	**14,492**	65,908
3 year bond maturing on August 26, 2014 bearing interest at a rate of 4.497%	**13,106**	52,426
12 year bond maturing on June 14, 2014 bearing interest at a rate of 5.9%	**1,394**	6,967
3 year bond matured on July 1, 2013 bearing interest at a rate of 6%	–	27,176
4 year bond maturing on March 25, 2014 bearing interest at a rate of 6%	–	35,730
Total	**550,730**	420,598

Capitalised bond issue costs
The bond issue costs are being amortised over the duration of the life of the respective bonds ranging from two (2) to twelve (12) years (2013: three (3) to twelve (12) years) which carry an interest rate ranging from 3.749% to 6% (2013: 3.75% to 6%).

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.

14 Other liabilities and accrued expenses

	2014 $	2013 $
Other liabilities	**1,124,710**	852,294
Accrued expenses	**134,487**	481,947
	1,259,197	1,334,241

(expressed in Eastern Caribbean dollars)

15 Dividends

At the Annual General Meeting on September 27, 2013, dividends of $10.00 were approved amounting to $2,687,490.

Dividends paid during the financial year amounted to $2,497,490 (2013: $2,487,490). The Dividends payable balance of $600,000 at March 31, 2014 (2013: $400,000) includes $200,000 relating to each of 2014, 2013 and 2012.

16 Share capital

The Bank is authorised to issue 400,000 (2013: 400,000) ordinary shares of no par value.

At March 31, 2014 there were 268,749 (2013: 268,749) ordinary shares of no par value issued and outstanding.

	Number of shares	**2014 $**	**2013 $**
Class A	**66,812**	**9,189,920**	9,189,920
Class B	**51,178**	**7,562,200**	7,562,200
Class C	**80,181**	**11,062,800**	11,062,800
Class D	**70,578**	**9,185,020**	9,185,020
	268,749	**36,999,940**	36,999,940

The Bank has adopted the provisions of the Grenada Companies Act No. 35 of 1994, which requires companies to issue shares without nominal or par value. Under Article 29 – Capital Structure of the Eastern Caribbean Home Mortgage Bank Act, (1) Subject to Article 30, the authorized shares capital of the Bank is $40,000,000 divided into 400,000 shares of the $100 each, in the following classes:

(a) 100,000 Class A shares which may be issued only to the Central Bank;
(b) 60,000 Class B shares out of which 40,000 may be issued only to the Social Security Scheme or National Insurance Board and 20,000 to any Government owned or controlled commercial bank;
(c) 80,000 Class C shares which may be issued only to commercial banks, other than a Government owned or controlled commercial bank;
(d) 40,000 Class D shares which may be issued only to insurance companies and credit institutions
(e) 40,000 Class E shares which may be issued only to the International Finance Corporation; and
(f) 80,000 Class F shares which may be issued only to the Home Mortgage Bank of Trinidad and Tobago.

(expressed in Eastern Caribbean dollars)

17 Reserves

	2014 $	2013 $
Building reserve	–	4,270,365
Portfolio risk reserve	**8,710,528**	3,770,365
Total reserves	**8,710,528**	8,040,730

In March 2004, the Board of Directors approved the creation of two special reserve accounts, a Building Reserve and a Portfolio Risk Reserve. 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 Bank previously maintained a Building Reserve which was established for the purpose of a future headquarters building. However during the current year, the Board of Directors approved the transfer of the Building Reserve to Portfolio Risk Reserve to further provide cover against general risk associated with the secondary mortgage market, which is the primary purpose of the Portfolio Risk Reserve.

18 Interest income

	2014 $	2013 $
Mortgage loans portfolio	**14,775,276**	16,227,649
Bank deposits	**850,424**	5,066,247
Investment income	**5,064,364**	3,142,083
	20,690,064	24,435,979

19 Interest expense

	2014 $	2013 $
Bonds in issue	**11,365,502**	12,997,904
CDB loan	**756,112**	823,631
	12,121,614	13,821,535

(expressed in Eastern Caribbean dollars)

20 Other income

	2014 $	2013 $
Mortgage underwriting seminar income	**169,260**	131,984
Mortgage underwriting seminar expenses	**(127,636)**	(120,764)
	41,624	11,220
(Loss)/gain on disposal of equipment	**(632)**	4,000
	40,992	15,220

21 General and administrative expenses

	2014 $	2013 $
Salaries and related costs	**1,353,334**	1,624,676
Legal and professional expense	**73,293**	34,759
Credit rating fee	**53,909**	49,399
Rent expense	**51,386**	51,386
Telephone expense	**40,501**	29,327
Internal audit fees	**35,726**	35,726
Home Ownership Day	**32,131**	104,078
Printing and stationery	**21,884**	22,537
Airfares	**21,678**	35,782
Office supplies expense	**18,172**	21,009
Other expenses	**17,245**	11,362
Hotel accommodation	**13,591**	42,185
Dues and subscriptions expense	**12,779**	13,649
Computer repairs and maintenance	**11,575**	22,851
Insurance	**11,500**	11,786
Advertising/promotion	**10,494**	5,580
Repairs and maintenance	**7,574**	10,541
Courier services	**4,509**	5,658
CEO’s travel expenses	**3,722**	86,073
Consultancy expenses	**(1,718)**	9,028
Travel expenses	**–**	9,520
	1,793,285	2,236,912

(expressed in Eastern Caribbean dollars)

22 Other operating expenses

	2014 $	2013 $
Amortization	**338,763**	306,065
Directors fees and expenses	**337,631**	197,052
Other expenses (note 23)	**109,303**	115,691
Depreciation (note 11)	**84,082**	72,559
Audit fees	**53,417**	56,160
Foreign exchange loss	**3,634**	8,960
Intangible amortisation (note 12)	**3,141**	–
Over provision of bond related legal fees	**(40,900)**	–
Impairment losses on investment securities	–	112,500
	889,071	868,987

23 Other expenses

	2014 $	2013 $
Sundry bond expenses	**131,302**	104,691
Trustee fees	**(21,999)**	11,000
	109,303	115,691

24 Earnings per share

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

	2014 $	2013 $
Net profit for the year	**4,361,985**	5,758,686
Weighted average number of shares issued	**268,749**	268,749
Basic earnings per share	**16.23**	21.43

(expressed in Eastern Caribbean dollars)

25 Contingent liabilities and capital commitments

At March 31, 2014, the Board of Directors approved capital expenditure in the amount of $74,600 for the acquisition of new computer equipment (2013: $89,950). There were no outstanding contingent liabilities at March 31, 2014 (2013: Nil).

26 Related party transactions

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

The Eastern Caribbean Central Bank, which provided material support to the Bank in its formative years, holds 24.9% 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.

Compensation of key management personnel

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

	2014 $	2013 $
Short–term benefits	**511,287**	737,877
Director fees	**142,500**	66,000
Post–employment benefits	**9,188**	55,125
	662,975	859,002

Unaudited Financial Statement for year ended 31st March, 2015

Grant Thornton

An instinct for growth™

June 2, 2015

Grant Thornton
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The Directors
Eastern Caribbean Home Mortgage Bank
ECCB Complex
Bird Rock
P.O. Box 753
Basseterre
St. Kitts

Dear Sirs,

We have not yet completed the audit of the financial statements of Eastern Caribbean Home Mortgage Bank for the year ended March 31, 2015 and accordingly express no assurance thereon.

Yours truly,

Grant Thornton

Chartered Accountants
Basseterre
St. Kitts

Management Analysis for the Twelve (12) months ended March 31, 2015

In 2015, the ECHMB generated a Net Profit for the Year of $3.46M; this represents a reduction of $0.90M (20.64%) when compared to the $4.36M reported in 2014. The lower Net Profit for the Year was attributed to the $5.23M (25.28%) decline in Interest Income, but offset by savings in Interest and Non-Interest Expenses totaling $4.33M (26.45%). Notwithstanding the lower Net Profit for the Year, we attained our benchmarks. Net Interest Income Percentage was recorded at 44.57% in 2015 compared to 41.42% in 2014. Interest Cover improved from 1.36% in 2014 to 1.40% in 2015 and our Debt-to-Equity Ratio improved from 4.74:1 in 2014 to 3:47.1 in 2015.

(EC$ in millions, except as noted)

As at the year ended 31 March	2015	2014	2013
Interest Income	15.46	20.69	24.43
Interest expense	(8.57)	(12.12)	(13.82)
Net interest income	6.89	8.57	10.61
Other income	0.04	0.04	0.02
Operating Income	6.92	8.61	10.63
Non-interest expenses	(3.47)	(4.25)	(4.87)
Net profit for the year	3.46	4.36	5.76
Key Performance Metrics			
Net interest income percentage	44.57%	41.42%	43.43%
Return on total assets	1.34%	1.33%	1.74%
Interest cover ratio	1.40	1.36	1.42
Debt-to-equity ratio	3.47:1	4.74:1	4.94:1
Earnings per share ($)	12.87	16.23	21.43
Book value per share ($)	215.00	211.55	205.31
Mortgage loans portfolio	78.76	148.48	200.46
Borrowings	199.92	269.30	272.78
Assets under management	257.51	328.02	329.70
Full time employees	8	8	9

The prevailing trends on the primary market adversely impacted ECHMB's traditional streams of Interest Income. The ECHMB reported Interest Income of $15.46M in 2015; this represents a declined of $5.23M (25.28%) from the 2014 outturn of $20.69M. Interest Income from the Mortgage Loans Portfolio declined from $14.78M in 2014 to $8.65M in 2015. The decline in Interest Income from the Mortgage Loans Portfolio was partly offset through growth in Income from Term Deposits which increased from $5.06M in 2014 to $5.45M in 2015 and the acquisition of Government Bonds which contributed $0.77M. Interest Income from Bank Deposit declined from $0.85M in 2014 to $0.58M in 2015. It is to be noted Bank Deposits contributed $5.06M to Interest Income in 2013.

(EC$ in millions, except as noted) As at the year ended 31 March	2015	2014	2013	Change from 2014 %
Mortgage Loans portfolio	8.65	14.78	16.23	**-41.47%**
Term deposits	5.45	5.06	3.14	**7.68%**
Government bonds	0.77	-	-	**100.00%**
Bank deposits	0.58	0.85	5.06	**-31.29%**
Treasury bills	0.01	-	-	**100.00%**
	15.46	20.69	24.44	**-25.28%**

Funding Activities in 2015

As a result of the lower interest income of $5.23M (25.28%), Net Profit for the Year was preserved through savings in Interest and Non-Interest Expenses. As part of strategy to reduce Interest Expense, low yielding Term Deposits were used to retire high cost Bonds totaling $65.05M. At the sojourn of the 2015 financial year, Bonds totaling $184.10M remained outstanding. Our investment grade credit rating facilitated the issuance of our Bonds via competitive Bid Auction on the Eastern Caribbean Securities Market. This strategy has proved useful in lowering the weighted average coupon rate of our Bonds from 4.42% in 2014 to 3.65% in 2015.

In addition, the ECHMB successfully repaid principal totaling $3.0M on borrowings from the Caribbean Development Bank (CDB). The principal balance on the CDB loan now stands at $15.0M compared to $18.0M in 2014. The coupon rate on the loan was also reduced from 4.10% in 2014 to 3.90% in 2015.

Interest Expense

The prudent management of the ECHMB funding instruments resulted in a decline in Interest Expense from $12.12M in 2014 to $8.57M in 2015. This represents a decline of $3.55M (29.30%).

(EC$ in millions, except as noted) As at the year ended 31 March	2015	2014	2013	Change from 2014 %
Bonds in issue	7.93	11.37	13.00	**-30.24%**
CDB loan	0.64	0.76	0.82	**-15.21%**
	8.57	12.12	13.82	**-29.30%**

Net Interest Income

The ECHMB Net Interest Income or the difference between Interest Income ($15.46M) and Interest Expense ($8.57M) was reported at $6.89M (44.57%) compared to $8.57M (41.42%) of 2014. The improved Net Interest Income Percentage is attributed to the lower cost of funding the Bank's operations.

(EC$ in millions, except as noted) As at the year ended 31 March	2015	2014	2013	Change from 2014 %
Interest Income	15.46	20.69	24.43	**-25.28%**
Interest expense	(8.57)	(12.12)	(13.82)	**-29.29%**
Net Interest income	6.89	8.57	10.61	**-19.60%**
Net interest income percentage	44.57%	41.42%	43.43%	**7.59%**

Non–Interest Expenses

Non-interest Expenses declined from $4.25M in 2014 to $3.47M in 2015. Cost savings were mainly achieved in Mortgage Administration Fees which declined from $1.57M in 2014 to $0.91M in 2015; this was attributed to the savings from the resale of mortgages to Primary Lenders. On account of savings in Salaries and Related Costs, General and Administrative Expenses declined from $1.79M in 2014 to $1.47M in 2015.

(EC$ in millions, except as noted) As at the year ended 31 March	2015	2014	2013	Change from 2014 %
Salaries and related costs	1.12	1.35	1.62	**-17.59%**
Other general and admin expenses	0.35	0.44	0.61	**-19.77%**
Mortgage administrative fees	0.91	1.57	1.77	**-42.15%**
Amortization	0.39	0.34	0.30	**15.44%**
Directors fees	0.38	0.34	0.20	**11.97%**
Depreciation	0.02	0.13	0.07	**-86.37%**
Other operating expenses	0.31	0.09	0.30	**243.82%**
	3.47	4.25	4.87	**-18.53%**

Statement of Financial Position

Return on Total Assets increased from 1.33% in 2014 to 1.34% in 2015. Non-interest earning assets amounted to $4.44M (1.72%) in 2015 compared to $3.95M in 2014. This is attributed to financing of increased Accounts Receivable which accrued from the placement of Term Deposits over longer tenures. The ECHMB continues to hold an Executive Flexible Premium Annuity (EFPA) with CLICO International Life Insurance Limited (CLICO Barbados) in the amount of $5.0M. To date, the amount of $3.76M has been provided for impairment. During the 2015 financial year, the decision was taken to set-off dividends totaling $0.80M due and payable to CLICO Barbados against the net book value of the EFPA.

Capital Adequacy

ECHMB's Debt-to-Equity Ratio improved from 4.74:1 in 2014 to 3.47:1 in 2015; our benchmark is 8.0:1.

Shanna Herbert, ACCA
Chief Financial Officer (Ag)
Eastern Caribbean Home Mortgage Bank
ECCB Complex, Bird Rock
Basseterre, St. Kitts & Nevis

Eastern Caribbean Home Mortgage Bank

Financial Statements

March 31, 2015

(expressed in Eastern Caribbean dollars)

Eastern Caribbean Home Mortgage Bank

Statement of Financial Position

As at March 31, 2015

(expressed in Eastern Caribbean dollars)

	2015 $	2014 $
Assets		
Cash and cash equivalents (note 5)	**8,231,137**	28,261,958
Securities purchased under agreements to resell (note 6)	**21,863,011**	20,974,227
Receivables and prepayments (note 7)	**65,495**	60,976
Investment securities (note 8)	**148,561,920**	129,861,401
Mortgage loans portfolio (note 9)	**78,759,018**	148,483,829
Available–for–sale investment (note 10)	**100,000**	100,000
Motor vehicles and equipment (note 11)	**218,558**	249,527
Intangible assets (note 12)	**15,703**	25,125
Total assets	**257,514,842**	328,017,043
Liabilities		
Borrowings (note 13)	**199,917,195**	269,304,595
Accrued expenses and other liabilities (note 14)	**273,067**	1,259,197
Dividends payable (note 15)	–	600,000
Total liabilities	**200,190,262**	271,163,792
Equity		
Share capital (note 16)	**36,999,940**	36,999,940
Reserves (note 17)	**8,865,029**	8,710,528
Retained earnings (note 15)	**11,759,611**	11,142,783
Total equity	**57,624,580**	56,853,251
Total liabilities and equity	**257,814,842**	328,017,043

The notes on pages 1 to 44 are an integral part of these financial statements.

Approved for issue by the Board of Directors on [Date].

Chairman **Director**

Eastern Caribbean Home Mortgage Bank

Statement of Comprehensive Income

For the year ended March 31, 2015

(expressed in Eastern Caribbean dollars)

	2015 $	2014 $
Interest income (note 18)	**15,461,145**	20,690,064
Interest expense (note 19)	**(8,570,266)**	(12,121,614)
Net interest income	**6,890,879**	8,568,450
Other income (note 20)	**33,668**	40,992
Operating income	**6,924,547**	8,609,442
Expenses		
General and administrative expenses (note 21)	**(1,473,660)**	(1,793,285)
Mortgage administrative fees	**(905,409)**	(1,565,101)
Other operating expenses (note 22)	**(1,086,659)**	(889,071)
Total expenses	**(3,465,728)**	(4,247,457)
Net profit for the year	**3,458,819**	4,361,985
Other comprehensive income	**–**	–
Total comprehensive income for the year	**3,458,819**	4,361,985
Earnings per share		
Basic and diluted per share (note 23)	**12.87**	16.23

The notes on pages 1 to 44 are an integral part of these financial statements.

Eastern Caribbean Home Mortgage Bank

Statement of Changes in Equity

For the year ended March 31, 2015

(expressed in Eastern Caribbean dollars)

	Share capital $	Building reserve $	Portfolio risk reserve $	Retained earnings $	Total $
Balance at March 31, 2013	**36,999,940**	**4,270,365**	**3,770,365**	**10,138,086**	**55,178,756**
Net profit for the year	–	–	–	4,361,985	4,361,985
Dividends – $10 per share (note 15)	–	–	–	(2,687,490)	(2,687,490)
Transfers to reserves	–	334,899	334,899	(669,798)	–
Transfer to portfolio risk reserve	–	(4,605,264)	4,605,264	–	–
Balance at March 31, 2014	**36,999,940**	**–**	**8,710,528**	**11,142,783**	**56,853,251**
Net profit for the year	–	–	–	3,458,819	3,458,819
Dividends – $10 per share (note 15)	–	–	–	(2,687,490)	(2,687,490)
Transfers to reserves	–	–	154,501	(154,501)	–
Balance at March 31, 2015	**36,999,940**	–	**8,865,029**	**11,759,611**	**57,624,580**

The notes on pages 1 to 44 are an integral part of these financial statements.

Eastern Caribbean Home Mortgage Bank

Statement of Cash Flows

For the year ended March 31, 2015

(expressed in Eastern Caribbean dollars)

	2015 $	2014 $
Cash flows from operating activities		
Net profit for the year	**3,458,819**	4,361,985
Items not affecting cash:		
Interest expense (note 19)	**8,570,266**	12,121,614
Amortisation: Bond issue costs and transaction costs(note 13)	**390,771**	338,762
Depreciation (note 11)	**89,741**	84,082
Amortisation: Intangible assets (note 12)	**9,422**	3,141
Loss on disposal of equipment	–	632
Interest income (note 18)	**(15,461,145)**	(20,690,064)
Operating loss before working capital changes	**(2,942,126)**	(3,779,848)
Changes in operating assets and liabilities:		
(Increase)/decrease in receivables and prepayments	**(4,519)**	6,333
Decrease in accrued expenses and other liabilities	**(986,130)**	(75,044)
Cash used in operations before interest	**(3,932,775)**	(3,848,559)
Interest received	**13,081,845**	19,156,972
Interest paid	**(9,326,389)**	(12,494,006)
Net cash (used in) generated from operating activities	**(177,319)**	2,814,407
Cash flows from investing activities		
Proceeds from maturity of investment securities	**94,000,000**	14,893,872
Proceeds from the pool of mortgages repurchased by primary lenders	**54,917,153**	25,375,040
Increase in mortgages repurchased/replaced	**8,455,768**	31,401,127
Proceeds from principal repayment on mortgages	**6,095,349**	9,322,782
Purchase of intangible assets	–	(28,266)
Purchase of mortgages	–	(14,893,872)
Purchase of motor vehicle and equipment	**(58,772)**	(48,828)
Purchase of investment securities	**(111,842,462)**	(90,264,502)
Net cash from/(used in) investing activities	**51,656,036**	(24,242,647)
Cash flows from financing activities		
Proceeds from bond issues	**30,000,000**	86,184,700
Payment for bond issue costs	**(118,748)**	(444,573)
Dividends paid	**(2,487,490)**	(2,487,490)
Repayment of borrowings	**(3,000,000)**	(3,000,000)
Repayment of bonds	**(95,903,300)**	(86,184,700)
Net cash used in financing activities	**(71,509,538)**	(5,932,063)
Decrease in cash and cash equivalents	**(20,030,821)**	(27,360,303)
Cash and cash equivalents at beginning of year	**28,261,958**	55,622,261
Cash and cash equivalents at end of year (note 5)	**8,231,137**	28,261,958

The notes on pages 1 to 44 are an integral part of these financial statements.

(expressed in Eastern Caribbean dollars)

1 Incorporation and principal activity

The Governments of Anguilla, Antigua and Barbuda, The Commonwealth of Dominica, Grenada, Montserrat, St. Kitts–Nevis, St. Lucia and St. Vincent and the Grenadines signed an agreement on May 27, 1994, to establish the Eastern Caribbean Home Mortgage Bank (hereinafter referred to as "the Bank").

The Bank was formally established on August 19, 1994, in accordance with Article 40 of the Eastern Caribbean Home Mortgage Bank Agreement, which was incorporated in the Eastern Caribbean Home Mortgage Bank Agreement Act, and subsequently passed in the member territories.

The principal 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.

The registered office of the Bank is located at ECCB Agency Office, Monckton Street, St. George's, Grenada.

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

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

b) Changes in accounting policy

New and revised standards that are effective for the financial year beginning April 1, 2014

A number of new and revised standards are effective for the financial year beginning on or after April 1, 2014. Information on these new standards is presented below.

- *Amendments to IAS 32,* '*Offsetting Financial and Liabilities*'. This amendment clarifies the application of certain offsetting criteria in IAS 32, including the meaning of "currently has a legal enforceable right of set-off" and "that some gross settlement mechanisms may be considered equivalent to net settlement". The amendments have been applied retrospectively, in accordance with their transitional provisions. As the Bank does not currently present any of its financial assets and financial liabilities on a net basis using the provisions of IAS 32, these amendments had no material effect on the financial statements for any period presented.

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies *...continued*

b) Changes in accounting policy *...continued*

New and revised standards that are effective for the financial year beginning April 1, 2014

- *Amendments to IAS 36 'Recoverable Amount Disclosures for Non-Financial Assets'*. This clarifies that disclosure of information about the recoverable amount of individual asset (including goodwill) or a cash-generating unit is required only when an impairment loss has been recognized or reversed during the reporting period. If the recoverable amount is determined based on the asset's or cash-generating unit's fair value less cost of disposal, additional disclosures on fair value measurement required under IFRS 13, 'Fair Value Measurement', such as but not limited to the fair value hierarchy, valuation technique used and key assumptions applied should be provided in the financial statements. This amendment did not result in additional disclosures in the financial statements since the recoverable amounts of the Bank's non-financial assets where impairment losses have been recognized were determined based on value-in-use which have been adequately disclosed in accordance with IAS 36.

New standards issued but not effective for the financial year beginning April 1, 2014 and not early adopted

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Bank. Of the new standards, amendments and interpretations to existing standards issued but not effective for the financial year beginning April 1, 2014 and not early adopted, IFRS 9 (2014), 'Financial Instruments' is relevant to the Bank. Management anticipates that IFRS 9 (2014) will be adopted in the Bank's accounting policies for the first period beginning after the effective date of the pronouncement.

IFRS 9 (2014) addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income (OCI) rather than the statement of income, unless this creates an accounting mismatch.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Bank.

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies *...continued*

c) Cash and cash equivalents

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

d) Securities purchased under agreements to resell

Securities purchased under agreements to resell ('reverse repos') are recorded as loans and advances to other banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

e) Financial assets and liabilities

In accordance with IAS 39, all financial assets and liabilities – which include derivative financial instruments – are recognised in the statement of financial position and measured in accordance with their assigned category.

Financial assets

The Bank allocates its financial assets to the IAS 39 category of: loans and receivables and available–for – sale (AFS) financial asset. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets 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 other than: (a) those that the Bank intends to sell immediately or in the short term, which are classified or held for trading and those that the entity upon initial recognition designates at fair value through profit or loss; (b) those that the Bank upon initial recognition designates as AFS; (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

The Bank's loans and receivables include cash and cash equivalents, securities purchased under agreements to resell, investment securities, other receivables and mortgage loans portfolio.

(ii) AFS financial asset

AFS financial asset is 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.

The Bank's AFS asset is separately presented in the statement of financial position.

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies*...continued*

e) Financial assets and liabilities *...continued*

Recognition and measurement

Regular purchase and sales of financial assets are recognized on trade–date, being the date on which the Bank commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit and loss. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Bank has transferred substantially all risks and reward of ownership.

AFS financial asset is unquoted and carried at cost. Loans and receivables are subsequently carried at amortised cost using the effective interest method. However, interest calculated using the effective interest method is recognized in the statement of comprehensive income. Dividends on AFS equity instruments are recognized in the statement of comprehensive income when the entity's right to receive payment is established.

When securities classified as AFS are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the statement of comprehensive income as 'gains and losses from investment securities'.

Financial liabilities

The Bank's financial liabilities are carried at amortised cost. Financial liabilities measured at amortised cost are borrowings, accrued expenses and other liabilities and dividends payable.

Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Bank tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition). Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

Reclassification of financial assets

The Bank may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held–for–trading or AFS categories if the Bank has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies*…continued*

e) Financial assets and liabilities *…continued*

Reclassification of financial assets *…continued*

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held–to–maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

f) Classes of financial instruments

The Bank classifies the financial instruments into classes that reflect the nature of information disclosed and take into account the characteristics of those financial instruments. The classification hierarchy can be seen in the table below.

<table>
<tr><td rowspan="6">Financial assets</td><td rowspan="5">Loans and receivables</td><td>Cash and cash equivalents</td><td>Bank accounts</td></tr>
<tr><td>Securities purchased under agreements to resell</td><td>Government fixed rated bonds</td></tr>
<tr><td>Other receivables</td><td>Primary lenders</td></tr>
<tr><td>Investment securities</td><td>Banks and Government fixed rated bonds and treasury bills</td></tr>
<tr><td>Mortgage loans portfolio</td><td>Primary lenders</td></tr>
<tr><td>AFS financial asset</td><td>AFS investment</td><td>Unquoted</td></tr>
<tr><td rowspan="3">Financial liabilities</td><td rowspan="3">Financial liabilities at amortised cost</td><td>Borrowings</td><td>Unquoted</td></tr>
<tr><td colspan="2">Accrued expenses and other liabilities</td></tr>
<tr><td colspan="2">Dividends payable</td></tr>
</table>

g) Impairment of financial assets

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

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies *...continued*

g) Impairment of financial assets *...continued*

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, 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 and the amount of the loss is recognised in the statement of comprehensive income. If a loan or held–to–maturity investment 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.

If, in a 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 improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

h) 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.

i) Employee benefits

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

The Bank pays contributions to a privately administered pension insurance plan. The Bank has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

j) Provisions

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

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies*...continued*

j) Provisions *...continued*

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.

k) Motor vehicles and equipment

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

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

Depreciation is calculated using the straight–line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Furniture and fixtures	15%
Machinery and equipment	15%
Motor vehicles	20%
Computer equipment	33 1/3%

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

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

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

l) Impairment of non–financial assets

Non–financial assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash–generating units). Non–financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies*...continued*

m) Intangible assets

Intangible assets of the Bank pertain to computer software and website development. Acquired computer software and website development are capitalised on the basis of the costs incurred to acquire and bring to use the specific software and website. Subsequently, these intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. These costs are amortised over their estimated useful life of three years. The amortization period and the amortization method used for the computer software and website development are reviewed at least at each financial year-end.

Computer software and website development are assessed for impairment whenever there is an indication that they may be impaired. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. Costs associated with maintaining computer software programmes and website development are recognised as an expense when incurred.

n) Borrowings

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

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

o) Interest income and expense

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

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

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

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies *...continued*

o) Interest income and expense *...continued*

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

p) Dividends distribution

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

q) Expenses

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

r) Operating lease – Bank as a lessee

Where the Bank is a lessee, payments on operating lease agreement is recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

s) Foreign currency translation

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.

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re–measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year–end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Foreign currency gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'Other operating expenses'.

t) Share capital

Share capital represents the nominal value of ordinary shares that have been issued.

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies *...continued*

u) Reserves

The Bank maintains a special reserve account – Portfolio Risk Reserve. This reserve account was established to cover against general risk associated with the secondary mortgage market.

Each year, the Bank makes an allocation of 20% of profits after the appropriation for dividends.

v) Retained earnings

Retained earnings include current and prior period results of operations as reported in the statement of comprehensive income, net of dividends.

w) Earnings per share

Basic earnings per share are determined by dividing profit by the weighted average number of ordinary shares outstanding during the period after giving retroactive effect to stock dividend declared, stock split and reverse stock split during the period, if any.

Diluted earnings per share are computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential shares. Currently, the Bank does not have dilutive potential shares outstanding, hence, the diluted earnings per share is equal to the basic earnings per share.

3 Financial risk management

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

(expressed in Eastern Caribbean dollars)

3 Financial risk management *...continued*

a) Enterprise risk management approach

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

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

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

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

The Board carries out its risk management oversight function by:

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

b) Risk measurement and reporting systems

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

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

(expressed in Eastern Caribbean dollars)

3 Financial risk management *...continued*

c) Excessive risk concentration

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

d) 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, securities purchased under agreements to resell and investment securities.

The table below shows the maximum exposure to credit risk for the components of the statement of financial position.

	Gross Maximum Exposure 2015 $	**Gross Maximum Exposure 2014 $**
Credit risk exposure relating to on–balance sheet position		
Cash and cash equivalents	**8,230,637**	28,261,338
Securities purchased under agreements to resell	**21,863,011**	20,974,227
Other receivables	**40,011**	36,579
Investment securities	**148,561,920**	129,861,401
Mortgage loans portfolio	**78,759,018**	148,483,829
AFS investment	**100,000**	100,000
	257,554,597	327,717,374

The above table represents a worst case scenario of credit exposure to the Bank as at March 31, 2015 and 2014, without taking into account of any collateral held or other enhancements attached. The exposure set out above is based on net carrying amounts as reported in the statement of financial position.

As shown above, 31% of the total maximum exposure is derived from the mortgage loans portfolio (2014: 45%) and 58% (2014:40%) of the total maximum exposure represents investments securities.

(expressed in Eastern Caribbean dollars)

3 Financial risk management *...continued*

d) Credit risk exposure

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Bank resulting from both its mortgage loans portfolio and short–term marketable securities, based on the following:

- *Cash and cash equivalents, securities purchased under agreements to sell and investment securities*
  These are held with banks regulated by the Eastern Caribbean Central Bank (ECCB) and collateral is not required for such accounts as management regards the institutions as strong.

- *Mortgage loans portfolio*
  A due diligence assessment is undertaken before a pool of mortgages is purchased from the Primary Lender who has to meet the standard requirements of the Bank. Subsequently, annual onsite assessments are conducted to ensure that the quality standards of the loans are maintained.

- *AFS investment*
  Equity securities are held in a reputable securities exchange company in which the ECCB is the major shareholder.

There were no changes to the Bank's approach to managing credit risk during the year.

e) Management of credit risk

The Bank enters into Sale and Administration Agreements with Primary Lending Institutions for the purchase of residential mortgages with recourse. The terms of the Agreement warrants 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 is 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 concentration of credit risk by geographic location and by primary lending institutions. The Bank's credit exposure for mortgage loans at their carrying amounts, categorised by individual Eastern Caribbean Currency Union territory is disclosed in Note 9.

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

e) Management of credit risk...*continued*

The table below breaks down the Bank's main credit exposure at the carrying amounts, categorized by geographical regions as of March 31, 2015 with comparatives for 2014. In this table, the Bank has allocated exposure to regions based on the country of domicile of the counterparties.

	St. Kitts and Nevis $	Other ECCU Member States $	Barbados $	Total $
Cash and cash equivalents	**8,230,637**	–	–	**8,230,637**
Securities purchased under agreements to resell	–	**21,863,011**	–	**21,863,011**
Other receivables	**40,011**	–	–	**40,011**
Investment securities	**7,000,000**	**141,124,420**	**437,500**	**148,561,920**
Mortgage loans portfolio	**8,335,252**	**70,423,766**	–	**78,759,018**
AFS investment	**100,000**	–	–	**100,000**
As of March 31, 2015	**23,705,900**	**233,411,197**	**437,500**	**257,554,597**
Cash and cash equivalents	28,261,338	–	–	28,261,338
Securities purchased under agreements to resell	–	20,974,227	–	20,974,227
Other receivables	36,579	–	–	36,579
Investment securities	76,935,616	51,688,285	1,237,500	129,861,401
Mortgage loans portfolio	10,243,710	138,240,119	–	148,483,829
AFS investment	100,000	–	–	100,000
As of March 31, 2014	115,577,243	210,902,631	1,237,500	327,717,374

Economic sector concentrations within the mortgage loans portfolio were as follows:

	2015 $	2015 %	2014 $	2014 %
Commercial banks	**55,580,428**	**71**	115,994,548	78
Credit unions	**4,117,020**	**5**	10,559,406	7
Building society	**10,610,024**	**13**	11,686,165	8
Development bank	**8,451,546**	**11**	10,243,710	7
	78,759,018	**100**	148,483,829	100

(expressed in Eastern Caribbean dollars)

3 Financial risk management *...continued*

f) Market risk

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

The Bank manages interest rate risk by monitoring interest rates daily, and ensuring that the maturity profile of its financial assets is matched by that of its financial liabilities to the extent practicable, given the nature of the business. The directors and management believe that the Bank has limited exposure for foreign currency risk as its foreign current assets and liabilities are denominated in United States Dollars, which is fixed to Eastern Caribbean Dollars at the rate of $2.70. The Bank has no significant exposure to equity price risk as it has no financial assets which are to be realized by trading in the securities market.

i) Interest rate risk

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

(expressed in Eastern Caribbean dollars)

3 Financial risk management *...continued*

f) Market risk

i) Interest rate risk *...continued*

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

	Within 3 months $	3 to 12 months $	1 to 5 years $	Over 5 years $	Non–interest bearing $	Total $
As at 31 March 2015						
Financial assets:						
Cash and cash equivalents	8,230,637	–	–	–	500	8,231,137
Securities purchased under agreements to resell	–	21,863,011	–	–	–	21,863,011
Other receivables	–	–	–	–	40,011	40,011
Investment securities	22,456,816	43,463,399	78,944,979	437,500	3,259,226	148,561,920
Mortgage loans portfolio	2,864,165	8,247,537	37,246,644	30,283,336	117,336	78,759,018
AFS investment	–	–	–	–	100,000	100,000
Total financial assets	**33,551,618**	**73,573,947**	**116,191,623**	**30,720,836**	**3,517,073**	**257,555,097**
Financial liabilities:						
Borrowings	750,000	89,887,000	108,183,348	–	1,096,847	199,917,195
Accrued expenses and other liabilities	–	–	–	–	273,067	273,067
Total financial liabilities	**750,000**	**89,887,000**	**108,183,348**	–	**1,369,914**	**200,190,262**
Interest sensitivity gap	**32,801,618**	**(16,313,053)**	**8,008,275**	**30,720,836**	**2,147,159**	**57,364,835**

(expressed in Eastern Caribbean dollars)

3 Financial risk management *...continued*

f) Market risk *...continued*

i) Interest rate risk *...continued*

	Within 3 months $	3 to 12 months $	1 to 5 years $	Over 5 years $	Non–interest bearing $	Total $
As at 31 March 2014						
Financial assets:						
Cash and cash equivalents	28,261,338	–	–	–	620	28,261,958
Securities purchased under agreements to resell	–	10,000,000	10,947,397	–	26,830	20,974,227
Other receivables	–	–	–	–	36,579	36,579
Investment securities	15,000,000	90,567,206	21,000,000	–	3,294,195	129,861,401
Mortgage loans portfolio	2,032,169	5,970,443	27,904,668	112,140,682	435,867	148,483,829
Available for sale investment	–	–	–	–	100,000	100,000
Total financial assets	**45,294,127**	**106,537,649**	**59,852,065**	**112,140,682**	**3,893,471**	**327,717,994**
Financial liabilities:						
Borrowings	12,050,000	86,853,300	169,096,700	–	1,304,595	269,304,595
Accrued expenses and other payables	–	–	–	–	1,259,197	1,259,197
Dividends payable	–	–	–	–	600,000	600,000
Total financial liabilities	**12,050,000**	**86,853,300**	**169,096,700**	–	**3,163,792**	**271,163,792**
Interest Sensitivity Gap	**33,244,127**	**19,684,349**	**(109,244,635)**	**112,140,682**	**729,679**	**56,554,202**

(expressed in Eastern Caribbean dollars)

3 Financial risk management *...continued*

f) Market risk *...continued*

ii) Foreign currency risk

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

The following table summarises the Bank's exposure to foreign currency risk as of March 31, 2015 and 2014. Included in the table are the Bank's financial instruments at carrying amounts, categorised by currency.

	Eastern Caribbean Dollar $	United States Dollar $	Total $
At March 31, 2015			
Financial assets			
Cash and cash equivalents	**7,622,203**	**608,934**	**8,231,137**
Securities purchased under agreement to resell	**21,863,011**	–	**21,863,011**
Other receivables	**40,011**	–	**40,011**
Investment securities	**148,561,920**	–	**148,561,920**
Mortgage loans portfolio	**75,965,568**	**2,793,440**	**78,759,018**
AFS investment	**100,000**	–	**100,000**
	254,152,723	**3,402,374**	**257,555,097**
Financial liabilities			
Borrowings	**184,890,520**	**15,026,675**	**199,917,195**
Accrued expenses and other liabilities	**273,067**	–	**273,067**
	185,163,587	**15,026,675**	**200,190,262**
Net statement of financial position	**68,989,136**	**(11,624,301)**	**57,364,835**

(expressed in Eastern Caribbean dollars)

3 Financial risk management *…continued*

f) Market risk *...continued*

ii) Foreign currency risk *...continued*

	Eastern Caribbean Dollar $	United States Dollar $	Total $
At March 31, 2014			
Financial assets			
Cash and cash equivalents	**27,063,657**	**1,198,301**	**28,261,958**
Securities purchased under agreement to resell	**20,974,227**	–	**201,944,227**
Other receivables	**36,579**	–	**36,579**
Investment securities	**129,861,401**	–	**129,861,401**
Mortgage loans portfolio	**127,646,690**	**20,837,139**	**148,483,829**
AFS investment	**100,000**	–	**100,000**
	305,682,554	**22,035,440**	**327,717,994**
Financial liabilities			
Borrowings	**251,263,990**	**18,040,605**	**269,304,595**
Accrued expenses and other liabilities	**1,259,197**	–	**1,259,197**
	252,523,187	**18,040,605**	**270,563,792**
Net statement of financial position	**53,159,367**	**3,994,835**	**57,154,202**

g) Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value. Prudent liquidity risk management requires the Bank to maintain sufficient cash and marketable securities, monitoring future cash flows and liquidity on a daily basis and have funding available through an adequate amount of committed facilities.

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

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

(expressed in Eastern Caribbean dollars)

3 Financial risk management … *continued*

Maturities analysis of assets and liabilities

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

	Within 3 Months $	3 to 12 months $	1 to 5 years $	Over 5 Years $	Total $
As at March 31, 2015					
Assets:					
Cash and cash equivalents	8,231,137	–	–	–	8,231,137
Securities purchased under agreements to resell	–	21,863,011	–	–	21,863,011
Other receivables	40,011	–	–	–	40,011
Investment securities	24,903,649	43,498,745	79,722,026	437,500	148,561,920
Mortgage loans portfolio	2,981,501	8,247,537	37,246,644	30,283,336	78,759,018
Available for sale investment	100,000	–	–	–	100,000
Total assets	36,256,298	73,609,293	116,968,670	30,720,836	257,555,097
Liabilities:					
Borrowings	1,570,495	89,887,000	108,459,700	–	199,917,195
Accrued expenses and other liabilities	273,067	–	–	–	273,067
	1,843,562	89,887,000	108,459,700	–	200,190,262
Net liquidity gap	34,412,736	(16,277,707)	8,508,970	30,720,836	57,364,835

(expressed in Eastern Caribbean dollars)

3 Financial risk management *…continued*

Maturities analysis of assets and liabilities *…continued*

	Within 3 Months $	3 to 12 months $	1 to 5 years $	Over 5 years $	Total $
As at March 31, 2014					
Assets:					
Cash and cash equivalents	28,261,958	–	–	–	28,261,958
Securities purchased under agreements to resell	–	10,012,808	10,961,419	–	20,974,227
Other receivables	36,579	–	–	–	36,579
Investment securities	16,433,528	92,382,805	21,045,068	–	129,861,401
Mortgage loans portfolio	2,468,036	5,970,443	27,904,668	112,140,682	148,483,829
AFS investment	–	–	–	100,000	100,000
Total assets	47,200,101	108,366,056	59,911,155	112,240,682	327,717,994
Liabilities:					
Borrowings	11,735,319	88,472,576	169,096,700	–	269,304,595
Other liabilities and accrued expenses	1,259,197	–	–	–	1,259,197
Dividends payable	–	600,000	–	–	600,000
Total liabilities	12,994,516	89,072,576	169,096,700	–	271,163,792
Net liquidity gap	34,205,585	19,293,480	(109,185,545)	112,240,682	56,554,202

(expressed in Eastern Caribbean dollars)

3 Financial risk management approach … *continued*

h) Operational risk

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

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

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

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

i) Capital management

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

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

(expressed in Eastern Caribbean dollars)

3 Financial risk management … *continued*

i) Capital management…*continued*

The Bank monitors capital on the basis of the gearing ratio. This ratio is calculated as total long–term debt divided by total capital. Total long–term debts are calculated as total bonds in issue plus the Caribbean Development Bank long–term loan (as shown in the statement of financial position as "Borrowings"). Total capital is calculated as 'equity' as shown in the statement of financial position.

During 2015, the Bank's strategy, which was unchanged from 2014, was to maintain the gearing ratio within 3.47 and an AA– credit rating. The AA– credit rating has been maintained throughout the period. The gearing ratios as at March 31, 2015 and 2014 were as follows:

	2015	**2014**
	$	**$**
Total Debt	**199,917,195**	269,304,595
Total Equity	**57,624,580**	56,853,251
Debt to Equity ratio	**3.47**	4.74

There were no changes to the Bank's approach to capital management during the year.

(expressed in Eastern Caribbean dollars)

3 Financial risk management …*continued*

i) Fair value estimation

The table below summarises the carrying and fair values of the Bank's financial assets and liabilities.

	Carrying value		Fair value	
	2015 **$**	**2014** **$**	**2015** **$**	**2014** **$**
Cash and cash equivalents	**8,231,137**	28,261,958	**8,231,137**	28,261,958
Securities purchased under agreements to resell	**21,863,011**	20,974,227	**21,863,011**	20,974,227
Other receivables	**40,011**	36,579	**40,011**	36,579
Investment securities	**148,561,920**	129,861,401	**148,561,920**	129,861,401
Mortgage loans portfolio	**78,759,018**	148,483,829	**78,759,018**	148,483,829
Available for sale investment	**100,000**	100,000	**100,000**	100,000
	257,555,097	327,717,994	**257,555,097**	327,717,994
Borrowings	**199,917,195**	269,304,595	**199,917,195**	269,304,595
Accrued expenses and other liabilities	**273,067**	1,259,197	**273,067**	1,259,197
Dividends payable	–	600,000	–	600,000
	200,190,262	271,163,792	**200,190,262**	271,163,792

Fair value amounts represent estimates of the consideration that would currently be agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market value, if one exists. Accordingly, fair values are equal to their carrying values due to their short–term nature.

Mortgage loans portfolio represents residential mortgages and outstanding balances are carried based on its principal and interests. The fair values of mortgages are equal to their carrying values.

The Bank's AFS investment is not actively traded in organised financial markets, and fair value is determined at cost.

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

Financial instruments where carrying value is equal to fair value due to their short–term maturity, the carrying value of financial instruments are equal to their fair values. These include cash and cash equivalents, other receivables, accrued expenses and other liabilities and dividends payable.

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

(expressed in Eastern Caribbean dollars)

4 Critical accounting estimates and judgements

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

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

(a) Impairment losses on investment securities

The Bank reviews its investment securities to assess impairment on a regular and periodic basis. In determining whether an impairment loss should be recorded, the Bank makes judgments as to whether there is any observable data indicating an impairment trigger followed by a measurable decrease in the estimated future cash flows from investment securities. Such observable data may indicate that there has been an adverse change in the payment ability and financial condition of the counterparty. Management use experience judgment and estimates based on objective evidence of impairment when assessing future cash flows. There were no impairment losses on investment securities as at March 31, 2015 (2014: Nil).

(b) Impairment losses on mortgage loans portfolio

The Bank reviews its mortgage loans portfolio to assess impairment on a periodic basis. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of mortgage loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers, or local economic conditions that correlate with defaults on assets in the Bank.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. There was no provision recorded as at March 31, 2015 (2014: Nil).

(c) Impairment loss on AFS financial asset

The Bank follows the guidelines of IAS 39 to determine when an AFS financial asset is impaired. This determination requires significant judgement. In making this judgement, the Bank evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short–term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows. To the extent that the actual results regarding impairment may differ from management's estimate. There was no provision recorded as at March 31, 2015 (2014: Nil).

(expressed in Eastern Caribbean dollars)

4 Critical accounting estimates and judgements *...continued*

(d) Useful lives of motor vehicles and equipment

The Bank estimates the useful lives of motor vehicles and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of motor vehicles and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. Based on management's assessment as at March 31, 2015, there is no change in estimated useful lives of property and equipment during the year. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(e) Impairment of Non-financial assets

The Bank's policy on estimating the impairment of non-financial assets is discussed in Note 2. Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

5 Cash and cash equivalents

	2015	**2014**
	$	**$**
Cash on hand	**500**	620
Balances with commercial banks	**8,230,637**	28,261,338
	8,231,137	28,261,958

Balances with commercial banks earned interest at rates ranging from 0 % to 0.1% (2014: 0 % to 2.5%) during the year.

(expressed in Eastern Caribbean dollars)

6 Securities purchased under agreements to resell

Securities purchased under agreements to resell held with First Citizens Investment Services Ltd.

	2015 $	2014 $
2–year security maturing on March 21, 2016, interest rate of 4.25% (2014: 4.25%)	**10,947,397**	10,947,397
1–year security maturing on March 25, 2016, interest rate of 3.50% (2014: 4.25%)	**10,427,329**	10,000,000
	21,374,726	20,947,397
Interest receivable	**488,285**	26,830
	21,863,011	20,974,227

	2015 $	2014 $
Current	**21,863,011**	10,012,808
Non–current	**–**	10,961,419
	21,863,011	20,974,227

These repurchase agreement securities are collateralized by bonds issued by the Government of St. Lucia and First Citizens Investment Reverse Repurchase in the amount of $10,705,243 and USD$3,858,330 (ECD$10,417,491) (2014: $10,705,243 and $9,990,564 respectively).

7 Accounts receivables and prepayments

	2015 $	2014 $
Other receivables	**40,011**	36,579
Prepayments	**25,484**	24,397
	65,495	60,976

(expressed in Eastern Caribbean dollars)

8 Investment securities

	2015 $	2014 $
Loans and receivables		
Term deposits		
CLICO International Life Insurance Limited	**4,200,000**	5,000,000
Provision for impairment – CLICO	**(3,762,500)**	(3,762,500)
	437,500	1,237,500
Two (2) 3–year fixed deposits at Grenada Public Service Co-operative Credit Union maturing on June 5, 2018 bearing interest at a rate of 4.25% (2014: 4.25%)	**10,000,000**	–
Two year fixed deposit at The Bank of St. Lucia Limited maturing on March 23, 2018 bearing interest at a rate of 3.00% (2014: 4.25%)	**16,945,125**	20,950,000
1 year fixed deposit at St. Kitts-Nevis-Anguilla National Bank Limited maturing on August 6, 2015 bearing interest at a rate of 3.0%	**7,000,000**	–
Two year fixed deposit at Grenada Co–operative Bank Limited maturing on March 2, 2016 bearing interest at a rate of 4.5% (2014: 4.5%)	**11,000,000**	11,000,000
Two year fixed deposit at Eastern Amalgamated Bank Limited maturing on March 28, 2016 bearing interest at a rate of 4.0% (2014: 4.0%)	**10,000,000**	10,000,000
One year fixed deposit at Eastern Amalgamated Bank Limited maturing on June 5, 2015 bearing interest at a rate of 3.75%	**15,000,000**	–
One year fixed deposit at The Bank of St. Vincent & the Grenadines Limited maturing on January 31, 2016 bearing interest at a rate of 3.75% (2014:4.5%)	**6,336,861**	6,063,982
Two year fixed deposit at St. Vincent & the Grenadines Teachers Co-operative Credit Union maturing on August 7, 2016 bearing interest at a rate of 4.0%	**4,999,990**	–

(expressed in Eastern Caribbean dollars)

8 Investment securities *...continued*

	2015 $	2014 $
Loans and receivables *...continued*		
Term deposits *...continued*		
Two (2) 2-year fixed deposits at Financial Investment and Consultancy Services (FICS) Limited maturing on June 5, 2016 bearing interest at a rate of 5.0% (2014: 4.0%)	**3,999,965**	–
One year fixed deposit at The Bank of St. Lucia Limited maturing on March 23, 2017 bearing interest at a rate of 3.00%	**5,000,000**	–
Two year fixed deposit at Financial Investment and Consultancy Services (FICS) Limited maturing on October 9, 2016 bearing interest at a rate of 5.0%	**1,999,985**	–
One year fixed deposit at Communal Co-operative Credit Union maturing on October 9, 2015 bearing interest at a rate of 4.0%	**2,000,000**	–
Five year fixed deposit at National Bank of Dominica Limited maturing on August 11, 2019 bearing interest at a rate of 4.5%	**5,000,000**	–
Three year fixed deposit at Capita Finance Services maturing on March 2, 2018 bearing interest at a rate of 4.25%	**5,000,000**	–
Three year fixed deposit at Marigot Co-operative Credit Union maturing on March 31, 2018 bearing interest at a rate of 4.0%	**1,000,000**	–
One year fixed deposit at ABI Bank Limited maturing on March 4, 2016 bearing interest at a rate of 3.50% (2014: 3.50%)	**5,126,553**	3,553,224
Two (2) 1–year fixed deposits at St. Kitts-Nevis-Anguilla National Bank Limited maturing on July 26, 2014 bearing interest at a rate of 4.25%	–	60,000,000
Six month fixed deposit at St. Kitts-Nevis-Anguilla National Bank Limited maturing on April 24, 2014 bearing interest at a rate of 3.0%	–	15,000,000
	105,408,479	126,567,206

(expressed in Eastern Caribbean dollars)

8 Investment securities *...continued*

	2015 $	2014 $
Government bonds		
Government of St. Vincent and the Grenadines		
Maturing on October 7, 2019 bearing interest at a rate of 6.00%	**10,000,000**	–
Government of St. Lucia		
Maturing on October 14, 2019 bearing interest at a rate of 5.50%	**10,000,000**	–
Government of the Commonwealth of Dominica		
Maturing on October 28, 2019 bearing interest at a rate of 5.00%	**10,000,000**	–
Maturing on October 28, 2019 bearing interest at a rate of 7.00%	**2,000,000**	–
	32,000,000	–
Treasury bills		
Government of St. Vincent and the Grenadines		
Maturing on June 30, 2015 bearing interest at a rate of 5.820%	**2,986,697**	–
Maturing on June 4,2015 bearing interest at a rate of 4.00%	**1,485,041**	–
Government of the Commonwealth of Dominica		
Maturing on June 26, 2015 bearing interest at a rate of 0.995%	**2,985,078**	–
	7,456,816	–
Total	**145,302,795**	127,804,706
Interest receivable	**3,484,125**	2,281,695
Less provision for impairment – CLICO	**(225,000)**	(225,000)
Total investment securities	**148,561,920**	129,861,401
Current	**68,402,394**	108,816,333
Non–current	**80,159,526**	21,045,068
	148,561,920	129,861,401

Term deposits held with CLICO International Life Insurance Limited

The Bank holds an Executive Flexible Premium Annuity (EFPA) with CLICO International Life Insurance Limited (CLICO Barbados), a member of the CL Financial Group. The EFPA matured in October 2009. During the 2011 financial year, the Bank was informed that CLICO had been placed under judicial management. On July 28, 2011 the Judicial Manager submitted its final report to the High Court in Barbados setting out its findings and recommendations. As at March 31, 2015, the Bank's management have adopted a prudent

(expressed in Eastern Caribbean dollars)

8 Investment securities...*continued*

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

approach to this matter and have established an impairment provision of 90% (2014: 75%) of the deposit balance and 100% (2014: 100%) of the accrued interest.

CLICO Barbados is a shareholder of the Bank. As the Bank has been unable to recoup the balance due for the term deposit held from CLICO, the Bank did not pay yearly dividends of $200,000 relating to 2015, 2014, 2013 and 2012 totaling $800,000 as of March 31, 2015. The dividends payable has been offset with the investment receivable in 2015 with the consent of CLICO Barbados management.

9 Mortgage loans portfolio

	2015 $	2014 $
Commercial banks	**55,536,842**	115,709,671
Building society	**10,610,024**	11,686,165
Development bank	**8,377,796**	10,243,710
Credit unions	**4,117,020**	10,559,406
	78,641,682	148,198,952
Interest receivable	**117,336**	284,877
	78,759,018	148,483,829

Territory Analysis	2015 $	2014 $
St. Vincent and the Grenadines	**38,511,204**	43,499,637
Antigua and Barbuda	**20,623,784**	22,760,261
Anguilla	**11,128,898**	32,849,391
St. Kitts and Nevis	**8,377,796**	10,243,711
Grenada	–	5,214,151
St. Lucia	–	33,631,801
	78,641,682	148,198,952

(expressed in Eastern Caribbean dollars)

9 Mortgage loans portfolio…*continued*

	2015 $	2014 $
Movement in the balance is as follows:		
Balance at beginning of the year – principal	**148,198,952**	199,404,029
Add: Loans purchased	–	14,893,872
Decrease in mortgage receivable	**(89,608)**	(1,496,365)
Less: Principal repayments	**(6,095,349)**	(9,322,782)
Mortgages that were repurchased and replaced	**(8,455,160)**	(29,904,762)
Mortgages pools repurchased	**(54,917,153)**	(25,375,040)
Balance at the end of the year – principal	**78,641,682**	148,198,952
Interest receivable	**117,336**	284,877
	78,759,018	148,483,829

Terms and Conditions of Purchased Mortgages

a) *Purchase of Mortgages*

The Bank enters into Sale and Administration Agreements with Primary Lending Institutions in the Organisation of Eastern Caribbean States (OECS) territories for the purchase of mortgages. Mortgages are purchased at the outstanding principal on the settlement date.

b) *Recourse to Primary Lending Institutions*

Under the terms of the Sale and Administration Agreement, the Administrator (Primary Lending Institution) warrants that any default, loss or title deficiency occurring during the life of the loans secured by the Purchased Mortgages will be remedied.

c) *Administration Fees*

The Primary Lending Institutions are responsible for administering the mortgages on behalf of the Bank at an agreed fee on the aggregate principal amount, excluding any accrued interest, penalties or bonuses, outstanding at the beginning of the month in reference.

d) *Rates of Interest*

Rates of interest earned vary from 7% to 11% (2014: 7% to 11%).

(expressed in Eastern Caribbean dollars)

10 Available-for-sale investment

	2015 $	2014 $
Eastern Caribbean Securities Exchange (ECSE)		
10,000 Class C shares of $10 each – unquoted carried at cost	100,000	100,000

There was no dividend declared by the ECSE.

(expressed in Eastern Caribbean dollars)

11 Motor vehicles and equipment

	Motor vehicles $	Computer equipment $	Furniture and fixtures $	Machinery and equipment $	Total $
Year ended March 31, 2014					
Opening net book value	213,935	21,436	2,353	47,690	285,414
Additions	–	40,031	–	8,797	48,828
Disposal	–	–	–	(1,350)	(1,350)
Written off of accumulated deprecation	–	–	–	717	717
Depreciation charge	(50,571)	(22,451)	(486)	(10,574)	(84,082)
Closing net book value	**163,364**	**39,016**	**1,867**	**45,280**	**249,527**
At March 31, 2014					
Cost	290,000	129,856	5,744	71,965	497,565
Accumulated depreciation	(126,636)	(90,840)	(3,877)	(26,685)	(248,038)
Net book value	**163,364**	**39,016**	**1,867**	**45,280**	**249,527**
Year ended March 31, 2015					
Opening net book value	163,364	39,016	1,867	45,280	249,527
Additions	–	58,772	–	–	58,772
Depreciation charge	(50,572)	(28,275)	(486)	(10,408)	(89,741)
Closing net book value	**112,792**	**69,513**	**1,381**	**34,872**	**218,558**
At March 31, 2015					
Cost	290,000	188,628	5,744	71,965	556,337
Accumulated depreciation	(177,208)	(119,115)	(4,363)	(37,093)	(337,779)
Net book value	**112,792**	**69,513**	**1,381**	**34,872**	**218,558**

(expressed in Eastern Caribbean dollars)

12 Intangible assets

	Computer software $	Website development $	Total $
Year ended March 31, 2014			
Opening net book value	–	–	–
Additions	14,761	13,505	28,266
Amortisation charge	(1,640)	(1,501)	(3,141)
Closing net book value	**13,121**	**12,004**	**25,125**
At March 31, 2014			
Cost	14,761	13,505	28,266
Accumulated Amortisation	(1,640)	(1,501)	(3,141)
Net book value	**13,121**	**12,004**	**25,125**
Year ended March 31, 2015			
Opening net book value	13,121	12,004	25,125
Amortisation charge	(4,920)	(4,502)	(9,422)
Closing net book value	**8,201**	**7,502**	**15,703**
At March 31, 2015			
Cost	14,761	13,505	28,266
Accumulated amortisation	(6,560)	(6,003)	(12,563)
Net book value	**8,201**	**7,502**	**15,703**

(expressed in Eastern Caribbean dollars)

13 Borrowings

	2015 $	2014 $
Bonds in issue		
Balance at the beginning of the year	**250,000,000**	250,000,000
Add: Issues during the year	**30,000,000**	86,184,700
Less: Redemptions during the year	**(95,903,300)**	(86,184,700)
	184,096,700	250,000,000
Less: unamortised bond issue costs	**(303,027)**	(550,730)
	183,793,673	249,449,270
Other borrowed funds		
Caribbean Development Bank (CDB) Loan	**15,000,000**	18,000,000
Less: unamortised transaction costs	**(119,575)**	(143,895)
	14,880,425	17,856,105
	198,674,098	267,305,375
Interest payable	**1,243,097**	1,999,220
Total	**199,917,195**	269,304,595

(expressed in Eastern Caribbean dollars)

13 Borrowings *...continued*

	2015 $	2014 $
Bonds in issue		
Current	**88,733,847**	95,903,300
Non–current	**96,459,700**	155,911,420
	185,193,547	251,814,720
Less: unamortised bond issue costs	**(303,027)**	(550,730)
	184,890,520	251,263,990
Other borrowed funds		
Current	**3,146,250**	3,184,500
Non–current	**12,000,000**	15,000,000
	15,146,250	18,184,500
Less unamortised transaction costs	**(119,575)**	(143,895)
	15,026,675	18,040,605
Total	**199,917,195**	269,304,595

(expressed in Eastern Caribbean dollars)

13 Borrowings *...continued*

Bonds in issue	2015 $	2014 $
3–year bond maturing on July 1, 2016 bearing interest at a rate of 3.75%	**31,200,000**	31,200,000
2–year bond maturing on July 2, 2015 bearing interest at a rate of 3.749%	**30,000,000**	30,000,000
1–year bond maturing on July 2, 2015 bearing interest at a rate of 2.75%	**30,000,000**	–
4–year bond maturing on January 30, 2016 bearing interest at a rate of 4%	**27,637,000**	27,637,000
3–year bond maturing on March 26, 2017 bearing interest at a rate of 4%	**24,984,700**	24,984,700
4–year bond maturing on January 30, 2017 bearing interest at a rate of 3.75%	**21,505,000**	21,505,000
4–year bond maturing on September 28, 2016 bearing interest at a rate of 4%	**18,770,000**	18,770,000
12–year bond maturing on June 14, 2014 bearing interest at a rate of 5.9%	–	11,300,000
3–year bond maturing on July 1, 2014 bearing interest at a rate of 4.72%	–	49,560,000
3–year bond maturing on August 26, 2014 bearing interest at a rate of 4.497%	–	35,043,300
Total	**184,096,700**	250,000,000

Bonds issued by the Bank are secured by debentures over the fixed and floating assets of the Bank. Interest is payable semi–annually in arrears at rates varying between 2.75% to 4% (2014: 2.75%).

CDB Loan

On January 31, 2008, the Bank obtained a loan from CDB in the amount of US$10,000,000 (EC$27,000,000) for a period of 11 years with a two–year moratorium. The loan is payable in 36 equal or approximately equal and consecutive quarterly instalments from the first due date after the expiry of the two (2) year moratorium. Under the terms of the loan agreement between CDB and the Bank, CDB has the right to increase or decrease the rate of interest payable on the loan. The loan is secured by first fixed and floating charges over the Bank's assets. The interest rate on the loan was decreased from 4.10% to 3.90% (2014: 3.83% to 4.10%) during the financial year. The interest incurred for the year ended March 31, 2015 amounted to $641,531 (2014: $756,113) and is payable quarterly.

(expressed in Eastern Caribbean dollars)

13 Borrowings*…continued*

The exposure of the Bank's borrowings to interest rate changes and the contractual re-pricing dates at the end of the reporting period are as follows:

Maturity analysis

	2015 $	2014 $
6 months or less	**750,000**	750,000
6–12 months	**2,250,000**	2,250,000
1–5 years	**12,000,000**	15,000,000
	15,000,000	18,000,000

The breakdown of interest payable is as follows:

	2015 $	2014 $
Bonds interest payable	**1,096,847**	1,814,720
Long–term loan interest payable	**146,250**	184,500
	1,243,097	1,999,220

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

	2015 $	2014 $
Capitalised bond issue costs		
Balance at beginning of year	**550,730**	420,598
Additions	**118,748**	444,573
	669,478	865,171
Less: amortization for year	**(366,451)**	(314,441)
Balance at end of year	**303,027**	550,730
Transaction costs on other borrowed funds		
Balance at beginning of year	**143,895**	168,216
Less: amortization for year	**(24,320)**	(24,321)
Balance at end of year	**119,575**	143,895
	422,602	694,625

(expressed in Eastern Caribbean dollars)

13 Borrowings*...continued*

Breakdown of capitalised bond issue costs	2015 $	2014 $
3–year bond maturing on March 26, 2017 bearing interest at a rate of 4%	**76,763**	116,030
1–year bond maturing on July 2, 2015 bearing interest at a rate of 2.75%	**59,897**	–
3–year bond maturing on July 1, 2016 bearing interest at a rate of 3.75%	**57,040**	133,547
4–year bond maturing on January 30, 2017 bearing interest at a rate of 3.75%	**46,536**	71,920
4–year bond maturing on January 30, 2016 bearing interest at a rate of 4%	**26,213**	57,669
4–year bond maturing on September 28, 2016 bearing interest at a rate of 4%	**19,703**	32,828
2–year bond maturing on July 2, 2015 bearing interest at a rate of 3.749%	**16,875**	109,744
3–year bond maturing on July 1, 2014 bearing interest at a rate of 4.72%	–	14,492
3–year bond maturing on August 26, 2014 bearing interest at a rate of 4.497%	–	13,106
12–year bond maturing on June 14, 2014 bearing interest at a rate of 5.9%	–	1,394
Total	**303,027**	550,730

Capitalised bond issue costs
The bond issue costs are being amortised over the duration of the life of the respective bonds ranging from one (1) to four (4) years (2014: three (3) to twelve (12) years) which carry an interest rate ranging from 2.75% to 4% (2014: 3.749% to 6%).

Transaction costs on other borrowed funds
The costs associated with the negotiation of other borrowings are being amortized over the tenure of the funds acquired.

14 Accrued expenses and other liabilities

	2015 $	2014 $
Accrued expenses	**261,444**	134,487
Other liabilities	**11,623**	1,124,710
	273,067	1,259,197

(expressed in Eastern Caribbean dollars)

15 Dividends

At the Annual General Meeting on September 27, 2014, dividends of $10.00 were approved amounting to $2,687,490 (2014: $2,687,490).

Dividends paid during the financial year amounted to $2,487,490 (2014: $2,487,490). The Dividends payable balance of $600,000 at March 31, 2014, includes $200,000 relating to each of 2014, 2013 and 2012. In 2015, management took the decision to offset dividends payable for CLICO Barbados against a balance receivable for term deposits held with the Bank in the amount of $5,000,000. The principal balance of the investment is now reflected as $4,200,000 (2015: $5,000,000).

16 Share capital

The Bank is authorised to issue 400,000 (2014: 400,000) ordinary shares of no par value.

As of March 31, 2015, there were 268,749 (2014: 268,749) ordinary shares of no par value issued and outstanding.

	Number of shares	**2015 $**	**2014 $**
Class A	**66,812**	**9,189,920**	9,189,920
Class B	**51,178**	**7,562,200**	7,562,200
Class C	**80,181**	**11,062,800**	11,062,800
Class D	**70,578**	**9,185,020**	9,185,020
	268,749	**36,999,940**	36,999,940

The Bank has adopted the provisions of the Grenada Companies Act No. 35 of 1994, which requires companies to issue shares without nominal or par value. Under Article 29 – Capital Structure of the Eastern Caribbean Home Mortgage Bank Act, (1) Subject to Article 30, the authorized shares capital of the Bank is $40,000,000 divided into 400,000 shares of the $100 each, in the following classes:

(a) 100,000 Class A shares which may be issued only to the Central Bank;
(b) 60,000 Class B shares out of which 40,000 may be issued only to the Social Security Scheme or National Insurance Board and 20,000 to any Government owned or controlled commercial bank;
(c) 80,000 Class C shares which may be issued only to commercial banks, other than a Government owned or controlled commercial bank;
(d) 40,000 Class D shares which may be issued only to insurance companies and credit institutions;
(e) 40,000 Class E shares which may be issued only to the International Finance Corporation; and
(f) 80,000 Class F shares which may be issued only to the Home Mortgage Bank of Trinidad and Tobago.

(expressed in Eastern Caribbean dollars)

17 Reserves

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

The Bank previously maintained a Building Reserve which was established for the purpose of a future headquarters building. However during the previous year, the Board of Directors approved the transfer of the Building Reserve to Portfolio Risk Reserve to further provide cover against general risk associated with the secondary mortgage market, which is the primary purpose of the Portfolio Risk Reserve.

18 Interest income

	2015 $	2014 $
Mortgage loans portfolio	**8,648,317**	14,775,276
Term deposits	**5,453,247**	5,064,364
Government bonds	**768,959**	–
Bank deposits	**584,625**	850,424
Treasury bills	**5,998**	–
	15,461,145	20,690,064

19 Interest expense

	2015 $	2014 $
Bonds in issue	**7,928,735**	11,365,502
CDB loan	**641,531**	756,112
	8,570,266	12,121,614

(expressed in Eastern Caribbean dollars)

20 Other income

	2015 $	2014 $
Mortgage underwriting seminar income	**153,000**	169,260
Mortgage underwriting seminar expenses	**(121,807)**	(127,636)
	31,193	41,624
Other income	**2,475**	–
Loss on disposal of equipment	–	(632)
	33,668	40,992

21 General and administrative expenses

	2015 $	2014 $
Salaries and related costs	**1,115,164**	1,353,334
Rent	**51,386**	51,386
Credit rating fee	**40,754**	53,909
Internal audit fees	**37,800**	35,726
Telephone	**31,793**	40,501
Commission and fees	**31,350**	-
Office supplies	**26,027**	18,172
Printing and stationery	**12,731**	21,884
CEO’s travel	**11,718**	3,722
Dues and subscriptions	**10,605**	12,779
Repairs and maintenance	**10,474**	7,574
Computer repairs and maintenance	**10,165**	11,575
Insurance	**9,976**	11,500
Airfares	**9,133**	21,678
Advertising/promotion	**8,929**	10,494
Hotel accommodation	**8,874**	13,591
Legal and professional	**3,316**	73,293
Courier services	**2,610**	4,509
Home ownership day	–	32,131
Consultancy	–	(1,718)
Others	**40,855**	17,245
	1,473,660	1,793,285

(expressed in Eastern Caribbean dollars)

22 Other operating expenses

	2015 $	2014 $
Amortization	**390,771**	338,763
Directors fees	**378,190**	337,631
Sundry expenses	**107,960**	131,302
Depreciation (note 11)	**89,741**	84,082
Audit fees	**54,138**	53,417
Foreign currency losses	**35,437**	3,634
Trustee fee	**21,000**	(21,999)
Intangible amortisation (note 12)	**9,422**	3,141
Over provision of bond related legal fees	**–**	(40,900)
	1,086,659	889,071

23 Earnings per share (EPS)

Basic and diluted EPS are computed as follows:

	2015 $	2014 $
Net profit for the year	**3,458,819**	4,361,985
Weighted average number of shares issued	**268,749**	268,749
Basic earnings per share	**12.87**	16.23

The Bank has no dilutive potential ordinary shares as of March 31, 2015 and 2014.

24 Contingent liabilities and capital commitments

The Budget as approved by the Board of Directors does not include capital expenditure for the year ended March 31, 2016 (2014: $74,600). There were no outstanding contingent liabilities as of March 31, 2015 (2014: Nil).

(expressed in Eastern Caribbean dollars)

25 Related party transactions

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

The ECCB, which provided material support to the Bank in its formative years, holds 24.9% of its share capital and controls the chairmanship of the Board of Directors. Additionally, the Bank is housed in the complex of the ECCB at an annual rent of $51,386.

Compensation of key management personnel

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

	2015	**2014**
	$	**$**
Short–term benefits	**511,116**	511,287
Director fees	**142,500**	142,500
Post–employment benefits	–	9,188
	653,616	662,975

ECSE's LIST OF LICENSED INTERMEDIARIES

MEMBER INTERMEDIARIES

INSTITUTION	CONTACT INFORMATION	ASSOCIATED PERSONS
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** Petronella Edmeade-Crooke Angelica Lewis Marlene Nisbett
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** Brian Carey Kelva Merchant **Representatives** Vernesia Walters Lisa Herbert Judy Claxton
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 Dianne Augustin **Representatives** Deesha Lewis Lawrence Jean
First Citizens Investment Services Limited	John Compton Highway Sans Souci Castries **Tel: 758 450 2662** Fax: 758 451 7984 Website: http://www.firstcitizensslu.com/ E-mail : stlucia@firstcitizenslu.com	**Principals** Carole Eleuthere-Jn Marie **Representative** Samuel Agiste Shaka St Ange

INSTITUTION	CONTACT INFORMATION	ASSOCIATED PERSONS
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 **Representatives** Patricia John Laurent Hadley Chez Quow