Schedule 1

FORM ECSRC – K

ANNUAL REPORT
PURSUANT TO SECTION 98(1) OF THE SECURITIES ACT

For the financial year ended **31st March 2017**

Issuer Registration number **HMB160990GR**

Eastern Caribbean Home Mortgage Bank (ECHMB)
(Exact name of reporting issuer as specified in its charter)

GRENADA
(Territory of incorporation)

Eastern Caribbean Central Bank (ECCB) Complex, Bird Rock Road, Basseterre, St. Kitts
(Address of principal office)

Reporting issuer's:

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

Fax number: **1-(869) 466-7518**

Email address: **info@echmb.com**

(Provide information stipulated in paragraphs 1 to 14 hereunder)

Indicate whether the reporting issuer has filed all reports required to be filed by section 98 of the Securities Act, Cap. 21.16 during the preceding 12 months

Yes **X** No______

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

CLASS	NUMBER
Class A	66,812
Class B	51,178
Class C	80,181
Class D	70,578
TOTAL	**268,749**

SIGNATURES

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

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

Name of Chief Executive Officer:

Randy Lewis

Signature

26 September 2017

Date

Name of Director:

Timothy Antoine

Signature

October 02, 2017

Date

Name of Chief Financial Officer:

Shanna Herbert

Signature

Sept 26, 2017

Date

INFORMATION TO BE INCLUDED IN FORM ECSRC-K

1. Business.

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

The principal remit of the ECHMB during the 2017 financial year is as follows:

1. **to establish and maintain an organized regional Secondary Market for Mortgages,**
2. **to increase the availability of mortgage credit, and**
3. **to provide liquidity and flexibility to primary lenders in the territories of the participating Governments.**

It is therefore apparent from point (1) to (3) above, that the sustainability of the Secondary Mortgage Market or the ECHMB's principal remit is contingent on the level of liquidity on the Primary Mortgage Market. During the 2017 financial year, excess liquidity in the Primary Mortgage Market continued to absolve Primary Lenders of the requirement to finance growth in their mortgage loans portfolio from the sale of mortgages to the Secondary Mortgage Market. As a matter of fact, Primary Lenders used their excess liquidity to repurchase the mortgage portfolios, sold on the secondary market.

Given current developments in the Secondary Mortgage Market, it was the view of those charged with governance that the philosophic underpinnings and objectives of the ECHMB required reassessment. Accordingly, an introspection was undertaken of the ECHMB to determine the relevance of Bank's mission, vision, and role in the financial space.

The future plans of the ECHMB are as follows:

- **Pursuing a growth agenda through expansion of the money & capital market and development of the secondary mortgage industry in the ECCU.**
- **Increasing the range of products and services offered by the Bank.**
- **Extending the Bank's target market to the wider Caribbean, USA and Europe.**
- **Strengthening the corporate governance structure, policies and functional structure of the Bank.**
- **Rebranding of the ECHMB.**

The ECHMB's new income model has shifted the Bank's principal interest generating assets from Cash and Cash Equivalents and Mortgage Loans to Investments Securities. The Bank's Assets under Management are now placed in several jurisdictions with varying risk profiles.

The ECHMB's focus is on filling the gaps for short-term corporate instruments on the Eastern Caribbean Securities Market. This is imperative to absorb the increasing liquidity in the ECCU.

During the 2018 financial year, it is our intent to introduce a repurchase agreement programme to the ECCU.

2. **Properties.**

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

ECHMB does not own any properties.

3. **Legal Proceedings.**

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

There were no pending legal proceedings during the period under review.

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

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

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

ECHMB's 21st Annual General Meeting (AGM) held in Saint Lucia on 7th November 2016.

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

The following directors were elected at the ECHMB's 21st AGM, held in Saint Lucia on 7th November 2016:

- **Mr. Timothy N. J. Antoine – Class A;**
- **Mrs. Missi P. Hendrickson – Class B;**
- **Mr. Peter Blanchard – Class C;**
- **Ms. Sharmaine Francois – Class C;**
- **Mr. Dexter Ducreay – Class D.**

The following directors retired at the ECHMB's 21st AGM, held in Saint Lucia on 7th November 2016:

- **Hon. Sir. K. Dwight Venner – Class A;**
- **Mrs. Missi P. Hendrickson – Class B;**
- **Mr. Gordon Derrick – Class C.**
- **Ms. Sharmaine Francois – Class C;**
- **Mr. Dexter Ducreay – Class D.**

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

The following matters were voted upon at the AGM held 7th November 2016:

- **The directors listed in Section 7.1(b) were elected to the Board of the ECHMB;**
- **A dividend of $7.50 per share was declared;**
- **The Auditors, Grant Thornton, retire and being eligible for re-election were re-elected to serve as auditors for the ensuing year.**

All matters approved were done via majority vote.

The details of the number of votes cast for or against and abstentions are not available.

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

There were none during the review period.

(e) Relevant details of any matter where a decision was taken otherwise than at a

There were none during the review period.

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

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

There was no change in number of shares in issue during the financial year ended 31st March 2017.

6. Financial Statements and Selected Financial Data.

Attach Audited Financial Statements, which comprise the following:

<u>For the most recent financial year</u>

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

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

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

*** 2017 Annual Report (containing comparative 2016 information) and 2015 Annual Report are attached.**

7. Disclosure about Risk Factors.

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

There were no events occurring during the period under review which meet the stated criteria.

8. Changes in Securities and Use of Proceeds.

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

There were no changes in registered securities and use of proceeds during the period under review.

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

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

Not applicable

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

Not applicable

- Name and address of underwriter(s)

Not applicable

- Amount of expenses incurred in connection with the offer

Not applicable

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

Not applicable

- Payments to associated persons and the purpose for such payments

Not applicable

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

There were no restrictions during the period under review.

9. **Defaults upon Senior Securities.**

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

The ECHMB has not defaulted on any of its payment obligations as specified in Section (a).

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

A dividend of $7.50 per share was approved at the Annual General Meeting held 7th November 2016 with respect to financial year ended 31st March 2016. Dividend payments totaling $2.02M were processed in February 2017.

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

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

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

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

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

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

General Discussion and Analysis of Financial Condition

See appended Management Discussion and Analysis Section of the 2017 Annual Report.

This Management's Discussion and Analysis (MD&A) is presented to enable the shareholders to assess material changes in the financial condition and operating results of ECHMB for the year ended 31st March 2017, compared with the corresponding period in previous years. This MD&A should be read in conjunction with our audited Financial Statements and related Notes for the year ended 31st March 2017. Unless otherwise indicated, all amounts are expressed in Eastern Caribbean Dollars and have been primarily derived from the Bank's Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

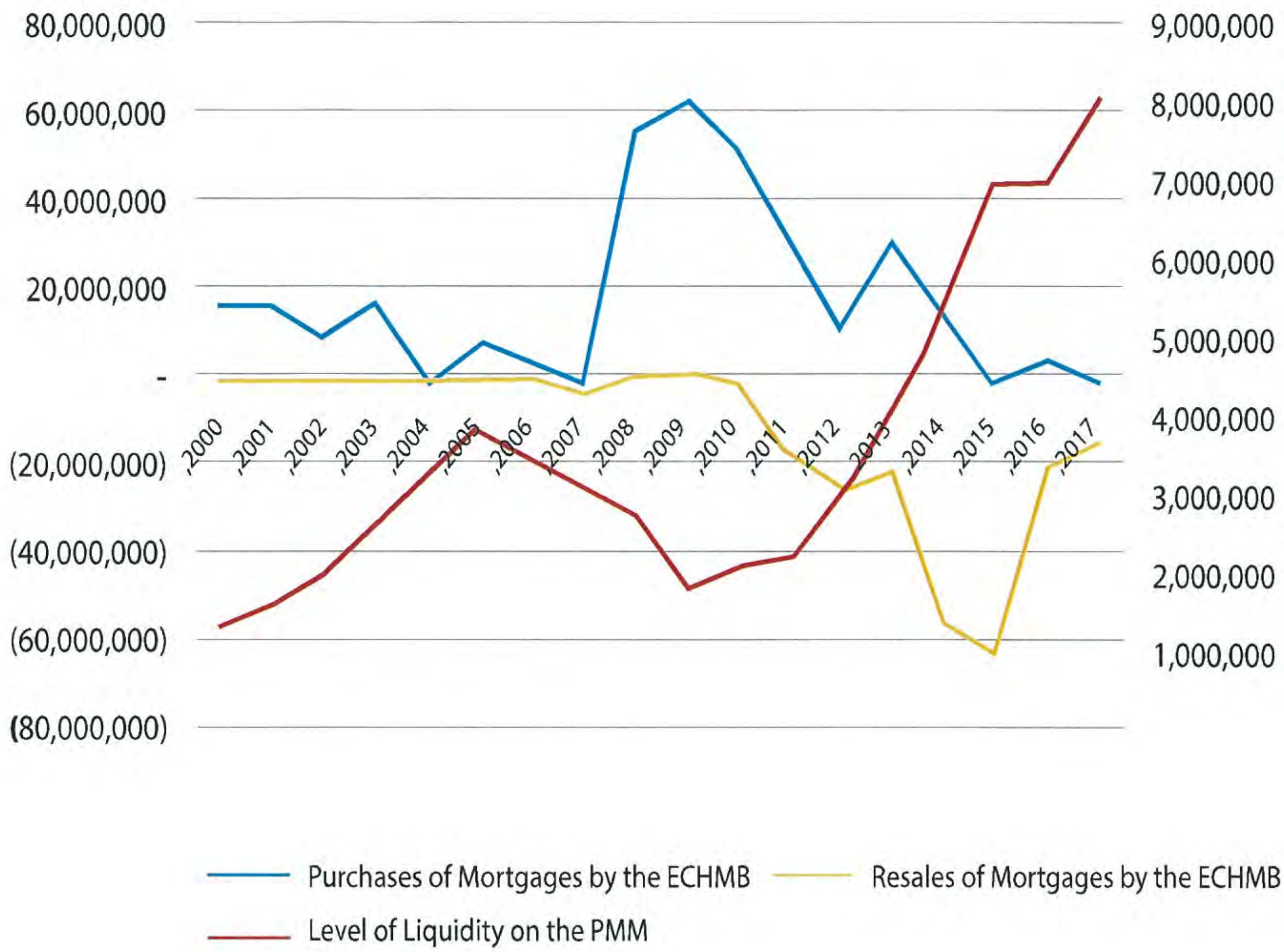
Summary of 2017 Financial Results

- Cash and Cash Equivalents declined from \$43.43m in 2016 to \$6.70m in 2017.
- Investment Securities increased from \$150.13m in 2016 to \$204.16m in 2017.
- Interest income declined by \$1.28m (10.31%) from \$12.42m in 2016 to \$11.14m in 2017. This was mainly attributed to the \$1.74m (35.88%) decline in income from the Mortgage Loans Portfolio.
- Repaid high cost borrowings totaling \$4.34m.
- Borrowings declined by \$4.89m (2.58%) from \$189.55m reported in 2016 to S184.66m in 2017.
- Rolled over corporate papers totaling \$184.1m at a weighted average interest rate of 2.02%.
- Interest Expense declined by \$1.73m (26.53%) from \$6.52m reported in 2016 to \$4.79m in 2017
- Non-interest Expenses increased marginally by \$0.02m (0.58%) from \$3.44m in 2016 to \$3.46m in 2017.
- Net Profit for the Year was reported at \$3.06m, representing an increase of \$0.56m (22.40%) when compared to the \$2.50m reported in 2016.
- Return on Assets under Management increased from 1.01% in 2016 to 1.25% in 2017.
- Paid dividends of \$7.50 per share; this resulted in the retention of Net Profit for the Year of \$3.88 per share. As a result, Total Equity increased from \$58.11m in 2016 to \$59.16m in 2017.

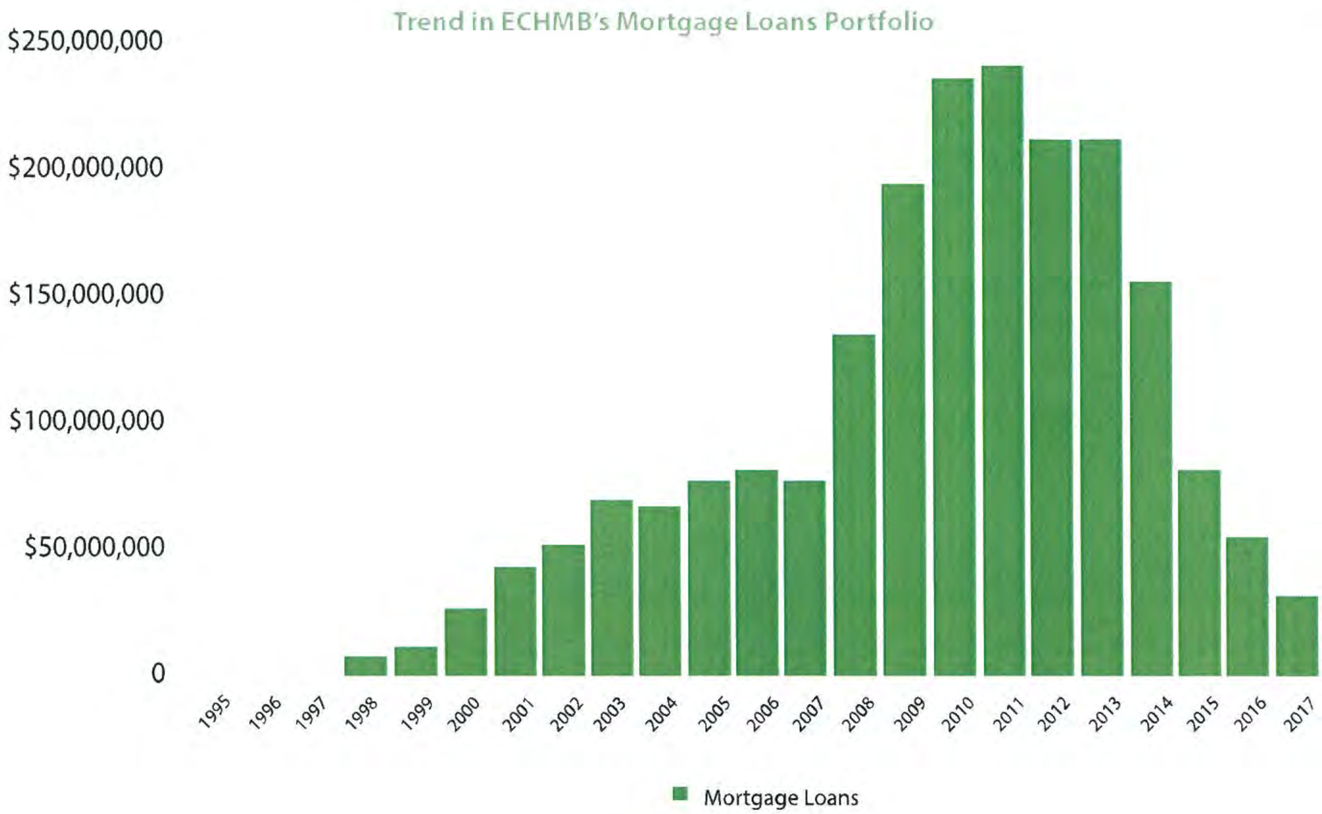
Overview of ECHMB's Original Business Model

The ECHMB was created to provide liquidity support to financial institutions engaged in mortgage lending on the Primary Mortgage Market ("PMM") in the Eastern Caribbean Currency Union ("ECCU"). The intent was to create an organized Secondary Mortgage Market ("SMM") to avail funds to increase the inventory of houses in the ECCU. The demand for ECHMB's products is contingent on the level of liquidity on the PMM. The graph on page 20 shows the interrelationship between the level of liquidity on the PMM and purchase and resale of mortgages by the ECHMB.

Interrelationship between demand for ECHMB's Products and the levels of liquidity on the PMM

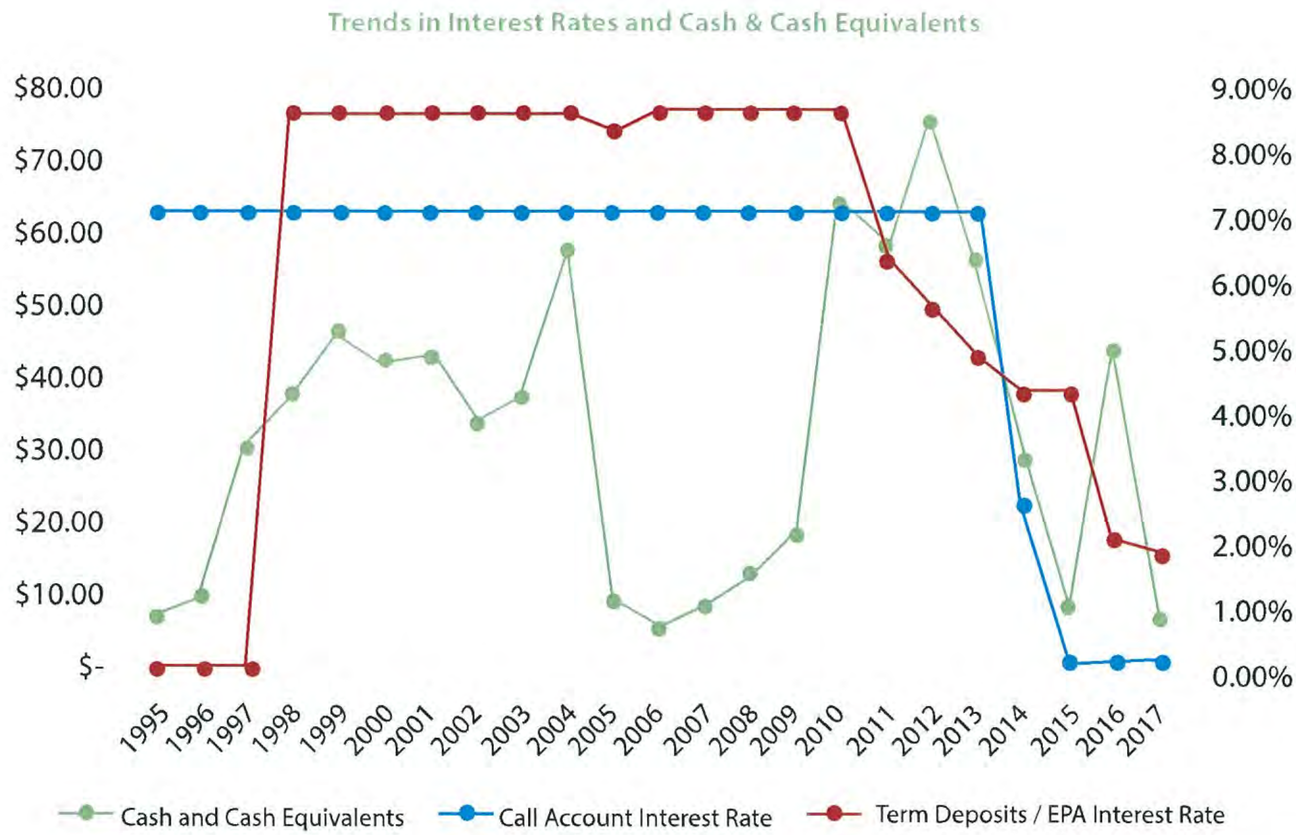


During periods 2008 to 2011, the PMM experienced declining liquidity and this created the opportunity for the ECHMB to purchase mortgages totaling $197.10m. The acquisitions resulted in growth of the Bank's Mortgage Loans Portfolio to $228.0m at the sojourn of the 2011 financial year. However, when liquidity rebounded from fiscal 2012, the ECHMB was required to resell mortgages totaling $180.86m; this resulted in the decline in the Bank's Mortgage loans Portfolio to $31.40m in 2017. The trend in ECHMB's Mortgage Loans Portfolio is displayed on page 21.



Current trends in customers' deposits and loans in the banking system in the ECCU suggest that liquidity is likely to continue to increase on the PMM. Given the interrelationship between liquidity on the PMM and sale of mortgages to the SMM, it is probable that the demand for liquidity from the ECHMB will continue to decline. Likewise, it is also plausible that Primary Lenders will continue to repurchase their mortgages from the ECHMB.

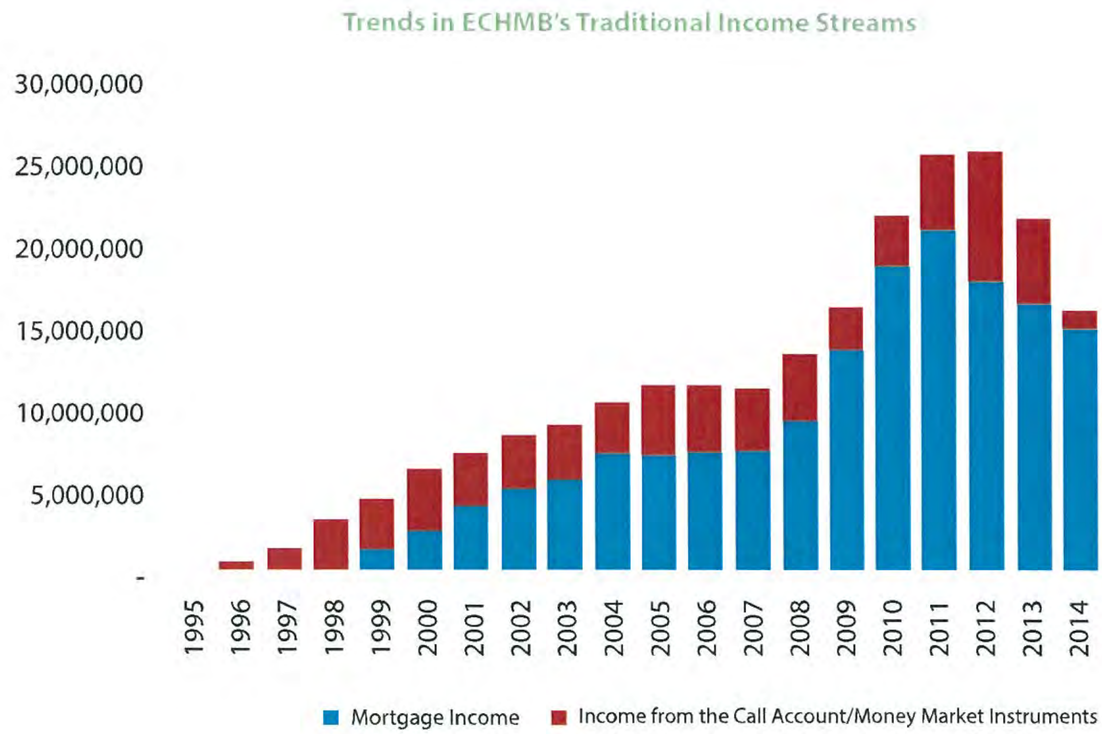
Apart from the Mortgage Loans Portfolio, the ECHMB generated interest income from the placement of Cash and Cash Equivalents on call, Repurchase Agreements and term deposits. Initially, the ECHMB received a 7.0% coupon on cash held on call; however, during the 2013 financial year, the coupon rate on the Bank's call account declined from 7.0% to 2.5%. In 2014, the coupon rate was further lowered from 2.5% to 0.1%. The ECHMB mitigated the declining coupon rate on its call accounts by investing Cash and Cash Equivalents in term Deposits over longer tenures. The current yield on term deposits at commercial banks in the ECCU approximates 1.75%.



Impact of the Market Conditions on the ECHMB's Business Model

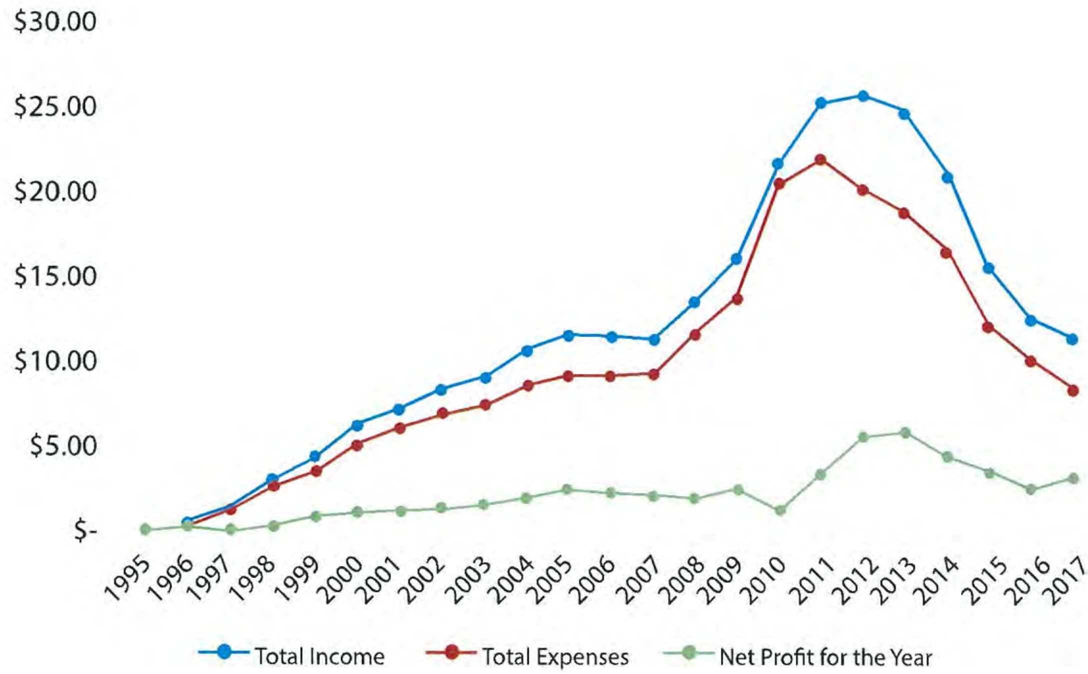
Notwithstanding the declining trend on the yield on the Bank's Cash and Cash Equivalents, the ECHMB reported cash inflows totaling $158.60m from the 2014 financial year. Due to the scarcity of investment grade instruments in the ECCU, the Bank took the decision to reduce Assets under Management by redeeming bonds totaling $65.90m during the 2015 financial year; this was imperative to avoid generating a negative interest spread on Cash and Cash Equivalents.

In summary, ECHMB's original business model has become obsolete. This is attributed to excess liquidity in the PMM which precludes the need for Primary Lenders to generate liquidity from the sale of mortgages; declining interest rates on Assets under Management; and a scarcity of investment grade sovereign and corporate instruments in the ECCU. It therefore follows that the ECHMB can no longer rely on its traditional markets and business lines for growth.



It was evident that the rate of change in the ECHMB's environment exceeded the rate of change of the Bank's business model. It was therefore imperative that Management implement strategies to ensure that the Bank remained a viable going concern.

Trend in Income, Total Expenses and Net Profit for the Year

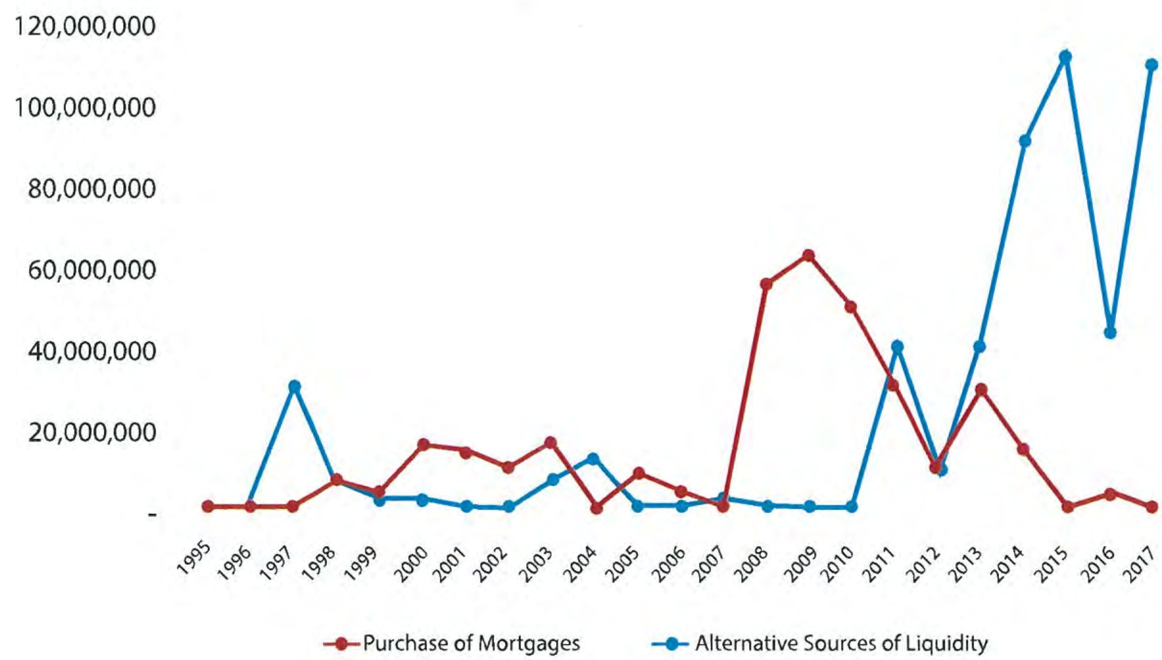


Due to the declines in the Bank's traditional sources of interest income, the graph shows the ECHMB preserved its profitability through the containment of Total Expenses.

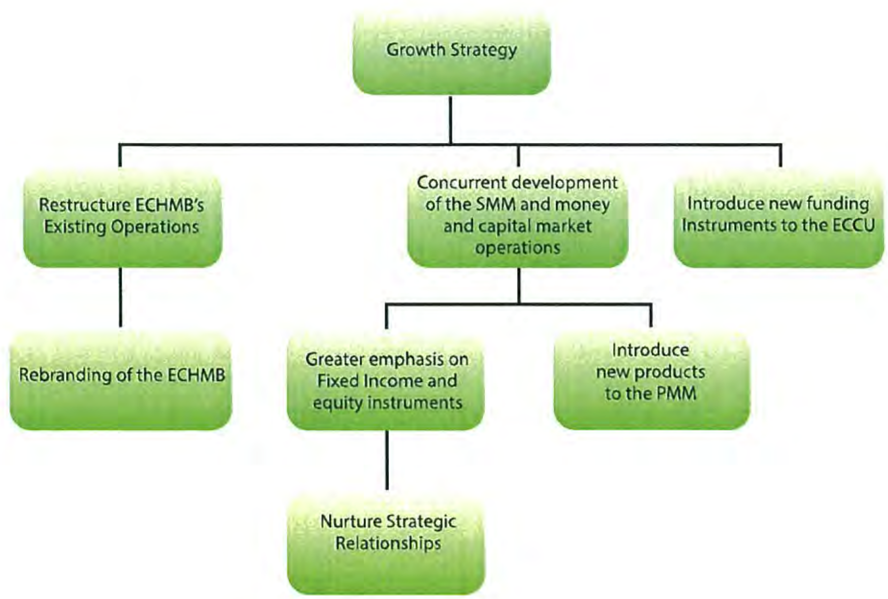
Creating Pathways to Growth and Profitability

An introspection was undertaken to determine the relevance of ECHMB's incumbent mission, vision, goals and raison d'être. It was unanimous that the ECHMB needed to diversify from the SMM. The graph on page 25 shows that over the preceding five (5) years, Primary Lenders demand for liquidity from the disposal of their mortgages has declined. Conversely, their demand for other products from the ECHMB has increased.

Patterns of demand for Mortgages and other products from the ECHMB



ECHMB recognizes the changing patterns of demand from the PMM and during the 2017 financial year, a new income model was introduced. The objective was to boost the Bank's viability through the concurrent development of the SMM and money and capital market business lines. The Bank's new strategy is designed to fill the financial gaps in the money and capital market in the ECCU for both corporate and individual investors. A synopsis of our plans is illustrated below:



Some of the initiatives implemented as a result of our new strategic thrust were as follows:-

- Revision of the Investment Policy Statement
- Strategic relationships with brokers domiciled in the USA and the Caribbean
- Introduction of new mortgage products.
- Diversification of the investment portfolio to include equity
- Revision of the functional structure of the Bank.
- Appendage Risk Management oversight to the Audit Committee

The new strategic thrust of the ECHMB has provided the impetus for the Bank to resuscitate its growth strategy and reduce concentration risk. The Bank's Assets under Management are now placed in jurisdictions with different systematic risk profiles to the ECCU. More importantly, the ECHMB has reduced its dependence on the SMM.

New Income Model

Our new income model has shifted the Bank's principal interest generating assets from Cash and Cash Equivalents and Mortgage Loans to Investment Securities. The Bank's Investment Securities Portfolio increased from $150.13m in 2016 to $204.16m in 2017. Conversely, low yielding Cash and Cash Equivalents declined from $43.43m in 2016 to $6.70m in 2017. In order to accord with our new income model, the functional structure of the Bank was reconfigured. This resulted in the replacement of the Mortgage and Research Departments with Investment and Treasury Departments.

The Bank's emphasis on Investments is beginning to stabilize the declining trend in Interest Income. During the 2017 financial year, Interest Income declined by $1.28m (10.31%) from $12.42m in 2016 to $11.14m in 2017. The decline in Interest Income was mainly attributed to the $1.74m (35.88%) decline in income from the Mortgage Loans Portfolio. This compares favorably to the 2016 financial year where Interest Income declined by $3.80m (43.93%). In accordance with our new income model, Interest Income from investments accounted for 72.08% of Total Interest Income in 2017 compared with 60.95% in 2016.

(EC$ in millions, except as noted)				Change from 2016
31st March 2017	**2017**	**2016**	**2015**	%
Term deposits	4.10	5.04	5.45	**-18.65%**
Mortgage loans portfolio	3.11	4.85	8.65	**-35.88%**
Government bonds	2.42	2.37	0.77	**2.11%**
Quoted bonds	1.07	-	-	**100.00%**
Treasury bills	0.42	0.12	0.01	**250.00%**
Bank deposits	0.02	0.04	0.58	**-50.00%**
	11.14	**12.42**	**15.46**	**-10.31%**

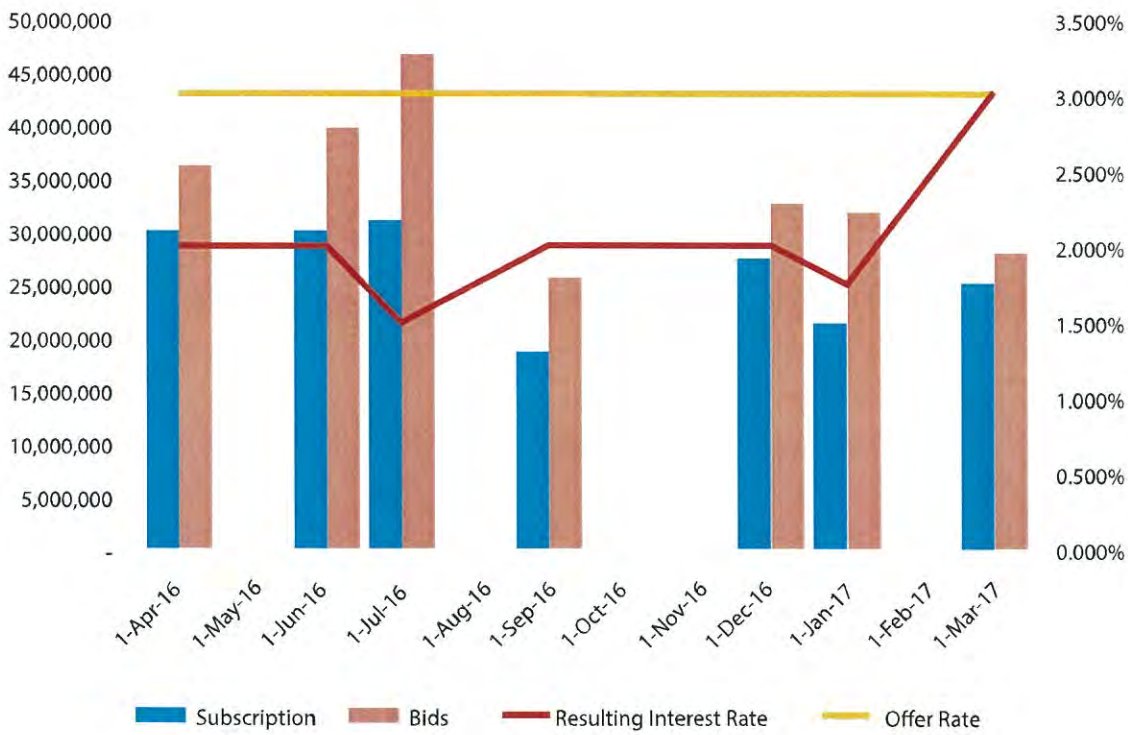
ECHMB's income from traditional sources of Term Deposits, the Mortgage Loans Portfolio and Bank Deposits have declined over the preceding three (3) years; however, the ECHMB continues to record growth in income from investments in sovereign and corporate bonds.

Interest Expense

The ECHMB continued the strategy of issuing short-term instruments via competitive bid auction utilizing the platform of the Eastern Caribbean Securities Exchange. The Bank auctioned seven (7) corporate papers totaling $184.1m with a tenure of 365 days. Total bids amounted to $239.94m, resulting in an oversubscription of $55.84m. The corporate papers were issued at a weighted average coupon rate of 2.02%.

The success of the ECHMB's auctions is predicated on the Bank's ability to preserve its investment grade credit ratings. In 2017, the ECHMB maintained its CariBBB+ Foreign currency ratings and local currency ratings on issue size of US$30.0m. ECHMB's credit ratings are assessed as adequate by CariCRIS.

ECHMB Funding Activities 2016/2017



The ECHMB has also continued the strategy of redeeming high cost, long-term Borrowings from the proceeds of low yielding Cash and Cash Equivalents. In 2017, the Bank repaid high cost Borrowings totaling $4.34m. Total Borrowings declined by $4.89m (2.58%) from $189.55m in 2016 to $184.66m in 2017. The dual strategy of rolling over short-term instruments at a lower coupon rate, plus redemption of high cost long-term Borrowings, have resulted in the decline in Interest Expense by $1.73m (26.53%), from $6.52m in 2016 to $4.79m in 2017.

(EC$ in millions, except as noted)				Change from 2016
31st March 2017	**2017**	**2016**	**2015**	%
Bonds in issue	4.79	6.23	7.93	**23.11%**
CDB loan	-	0.29	0.64	**100.00%**
	4.79	**6.52**	**8.57**	**26.53%**

Net Interest Income

ECHMB's Net Interest Income or the difference between Interest Income ($11.14m) and Interest Expense ($4.79) was reported at $6.35m (57.00%) compared to $5.90m (47.50%) in 2016. The improved Net Interest Income Percentage is attributed to the lower cost of funding the Bank's operations.

(EC$ in millions, except as noted)				Change from 2016
31st March 2017	**2017**	**2016**	**2015**	%
Interest income	11.14	12.42	15.46	**-10.31%**
Interest expense	(4.79)	(6.52)	(8.57)	**26.53%**
Net interest income	**6.35**	**5.90**	**6.89**	**7.63%**
Net Interest income percentage	**57.00%**	**47.50%**	**44.57%**	**20.00%**

Non-Interest Expenses

Non-Interest Expenses increased from $3.44m in 2016 to $3.46m in 2017. Salaries and Related Costs increased by $0.23m (19.83%); this was attributed to the recruitment of two (2) new employees plus redundancy costs associated with the elimination of the Mortgages and Research Departments. Other material increases included $33k (22.45%) associated with higher occupancy cost and $35k expended on hosting the Annual Home Ownership Event in Grenada.

Cost savings were mainly achieved in Mortgage Administration Fees which declined from $0.53m in 2016 to $0.25m in 2017; this was attributed to the savings from the resale of mortgages to Primary Lenders.

(EC$ in millions, except as noted)				Change from 2016
31st March 2017	**2017**	**2016**	**2015**	%
General and administrative	2.02	1.69	1.47	**-19.53%**
Mortgage Administrative fees	0.25	0.53	0.91	**52.83%**
Other operating	1.19	1.22	1.09	**2.46%**
	3.46	**3.44**	**3.47**	**0.58%**

Net Profit for the Year

Net Profit for the Year was reported at $3.06m, representing an increase of $0.56m (22.40%) when compared to the $2.50m reported in 2016.

On account of the increase in Net Profit for the Year, the ECHMB reported improved performance metrics in 2017. Earnings-per-share increased from $9.32 to $11.38 in 2017. Return on Assets under Management increased from 1.01% to 1.25% in 2017. The ECHMB retained Net Profit for the Year of $3.88 per share and as a result, Shareholders' Equity increased from $58.11m to $59.16m in 2017; this resulted in the increase in the Bank's Book-Value-Per Share to $220.12 in 2017.

Statement of Financial Position

Assets under Management declined from the $247.82m reported in 2016 to $244.17m in 2017. The $3.65m (1.47%) reduction in Assets under Management was attributed to the repayment of high cost Borrowings totaling $4.34m and the payment of dividends amounting to $2.02m, offset by the $1.05m (1.77%) increase in Shareholders' Equity.

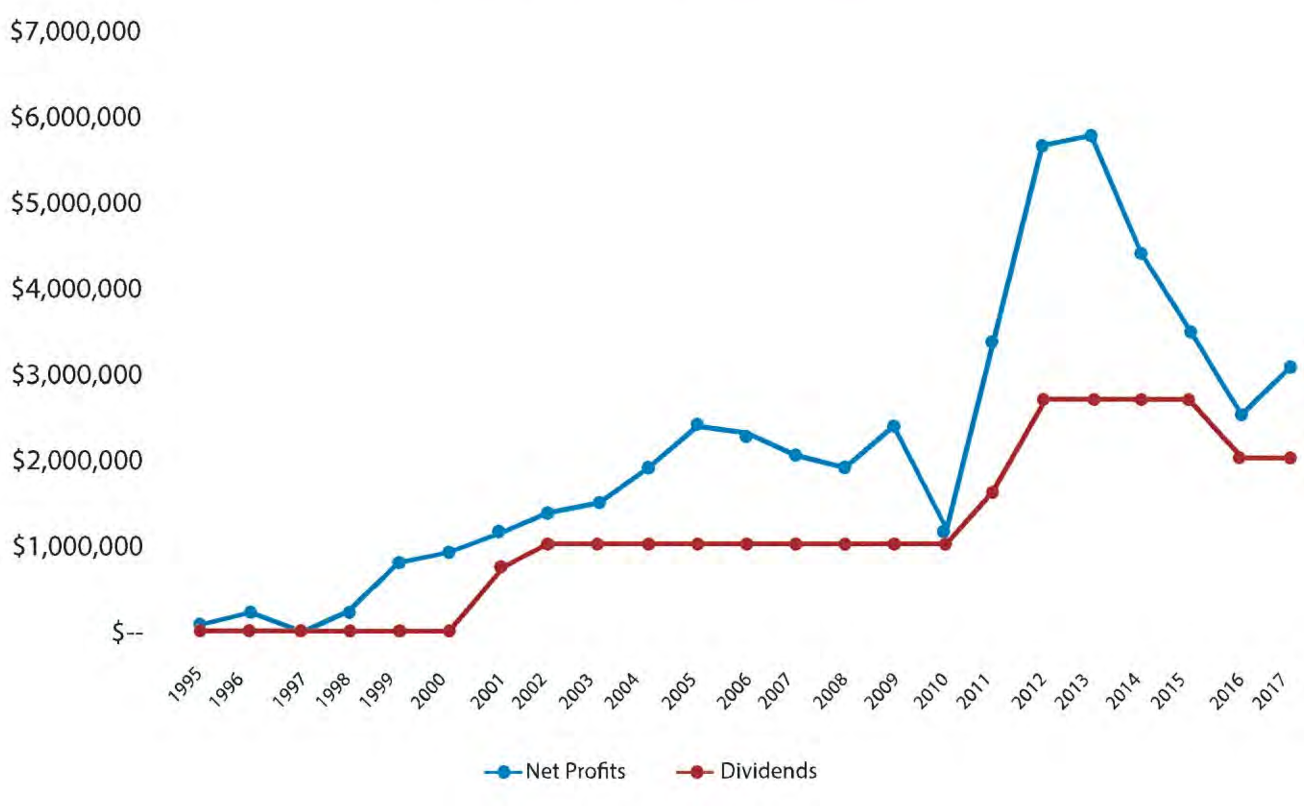
Non-interest earning assets totaled $2.02m or 0.83% of Assets under Management compared to $2.55m (1.03%) reported in 2016. Return on Assets increased from 1.01% in 2016 to 1.25% in 2017. Notwithstanding the foregoing, the shift in resources from higher yielding mortgage backed securities to investments has resulted in the decline in the Efficiency Ratio from 27.65% in 2016 to 31.06% in 2017.

The Debt-to-Equity Ratio improved from 3.26:1 in 2016 to 3:12:1 in 2017. The Board of Directors has stipulated a ceiling Debt-to-Equity Ratio of 8.0:1. The Ratio indicates that the ECHMB has the capacity to increase its debt capital by $288.34m (156.20%).

Dividend Policy

The ECHMB has generated Net Profit for the Year of $48.26m over twenty three (23) years since being established and has paid total dividends amounting to $26.13m. The prudent dividend policy has resulted in significant growth in Shareholders' Equity which totaled $59.16m in 2017; this translates to a Book Value per Share of $220.12. Initial investors in the ECHMB have potential capital gains of $120.12 or (120.12%) in 2017.

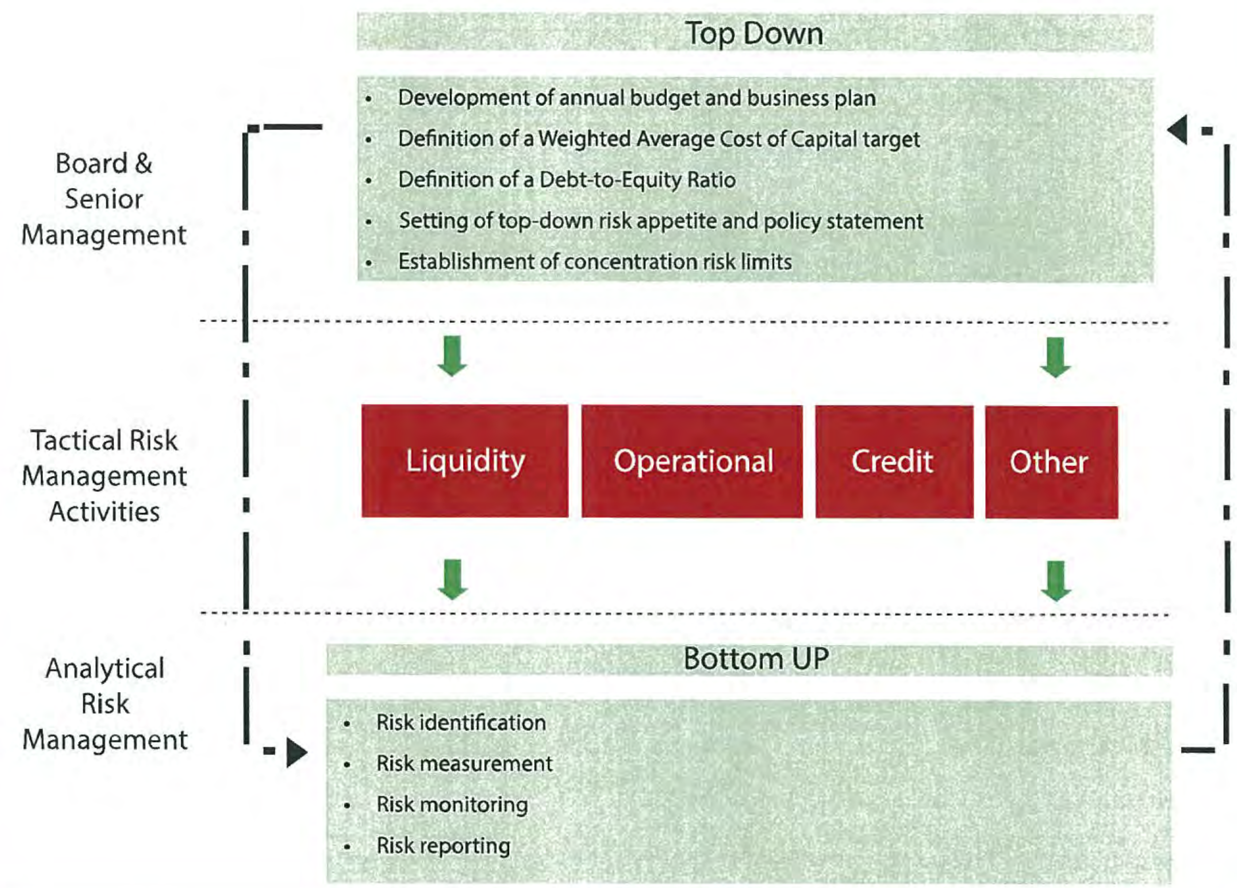
Trends in Net Profit and Dividends



Risk Management

Risk management is essential for the ECHMB to achieve its financial and operating objectives. The ECHMB has developed a Risk Management Framework (the "Framework") in a bid to ensure that its Senior Management propagates sound business practices which foster efficient and prudent management of its operations.

ECHMB's Risk Management Framework



The main objective of the Framework is to promote sound stewardship of the Bank. Other objectives of the Framework include:

- Establish and apply effective internal controls;
- Align the Bank's strategy and objectives with its risk tolerance;
- Adopt sound and prudent risk limits and management policies;
- Define the Bank's risk appetite and tolerance;
- Establish processes to continuously identify, understand and assess major risks; and
- Define the committees' roles and responsibilities regarding risk management.

The Framework defines the Bank's governance structure and risk management processes. Furthermore, the Framework enhances the Bank's integrated risk management strategy by strengthening its internal control structure and corporate governance. In essence, the Framework not only facilitates the identification of the risks the Bank faces but also provides the mechanism for the development and application of adequate and efficient internal controls to ensure that sound and prudent risk management strategies are implemented. The Bank's risk management process is closely tied to the strategic planning process from which the Bank's strategic and business plans are derived. Policies approved by the Board prescribe the tolerances, measures and responsibilities for each significant risk.

Risk Tolerance

Risk tolerance corresponds to implicit and acceptable variations relative to the Bank's risk appetite targets but can also reflect the level of risk when there is no direct benefit associated or when the risk is not aligned with benefits.

Risk Appetite

Risk taking is a necessary part of the Bank's business. The business strategies incorporate decisions regarding the risk and reward trade-offs the Bank is willing to make and the means with which it will manage and mitigate those risks. The Bank has determined a risk appetite, which is defined in the Framework, and continuously attempts to maintain a balance between its risk tolerance and risk capacity. The Audit and Risk Committee of the Board is responsible for the annual review and approval of the Bank's risk appetite. Risk appetite is defined as the level of risk the Bank is willing to accept to achieve its objectives, particularly when there is a benefit associated:

- It is a broad concept which describes the types of activities and risks the Bank is willing to develop; and
- It is defined in terms of performance targets, credit rating and debt-to-equity ratio

Risk capacity is determined by the availability of resources to assess and mitigate risk, as well as to absorb significant losses. The Bank's risk appetite statement can be summarized as a combination of:-

- strategic objectives: financial objectives, target debt-equity-ratio, growth target, business types; and
- a set of internal limits that define the Bank's risk tolerance (including regulatory constraints).

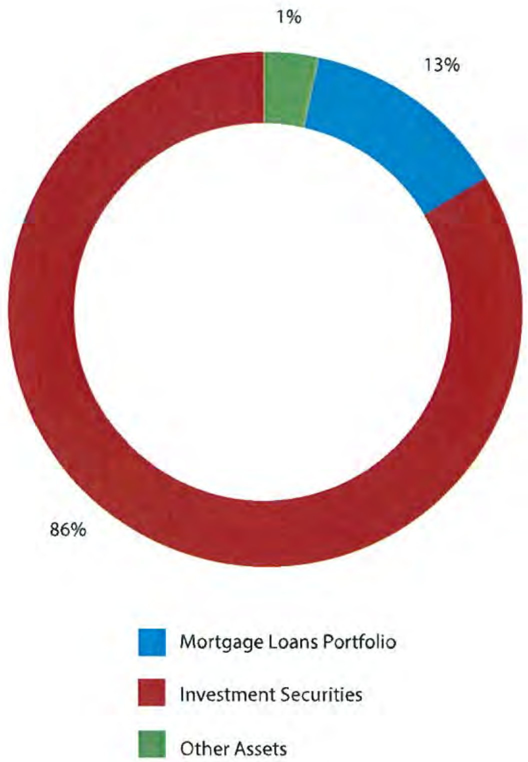
Business and Strategic Risk Management

Business risk is the potential adverse effect of changes in the economic, competitive, regulatory, or accounting environment on the Bank's results. Strategic risk results from inadequate business plans, strategies, decision-making processes, allocation and use of the Bank's resources. Senior Management is responsible for managing the Bank's business and strategic risks. On a triennial basis, strategic planning is carried out to analyze strengths, weaknesses, threats and opportunities in order to determine the profitability and risk profiles of the Bank's internal and external environments. The Bank's overall strategy is crafted by Senior Management and presented to the Board of Directors for approval.

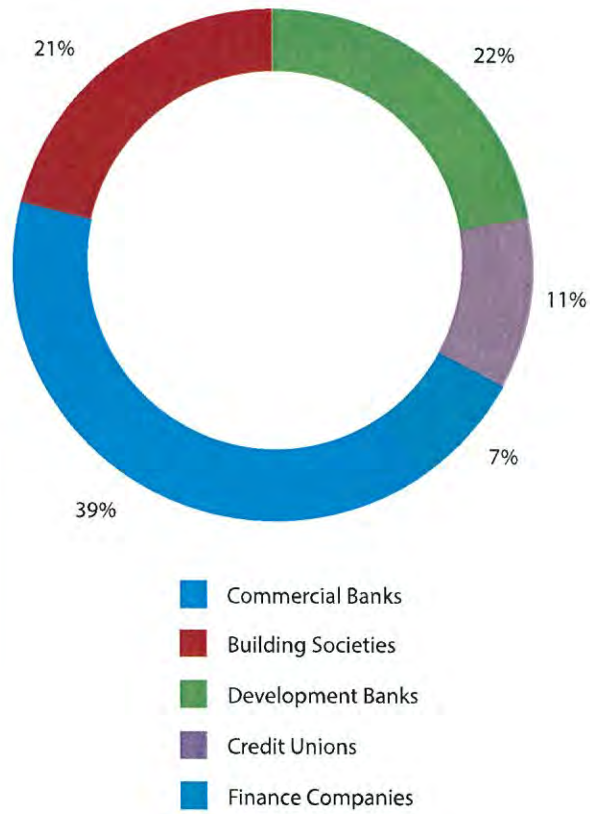
Credit Risk Management

Credit risk is the risk of a financial loss occurring if a debtor does not fully honour its financial obligations towards the Bank with regard to the Mortgage Loans Portfolio and/or Investment Securities. As shown in the graph on page 33, 99.0% of the ECHMB's Assets under Management are exposed to credit risk.

Assets under Management



Allocation of Mortgages by Institution



The Mortgage Loans Portfolio accounts for 13.0% of Assets under Management. The ECHMB through its automated eMIMS mortgage system undertakes monthly reconciliations of its Mortgage Loans Portfolio. These reconciliations monitor the performance of mortgage pools including changes in interest rate, lump sum payments, maintenance of adequate insurance coverage and defaults. The average Debt Service Ratio of each mortgage has been stipulated at 40.0%, with the Loan-to-value Ratio restricted to 90.0%. The monthly reconciliations are supplemented by annual reviews ("Reviews") of each Primary Lender. The Reviews cover the Primary Lender's financial conditions as well as the performance of the Mortgage Loans Portfolio. Primary Lenders are required to replace mortgages which are not in compliance with the Bank's underwriting standards. The graph shows the distribution of the Mortgage Loans Portfolio by institution.

Impaired loans

The ECHMB was not required to impair its Mortgage Loans Portfolio for the 2017 financial year. This is mainly attributed to the fact that mortgages are acquired with recourse. Notwithstanding the foregoing, 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 20.0% 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. During the 2014 financial year, the Board of Directors approved the transfer of the Building Reserve to the Portfolio Risk Reserve.

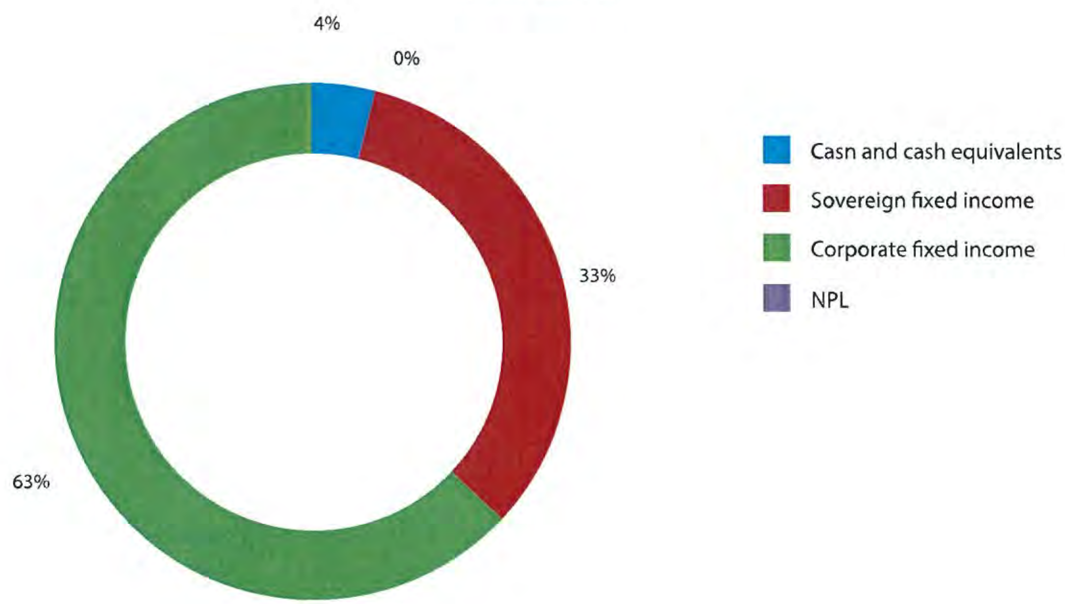
Cash and Cash Equivalents and Investment Securities

Cash and Cash Equivalents and Investment Securities account for 87.0% of ECHMB's Assets under Management. The primary objectives of the ECHMB's investment portfolio in order of priorities are as follows:

- safety and portfolio diversification;
- liquidity; and
- yield.

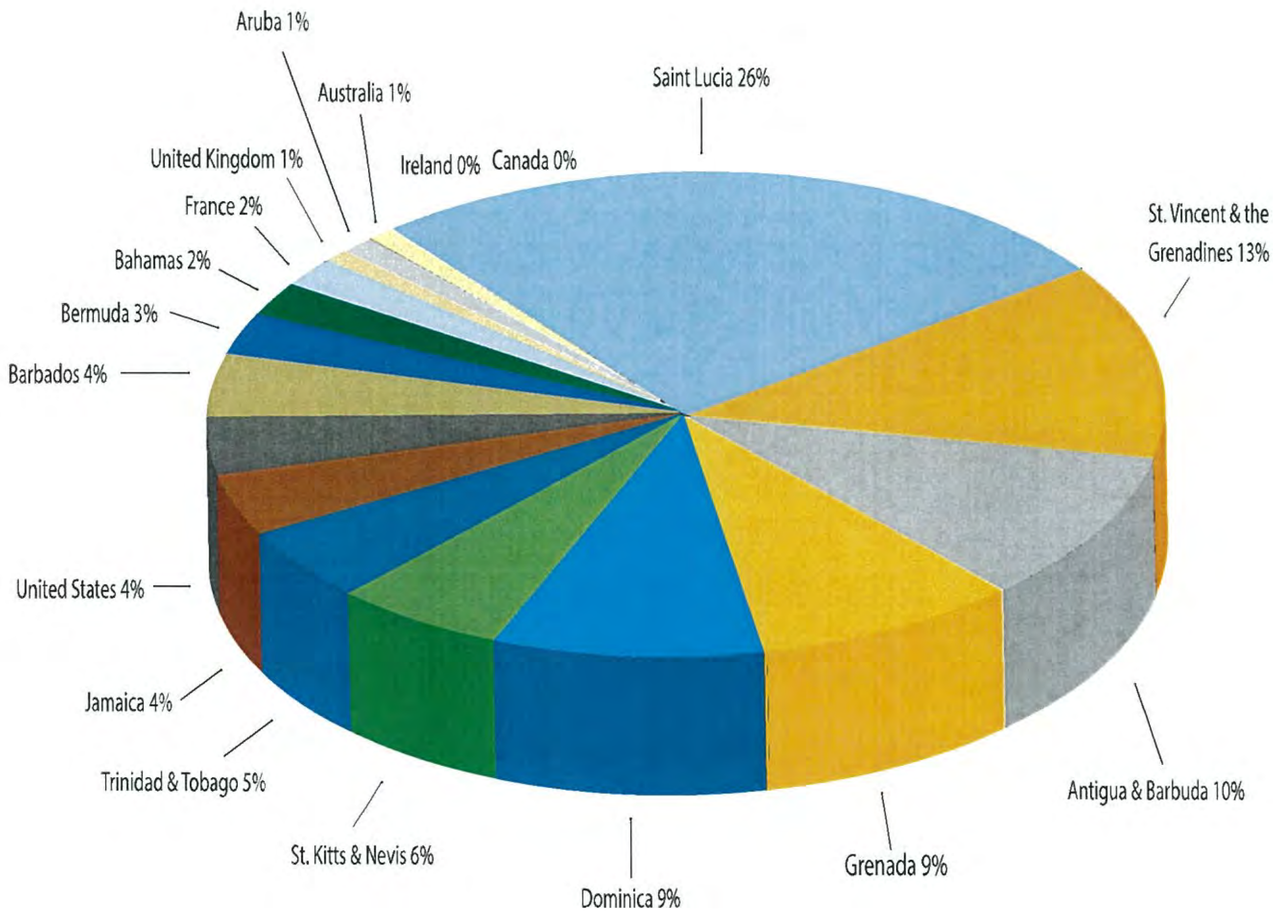
Together, the above objectives dictate how ECHMB allocates its investible resources into investments within different time horizons and risk profiles. The graph shows the allocation of ECHMB's Investment Securities.

Asset Classes



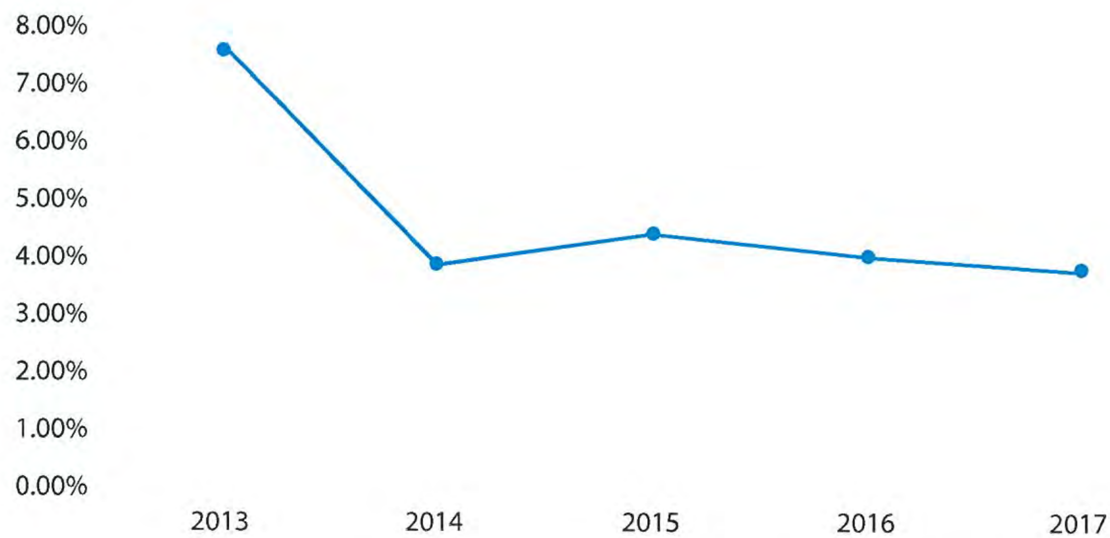
Safety of principal is the foremost objective of the investment portfolio. Hence the assets are invested with skill, care, prudence and diligence under the circumstances that a prudent person would use in the investment of assets with like character and similar goals. Investments are undertaken in a manner that seeks to ensure the preservation of capital and the diversification of investments by asset class in order to reduce the overall portfolio risk. The objective is to mitigate credit and market risks. The graph on page 35 shows ECHMB's distribution of investments by country.

Asset Concentration by Country



The investment portfolio is designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. The graph on page 36 shows the yield on the ECHMB's investment portfolio over the period 2013 to 2017.

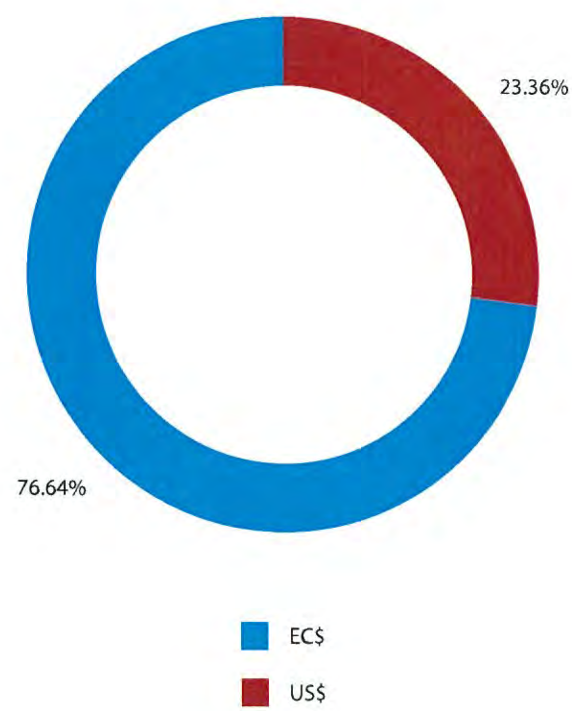
Yield on Investment Portfolio



Foreign exchange risk

Foreign exchange risk is the losses that the Bank may incur subsequent to adverse exchange rate fluctuations. It originates mainly from holding investments denominated in United States dollars. ECHMB's foreign exchange risk exposure is managed by a "natural currency hedge" in which the Bank's transactions are completed in the same currency.

Currency Risk Exposure



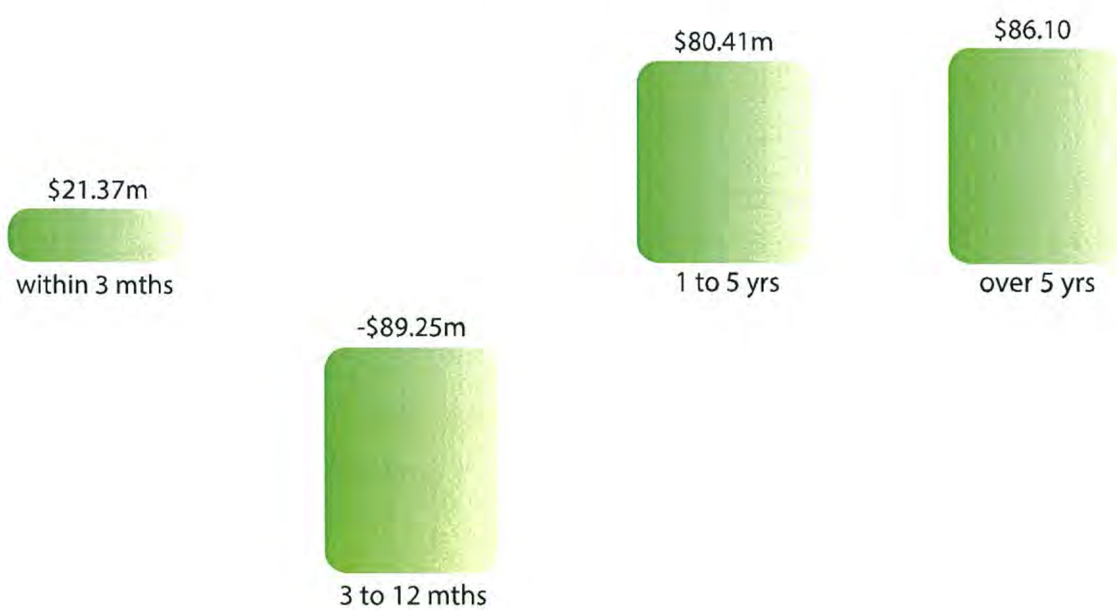
Liquidity and Funding Risk Management

Liquidity and funding risks represent the possibility that the Bank may not be able to gather sufficient cash resources when required and under reasonable conditions to meet its financial obligations. Financial obligations include obligations to Bondholders and suppliers. The Bank's overall liquidity risk is managed by the Treasury Officer with oversight from the Executive Committee and, ultimately, by the Board of Directors in accordance with the Bank's Investment Policy Statement (the "Policy"). The main purpose of this Policy is to ensure that the Bank has sufficient cash resources to meet its current and future financial obligations under both normal and stressed conditions.

The Bank defines its risk tolerance towards liquidity and funding in terms of a minimum required liquidity level that would assure the Bank's survival in the event of a liquidity crisis. The Bank monitors cash resources daily and ensures that liquidity indicators are within established limits. Liquidity risk management pays particular attention to investment maturities, as well as, funding availability and Primary Lenders' demand for cash when planning financing. The Bank maintains a reserve of unencumbered liquid assets in its Call Account that are readily available to face contingencies and which constitutes its liquidity buffer. A liquidity forecast is prepared and reviewed on a monthly basis. It provides a detailed action plan that enables the Bank to fulfill its obligations in the event of a liquidity crisis.

The negative liquidity gaps arise due to the Bank's strategy of funding its operations from corporate papers with a maximum tenure of 365 days and the placement of investment over tenures in excess of three (3) years in order to secure higher interest rates. The ECHMB mitigates the negative liquidity gaps by arranging a Revolving Credit Line in the amount of $30.0m to meet large outlays of cash.

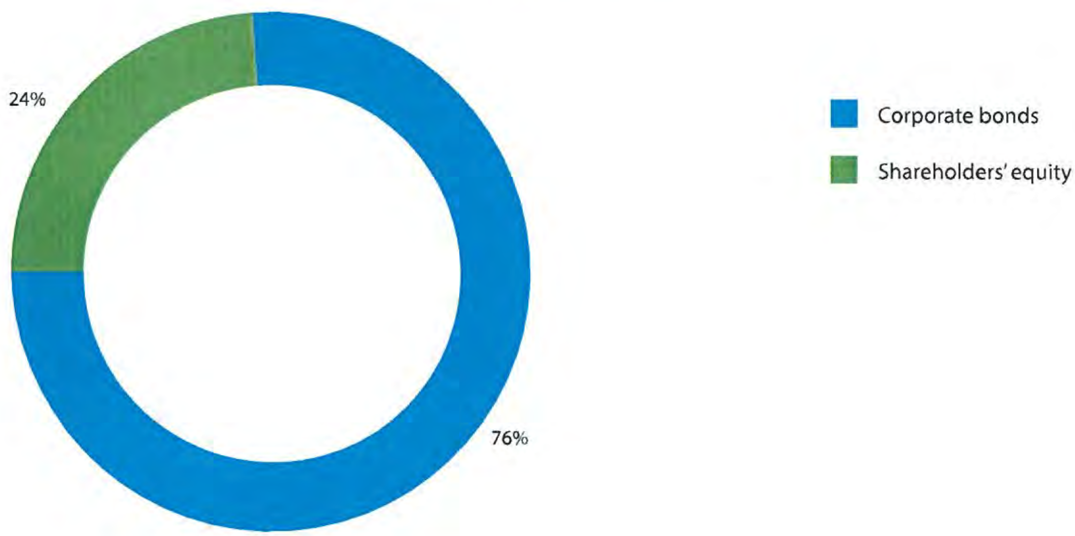
ECHMB's Liquidity Gap



Funding

Funding relates mainly to the issuance of debt instruments on the Eastern Caribbean Securities Market and Shareholders' Equity. Debt instruments continue to be the Bank's principal source of funds and accounted for 76.0% of total capital in 2017.

ECHMB's Capital Structure

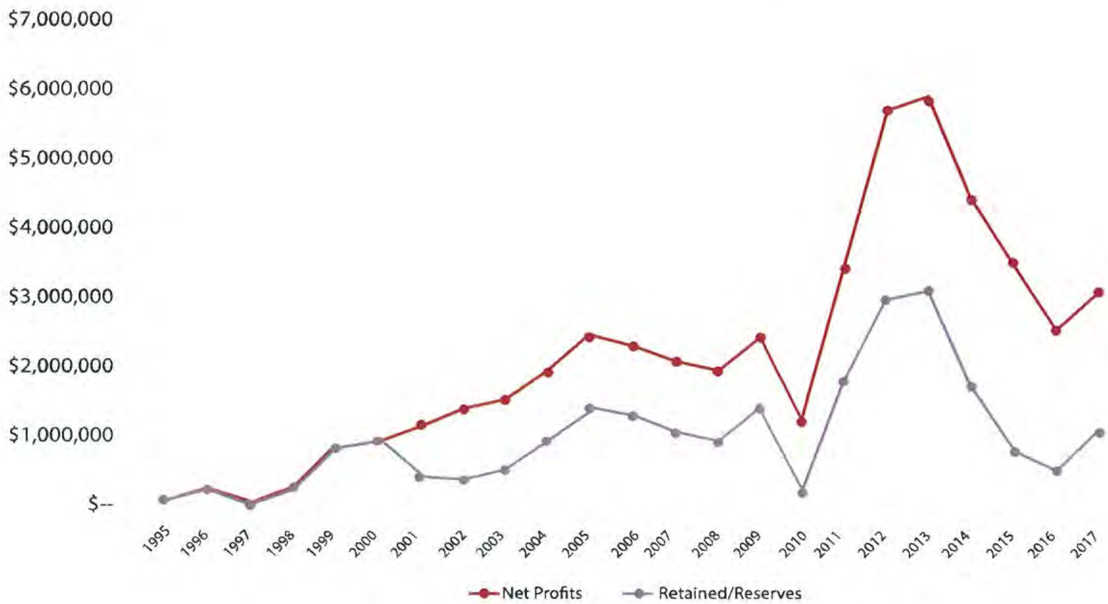


Capital Management

Management's objective is to maintain an adequate level of capital, in line with the Bank's risk appetite, to support the Bank's activities while producing an acceptable return for shareholders. Although it is not a statutory requirement, the ECHMB has imposed a Debt-to-Equity Ratio limit of 8.0:1. During the 2017 financial year, the Bank reported a Debt-to-Equity Ratio of 3:12:1; ECHMB has the capacity to increase its debt capital by $288.34m (156.20%) before breaching its guideline.

On average, the Bank retains approximately 50.0% of the Net Profit for the Year.

Trend in Net Profit and Retained Earnings



Operational Risk Management

Operational risk is inherent to the activities of financial institutions. It results from inadequacy or failure attributable to processes, people, systems or external events. The Bank deals with this risk principally through its system of accounting and internal controls along with its internal audit function. The Internal Audit function is outsourced to an independent firm of chartered certified accountants. The Internal audit plan and programmes are reviewed by the Audit and Risk Committee and reports thereon are presented to the Board of Directors.

Business Continuity

Resources, processes and results of the Bank could be affected by unexpected external events such as natural catastrophes. The Bank has developed an extensive contingency planning framework. Some of the measures implemented include offsite backup with offshore redundancies. Furthermore, the Bank continues to ensure its information systems are protected against cyber-attacks and intends to undertake an information system audit in the early part of the 2018 financial year.

Reputational Risk Management

Reputational risk is the risk that a decision, an event or a series of events may affect, either directly or indirectly, the Bank's image with shareholders, Primary Lenders, employees, the general public or any other stakeholders, and negatively impact the Bank's revenues, operations and, ultimately, its value. Reputational risk most often results from the inadequate management of other risks and may affect almost every activity of a financial institution, even when operations are, from a technical point of view, in compliance with legal and accounting requirements. Reputation is a critical asset that favours the ECHMB's growth as well as continued trust from Primary Lenders, bond holders and the general investing public which also optimizes the Bank's value for shareholders. At the ECHMB, Reputation is considered a strategic resource. In order to protect the Bank from any impairment to its reputation, Senior Management ensures that all other risks are adequately managed.

Liquidity and Capital Resources

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

i) The reporting issuer's financial condition covering aspects such as liquidity, capital resources, changes in financial condition and results of operations.

ii) Any known trends, demands, commitments, events or uncertainties that will result in, or that are reasonably likely to result in, the issuer's liquidity increasing or decreasing in any material way. If a deficiency is identified, indicate the course of action that the reporting issuer has taken or proposes to take to remedy the deficiency.

iii) The issuer's internal and external sources of liquidity and any material unused sources of liquid assets.

iv) Provisions contained in financial guarantees or commitments, debt or lease agreements or other arrangements that could trigger a requirement for an early payment, additional collateral support, changes in terms, acceleration of maturity, or the creation of an additional financial obligation such as adverse changes in the issuer's financial ratios, earnings, cash flows or stock price or changes in the value of underlying, linked or indexed assets.

v) Circumstances that could impair the issuer's ability to continue to engage in transactions that have been integral to historical operations or are financially or operationally essential or that could render that activity commercially impracticable such as the inability to maintain a specified level of earnings, earnings per share, financial ratios or collateral.

vi) Factors specific to the issuer and its markets that the issuer expects will affect its ability to raise short-term and long-term financing, guarantees of debt or other commitment to third parties, and written options on non-financial assets.

vii) The relevant maturity grouping of assets and liabilities based on the remaining period at the balance sheet date to the contractual maturity date. Commentary should provide information about effective periods and the way the risks associated with different maturity and interest profiles are managed and controlled.

viii) The issuer's material commitments for capital expenditures as of the end of the latest fiscal period, and indicate the general purposes of such commitments and the anticipated source of funds needed to fulfil such commitments.

ix) Any known material trends, favorable or unfavorable, in the issuer's capital resources, including any expected material changes in the mix and relative cost of capital resources, considering changes between debt, equity and any off-balance sheet financing arrangements.

Discussion of Liquidity and Capital Resources

Refer to appended Management Discussion and Analysis Section of the 2017 Annual Report.

Off Balance Sheet Arrangements

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

i) Disclosures concerning transactions, arrangements and other relationships with unconsolidated entities or other persons that are reasonably likely to materially affect liquidity or the availability of, or requirements for capital resources.

ii) The extent of the issuer's reliance on off-balance sheet arrangements should be described fully and clearly where those entities provide financing, liquidity, market or credit risk support, or expose the issuer to liability that is not reflected on the face of the financial statements.

iii) Off-balance sheet arrangements such as their business purposes and activities, their economic substance, the key terms and conditions of any commitments, the initial on-going relationship with the issuer and its affiliates and the potential risk exposures resulting from its contractual or other commitments involving the off-balance sheet arrangements.

iv) The effects on the issuer's business and financial condition of the entity's termination if it has a finite life or it is reasonably likely that the issuer's arrangements with the entity may be discontinued in the foreseeable future.

As at 31st March 2017, there were no Off Balance Sheet Arrangements.

Results of Operations

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

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

i) Any unusual or infrequent events or transactions or any significant economic changes that materially affected the amount of reported income from continuing operations and, in each case, the extent to which income was so affected.

ii) Significant components of revenues or expenses that should, in the company's judgment, be described in order to understand the issuer's results of operations.

iii) Known trends or uncertainties that have had or that the issuer reasonably expects will have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.

iv) Known events that will cause a material change in the relationship between costs and revenues (such as price increases, costs of labour or materials), and changes in relationships should be disclosed.

v) The extent to which material increases in net sales or revenues are attributable to increases in prices or to increases in the volume or amount of goods or services being sold or to the introduction of new products or services.

vi) Matters that will have an impact on future operations and have not had an impact in the past.

vii) Matters that have had an impact on reported operations and are not expected to have an impact upon future operations

viii) Off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships that have or are reasonably likely to have a current or future effect on the registrant's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

ix) Performance goals, systems and, controls, *Overview of Results of Operations*

Refer to appended Management Discussion and Analysis Section of the 2017 Annual Report.

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

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

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

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

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

13. Other Information.

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

None.

14. List of Exhibits

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

- **Appendix 1 – Biographical Data Forms; Directors of The Company.**
- **Appendix 1(A) – Biographical Data Forms; Executive Officers and Other Key Personnel of The Company.**
- **2017 Annual Report.**
- **2015 Annual Report.**

APPENDIX 1 – BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: **Timothy N. J. Antoine**

Position: **Governor, ECCB (February 2016 - present)**

Mailing Address: **C/o Eastern Caribbean Home Mortgage Bank** _______________________

ECCB Complex, Bird Rock Road, Basseterre, St Kitts _____________________________

Telephone No.: **(869) 466-7869**

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

Governor, Eastern Caribbean Central Bank	**February 2016 – present**
Permanent Secretary, Ministry of Finance, Grenada	**August 1999 – October 2005** **January 2008 – January 2016**
Advisor to the Executive Director for Canada, Ireland and the Caribbean, World Bank Group	**November 2005 – November 2007**

The Governor shall -

- *preside as chairman at the meetings of the Board of Directors;*
- *serve as chief executive officer of the Bank to be in charge of and responsible to the Board for the implementation of the policy and the day to day management of the Bank;*
- *attend all meetings of the Monetary Council.*

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

Small Countries Financial Management – Isle of Man	2009
Training in Negotiations – SAID Business School, Oxford University	2009
M Sc. Social Policy and Planning in Development Countries, London School of Economics and Political Science	1998
Certificate in Project Cycle Management – Caribbean Development Bank	1994
B Sc. Economics with Management, University of West Indies	1993

Use additional sheets if necessary.

APPENDIX 1 – BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: **Dexter Ducreay**

Position: **General Manager, A C Shillingford & Co Ltd, Dominica (2000-present)**

Mailing Address: **P O Box 1870, Roseau, Dominica**

Telephone No.: **(767) 235-7788**

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

General Manager - A.C. Shillingford & Co. Ltd, Dominica

To supervise the general operations of the group of company two (2) supermarkets, gas stations, shipping and insurance company. He is the Secretary to the Board of Directors for these companies.

To monitor and approve the Final accounts of these companies, which includes the authorization of large purchases of inventory and assets.

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

BSc. In Accounting (Honours) St. John's University-Queens, New York 1990

Use additional sheets if necessary.

APPENDIX 1 – BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: **Peter L. Blanchard**

Position: **Chairman/ Owner (1984-Present), General Insurance Company Limited**_____

Mailing Address: **Upper Redcliffe Street, P.O. Box 340, St John's, Antigua** ___________

Telephone No.: **(268) 462 2345/6; 562-0092**

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

Chairman/Owner, General Insurance Company Limited *Presides over and sets dates for Board Meetings. Also, establishes various Board Sub-Committees, while selecting committee members and provides training for Directors, as necessary.* *Evaluates and oversees the direction of the business by providing advice to the Operations Manager. Serves as a liaison between the Operations Manager and Board for the day-to-day operations of the business.*

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

Accredited Director – Institute of Chartered Secretaries Association (ICSA) -	2007
University of West Indies (Open Campus) Antigua*	
Insurance Institute of Trinidad*	
**Various courses. Details unavailable.*	

Use additional sheets if necessary.

APPENDIX 1 – BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: **Missi Pearl Henderson**

Position: **Chief Financial Officer, Dominica Social Security Board**

Mailing Address: **P O Box 772, Cnr. Hanover and Hillsborough Street, Roseau, Dominica**

Telephone No.: **1 (767) 255-8324 (Work), 1(767) 275-2674 (Mobile)**

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

Chief Financial Officer - Dominica Social Security (DSS)	**2007 to present**
Directing the accounting, financial and investing activities and reporting of the DSS Fund, to include strategic planning, budgeting and risk management.	

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

Masters in Finance and Accounting, University of Liverpool	2017
BA in Accounting, Ashford University	2014

Use additional sheets if necessary.

APPENDIX 1 – BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: **Sharmaine Francois** Position: **Asst. General Manager, Bank of Montserrat Ltd** __

Mailing Address: **C/o Bank of Montserrat, P O Box 10, Brades, Montserrat** ________________

Telephone No.: **(664) 491 3843 (w), (664) 495 4030 (c), (664) 491 2405 (h)**

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

Asst. General Manager Bank of Montserrat Limited (BOML)	**2014-present**
Corporate Diversification Manager/ Consultant St. Lucia Electricity Company (LUCELEC)	**2013-2014**

- *To lead, direct, plan and control the bank's functions and operations in order to maximize the bank's performance within a conservative risk profile. Also, to assist in the development of the Bank's Enterprise-wide Risk Management (ERM) Policies and ERM framework and tools, while also assisting with the development and communication of risk management policies, risk limits and risk appetite in relation to effective risk management practices for credit, market risk, operation risk, liquidity risk and other banking risks.*
- *To manage and control the bank's financial resources while ensuring efficiency in the cost structure, which also includes reviewing/finalising the bank's annual budget estimates.*
- *To manage the bank's operations while ensuring that the operations are performed in accordance with established Bank policies and procedures. Also, to formulate, develop and lead the implementation of the bank's strategic plans in line with its vision, mission and strategic objectives.*
- *To prepare Board and Board Committee papers on a monthly basis and as required; and attend Board and Committee meetings as required.*
- *To ensure the Bank's compliance with the Banking Act, ECCB Guidelines, FATCA, AML Regulations and Code, other applicable laws.*
- *Responsible for the bank's strategic business development and ensuring service delivery is in line with its market segmentation strategies.*
- *Approve or reject loan applications, within individual lending authority, as delegated by the Credit Committee and Board.*
- *Responsible for the overall performance and productivity of the Bank's Human Resources.*
- *Responsible for the overall performance and strategic direction of the investment portfolio, which includes but not limited to asset allocation, investment risk, investment limits, liquidity management and ensuring the investment policy is kept current through annual reviews of the IPS with onward report to the Investment Committee and the Board.*

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

Accredited Director – Institute of Chartered Secretaries Association (ICSA) -	2011
Post Graduate Cert. Business Administration – University of Manchester United Kingdom -	2008
B.Sc Accounting & Statistics - UWI Jamaica –	1999

Use additional sheets if necessary.

APPENDIX 1(a) – BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: **Mr. Randy Lewis** Position: **Chief Executive Officer**

Mailing Address: **C/o Eastern Caribbean Home Mortgage Bank (ECHMB), P.O. Box 753, ECCB Complex, Bird Rock Road, Basseterre, St. Kitts_**

Telephone No.: **(869) 466-7869**

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

Chief Executive Officer	**2015 - Present**
General Manager (Ag), ECHMB	**2012 - 2015**

JOB SUMMARY:
Providing financial oversight to ensure the optimal utilization and management of the Bank's funds in accordance with established policies and procedures.

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

Diploma – Strategic Leadership Oxford SAID Business School	2016
Accredited Director Institute of Chartered Secretaries and Administrators (ICSA)	2012
The Institute of Chartered Accountants in England and Wales (Associate)	2011
Masters of Business Administration University of Derby	2009
Chartered Institute of Management Accountants (Associate)	2004
Chartered Association of Certified Accountants (Associate)	2000

Also a Director of the company [ ] Yes [**X**] No

If retained on a part time basis, indicate amount of time to be spent dealing with company matters:

Use additional sheets if necessary.

APPENDIX 1(a) – BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: **Ms. Shanna Herbert** ___ Position: **Chief Financial Officer** _____

Mailing Address: **P O Box 753, ECCB Complex, Bird Rock Road, Basseterre , St Kitts** ______

Telephone No.: **(869) 466-7869**

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

Chief Financial Officer, ECHMB	**June 2016- present**
Chief Financial Officer (Ag), ECHMB	**December 2013- May 2016**
Accountant, ECHMB	**September 2013-December 2013**
Financial Controller, ECHMB	**2011-2013**

JOB SUMMARY
Managing accounting, finance and budgeting processes, ensuring maintenance of appropriate financial and management accounting systems and procedures for the Bank.

Ensuring that reporting is completed in accordance with International Financial Reporting Standards.

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

Postgraduate Diploma in Management Studies University of Derby	2016
Chartered Association of Certified Accountants (Associate)	2011

Also a Director of the company [ ] Yes [**X**] No

If retained on a part time basis, indicate amount of time to be spent dealing with company matters:

Use additional sheets if necessary.

APPENDIX 1(a) – BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: **Ms. Ava Beckles** ___ Position: **Chief Investment Officer** _____

Mailing Address: **P O Box 753, ECCB Complex, Bird Rock Road, Basseterre , St Kitts** ______

Telephone No.: **(869) 466-7869 / 767-0526**

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

Chief Investment Officer, ECHMB **November 2016 - present**

Investment Analyst,
RBC Investment Management (Caribbean) Ltd **December 2012 - October 2016**

JOB SUMMARY

Managing the Bank's Investment Function: analyzing corporate and sovereign financial and economic data to determine viable investments in line with the Bank's objectives.

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

Chartered Financial Analyst, CFA Institute	2015
BSc Actuarial Science, UWI Mona, Jamaica	2007

Also a Director of the company [ ] Yes [X] No

If retained on a part time basis, indicate amount of time to be spent dealing with company matters:

Use additional sheets if necessary.

APPENDIX 1(a) – BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: **Mr. Justin Skeete** ___ Position: **Systems Officer** _____

Mailing Address: **P O Box 753, ECCB Complex, Bird Rock Road, Basseterre , St Kitts** ______

Telephone No.: **(869) 466-7869 / 764-2267**

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

Systems Officer, ECHMB	**January 2012-present**
JOB SUMMARY	
Maintain the Bank's IT Platform - compile, conceive, design and/or implement the operational application software and hardware infrastructure to achieve the Bank's goals.	

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

Microsoft Certified IT Professional (MCITP)	2007

Also a Director of the company [ ] Yes [**X**] No

If retained on a part time basis, indicate amount of time to be spent dealing with company matters:

Use additional sheets if necessary.

APPENDIX 1(a) – BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: **Ms. Kelva Merchant** ___ Position: **Treasury Officer** ____

Mailing Address: **P O Box 753, ECCB Complex, Bird Rock Road, Basseterre , St Kitts** ______

Telephone No.: **(869) 466-7869 /763-1125**

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

Treasury Officer, ECHMB	**November 2016- present**
Investment & Treasury Manager, The Bank of Nevis Limited (BON)	**October 2015- October 2016**
Corporate Secretary (BON)	**June 2015- August 2016**
Investment & Treasury Officer (BON)	**August 2010- September 2015**

JOB SUMMARY

Managing the Bank's Treasury Function, Mortgage Portfolios and Asset Liability Management.

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

Accredited Director, Institute of Chartered Secretaries and Administrators (ICSA)	2015
Postgraduate Units, London School of Economics & Political Science (Corporate Financial Reporting, Valuation & Securities Analysis, Accounting in Global Economy)	2007/2008
BSc. Accounting & Economics (1st Class) UWI, Cavehill Campus, Barbados	2007

Also a Director of the company [ ] Yes [**X**] No

If retained on a part time basis, indicate amount of time to be spent dealing with company matters:

Use additional sheets if necessary.

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P.O. Box 753, Basseterre,
St. Kitts

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@ : info@echmb.com

www.echmb.com

Financial Highlights

Total Assets
$244.17M
▼ 1.47%

Shareholders' Equity
$59.16M
▲ 1.81%

Net Profit for the Year
$3.06M
▲ 22.40%

EPS
$11.38
▲ 22.10%

Dividend Per Share
$7.50

Book Value Per Share
$220.12
▲ 1.79%

Focused Priorities

To be the premier vehicle for developing the financial sector and mortgage industry within the Member States, in a socially responsible manner, and strive to become the employer of choice while ensuring safety and above market returns for the providers of capital.

The ECHMB is a dynamic financial institution, operating safely and profitably to develop the financial sector and mortgage industry in the Member States:

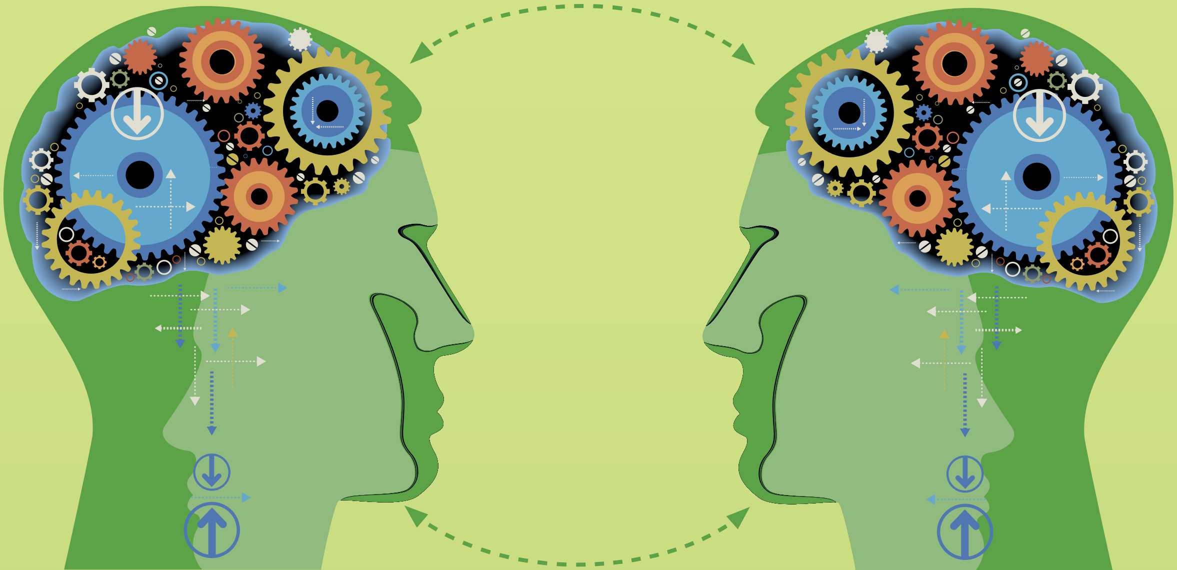
Innovative
Introduce new ideas and creative thinking to the capital market and mortgage industry.

Excellence in customer service
Understanding and fulfilling the capital market and housing needs.

Excellence in risk management
Promote the highest standards in corporate governance and risk management

Excellence in organisation and staffing
Attract, retain and develop the best talent.

Stakeholders driven
Promote the interest of providers of capital and other connected individuals.



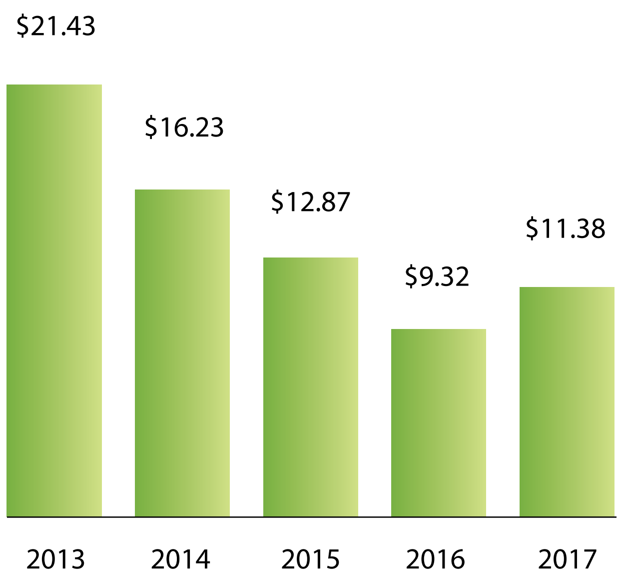
"Most of us understand that innovation is enormously important. It's the only insurance against irrelevance. It's the only guarantee of long-term customer loyalty. It's the only strategy for out-performing a dismal economy."

Gary Hamel

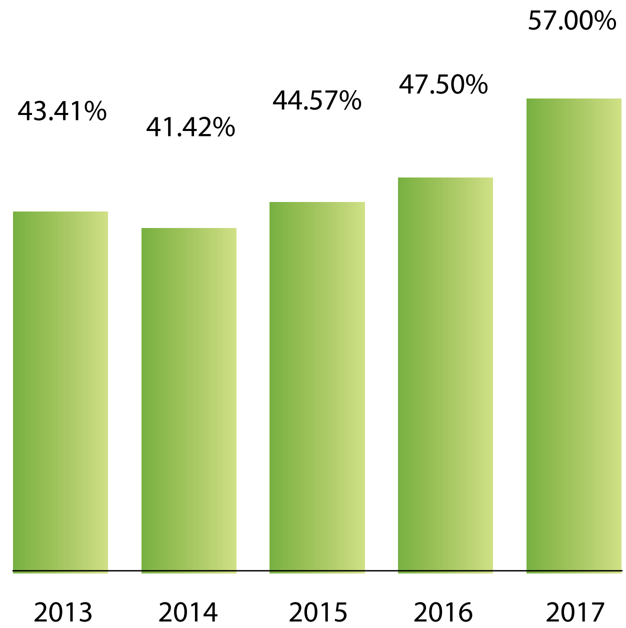
The Eastern Caribbean Home Mortgage Bank is evolving to the **ECHMB Capital** with the remit to fill the gaps in the money and capital market and the mortgage industry in the Eastern Caribbean Currency Union.

	2013	2014	2015	2016	2017
Profit and Loss Account	$	$	$	$	$
Interest Income	24,435,979	20,690,064	15,461,145	12,423,570	11,141,929
Interest Expense	13,821,535	12,121,614	8,570,266	6,523,972	4,790,392
Net Interest Income	10,614,444	8,568,450	6,890,879	5,899,598	6,351,537
Other Expenses	4,870,978	4,247,457	3,465,728	3,435,395	3,460,712
Net Profit for the Year	5,758,686	4,361,985	3,458,819	2,504,642	3,059,667
Balance Sheet					
Total Assets	329,695,795	328,017,043	257,814,842	247,817,342	244,172,894
Total Liabilities	274,517,039	271,163,792	200,190,262	189,703,738	185,015,241
Shareholders' Equity	55,178,756	56,853,251	57,624,580	58,113,604	59,157,653
Key Financial Statistics					
Earnings per share	21.43	16.23	12.87	9.32	11.38
Book Value per share	205.32	211.55	214.42	216.24	220.12
Net Interest Income	43.41%	41.42%	44.57%	47.50%	57.0%
Efficiency Ratio	19.93%	20.53%	22.42%	27.65%	31.06%
Return on Assets	1.75%	1.33%	1.34%	1.01%	1.25%
Interest Cover	1.42	1.36	1.40	1.38	1.64
Debt-to-Equity Ratio	4.95:1	4.74:1	3.47:1	3.26:1	3.12:1

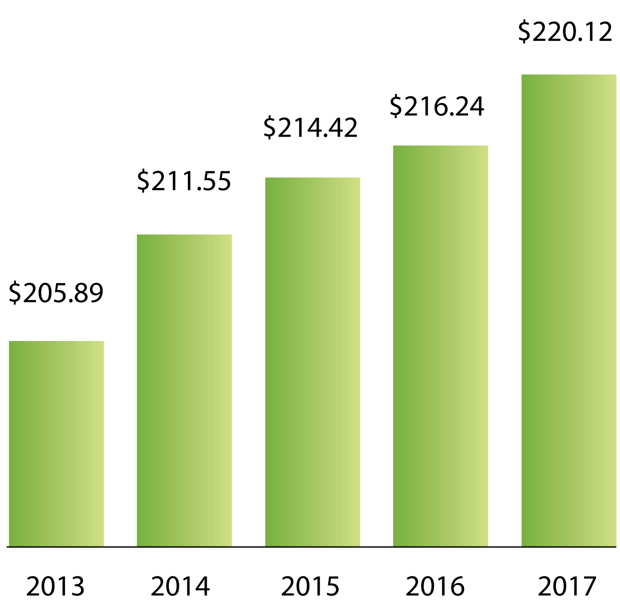
EARNINGS PER SHARE



NET INTEREST INCOME PERCENTAGE



BOOK VALUE PER SHARE



Earnings Per Share (EPS)

Is the portion of ECHMB's Net Profit for the Year allocated to each outstanding unit of Share Capital. EPS serves as an indicator of ECHMB's profitability.

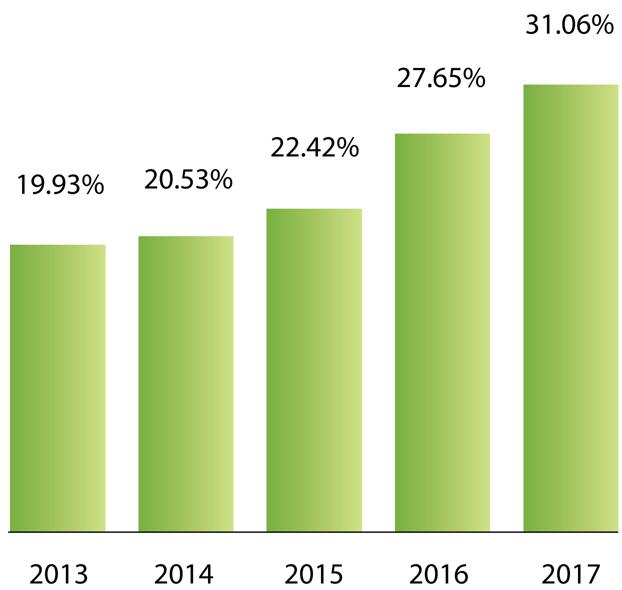
Net Interest Income Percentage

Is the difference between the Interest Income that is generated from the Bank's assets and Interest Expense.

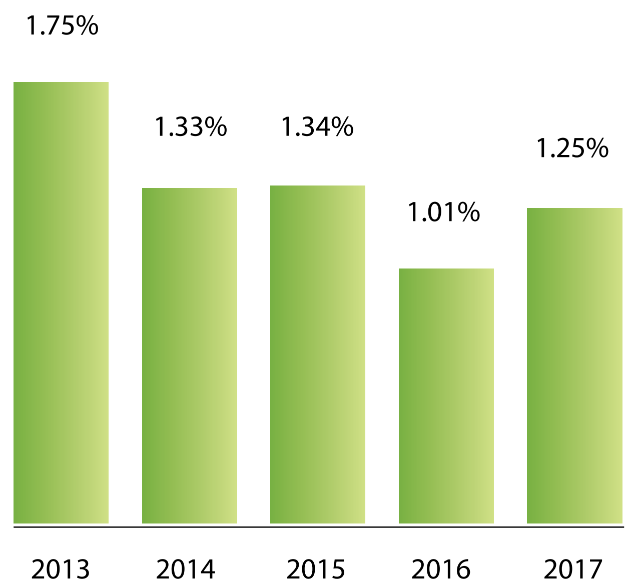
Book Value Per Share

Is a measure used by ECHMB's shareholders to determine the level of safety associated with each individual share after all debts are paid accordingly. Should the Bank decide to dissolve, the Book Value Per Share indicates the dollar value remaining for shareholders after all assets are liquidated and all creditors are paid.

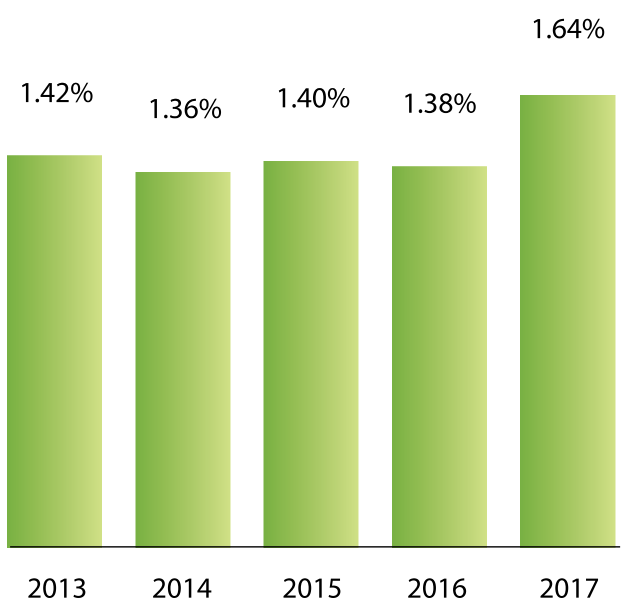
EFFICIENCY RATIO



RETURN ON ASSETS



INTEREST COVER



Efficiency Ratio

Measures the Bank's ability to turn resources into revenue. The lower the ratio, the better (50% is generally regarded as the maximum optimal ratio). An increase in the Efficiency Ratio indicates either increasing costs or decreasing revenues.

Return on Assets (ROA)

Is an indicator of how profitable ECHMB is relative to its Total Assets. ROA gives an idea as to how efficient the Bank's Management is at using its assets to generate earnings.

Interest Cover

Is a measure of the adequacy of ECHMB's profits relative to interest payments on its debt. The lower the Interest Cover, the greater the risk that profit (before interest) will become insufficient to cover interest payments.

The Directors submit herewith the Statement of Income, Expenses, Unappropriated Profits, Assets and Liabilities of the Eastern Caribbean Home Mortgage Bank (ECHMB) for the year ended 31st March 2017.

Financial Results and Dividends

	$'000
Net Income attributed to shareholders	3,060
Final dividend of $7.50 per share for 2017	(2,016)
Transfer to reserve	(209)
Net Income after distributions	835
Retained earnings at 31st March 2016	12,151
Retained earnings at 31st March 2017	12,986

Dividends

The Directors have recommended a dividend of $7.50 per share for the year ended 31st March, 2017, amounting to $2.02m.

Statement of Affairs

In the opinion of the Directors, there were no significant changes in the state of the affairs of the Bank during the financial year.

Directors

Article 15 (1) of the Eastern Caribbean Home Mortgage Bank Agreement provides that: - (a) a director holds office for two (2) years and shall be eligible for re-appointment; (b) a vacancy in the Board shall be filled by the Class of shareholders which appointed the director to be replaced; and (c) a director appointed to fill a vacancy holds office for the un-expired term of his predecessor.

At the 21st Annual General Meeting held on the 7th November 2016, the following Directors demitted office:-

The Honourable Sir K Dwight Venner
Mr. Gordon Derrick

They were replaced by:-

Mr. Timothy N. J. Antoine
Mr. Peter Blanchard

Appointment of a Chairman and Deputy Chairman

At the 98th Meeting of the Board of Directors held on 26th January 2017, in accordance with Article 19: Chairman and Deputy Chairman of the Eastern Caribbean Home Mortgage Bank Agreement, the following appointments were made:-

(a) Mr. Timothy N. J. Antoine – Chairman
(b) Mr. Dexter Ducreay - Deputy Chairman.

At the 31st March 2017, the Board of Directors comprised:-

Timothy N.J. Antoine BSc, MSc; C.Dir - Chairman
Missi Henderson BA; MSc
Peter Blanchard; ACCDir
Sharmaine Francois BSc; ACCDir
Dexter Ducreay BSc; C.Dir

As at 31st March 2017, no director had, during the year or at the end of the year, any interest in any contract pertaining to the Bank's business.

Events Subsequent to Statement of Financial Position Date

The Directors are not aware of any transaction which has arisen since 31st March 2017 that has a material effect on the operations of the Bank and for which adequate disclosures have not been made in the financial statements.

Appointment of Auditors

Article 23 of the Eastern Caribbean Home Mortgage Agreement provides that shareholders shall at each Annual General Meeting appoint an auditor to hold office from the conclusion of the meeting until the conclusion of the next Annual General Meeting. The Auditors, Grant Thornton, retired at the financial year ended 31st March 2017. The Auditors are eligible for re-appointment and have offered themselves as External Auditors for the year ending 31st March 2018. The Board of Directors recommends their re-appointment.

Chairman's Statement

Mr. Timothy N J Antoine BSc, MSc, C. Dir
Chairman

"The Financial environment remains challenging, however the ECHMB continues to find pathways to growth and profitability."

In January 2017, I assumed the Chairmanship of the ECHMB. It is my honour to serve as the second Chairman of the ECHMB, one of the first institutions created in 1996 under the Monetary Council's mandate to develop the money and capital markets in the region as a catalyst for economic growth and development.

I seize this opportunity to place on record my deepest appreciation of Sir K. Dwight Venner for his monumental contribution to the Money and Capital Markets Development Programme in Eastern Caribbean Currency Union and specifically his role in pioneering the ECHMB. We are pleased that we were able to recognize and celebrate his contribution to the ECHMB at the Annual General Meeting which took place on 7 November 2016 in St. Lucia.

Economic outlook

The International Monetary Fund in its April 2017 update of the World Economic Outlook (WEO) opined that global output growth in 2016 was 3.1 per cent. The projected growth for 2017 and 2018 were 3.5 per cent and 3.6 per cent respectively. In 2017, the US economy is projected to grow by 2.3 per cent, while the UK economy is expected to expand by 2.0 per cent. In the Eastern Caribbean Currency Union (ECCU), real output growth in the ECCU slowed in 2016 to 2.2 per cent, compared with 2.6 per cent in 2015. For 2017, the ECCB growth forecast is 2.8 per cent, based on advancements in the global economy. However, this growth prospect, though higher, is well below our 5 per cent target.

Impact of Prevailing Economic Conditions on the ECHMB

The principal remit of the ECHMB has been to establish and maintain an organized regional secondary market for mortgages to increase the availability of mortgage credit and provide liquidity and flexibility to primary lenders in the territories of the participating Governments. However, the excess level of liquidity in the primary market continues to affect the viability of the secondary mortgage market and primary lenders continue to repurchase their mortgage portfolios sold on the secondary market.

Despite the challenging economic conditions, the ECHMB recorded an improvement in its performance in 2017. Net Profit for the Year was $3.06m, representing an increase of $0.56m (22.40%) when compared to the $2.50m reported in 2016. As a result of $0.56m (22.40%) increase in Net Profit for the Year, the Bank's principal performance indicators improved marginally from the 2016 financial outturn. Earnings per share increased from $9.32 in 2016 to $11.38 in 2017. Return on Assets under Management increased from 1.01% in 2016 to 1.25% in 2017.

In accordance with the Bank's strategy of maintaining a prudent dividend policy, dividends paid for the 2016/2017 financial year amounted to $7.50 per share; this resulted in the retention of Net Profit for the Year of $3.88 per share. As a result, Total Equity increased from $58.11m in 2016 to $59.16m in 2017.

The Board opined that while the ECHMB's performance continues to be commendable, the philosophic underpinnings and objectives of the ECHMB required reassessment. The ECHMB therefore needed to be reengineered to survive the changing economic conditions regionally and internationally. Accordingly, the Board of Directors undertook an introspection to determine the relevance of ECHMB's mission, vision, and role in the financial space.

Creating Pathways to Growth and Profitability

After twenty-one years of operations, the ECHMB needs to take the bold step of revamping its business model and broaden its scope of operations to play a more expanded role in the development of our region's money and capital markets.

In this regard, the Board of Directors has articulated a new strategy for the ECHMB which focuses on the following strategic priorities:

- Pursuing a growth agenda through expansion of the money & capital market and development of the secondary mortgage industry in the ECCU.
- Increasing the range of products and services offered by the Bank.
- Extending the Bank's target market to the wider Caribbean, USA and Europe.
- Strengthening the corporate governance structure, policies and functional structure of the Bank
- Rebranding of the ECHMB.

To achieve these objectives, it is imperative that the ECHMB rebrands itself as "ECHMB Capital Ltd." This step is required to signal the Bank's transition to a new value creating institution. Our intent is to leverage the goodwill and brand recognition created by the ECHMB over the past twenty-one (21) years of operations; and signal to the market the Bank's broader operating remit.

The strategic priorities of the Bank are as follows:-

- **Innovation**

Introduce new ideas and creative thinking to the capital market and mortgage industry.

- **Excellence in risk management**

Promote the highest standards in corporate governance and risk management

- **Excellence in customer service**

Understanding and fulfilling the capital market and housing needs.

- **Excellence in organisation and staffing**

Attract, retain and develop the best talent.

- **Stakeholder driven**

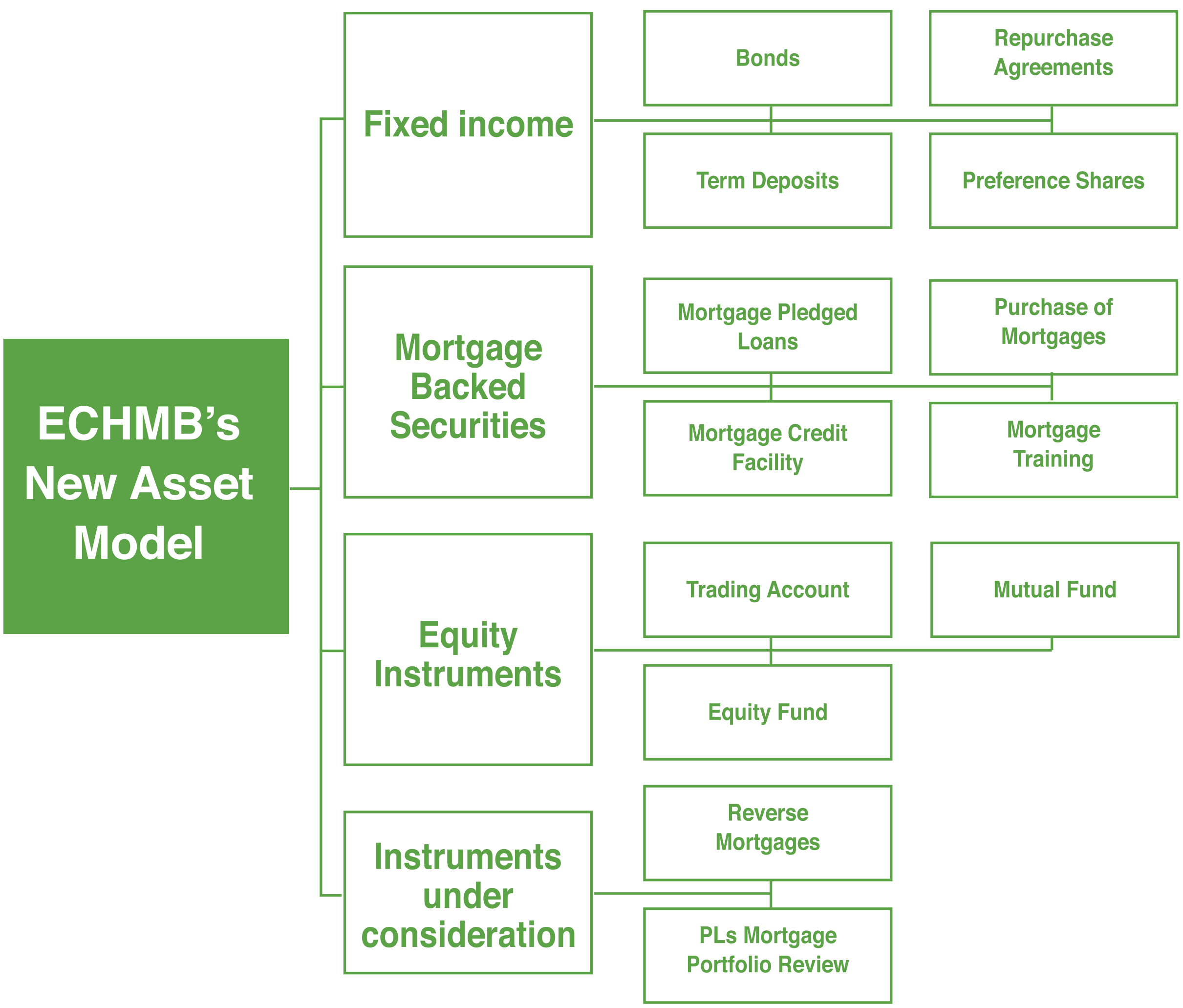
Promote the interest of providers of capital and other connected individuals.

During the latter part of the 2016/17 financial year the ECHMB made some key changes.

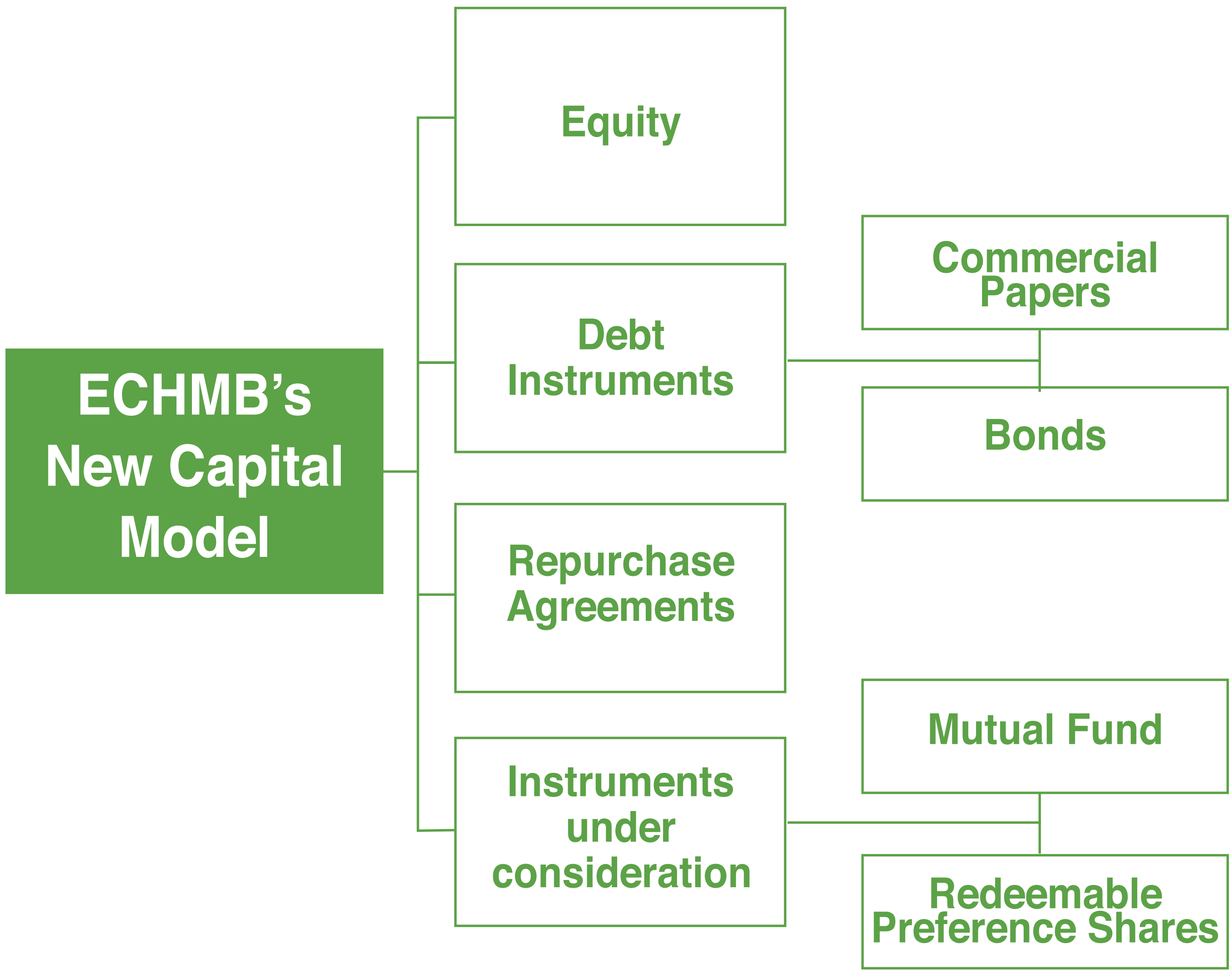
1. The ECHMB has reduced its reliance on its mortgages loans portfolio by diversifying into fixed income instruments.

   Notwithstanding, it is to be noted that the Bank has not abandoned its mandate of creating a secondary mortgage market in the ECCU. In fact, two new mortgage products have been added to our portfolio in the form of Mortgage Credit Facilities and Mortgage Pledged Loans.

2. The ECHMB's new income model has shifted the Bank's principal interest generating assets from Cash and Cash Equivalents and Mortgage Loans to Investments Securities. In accordance with our new income model, Interest Income from investments accounted for 72.08% of Total Interest Income in 2017 compared with 60.95% in 2016. The Bank's Assets under Management are now placed in jurisdictions with varying risk profiles.



3. The ECHMB's focus is on filling the gaps for short-term corporate instruments on the Eastern Caribbean Securities Market. This is imperative to adsorb the increasing liquidity in the ECCU. During the 2018 financial year, it is our intent to introduce a repurchase agreement programme to the ECCU.



By all indications, the re-engineered ECHMB is expected to be a more financially viable institution.

I wish to thank the shareholders for your continued support of the ECHMB and the Board of Directors, Management and staff on their tireless efforts in expanding the vision during the past year.

Let us go forward together.

Mr Timothy N.J Antoine
Chairman

Randy Lewis ACA; FCCA; MBA; ACC. Dir
Chief Executive Officer

"The ECHMB needs to infuse new business lines and markets in its operations."

On behalf of the Management Team of the ECHMB, I am pleased to share with you our financial results for the year ended 31st March 2017.

The ECHMB continued to be negatively impacted by excess liquidity in the Primary Mortgage Market. This had the effect of depressing mortgage acquisitions; however, on the flip side, the excess liquidity stimulated the resale of mortgages totaling $17.01m to Primary Lenders. The Bank was also impacted by declining interest rates on Assets under Management, resulting in reduced yields; and, a scarcity of investment grade instruments originating from within the Eastern Caribbean Currency Union (ECCU), thus inhibiting adequate asset diversification. These conditions combined to perpetuate the declining trend in the Bank's top line and as a result, ECHMB's profitability was preserved through the containment of expenses.

It was the view of the Board of Directors and Management that safeguarding the Bank's profitability through the containment of Total Expenses is not in itself an infinite strategy given the omnipresence of the aforementioned headwinds. In shaping our pathways to growth and profitability, an introspection was undertaken of the ECHMB to determine the relevance of the Bank's mission, vision, and raison d'être.

Creating New Pathways to Growth & Profitability

The result of the introspection suggests that the ECHMB needs to infuse new business lines and markets in its operations. As Gary Hamel stated, *"Most of us understand that innovation is enormously important. It's the only insurance against irrelevance. It's the only guarantee of long-term customer loyalty. It's the only strategy for out-performing a dismal economy."* The ECHMB now views its mission as being the premier vehicle for developing the money and capital market and mortgage industry within the Member States of the ECCU, in a socially responsible manner, as well as being the employer of choice. In addition, we will also strive to ensure safety and above market returns for the providers of our capital. The ECHMB intends to achieve these objectives through the following key pillars:-

The inclusion of the development of the money and capital market as part of the Bank's mission, and raison d'être is not a dereliction of the Bank's statutory mandate, but instead, an acknowledgement that profitability of the ECHMB resides in the Bank's adaptation to evolving economic and social conditions. This is imperative for the survival of the Bank, as stated by Jack Welch, "*If the rate of change on the outside exceeds the rate of change on the inside, the end is near.*" As our 2017 financial results indicate, our tandem strategic thrust is creating positive pathways to growth and profitability.

ECHMB's Financial Results 2017

Net Profit for the Year was reported at $3.06m, representing an increase of $0.56m (22.40%) when compared to the $2.50m reported in 2016. Interest Income continued to decline and was reported at $11.14m in 2017, compared to $12.42m in 2016. It therefore follows that the increase in Net Profit for the Year was principally attributed to prudent management of our expenses. Total Expenses declined by $1.71m (17.17%) from $9.96m in 2016 to $8.25m in 2017. An analysis of Total Expenses revealed Interest Expense declined from $6.52m in 2016 to $4.79m in 2017; representing savings of $1.73m (26.53%). Non-interest Expenses increased marginally from the $3.44m reported in 2016 to $3.46m in 2017.

As a result of the $0.56m (22.40%) increase in Net Profit for the Year, the Bank's principal performance indicators improved marginally from the 2016 financial outturn. Earnings per share increased from $9.32 in 2016 to $11.38 in 2017. Return on Assets under Management increased from 1.01% in 2016 to 1.25% in 2017. The indicators insinuate probable increases in the market value of the ECHMB. In accordance with the Bank's strategy of maintaining a prudent dividend policy, dividends paid in 2017 amounted to $7.50 per share; this resulted in the retention of Net Profit for the Year of $3.88 per share. As a result, Total Equity increased from $58.11m in 2016 to $59.16m in 2017.

We continued the strategy of using Cash and Cash Equivalents housed in low interest yielding accounts to redeem high cost debt totaling $4.34m, and as a result, our Debt Capital declined marginally from $189.55m in 2016 to $184.66m in 2017. This resulted in an improvement in our Debt-to-Equity Ratio from 3.26:1 in 2016 to 3.12:1 in 2017. The ECHMB has a stronger capital structure than reported in 2016.

Outlook FY 2018

Looking forward to our 2018 financial year, we will be focused on diversifying our asset base internationally. It appears that key factors which have impacted international markets in 2016 have filtered through in 2017; in particular - volatile oil prices; China's deceleration in growth; Brexit; political risk in Europe; and geopolitical risks. In addition, the victory of Donald Trump adds to indecision as skepticism over the timing and his ability to follow through with election promises remain debatable. In the ECCU, we anticipate continued scarcity of investment grade long-term instruments, coupled with declining coupon on money market instruments.

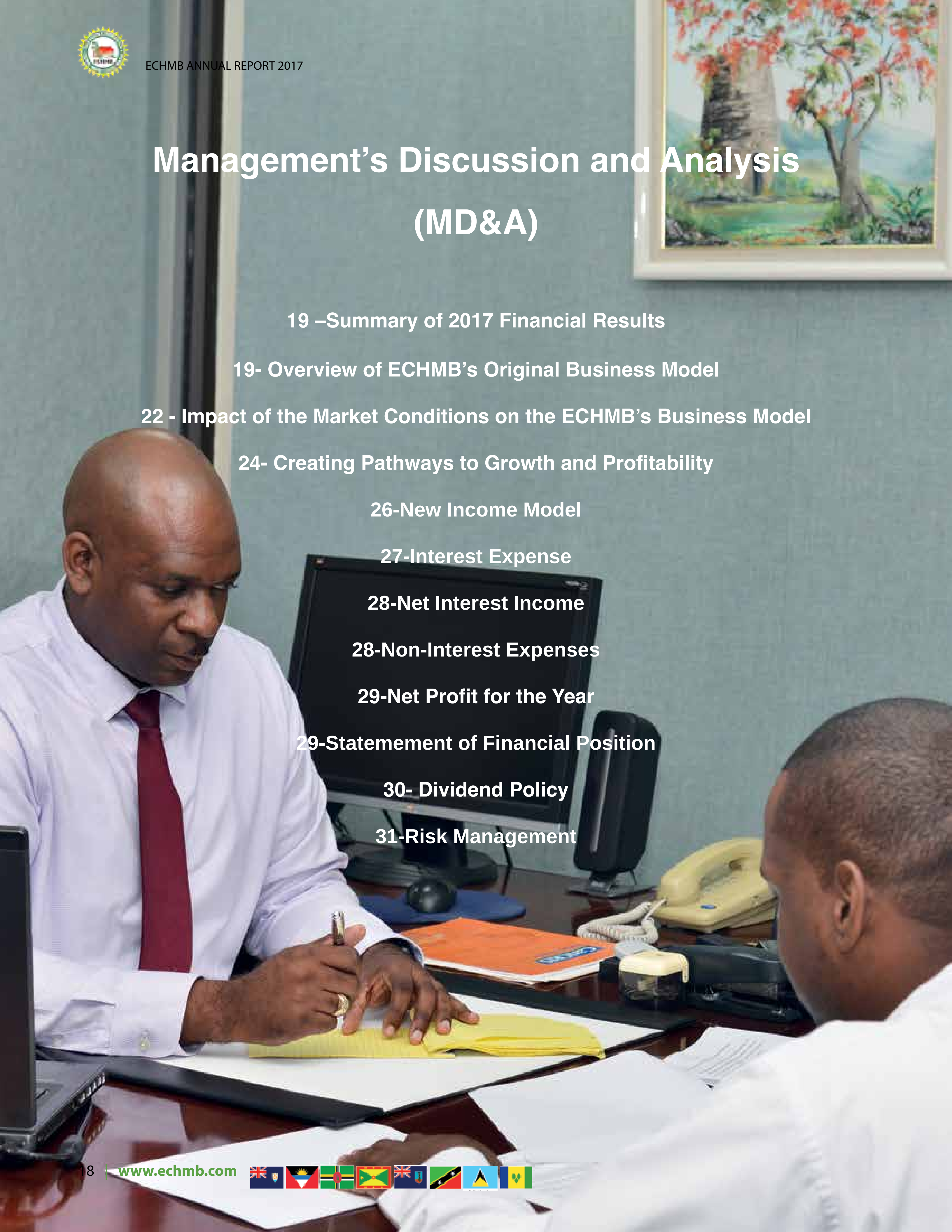
We propose to respond to these uncertainties by concentrating on the following four (4) operating priorities:-

Acknowledgements

I would like to place on record my profound gratitude to the Honourable Sir K Dwight Venner for his significant contribution to the ECHMB over the preceding twenty (20) years. On a personal note, Sir Dwight has been instrumental in shaping my career and has been a source of inspiration during his tenure with the ECHMB.

I am profoundly grateful to the Chairman and the Board of Directors for their support and guidance in implementing the strategic decisions of the Bank in the 2017 financial year. Likewise, I would like to extend gratitude to my colleagues for their support and to our valued business associates whose continued relationships would no doubt enable the ECHMB to achieve its mandate across the ECCU.

Randy Lewis
Chief Executive Officer



Management's Discussion and Analysis (MD&A)

19 –Summary of 2017 Financial Results

19- Overview of ECHMB's Original Business Model

22 - Impact of the Market Conditions on the ECHMB's Business Model

24- Creating Pathways to Growth and Profitability

26-New Income Model

27-Interest Expense

28-Net Interest Income

28-Non-Interest Expenses

29-Net Profit for the Year

29-Statemement of Financial Position

30- Dividend Policy

31-Risk Management

This Management's Discussion and Analysis (MD&A) is presented to enable the shareholders to assess material changes in the financial condition and operating results of ECHMB for the year ended 31st March 2017, compared with the corresponding period in previous years. This MD&A should be read in conjunction with our audited Financial Statements and related Notes for the year ended 31st March 2017. Unless otherwise indicated, all amounts are expressed in Eastern Caribbean Dollars and have been primarily derived from the Bank's Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

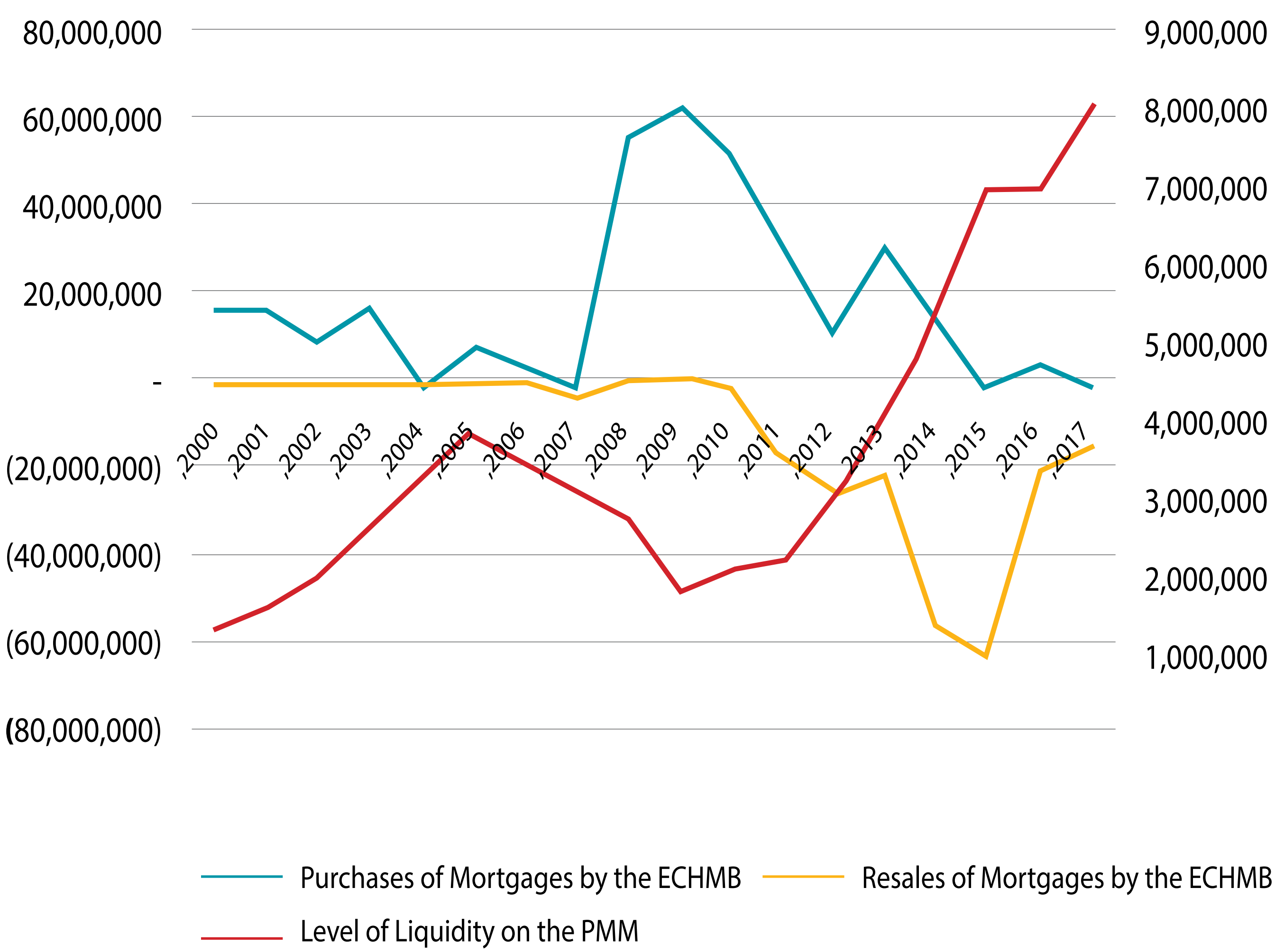
Summary of 2017 Financial Results

- Cash and Cash Equivalents declined from $43.43m in 2016 to $6.70m in 2017.
- Investment Securities increased from $150.13m in 2016 to $204.16m in 2017.
- Interest income declined by $1.28m (10.31%) from $12.42m in 2016 to $11.14m in 2017. This was mainly attributed to the $1.74m (35.88%) decline in income from the Mortgage Loans Portfolio.
- Repaid high cost borrowings totaling $4.34m.
- Borrowings declined by $4.89m (2.58%) from $189.55m reported in 2016 to S184.66m in 2017.
- Rolled over corporate papers totaling $184.1m at a weighted average interest rate of 2.02%.
- Interest Expense declined by $1.73m (26.53%) from $6.52m reported in 2016 to $4.79m in 2017
- Non-interest Expenses increased marginally by $0.02m (0.58%) from $3.44m in 2016 to $3.46m in 2017.
- Net Profit for the Year was reported at $3.06m, representing an increase of $0.56m (22.40%) when compared to the $2.50m reported in 2016.
- Return on Assets under Management increased from 1.01% in 2016 to 1.25% in 2017.
- Paid dividends of $7.50 per share; this resulted in the retention of Net Profit for the Year of $3.88 per share. As a result, Total Equity increased from $58.11m in 2016 to $59.16m in 2017.

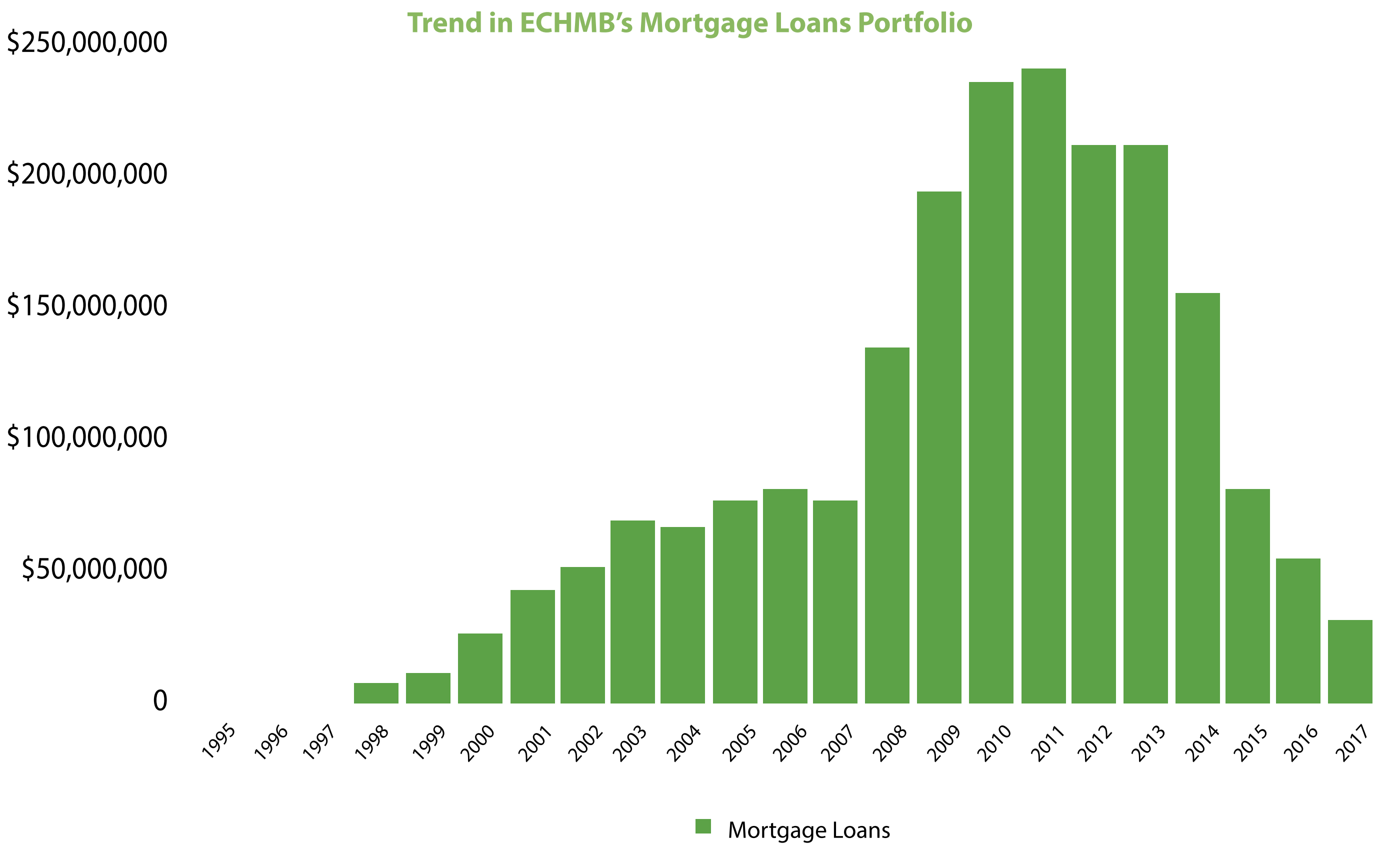
Overview of ECHMB's Original Business Model

The ECHMB was created to provide liquidity support to financial institutions engaged in mortgage lending on the Primary Mortgage Market ("PMM") in the Eastern Caribbean Currency Union ("ECCU"). The intent was to create an organized Secondary Mortgage Market ("SMM") to avail funds to increase the inventory of houses in the ECCU. The demand for ECHMB's products is contingent on the level of liquidity on the PMM. The graph on page 20 shows the interrelationship between the level of liquidity on the PMM and purchase and resale of mortgages by the ECHMB.

Interrelationship between demand for ECHMB's Products and the levels of liquidity on the PMM

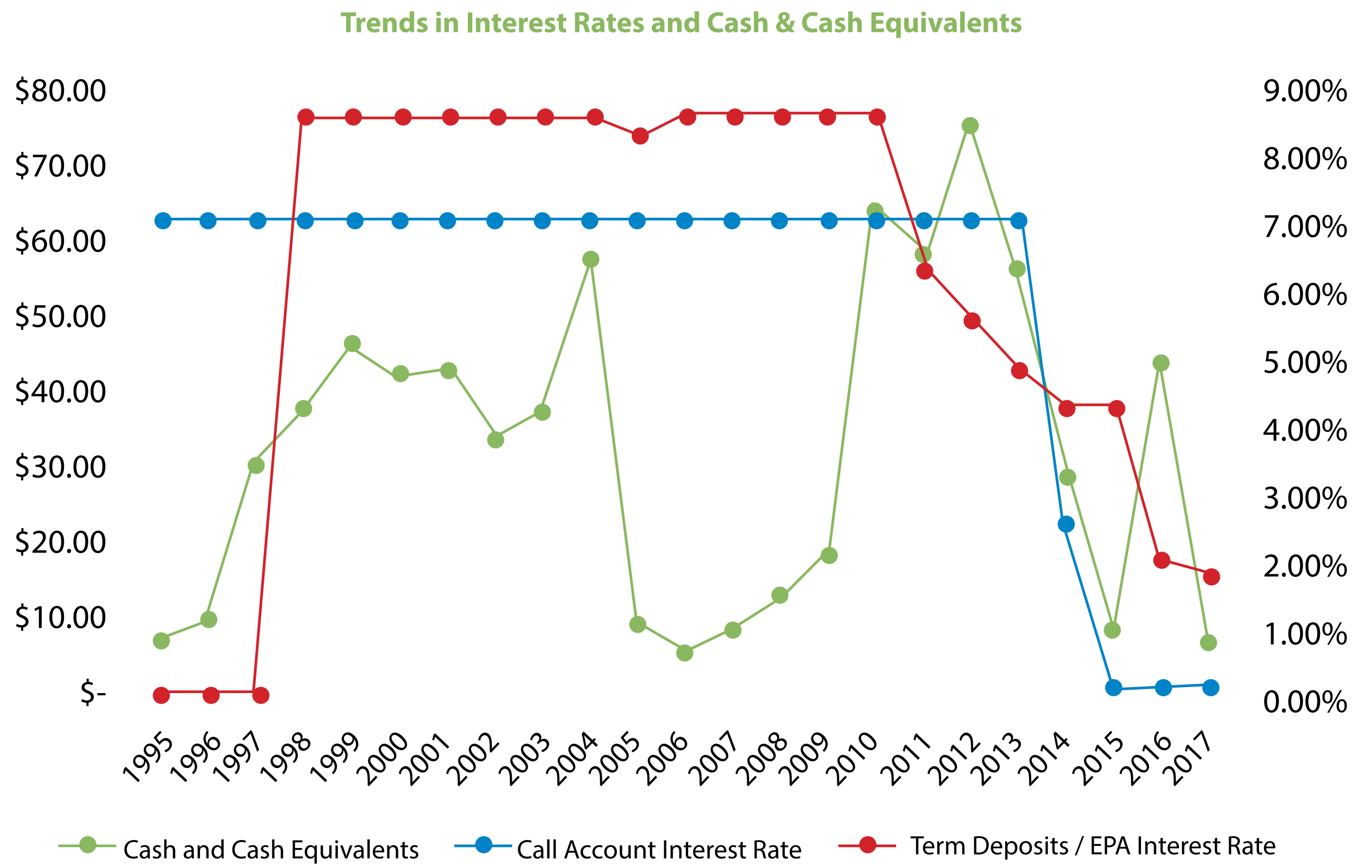


During periods 2008 to 2011, the PMM experienced declining liquidity and this created the opportunity for the ECHMB to purchase mortgages totaling $197.10m. The acquisitions resulted in growth of the Bank's Mortgage Loans Portfolio to $228.0m at the sojourn of the 2011 financial year. However, when liquidity rebounded from fiscal 2012, the ECHMB was required to resell mortgages totaling $180.86m; this resulted in the decline in the Bank's Mortgage loans Portfolio to $31.40m in 2017. The trend in ECHMB's Mortgage Loans Portfolio is displayed on page 21.



Current trends in customers' deposits and loans in the banking system in the ECCU suggest that liquidity is likely to continue to increase on the PMM. Given the interrelationship between liquidity on the PMM and sale of mortgages to the SMM, it is probable that the demand for liquidity from the ECHMB will continue to decline. Likewise, it is also plausible that Primary Lenders will continue to repurchase their mortgages from the ECHMB.

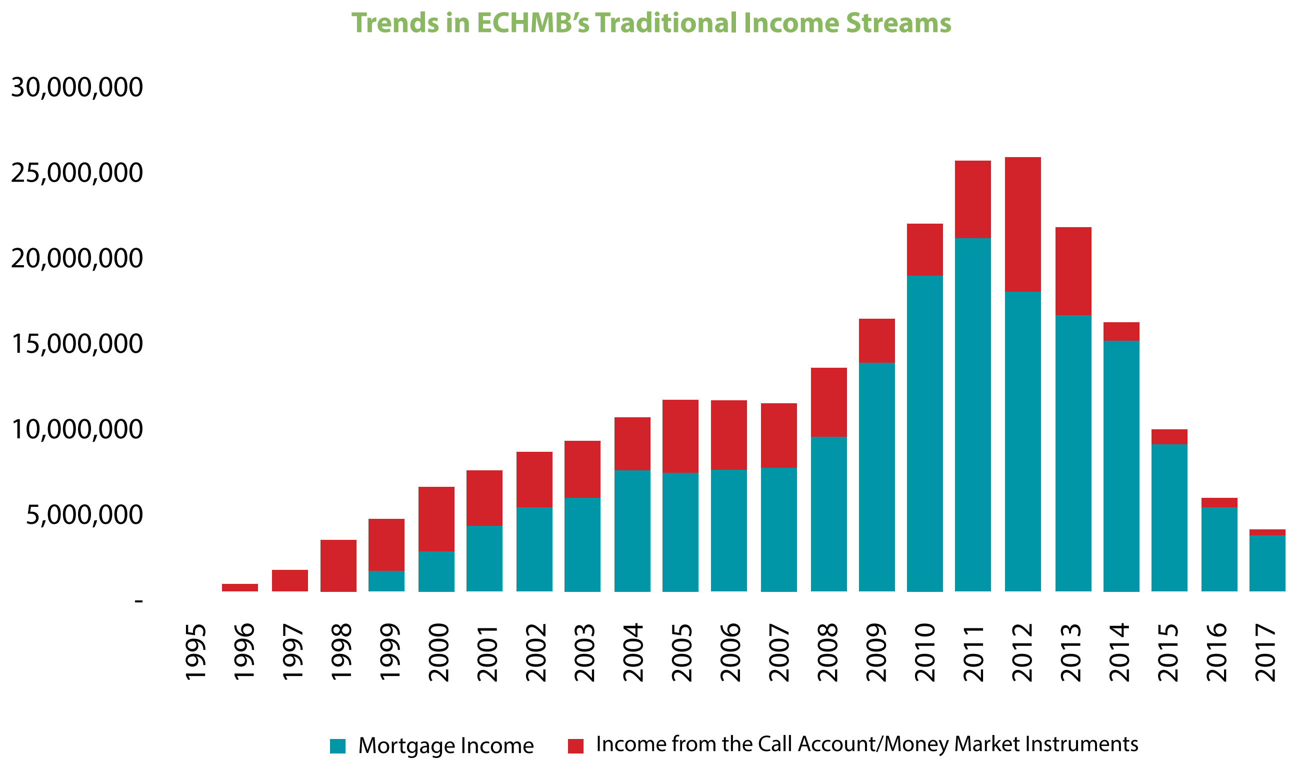
Apart from the Mortgage Loans Portfolio, the ECHMB generated interest income from the placement of Cash and Cash Equivalents on call, Repurchase Agreements and term deposits. Initially, the ECHMB received a 7.0% coupon on cash held on call; however, during the 2013 financial year, the coupon rate on the Bank's call account declined from 7.0% to 2.5%. In 2014, the coupon rate was further lowered from 2.5% to 0.1%. The ECHMB mitigated the declining coupon rate on its call accounts by investing Cash and Cash Equivalents in term Deposits over longer tenures. The current yield on term deposits at commercial banks in the ECCU approximates 1.75%.



Impact of the Market Conditions on the ECHMB's Business Model

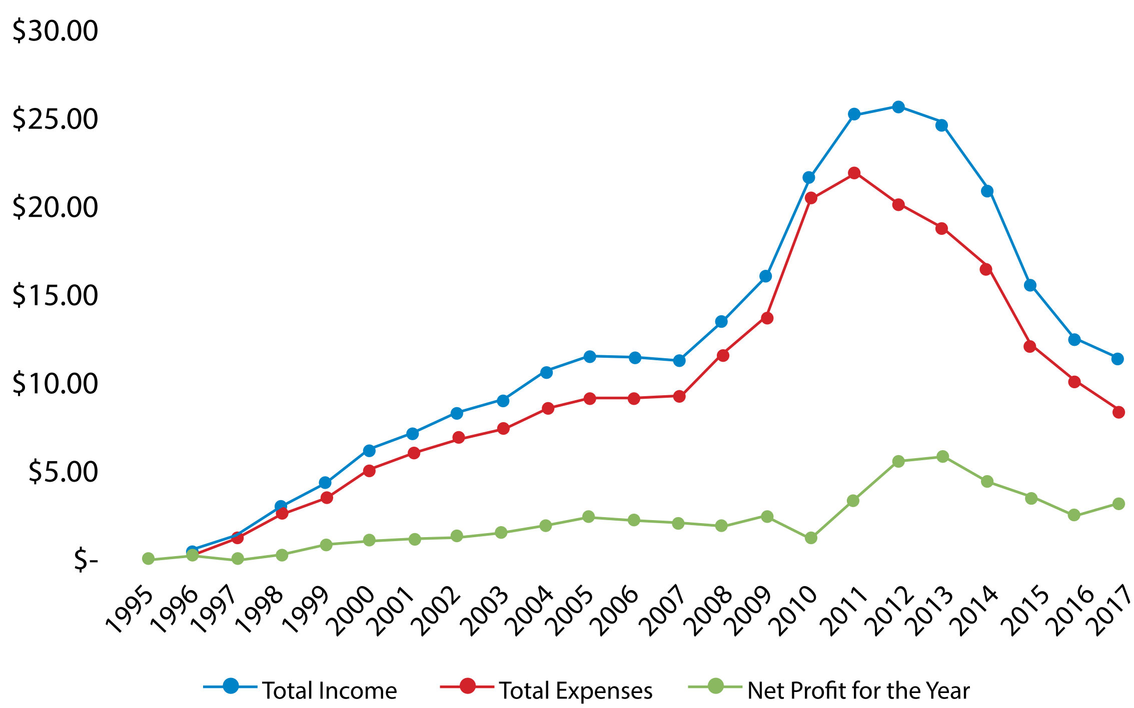
Notwithstanding the declining trend on the yield on the Bank's Cash and Cash Equivalents, the ECHMB reported cash inflows totaling $158.60m from the 2014 financial year. Due to the scarcity of investment grade instruments in the ECCU, the Bank took the decision to reduce Assets under Management by redeeming bonds totaling $65.90m during the 2015 financial year; this was imperative to avoid generating a negative interest spread on Cash and Cash Equivalents.

In summary, ECHMB's original business model has become obsolete. This is attributed to excess liquidity in the PMM which precludes the need for Primary Lenders to generate liquidity from the sale of mortgages; declining interest rates on Assets under Management; and a scarcity of investment grade sovereign and corporate instruments in the ECCU. It therefore follows that the ECHMB can no longer rely on its traditional markets and business lines for growth.



It was evident that the rate of change in the ECHMB's environment exceeded the rate of change of the Bank's business model. It was therefore imperative that Management implement strategies to ensure that the Bank remained a viable going concern.

Trend in Income, Total Expenses and Net Profit for the Year

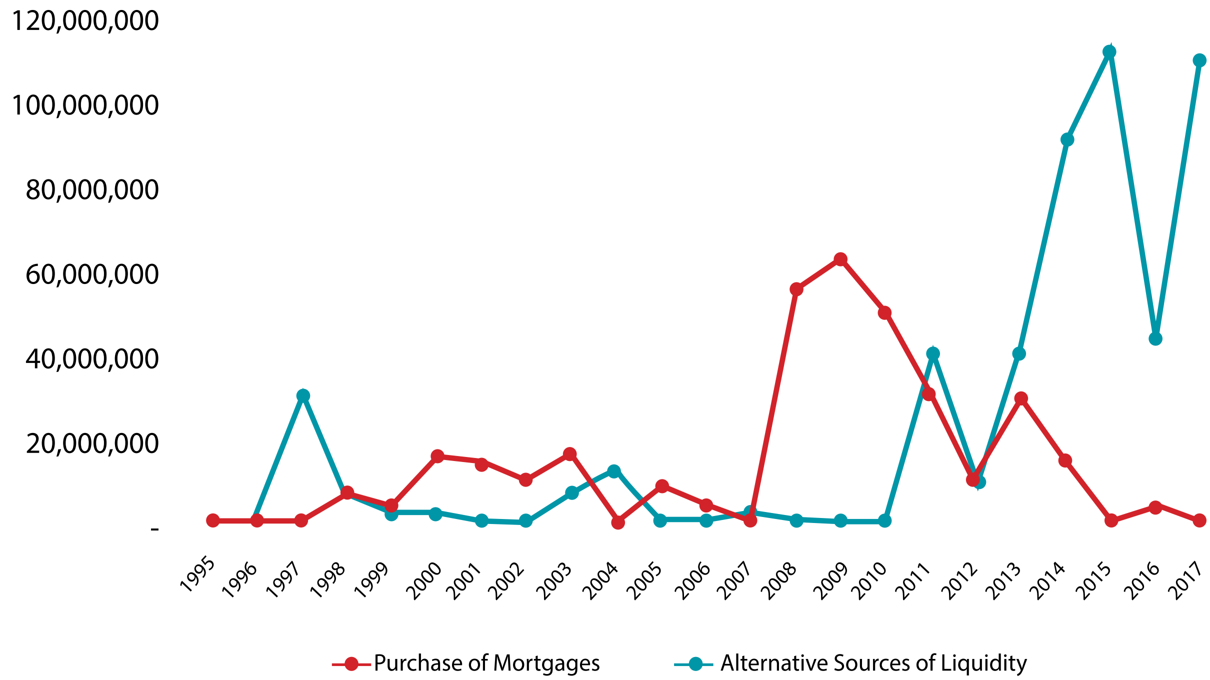


Due to the declines in the Bank's traditional sources of interest income, the graph shows the ECHMB preserved its profitability through the containment of Total Expenses.

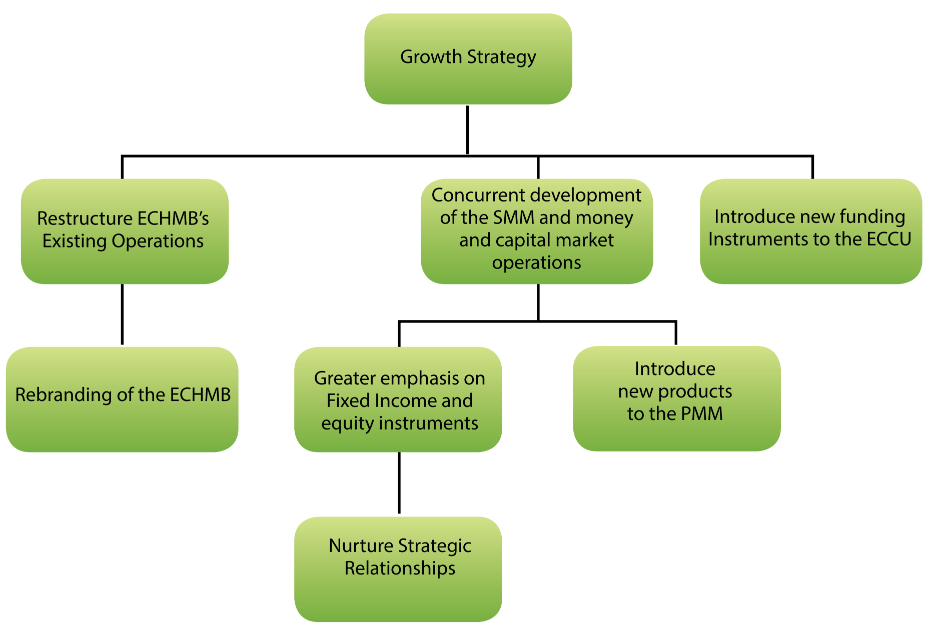
Creating Pathways to Growth and Profitability

An introspection was undertaken to determine the relevance of ECHMB's incumbent mission, vision, goals and raison d'être. It was unanimous that the ECHMB needed to diversify from the SMM. The graph on page 25 shows that over the preceding five (5) years, Primary Lenders demand for liquidity from the disposal of their mortgages has declined. Conversely, their demand for other products from the ECHMB has increased.

Patterns of demand for Mortgages and other products from the ECHMB



ECHMB recognizes the changing patterns of demand from the PMM and during the 2017 financial year, a new income model was introduced. The objective was to boost the Bank's viability through the concurrent development of the SMM and money and capital market business lines. The Bank's new strategy is designed to fill the financial gaps in the money and capital market in the ECCU for both corporate and individual investors. A synopsis of our plans is illustrated below:



Some of the initiatives implemented as a result of our new strategic thrust were as follows:-

- Revision of the Investment Policy Statement
- Strategic relationships with brokers domiciled in the USA and the Caribbean
- Introduction of new mortgage products.
- Diversification of the investment portfolio to include equity
- Revision of the functional structure of the Bank.
- Appendage Risk Management oversight to the Audit Committee

The new strategic thrust of the ECHMB has provided the impetus for the Bank to resuscitate its growth strategy and reduce concentration risk. The Bank's Assets under Management are now placed in jurisdictions with different systematic risk profiles to the ECCU. More importantly, the ECHMB has reduced its dependence on the SMM.

New Income Model

Our new income model has shifted the Bank's principal interest generating assets from Cash and Cash Equivalents and Mortgage Loans to Investment Securities. The Bank's Investment Securities Portfolio increased from $150.13m in 2016 to $204.16m in 2017. Conversely, low yielding Cash and Cash Equivalents declined from $43.43m in 2016 to $6.70m in 2017. In order to accord with our new income model, the functional structure of the Bank was reconfigured. This resulted in the replacement of the Mortgage and Research Departments with Investment and Treasury Departments.

The Bank's emphasis on Investments is beginning to stabilize the declining trend in Interest Income. During the 2017 financial year, Interest Income declined by $1.28m (10.31%) from $12.42m in 2016 to $11.14m in 2017. The decline in Interest Income was mainly attributed to the $1.74m (35.88%) decline in income from the Mortgage Loans Portfolio. This compares favorably to the 2016 financial year where Interest Income declined by $3.80m (43.93%). In accordance with our new income model, Interest Income from investments accounted for 72.08% of Total Interest Income in 2017 compared with 60.95% in 2016.

(EC$ in millions, except as noted)				Change from 2016
31st March 2017	**2017**	**2016**	**2015**	%
Term deposits	4.10	5.04	5.45	**-18.65%**
Mortgage loans portfolio	3.11	4.85	8.65	**-35.88%**
Government bonds	2.42	2.37	0.77	**2.11%**
Quoted bonds	1.07	-	-	**100.00%**
Treasury bills	0.42	0.12	0.01	**250.00%**
Bank deposits	0.02	0.04	0.58	**-50.00%**
	11.14	**12.42**	**15.46**	**-10.31%**

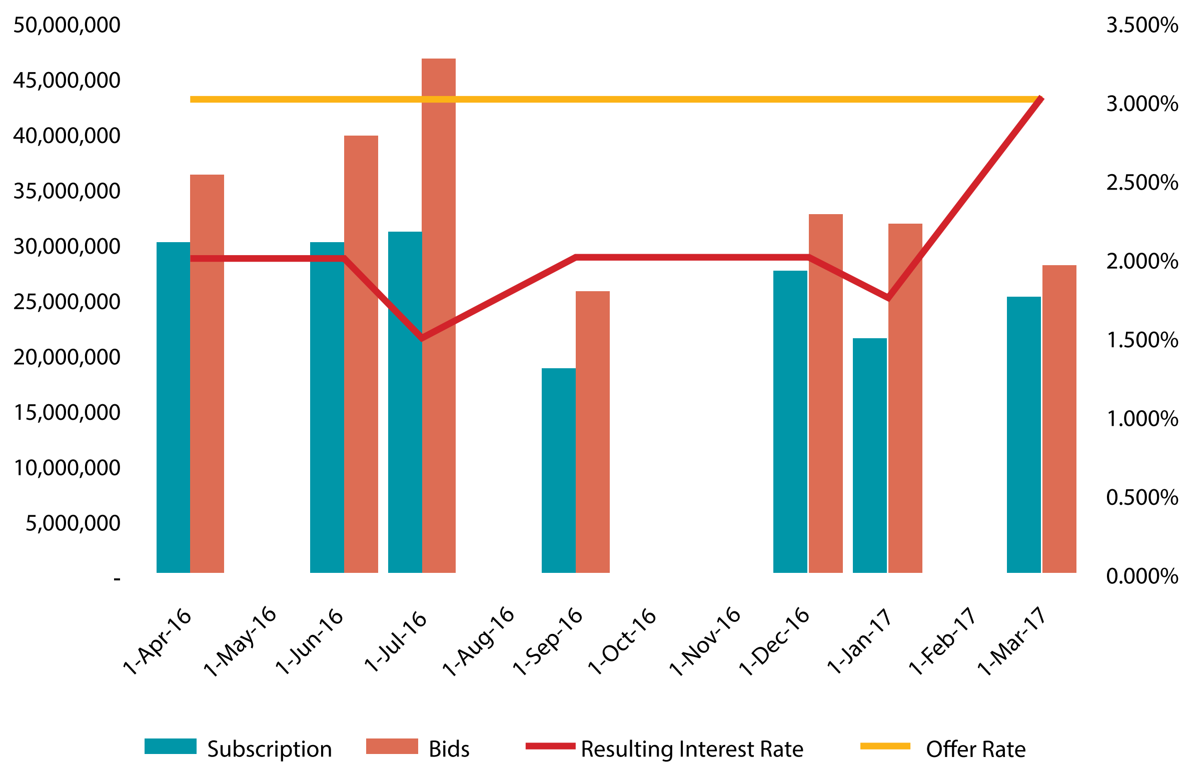
ECHMB's income from traditional sources of Term Deposits, the Mortgage Loans Portfolio and Bank Deposits have declined over the preceding three (3) years; however, the ECHMB continues to record growth in income from investments in sovereign and corporate bonds.

Interest Expense

The ECHMB continued the strategy of issuing short-term instruments via competitive bid auction utilizing the platform of the Eastern Caribbean Securities Exchange. The Bank auctioned seven (7) corporate papers totaling $184.1m with a tenure of 365 days. Total bids amounted to $239.94m, resulting in an oversubscription of $55.84m. The corporate papers were issued at a weighted average coupon rate of 2.02%.

The success of the ECHMB's auctions is predicated on the Bank's ability to preserve its investment grade credit ratings. In 2017, the ECHMB maintained its CariBBB+ Foreign currency ratings and local currency ratings on issue size of US$30.0m. ECHMB's credit ratings are assessed as adequate by CariCRIS.

ECHMB Funding Activities 2016/2017



The ECHMB has also continued the strategy of redeeming high cost, long-term Borrowings from the proceeds of low yielding Cash and Cash Equivalents. In 2017, the Bank repaid high cost Borrowings totaling $4.34m. Total Borrowings declined by $4.89m (2.58%) from $189.55m in 2016 to $184.66m in 2017. The dual strategy of rolling over short-term instruments at a lower coupon rate, plus redemption of high cost long-term Borrowings, have resulted in the decline in Interest Expense by $1.73m (26.53%), from $6.52m in 2016 to $4.79m in 2017.

(EC$ in millions, except as noted)				Change from 2016
31st March 2017	**2017**	**2016**	**2015**	%
Bonds in issue	4.79	6.23	7.93	**23.11%**
CDB loan	-	0.29	0.64	**100.00%**
	4.79	**6.52**	**8.57**	**26.53%**

Net Interest Income

ECHMB's Net Interest Income or the difference between Interest Income ($11.14m) and Interest Expense ($4.79) was reported at $6.35m (57.00%) compared to $5.90m (47.50%) in 2016. The improved Net Interest Income Percentage is attributed to the lower cost of funding the Bank's operations.

(EC$ in millions, except as noted)				Change from 2016
31st March 2017	**2017**	**2016**	**2015**	%
Interest income	11.14	12.42	15.46	**-10.31%**
Interest expense	(4.79)	(6.52)	(8.57)	**26.53%**
Net interest income	**6.35**	**5.90**	**6.89**	**7.63%**
Net Interest income percentage	**57.00%**	**47.50%**	**44.57%**	**20.00%**

Non-Interest Expenses

Non-Interest Expenses increased from $3.44m in 2016 to $3.46m in 2017. Salaries and Related Costs increased by $0.23m (19.83%); this was attributed to the recruitment of two (2) new employees plus redundancy costs associated with the elimination of the Mortgages and Research Departments. Other material increases included $33k (22.45%) associated with higher occupancy cost and $35k expended on hosting the Annual Home Ownership Event in Grenada.

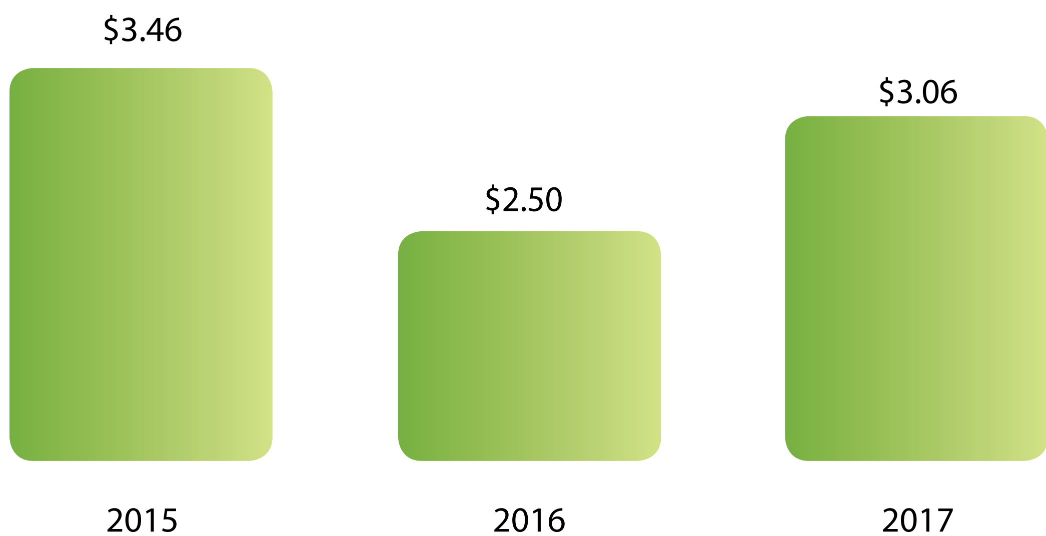
Cost savings were mainly achieved in Mortgage Administration Fees which declined from $0.53m in 2016 to $0.25m in 2017; this was attributed to the savings from the resale of mortgages to Primary Lenders.

(EC$ in millions, except as noted)				Change from 2016
31st March 2017	**2017**	**2016**	**2015**	%
General and administrative	2.02	1.69	1.47	**-19.53%**
Mortgage Administrative fees	0.25	0.53	0.91	**52.83%**
Other operating	1.19	1.22	1.09	**2.46%**
	3.46	**3.44**	**3.47**	**0.58%**

Net Profit for the Year

Net Profit for the Year was reported at $3.06m, representing an increase of $0.56m (22.40%) when compared to the $2.50m reported in 2016.

Net Profit for the Year



On account of the increase in Net Profit for the Year, the ECHMB reported improved performance metrics in 2017. Earnings-per-share increased from $9.32 to $11.38 in 2017. Return on Assets under Management increased from 1.01% to 1.25% in 2017. The ECHMB retained Net Profit for the Year of $3.88 per share and as a result, Shareholders' Equity increased from $58.11m to $59.16m in 2017; this resulted in the increase in the Bank's Book-Value-Per Share to $220.12 in 2017.

Statement of Financial Position

Assets under Management declined from the $247.82m reported in 2016 to $244.17m in 2017. The $3.65m (1.47%) reduction in Assets under Management was attributed to the repayment of high cost Borrowings totaling $4.34m and the payment of dividends amounting to $2.02m, offset by the $1.05m (1.77%) increase in Shareholders' Equity.

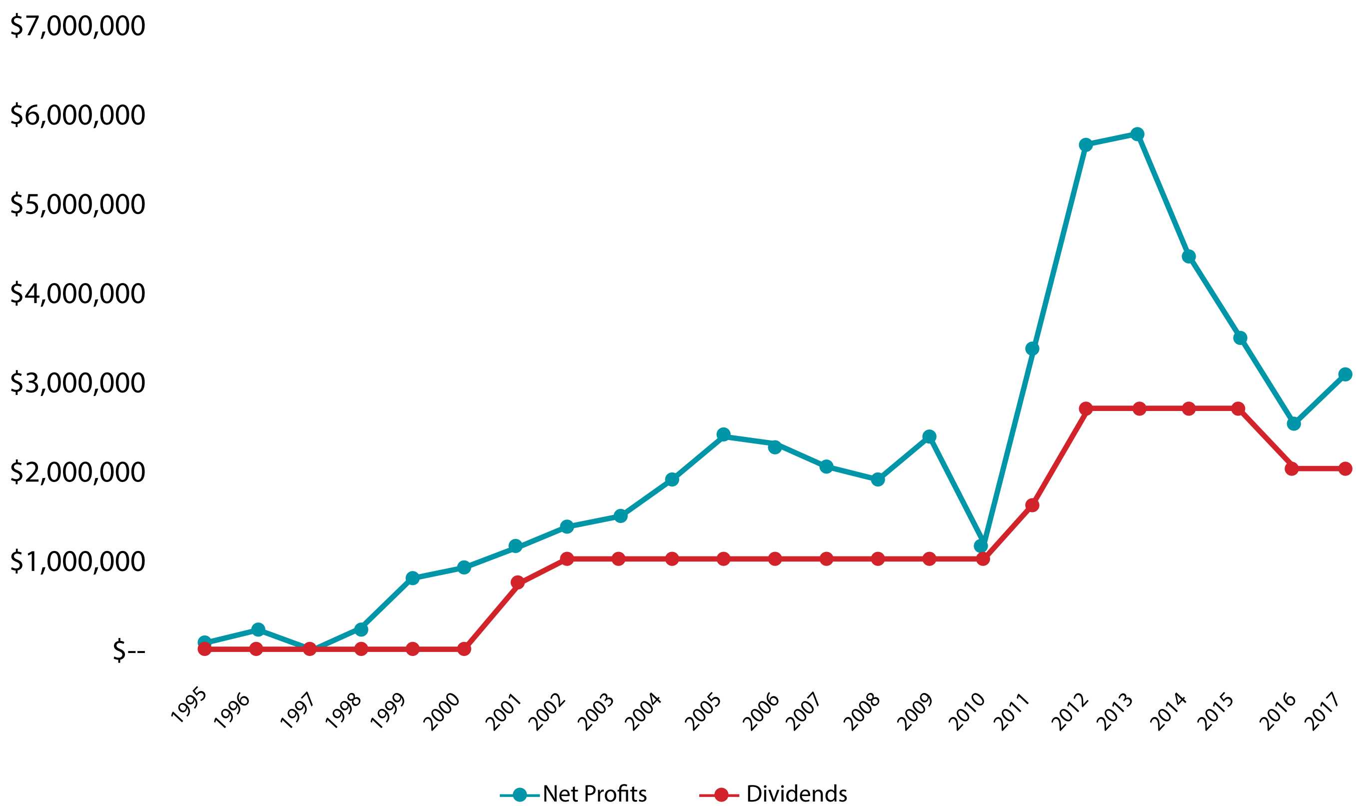
Non-interest earning assets totaled $2.02m or 0.83% of Assets under Management compared to $2.55m (1.03%) reported in 2016. Return on Assets increased from 1.01% in 2016 to 1.25% in 2017. Notwithstanding the foregoing, the shift in resources from higher yielding mortgage backed securities to investments has resulted in the decline in the Efficiency Ratio from 27.65% in 2016 to 31.06% in 2017.

The Debt-to-Equity Ratio improved from 3.26:1 in 2016 to 3:12:1 in 2017. The Board of Directors has stipulated a ceiling Debt-to-Equity Ratio of 8.0:1. The Ratio indicates that the ECHMB has the capacity to increase its debt capital by $288.34m (156.20%).

Dividend Policy

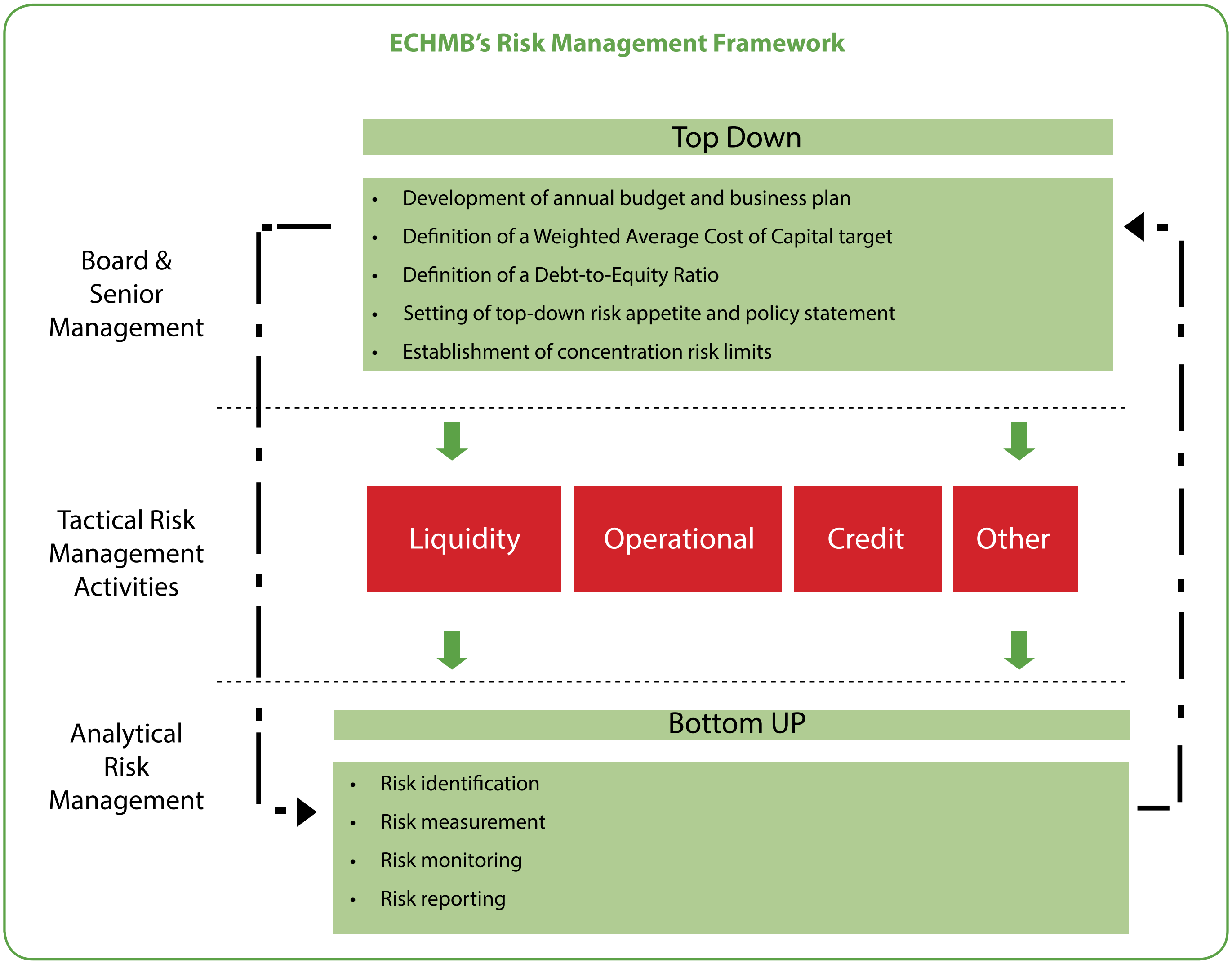
The ECHMB has generated Net Profit for the Year of $48.26m over twenty three (23) years since being established and has paid total dividends amounting to $26.13m. The prudent dividend policy has resulted in significant growth in Shareholders' Equity which totaled $59.16m in 2017; this translates to a Book Value per Share of $220.12. Initial investors in the ECHMB have potential capital gains of $120.12 or (120.12%) in 2017.

Trends in Net Profit and Dividends



Risk Management

Risk management is essential for the ECHMB to achieve its financial and operating objectives. The ECHMB has developed a Risk Management Framework (the "Framework") in a bid to ensure that its Senior Management propagates sound business practices which foster efficient and prudent management of its operations.



The main objective of the Framework is to promote sound stewardship of the Bank. Other objectives of the Framework include:

- Establish and apply effective internal controls;
- Align the Bank's strategy and objectives with its risk tolerance;
- Adopt sound and prudent risk limits and management policies;
- Define the Bank's risk appetite and tolerance;
- Establish processes to continuously identify, understand and assess major risks; and
- Define the committees' roles and responsibilities regarding risk management.

The Framework defines the Bank's governance structure and risk management processes. Furthermore, the Framework enhances the Bank's integrated risk management strategy by strengthening its internal control structure and corporate governance. In essence, the Framework not only facilitates the identification of the risks the Bank faces but also provides the mechanism for the development and application of adequate and efficient internal controls to ensure that sound and prudent risk management strategies are implemented. The Bank's risk management process is closely tied to the strategic planning process from which the Bank's strategic and business plans are derived. Policies approved by the Board prescribe the tolerances, measures and responsibilities for each significant risk.

Risk Tolerance

Risk tolerance corresponds to implicit and acceptable variations relative to the Bank's risk appetite targets but can also reflect the level of risk when there is no direct benefit associated or when the risk is not aligned with benefits.

Risk Appetite

Risk taking is a necessary part of the Bank's business. The business strategies incorporate decisions regarding the risk and reward trade-offs the Bank is willing to make and the means with which it will manage and mitigate those risks. The Bank has determined a risk appetite, which is defined in the Framework, and continuously attempts to maintain a balance between its risk tolerance and risk capacity. The Audit and Risk Committee of the Board is responsible for the annual review and approval of the Bank's risk appetite. Risk appetite is defined as the level of risk the Bank is willing to accept to achieve its objectives, particularly when there is a benefit associated:

- It is a broad concept which describes the types of activities and risks the Bank is willing to develop; and
- It is defined in terms of performance targets, credit rating and debt-to-equity ratio

Risk capacity is determined by the availability of resources to assess and mitigate risk, as well as to absorb significant losses. The Bank's risk appetite statement can be summarized as a combination of:-

- strategic objectives: financial objectives, target debt-equity-ratio, growth target, business types; and
- a set of internal limits that define the Bank's risk tolerance (including regulatory constraints).

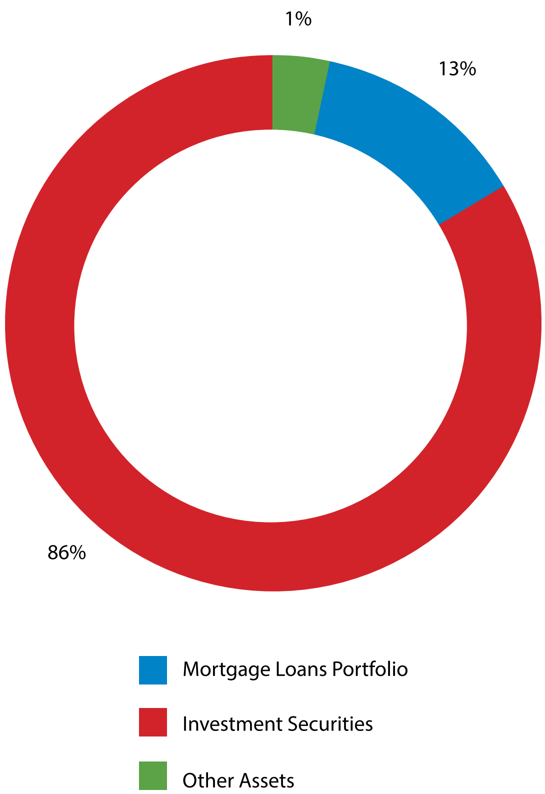
Business and Strategic Risk Management

Business risk is the potential adverse effect of changes in the economic, competitive, regulatory, or accounting environment on the Bank's results. Strategic risk results from inadequate business plans, strategies, decision-making processes, allocation and use of the Bank's resources. Senior Management is responsible for managing the Bank's business and strategic risks. On a triennial basis, strategic planning is carried out to analyze strengths, weaknesses, threats and opportunities in order to determine the profitability and risk profiles of the Bank's internal and external environments. The Bank's overall strategy is crafted by Senior Management and presented to the Board of Directors for approval.

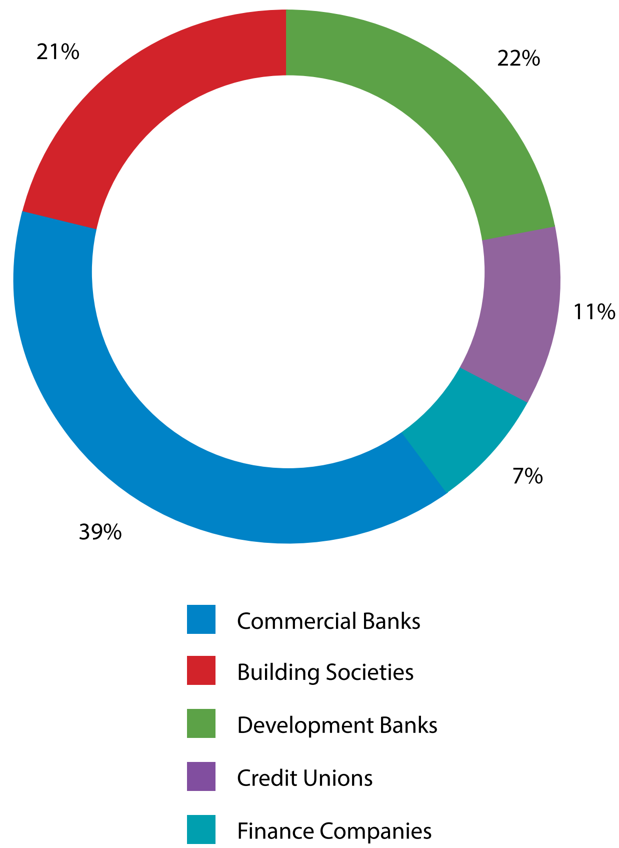
Credit Risk Management

Credit risk is the risk of a financial loss occurring if a debtor does not fully honour its financial obligations towards the Bank with regard to the Mortgage Loans Portfolio and/or Investment Securities. As shown in the graph on page 33, 99.0% of the ECHMB's Assets under Management are exposed to credit risk.

Assets under Management



Allocation of Mortgages by Institution



The Mortgage Loans Portfolio accounts for 13.0% of Assets under Management. The ECHMB through its automated eMIMS mortgage system undertakes monthly reconciliations of its Mortgage Loans Portfolio. These reconciliations monitor the performance of mortgage pools including changes in interest rate, lump sum payments, maintenance of adequate insurance coverage and defaults. The average Debt Service Ratio of each mortgage has been stipulated at 40.0%, with the Loan-to-value Ratio restricted to 90.0%. The monthly reconciliations are supplemented by annual reviews ("Reviews") of each Primary Lender. The Reviews cover the Primary Lender's financial conditions as well as the performance of the Mortgage Loans Portfolio. Primary Lenders are required to replace mortgages which are not in compliance with the Bank's underwriting standards. The graph shows the distribution of the Mortgage Loans Portfolio by institution.

Impaired loans

The ECHMB was not required to impair its Mortgage Loans Portfolio for the 2017 financial year. This is mainly attributed to the fact that mortgages are acquired with recourse. Notwithstanding the foregoing, 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 20.0% 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. During the 2014 financial year, the Board of Directors approved the transfer of the Building Reserve to the Portfolio Risk Reserve.

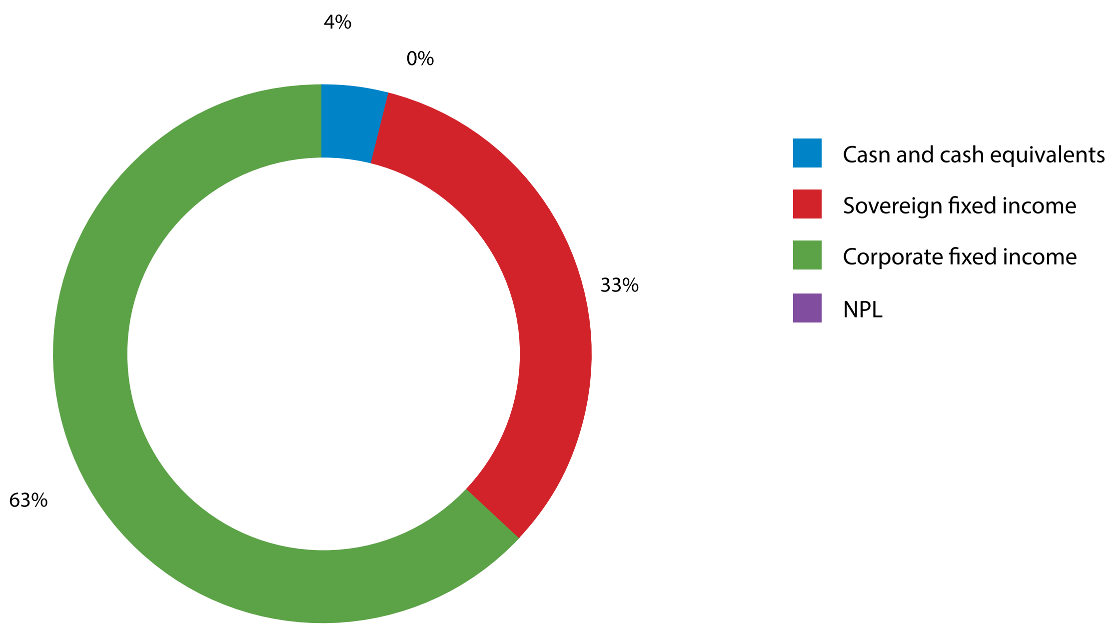
Cash and Cash Equivalents and Investment Securities

Cash and Cash Equivalents and Investment Securities account for 87.0% of ECHMB's Assets under Management. The primary objectives of the ECHMB's investment portfolio in order of priorities are as follows:

- safety and portfolio diversification;
- liquidity; and
- yield.

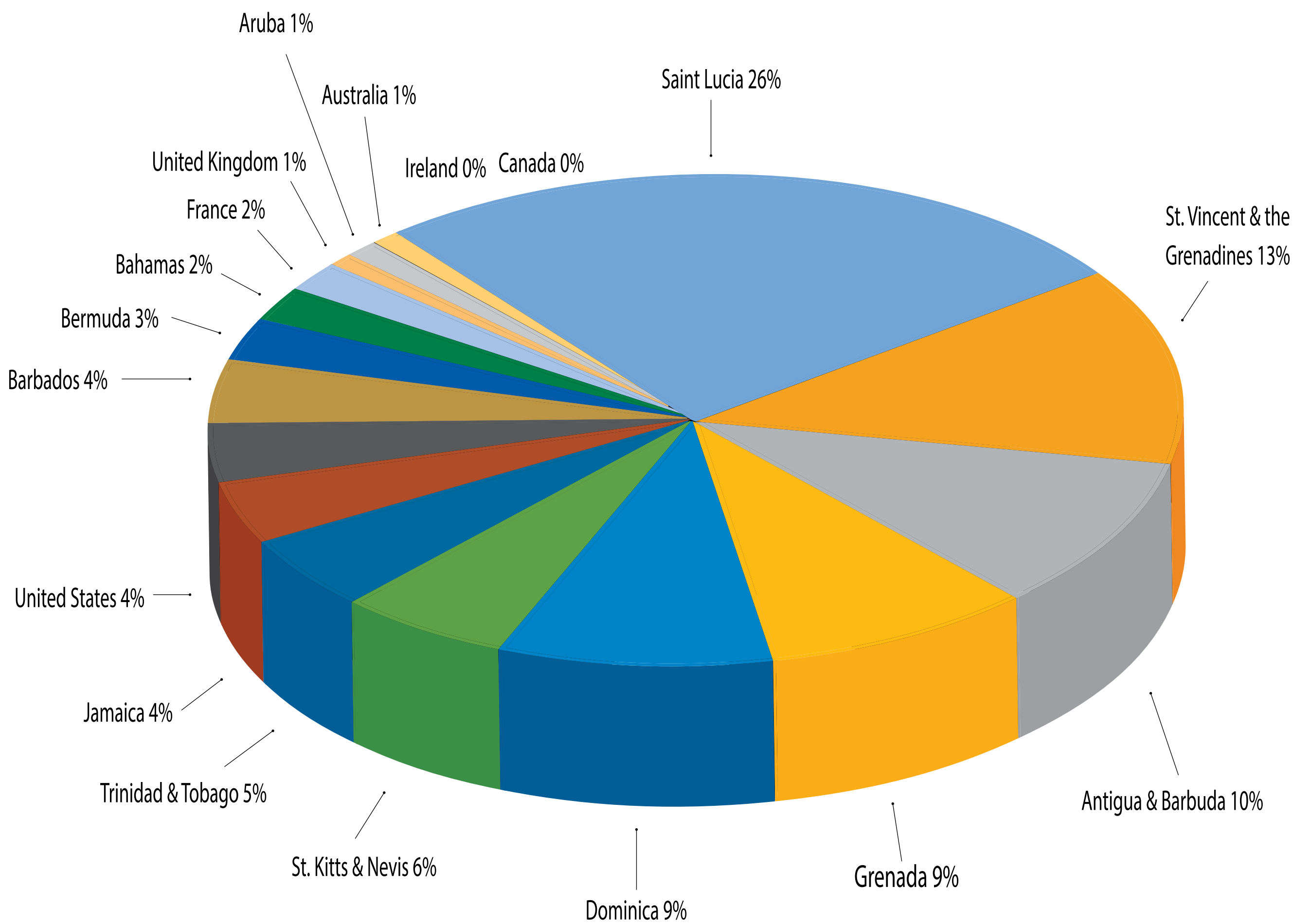
Together, the above objectives dictate how ECHMB allocates its investible resources into investments within different time horizons and risk profiles. The graph shows the allocation of ECHMB's Investment Securities.

Asset Classes



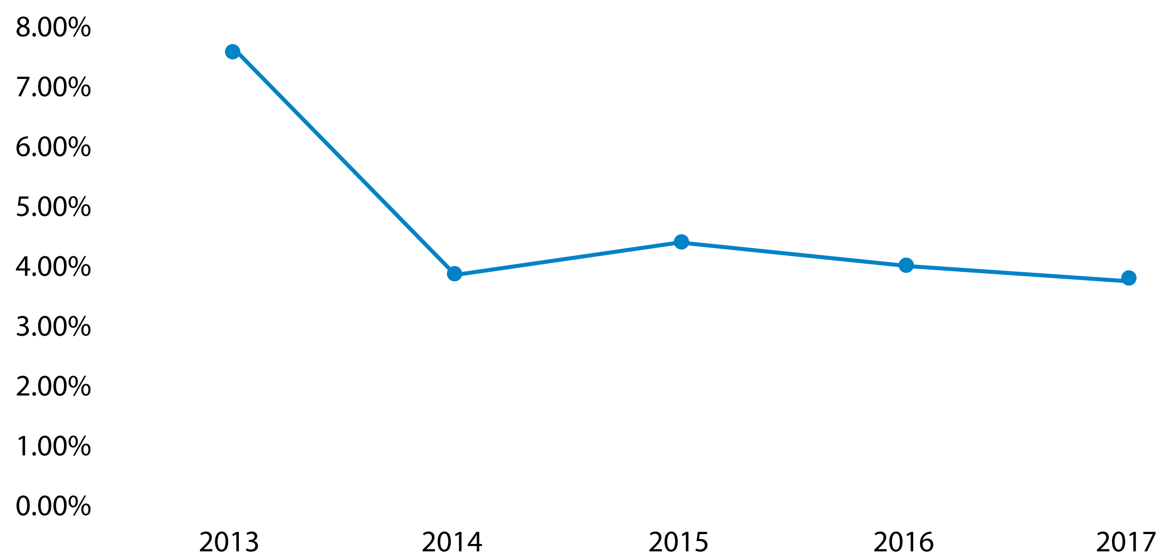
Safety of principal is the foremost objective of the investment portfolio. Hence the assets are invested with skill, care, prudence and diligence under the circumstances that a prudent person would use in the investment of assets with like character and similar goals. Investments are undertaken in a manner that seeks to ensure the preservation of capital and the diversification of investments by asset class in order to reduce the overall portfolio risk. The objective is to mitigate credit and market risks. The graph on page 35 shows ECHMB's distribution of investments by country.

Asset Concentration by Country



The investment portfolio is designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. The graph on page 36 shows the yield on the ECHMB's investment portfolio over the period 2013 to 2017.

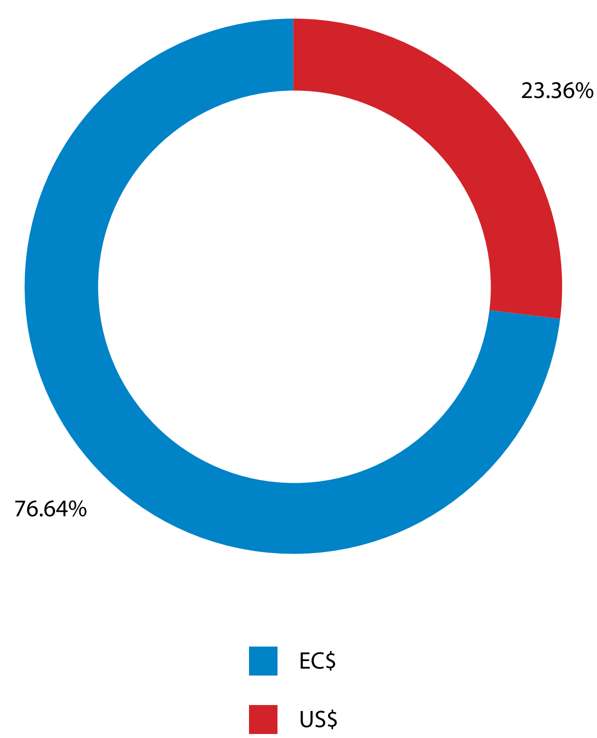
Yield on Investment Portfolio



Foreign exchange risk

Foreign exchange risk is the losses that the Bank may incur subsequent to adverse exchange rate fluctuations. It originates mainly from holding investments denominated in United States dollars. ECHMB's foreign exchange risk exposure is managed by a "natural currency hedge" in which the Bank's transactions are completed in the same currency.

Currency Risk Exposure



Liquidity and Funding Risk Management

Liquidity and funding risks represent the possibility that the Bank may not be able to gather sufficient cash resources when required and under reasonable conditions to meet its financial obligations. Financial obligations include obligations to Bondholders and suppliers. The Bank's overall liquidity risk is managed by the Treasury Officer with oversight from the Executive Committee and, ultimately, by the Board of Directors in accordance with the Bank's Investment Policy Statement (the "Policy"). The main purpose of this Policy is to ensure that the Bank has sufficient cash resources to meet its current and future financial obligations under both normal and stressed conditions.

The Bank defines its risk tolerance towards liquidity and funding in terms of a minimum required liquidity level that would assure the Bank's survival in the event of a liquidity crisis. The Bank monitors cash resources daily and ensures that liquidity indicators are within established limits. Liquidity risk management pays particular attention to investment maturities, as well as, funding availability and Primary Lenders' demand for cash when planning financing. The Bank maintains a reserve of unencumbered liquid assets in its Call Account that are readily available to face contingencies and which constitutes its liquidity buffer. A liquidity forecast is prepared and reviewed on a monthly basis. It provides a detailed action plan that enables the Bank to fulfill its obligations in the event of a liquidity crisis.

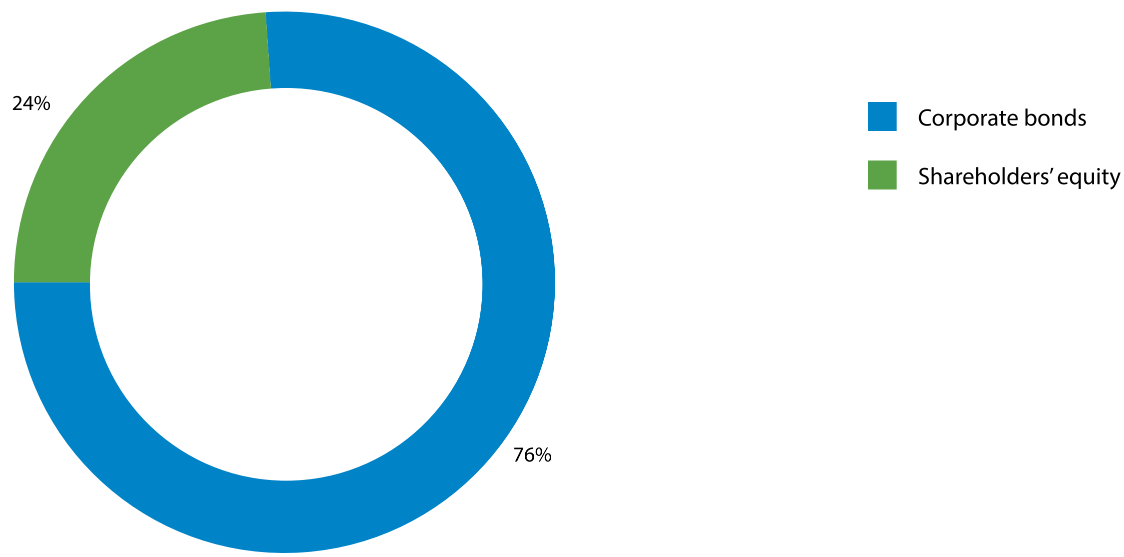
The negative liquidity gaps arise due to the Bank's strategy of funding its operations from corporate papers with a maximum tenure of 365 days and the placement of investment over tenures in excess of three (3) years in order to secure higher interest rates. The ECHMB mitigates the negative liquidity gaps by arranging a Revolving Credit Line in the amount of $30.0m to meet large outlays of cash.

ECHMB's Liquidity Gap

Funding

Funding relates mainly to the issuance of debt instruments on the Eastern Caribbean Securities Market and Shareholders' Equity. Debt instruments continue to be the Bank's principal source of funds and accounted for 76.0% of total capital in 2017.

ECHMB's Capital Structure



Capital Management

Management's objective is to maintain an adequate level of capital, in line with the Bank's risk appetite, to support the Bank's activities while producing an acceptable return for shareholders. Although it is not a statutory requirement, the ECHMB has imposed a Debt-to-Equity Ratio limit of 8.0:1. During the 2017 financial year, the Bank reported a Debt-to-Equity Ratio of 3:12:1; ECHMB has the capacity to increase its debt capital by $288.34m (156.20%) before breaching its guideline.

On average, the Bank retains approximately 50.0% of the Net Profit for the Year.

Trend in Net Profit and Retained Earnings

Operational Risk Management

Operational risk is inherent to the activities of financial institutions. It results from inadequacy or failure attributable to processes, people, systems or external events. The Bank deals with this risk principally through its system of accounting and internal controls along with its internal audit function. The Internal Audit function is outsourced to an independent firm of chartered certified accountants. The Internal audit plan and programmes are reviewed by the Audit and Risk Committee and reports thereon are presented to the Board of Directors.

Business Continuity

Resources, processes and results of the Bank could be affected by unexpected external events such as natural catastrophes. The Bank has developed an extensive contingency planning framework. Some of the measures implemented include offsite backup with offshore redundancies. Furthermore, the Bank continues to ensure its information systems are protected against cyber-attacks and intends to undertake an information system audit in the early part of the 2018 financial year.

Reputational Risk Management

Reputational risk is the risk that a decision, an event or a series of events may affect, either directly or indirectly, the Bank's image with shareholders, Primary Lenders, employees, the general public or any other stakeholders, and negatively impact the Bank's revenues, operations and, ultimately, its value. Reputational risk most often results from the inadequate management of other risks and may affect almost every activity of a financial institution, even when operations are, from a technical point of view, in compliance with legal and accounting requirements.
Reputation is a critical asset that favours the ECHMB's growth as well as continued trust from Primary Lenders, bond holders and the general investing public which also optimizes the Bank's value for shareholders. At the ECHMB, Reputation is considered a strategic resource. In order to protect the Bank from any impairment to its reputation, Senior Management ensures that all other risks are adequately managed.

MR. TIMOTHY N. J. ANTOINE - Chairman

Mr. Antoine was appointed to the Board of Directors in November 2016, representing the Class A shareholder. Mr. Antoine, a national of Grenada, assumed duties as the third Governor of the Eastern Caribbean Central Bank (ECCB) on 1 February 2016. He is an economist and development practitioner by training, experience and passion. Before taking up the position of Governor, Mr. Antoine served as Director for Grenada on the ECCB Board of Directors for the periods: 2002 to October 2005 and January 2008 to January 2016.

Mr. Antoine's 22-year tenure with the Government of Grenada was spent in the Ministry of Finance where he began as a Planning Officer in 1993 and rapidly moved up the ranks to Senior Economist before being appointed Permanent Secretary, serving in that position for the periods August 1999 to October 2005 and January 2008 to January 2016. From November 2005 to November 2007, he served as Advisor to the Executive Director for Canada, Ireland and the Caribbean in the World Bank Group and was based in Washington D.C. In that role, he offered analysis and advice on various development policies and projects and was a strong advocate for the interests of the Caribbean and small States.

He was a Part-Time Lecturer in Economics and Development at St. George's University from 1999-2000. Mr. Antoine has also contributed to the development of the OECS and wider Caribbean in various ways such as serving on several local, regional and international boards and committees including:

- Chairman, Grenada's Homegrown Programme Monitoring Committee
- Chairman, Grenada Authority for the Regulation of Financial Institutions
- Chairman, Investment Committee, Grenada National Insurance Board
- Chairman, Governance Reform Committee, Board of Directors, Caribbean Development Bank
- Director, Board of Directors, CARICOM Development Fund
- Director, Caribbean Catastrophe Risk Insurance Facility
- Chairman, ECCU Technical Core Committee on Insurance

Mr. Antoine, holds a MSc Degree in Social Policy and Planning in Development Countries from the London School of Economics and a BSc Degree in Economics with Management from the University of the West Indies. He has also received training from the Small Countries Financial Management Centre in the Isle of Man and training in Negotiations at the Said International School of Business, Oxford University. He also has a Certificate in Project Cycle Management from the Caribbean Development Bank (CDB). Other passions include: reading, music, speaking with youth and sports. Mr. Antoine is a man of deep faith. He has served as Chairman of the Board of the St George's Bible Holiness Church.

He is married to Charmaine Antoine nee Rouse. They have two daughters: Chereece and Yaana.

MR. DEXTER DUCREAY - Director

Mr. Ducreay was appointed to the Board of Directors in July 2008, representing Class D shareholders. He holds a B.Sc. (Hons) in Accounting from St. John's University, New York. Mr. Ducreay is a former General Manager of Dominica Water and Sewerage Company, and is also 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 General Manager of A.C. Shillingford & Company Limited, Dominica, as well as the Chairman of the Credit Union League (Dominica). Mr. Ducreay is the former President of the National Co-operative Credit Union Limited and has in excess of sixteen (16) years senior management experience.

MRS. MISSI P. HENDERSON - Director

Mrs. Henderson was appointed to the Board of Directors in September 2014, representing Class B shareholders. She holds various certifications in Finance, a BA in Accounting and a MSc in Finance and Accounting with the University of Liverpool.

Mrs. Henderson has been employed with the Dominica Social Security Board for the past fourteen (14) years and currently holds the position of Chief Financial Officer. Prior to joining the Dominica Social Security Board, Mrs. Henderson worked in the telecommunications industry for thirteen (13) years in senior finance roles which included the management of the Capital Efficiency Programme and of the system support to sixteen (16) Cable & Wireless Business Units. She also served on the Supervisory Committee of the Roseau Co-operative Credit Union (now National Cooperative Credit Union Ltd).

MS. SHARMAINE FRANCOIS - Director

Ms. Francois was appointed to the Board of Directors in September 2014, representing Class C shareholders. Ms. Francois has completed several training courses in financial and investment planning, as well as financial counseling and has attended a wide range of training programmes in banking and financial management. Ms. Francois holds a B.Sc. in Accounting and Statistics from the University of the West Indies (UWI), and a Post Graduate Certificate in Business Administration from Manchester Business School, UK, and is an Accredited Director, having completed the directors' programme with the Institute of Chartered Secretaries and Administrators (ISCA), Canada.

Ms. Francois has seventeen (17) years progressive senior executive experience in the field of Banking, twelve (12) 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. Ms. Francois current holds the position of Assistant General Manager at Bank of Montserrat.

MR. PETER BLANCHARD - Director

Mr. Blanchard was appointed to the Board of Directors in November 2016, representing Class C shareholders. Mr. Blanchard, who was born in Antigua, is an insurance specialist. Since 1984, he has been the principal shareholder and Chairman of the Board of General Insurance Company Ltd, a locally-registered insurance company authorized to conduct business in Antigua and Barbuda. He has also been the Chairman of Design Properties Ltd., a property development management company since 1991.

He has served on various boards in Antigua and abroad, viz. the Board of the ACB Mortgage & Trust Company from its inception in 1987 until 2005. Mr. Blanchard was subsequently elevated to serve on the Board of Antigua Commercial Bank (ACB) on May 05, 2005. In January 2007, he was once again appointed to the ACB Mortgage and Trust Board and was elected Chairman of that Board in October 2008. In February 2016, due to law regulations, Mr. Blanchard retired from the ACB Board where he had been Chairman of the Credit Committee from October 2008 – February 2016. In April 2016 he was re-appointed to the ACB Mortgage & Trust Company Ltd Board as a Non-ACB Director and since October 2016 has since been re-appointed as its Chairman.

During the period 2005-2006, Mr. Blanchard represented Antigua Commercial Bank and the other indigenous banks operating in the Organization of Eastern Caribbean States (OECS) group on the Board of Directors of the East Caribbean Financial Holding Company Ltd, a company which is based in Saint Lucia, West Indies. In 2006, Mr. Blanchard was appointed a Director of the Board of the Eastern Caribbean Securities Exchange located in St Kitts and in 2007, he was elected the Chairman of its Intermediary Development and Market Structure Committee.

Corporate Information

Board of Directors

Timothy N.J. Antoine BSc, MSc, C. Dir
Chairman

Missi Henderson BA; MSc
Peter Blanchard ACC Dir.
Sharmaine Francois BSc; ACC. Dir.
Dexter Ducreay BSc; C. Dir

Key Members of Staff

Randy Lewis; ACA; FCCA; MBA; ACC. Dir.
Shanna Herbert; FCCA
Ava Beckles; BSc; CFA
Justin Skeete; MCITP
Kelva Merchant; BSc; ACC. Dir.

Corporate Secretary

Maria Barthelmy LLB; LLM

Registered Officer

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

External Auditors

Grant Thornton
Corner Bank Street & West Independent Square
Basseterre, St. Kitts

Internal Auditors

Roosevelt Maloney & Associates
Chartered Certified Accountants
Basseterre, St. Kitts

Bankers

St. Kitts Nevis Anguilla National Bank Limited
Central Street, Basseterre, St. Kitts

The Bank of Nova Scotia
Fort Street, Basseterre, St. Kitts

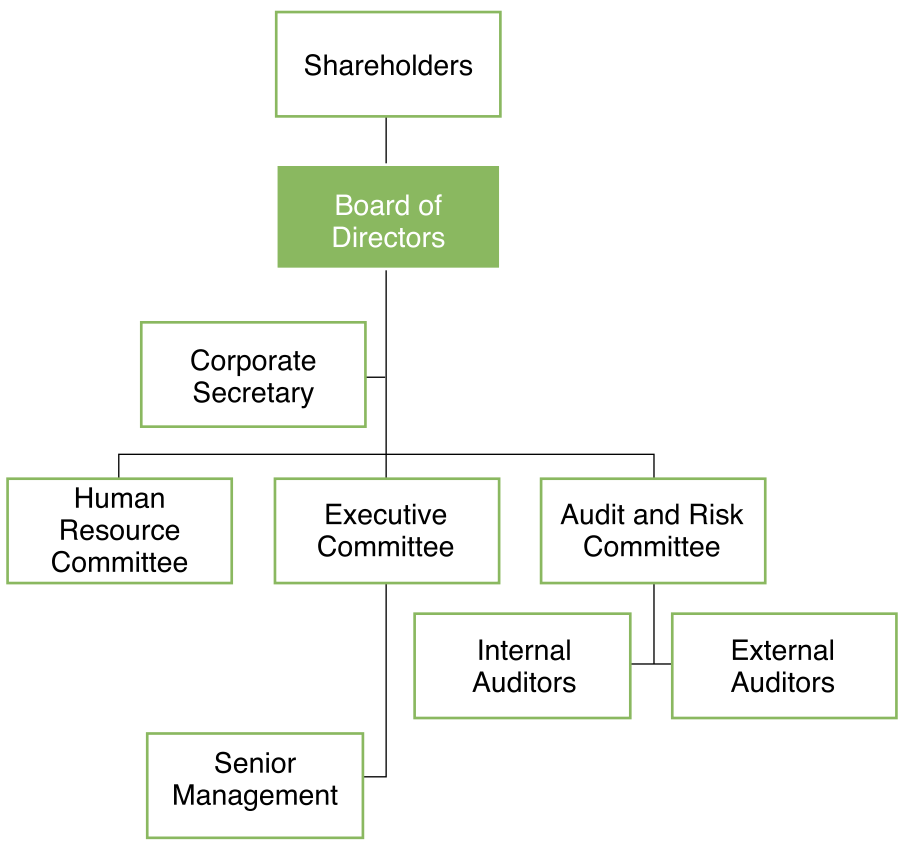
Regulators

Eastern Caribbean Securities Regulatory Commission

The Board of Directors (the "Board") has ultimate responsibility for ECHMB's corporate governance and risk management. In keeping with its principal responsibilities, the Board of Directors of the ECHMB continues to ensure that the highest standards in corporate governance are maintained, with the objectives of reinforcing the confidence and trust of the investing financial institutions, increasing Primary lenders' satisfaction and building a strong and ethical regional institution. On an annual basis, the ECHMB adopts the latest developments in corporate governance in an effort to ensure that its procedures are in line with international best practice. The fundamental approach adopted is to ensure that the right executive leadership, corporate strategy, internal controls and risk management procedures are in place. Notwithstanding the aforesaid, the Board continuously reviews its governance model to ensure relevance and effectiveness as the Bank faces future challenges exacerbated by uncertain economic conditions.

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 the 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.



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 organizational structure.

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.

Furthermore, 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;
- 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.

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 Corporate Secretary, ensures that frequent and timely communication between the Senior Management and the Board is maintained at all times as appropriate.

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, to 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 transactions 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.

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 come 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.

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.

The composition of the Board and committees are as follows:-

	Board of Directors	Executive Committee	Audit & Risk Committee	Human Resource
Timothy N. J Antoine	Chairman	Chairman	-	-
Dexter Ducreay	*	*	Chairman	*
Missi Henderson	*	-	*	Chairman
Peter Blanchard	*	*	-	*
Sharmaine Francois	*	*	*	-
Randy Lewis	-	*	-	-
Shanna Herbert	-	*	-	-

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 no less than three Directors drawn from three different classes of shareholders, the Chief Executive Officer and the Chief Financial Officer of the Bank, to supervise asset and liability management as well as examine and approve financial commitments in accordance with the regulations and policies established by the Board.

Audit and Risk Committee

The Audit and Risk 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 and Risk Committee approves and reviews risk appetite and risk management policies. The Board delegates the role of identifying, assessing and managing risk to Senior Management.

The 2017 activities of the Committee include:

- reviewed the Bank's compliance with financial covenants;
- approved the 2017 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' 2017 management letter and report on the 2017 audit;
- examined the implications of changes to International Financial Reporting Standards; and
- approved the 2017 Internal Audit Plan, Internal Audit report, and, monitored Management's implementation of the Internal Auditors' recommendations

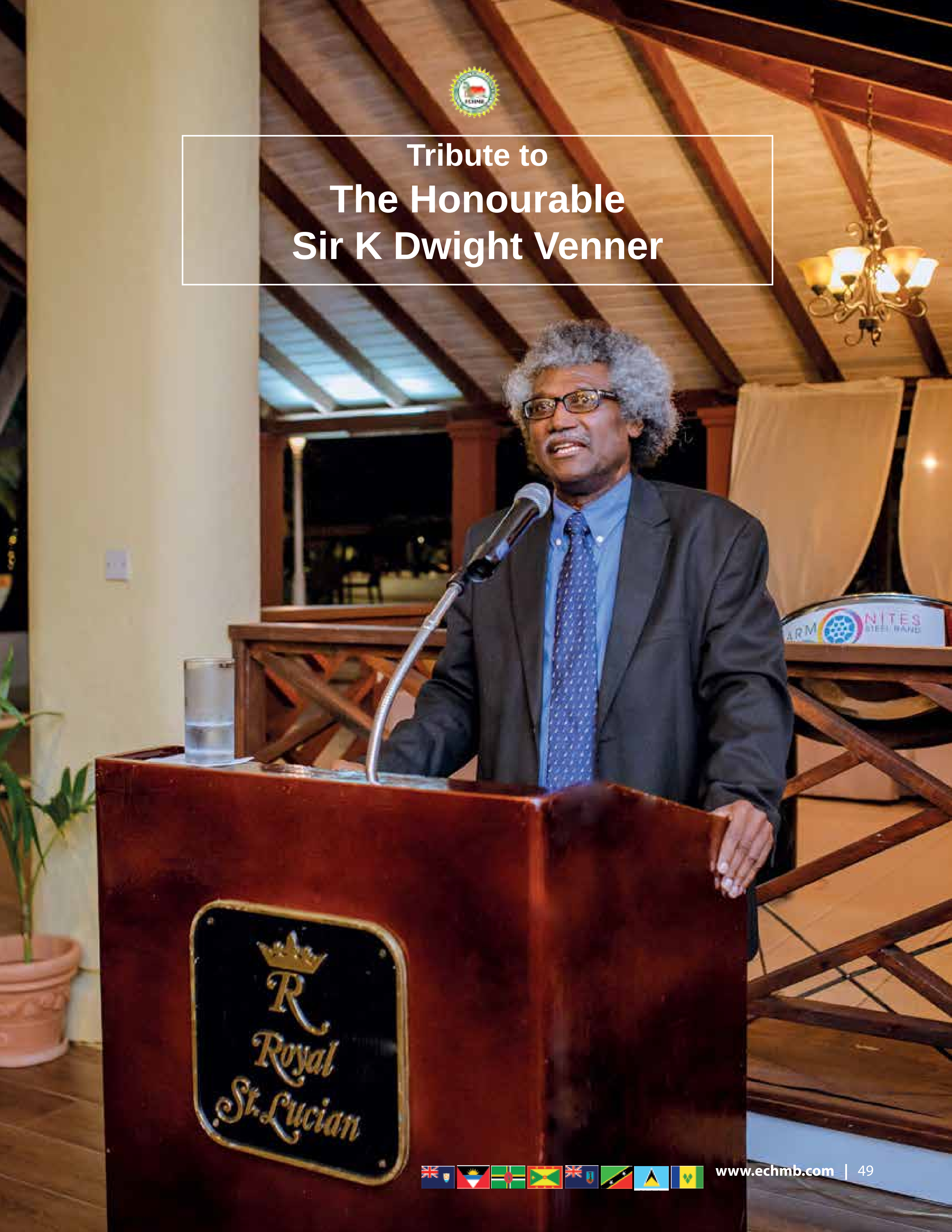
Human Resources Committee

The Human Resources Committee is responsible for staff compensation and the approval of amendments to staff policies.

ECHMB's 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 deemed necessary by each Committee.
- The Internal Audit function is undertaken by an independent contractor.
- The Audit Committee meets separately with the Internal Auditor

Tribute to
The Honourable Sir K Dwight Venner



The ECHMB pays tribute to its former Chairman, the Honourable Sir K Dwight Venner, who passed away in Saint Lucia on December 22, 2016. Sir Dwight was appointed to the Board of Directors of the ECHMB in 1996, as the representative of the Eastern Caribbean Central Bank (ECCB); the Class A shareholder. In November 2016, at the ECHMB's Annual General Meeting (AGM), Sir Dwight retired from the Board and the ECHMB lauded his insightful and prodigious contribution over the past twenty (20) years as we celebrated our 20th Anniversary. The Directors and Staff would like to take this opportunity to place on record the significant contributions made by the Honourable Sir K Dwight Venner to the ECHMB and the Secondary Mortgage Market in general.

Under Sir Venner's stewardship, the ECHMB increased the efficient mobilization and allocation of long-term savings for investment in housing by providing more than $743.0m in liquidity support to financial intermediaries. This included in excess of $251.0m to indigenous financial intermediaries at the height of the global financial crisis. The ECHMB has ardently promoted the growth and development of the Eastern Caribbean Securities Market (ECSM) through the issuance of investment grade Bonds totaling $849.86m, and, payment of $144.03m in bond interest. ECHMB's book value per share was reported at $216.24 in financial year ("FY") 2016. Initial investors in the ECHMB paid $100.0 per share and hence had the potential to realise capital gains of $116.24 per share at disposal. Further, it is to be noted that shareholders have received dividends totaling $155.0 per share over the preceding twenty (20) years.

The ECHMB has played an indispensable role in educating the ECCU on home ownership by providing a forum for stakeholders to discuss pertinent issues affecting the housing industry. We have leveraged our expertise in mortgage underwriting to the financial sector in the ECCU by partnering with the Real Estate Institute of Canada to host biannual mortgage underwriting programmes in each of the islands of the ECCU. To date, more than three hundred and seven (307) mortgage practitioners have completed the Certified Residential Underwriter (CRU) designation. The Bank's contributions to training and development also extend to mentorship of school leavers through our annual internship programme. We have and continue to pursue other philanthropic endeavors by helping the less fortunate in society and have contributed financial and intellectual capital to the furtherance of the objectives of not-for-profit organizations. By all measures, under Sir Venner's stewardship, the ECHMB has fulfilled the purposes for which it was created.

One of the ECHMB's key strategic objectives is to attract, retain and develop the best talent. The Bank intends to achieve this objective by creating an environment which fosters the growth and development of each employee, in an environment which is conducive to leveraging their varied expertise.

In order to ensure that staff's skillset remained vogue, during the 2017 financial year, training was provided in Investments; International Financial Reporting Standards (IFRS); Strategic Leadership and Information Technology. Members of staff also attended conferences hosted by the Institute of Chartered Accountants of the Caribbean, the Institute of Chartered Accountants of the Eastern Caribbean and the National Association of Administrative Professionals - St. Kitts Chapter.

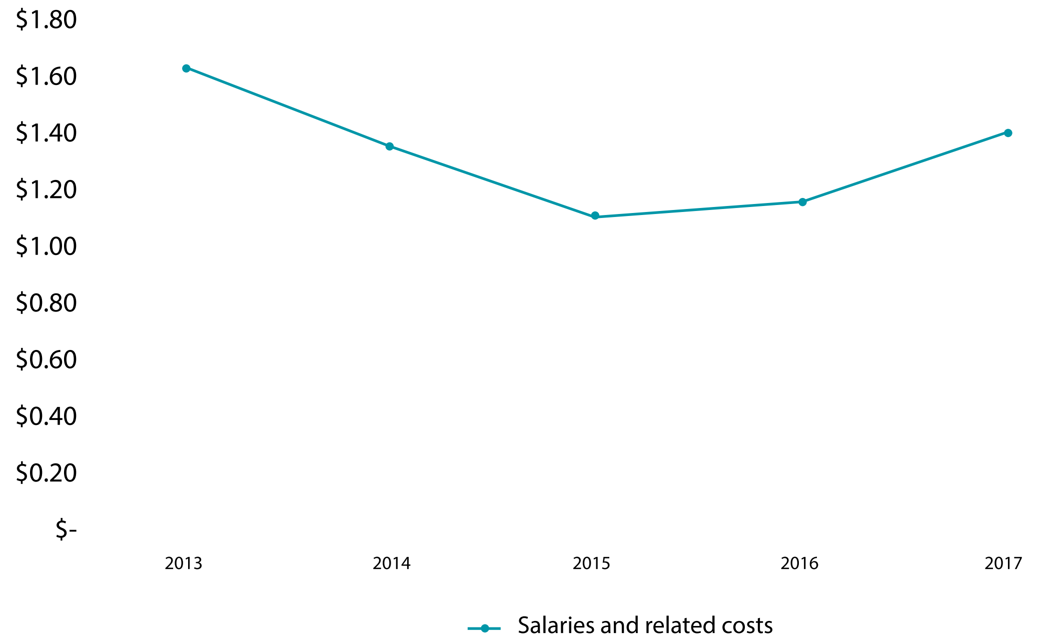
We reconfigured our functional structure to better reflect our new strategic focus on investments. This resulted in the replacement of the Research and Mortgage Departments with Treasury and Investments Departments. We were pleased to welcome Ms. Ava Beckles to the position of Chief Investment Officer and Ms. Kelva Merchant to the position of Treasury Officer. In addition, Ms. Shanna Herbert was confirmed to the position of Chief Financial Officer.

We continued to ensure that our compensation package remained competitive and, during the 2017 financial year, the Bank implemented a new salary scale. It is to be noted that notwithstanding the adjustment to staff's compensation, Salary and Related Costs have increased marginally compared to prior years.

Ava Beckles

Kelva Merchant

Salary and Related Costs



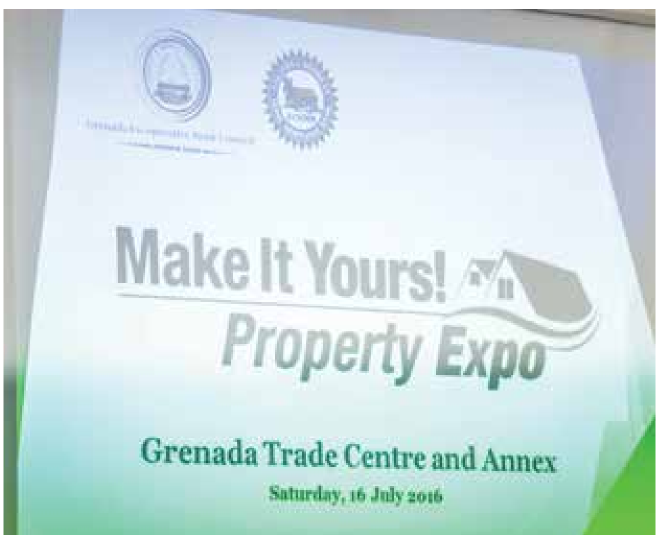
Significant landmarks

During the month of May 2016, Mr. Randy Lewis was honored in recognition of ten (10) years of service with the ECHMB.

Home Ownership Day

As part of our corporate social responsibility, ECHMB promotes a Home Ownership Day Event which provides a public forum for stakeholders to discuss matters on the housing sector. In 2016, the Home Ownership Day Event was held in collaboration with the Grenada Co-operative Bank on Saturday, July 16th, at the Grenada Trade Centre. The Home Ownership Day Event was organized under the theme: ***"Empowering you for property ownership"***.

The ECHMB would like to place on record our appreciation to the Board of Directors, Management and staff of the Grenada Co-operative Bank for their tireless efforts in making the Event a resounding success.



Capacity Building-Mortgage Underwriting Programme

ECHMB continues to ensure that international underwriting standards are maintained in the Eastern Caribbean Currency Union by conducting Mortgage Underwriting Seminars in conjunction with the Canada Mortgage and Housing Corporation as well as the Real Estate Institute of Canada, supported by local and regional resource persons. These Seminars afford participants the opportunity to gain an internationally recognized qualification – Certified Residential Underwriter (CRU).

During the year, ECHMB facilitated two (2) seminars in Antigua and Barbuda and Grenada respectively. Fifty nine (59) participants attended the Programmes which were facilitated by Mr. Steve Leistner of the Real Estate Institute of Canada (REIC).

ECHMB's 20 years of operations

On the 22nd April 2016, the ECHMB celebrated twenty (20) years as a commercial entity. Members of staff joined with directors in commemorating the significant milestone of the Bank.

Farewell gathering for the Honourable Sir K Dwight Venner

In November 2016, at the ECHMB's Annual General Meeting (AGM), the Honourable Sir K Dwight Venner retired from the Board of Directors of the ECHMB after 20 years of sterling service. The Board of Directors, staff, shareholders and well-wishers held a farewell gathering to commemorate the auspicious occasion.

FINANCIAL STATEMENTS

March 31, 2017
(expressed in
Eastern Caribbean dollars)

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Eastern Caribbean Home Mortgage Bank

Opinion

We have audited the financial statements of **Eastern Caribbean Home Mortgage Bank** (the "Bank") which comprise the statement of financial position as at March 31, 2017, and the statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at March 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the Eastern Caribbean, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

We have determined there are no key audit matters to communicate in our report.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Grant Thornton

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Jefferson E. Hunte.

Grant Thornton

Chartered Accountants
June 30, 2017
Basseterre. St. Kitts

Audit • Tax • Advisory
Member of Grant Thornton International Ltd

Eastern Caribbean Home Mortgage Bank

Statement of Financial Position

As at March 31, 2017

(expressed in Eastern Caribbean dollars)

	2017 $	2016 $
Assets		
Cash and cash equivalents (note 5)	**6,699,810**	43,428,424
Receivables and prepayments (note 6)	**1,675,943**	2,315,358
Investment securities (note 7)	**204,157,055**	150,128,233
Mortgage loans portfolio (note 8)	**31,396,223**	51,806,819
Motor vehicles and equipment (note 9)	**243,863**	132,227
Intangible assets (note 10)	–	6,281
Total assets	**244,172,894**	247,817,342
Liabilities		
Borrowings (note 11)	**184,659,909**	189,552,982
Accrued expenses and other liabilities (note 12)	**355,332**	150,756
Total liabilities	**185,015,241**	189,703,738
Equity		
Share capital (note 13)	**36,999,940**	36,999,940
Portfolio risk reserve (note 14)	**9,171,644**	8,962,834
Retained earnings	**12,986,069**	12,150,830
Total equity	**59,157,653**	58,113,604
Total liabilities and equity	**244,172,894**	247,817,342

The notes on page 65 to 113 are an integral part of these financial statements.

Approved for issue by the Board of Directors on June 30, 2017.

Chairman

Director

Eastern Caribbean Home Mortgage Bank

Statement of Comprehensive Income

For the year ended March 31, 2017

(expressed in Eastern Caribbean dollars)

	2017 $	2016 $
Interest income (note 16)	**11,141,929**	12,423,570
Interest expense (note 17)	**(4,790,392)**	(6,523,972)
Net interest income	**6,351,537**	5,899,598
Other income (note 18)	**168,842**	40,439
Operating income	**6,520,379**	5,940,037
Expenses		
General and administrative expenses (note 19)	**(2,016,163)**	(1,685,089)
Other operating expenses (note 20)	**(1,194,252)**	(1,218,262)
Mortgage administrative fees	**(250,297)**	(532,044)
Total expenses	**(3,460,712)**	(3,435,395)
Net profit for the year	**3,059,667**	2,504,642
Other comprehensive income	–	–
Total comprehensive income for the year	**3,059,667**	2,504,642
Earnings per share		
Basic and diluted per share (note 21)	**11.38**	9.32

The notes on page 65 to 113 are an integral part of these financial statements.

Eastern Caribbean Home Mortgage Bank

Statement of Changes in Equity

For the year ended March 31, 2017

(expressed in Eastern Caribbean dollars)

	Share capital $	Portfolio risk reserve $	Retained earnings $	Total $
Balance at March 31, 2015	**36,999,940**	**8,865,029**	**11,759,611**	**57,624,580**
Other comprehensive income				
Net profit for the year	–	–	2,504,642	2,504,642
Transfer to reserve	–	97,805	(97,805)	–
Transaction with owner				
Dividends – $7.50 per share (note 15)	–	–	(2,015,618)	(2,015,618)
Balance at March 31, 2016	**36,999,940**	**8,962,834**	**12,150,830**	**58,113,604**
Other comprehensive income				
Net profit for the year	–	–	3,059,667	3,059,667
Transfer to reserve	–	208,810	(208,810)	–
Transaction with owner				
Dividends – $7.50 per share (note 15)	–	–	(2,015,618)	(2,015,618)
Balance at March 31, 2017	**36,999,940**	**9,171,644**	**12,986,069**	**59,157,653**

The notes on page 65 to 113 are an integral part of these financial statements.

Eastern Caribbean Home Mortgage Bank

Statement of Cash Flows

For the year ended March 31, 2017

(expressed in Eastern Caribbean dollars)

	2017 $	2016 $
Cash flows from operating activities		
Net profit for the year	3,059,667	2,504,642
Items not affecting cash:		
Interest expense (note 17)	4,790,392	6,523,972
Amortisation of bond issue costs and transaction costs (note 11)	651,976	643,294
Amortisation of bond premium (note 7)	193,738	–
Depreciation of motor vehicles and equipment (note 9)	81,034	86,331
Amortisation of intangible asset (note 10)	6,281	9,422
Dividend income (note 18)	(4,521)	–
Gain on disposal of equipment (note 18)	(36,905)	–
Realised gains on disposal of equity instruments (note 18)	(15,102)	–
Unrealised fair value gains on equity investments (note 18)	(54,604)	–
Interest income (note 16)	(11,141,929)	(12,423,570)
Operating loss before working capital changes	(2,469,973)	(2,655,909)
Changes in operating assets and liabilities:		
Decrease/(increase) in receivables and prepayments	639,415	(2,071,145)
Increase/(decrease) in accrued expenses and other liabilities	204,576	(122,311)
Cash used in operations before interest	(1,625,982)	(4,849,365)
Interest received	9,825,287	12,271,720
Interest paid	(5,523,571)	(6,214,463)
Net cash from operating activities	2,675,734	1,207,892
Cash flows from investing activities		
Proceeds from sales/maturity of investment securities	86,811,804	43,683,370
Proceeds from the pool of mortgages repurchased by primary lenders	15,104,392	17,401,482
Increase in mortgages repurchased/replaced	2,749,076	8,679,162
Proceeds from principal repayment on mortgages	2,557,128	3,949,392
Proceeds from disposal of equipment	105,000	–
Dividend income received	4,521	–
Purchase of motor vehicle and equipment	(260,765)	–
Purchase of investment securities	(139,798,016)	(44,659,548)
Proceeds from principal repayment on securities purchased under agreements to resell	–	21,374,726
Purchase of mortgages	–	(3,256,555)
Net cash (used in)/from investing activities	(32,726,860)	47,172,029
Cash flows from financing activities		
Proceeds from bond issues	184,096,700	87,637,700
Payment for bond issue costs and transaction costs	(469,967)	(658,919)
Dividends paid	(1,865,618)	(1,865,618)
Repayment of borrowings	(4,341,903)	(10,658,097)
Repayment of bonds	(184,096,700)	(87,637,700)
Net cash used in financing activities	(6,677,488)	(13,182,634)
Net (decrease)/increase in cash and cash equivalents	(36,728,614)	35,197,287
Cash and cash equivalents at beginning of year	43,428,424	8,231,137
Cash and cash equivalents at end of year (note 5)	6,699,810	43,428,424

The notes on page 65 to 113 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) and International Financial Reporting Interpretations Committee (IFRIC) interpretations as issued by the International Accounting Standards Board (IASB). The financial statements have been prepared under the historical cost convention, except for certain financial instruments which are measured at fair value.

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, 2016

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The Bank has assessed the relevance of such new standards and amendments and has concluded that these will not be relevant. Accordingly, the Bank has made no changes to its accounting policies in 2017.

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies *...continued*

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

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Bank

At the date of authorisation of these financial statements, certain new standards, and amendments to existing standards have been published by the IASB that are not yet effective, and have not been adopted early by the Bank. Information on those expected to be relevant to the Bank's financial statements is provided below.

Management anticipates that all relevant pronouncements will be adopted in the Bank's accounting policies for the first period beginning after the effective date of the pronouncement. New standards, interpretations and amendments either not adopted or listed below are not expected to have a material impact on the Bank's financial statements.

- IFRS 9, 'Financial Instruments', (effective for annual periods beginning on or after January 1, 2018). In July 2014, the IASB issued IFRS 9 which is the comprehensive standard to replace International Accounting Standard (IAS) 39 'Financial Instruments: Recognition and Measurement', and includes requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (OCI) and fair value through Profit or Loss (FVTPL). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in OCI, for liabilities designated at FVTPL. The standard is effective for annual accounting periods beginning on or after January 1, 2018. The full impact of IFRS 9 is yet to be assessed.

- IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statement about the nature, amount, timing and uncertainty of revenue and cash flow arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard is effective for annual accounting periods beginning on or after January 1, 2018. The full impact of IFRS 15 is being assessed by the Bank.

- IFRS 16, 'Leases' eliminates the current dual accounting model for lessees, which distinguishes between on-statement of financial position finance leases and off-statement of financial position operating leases. Instead, there is a single, on-statement of financial position accounting model that is similar to current finance lease accounting.

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies ...*continued*

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

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Bank ...*continued*

Lessor accounting remains similar to current practice i.e. lessors continue to classify leases as finance and operating leases. For lessees, the lease becomes an on-statement of financial position liability that attracts interest, together with a right to use assets also being recognized on the statement of financial position. In other words, lessees will appear to become more asset-rich but also more heavily indebted. The impacts are not limited to the statement of financial position. There are also changes in accounting over the life of the lease. In particular, companies will now recognise a front-loaded pattern of expense for most leases, even when they pay constant annual rentals. The standard is effective for annual accounting periods beginning on or after January 1, 2019. The full impact of IFRS 16 is being assessed by the Bank.

There are no other new or amended standards and interpretations that are issued but not yet effective, that are expected to have a significant impact on the accounting policies or financial disclosures of the Bank.

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) 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 categories of fair value through profit or loss (FVTPL), held-to-maturity (HTM), 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.

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies *...continued*

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

Financial assets *... continued*

(i) FVTPL

Financial assets at FVTPL include financial assets that are either classified as held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition. Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions. The Bank has certain equity instruments under this classification.

(ii) HTM

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as HTM if the Bank has the intention and ability to hold them until maturity. The Bank currently holds listed bonds designated into this category.

HTM investments are measured subsequently at amortised cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes in the carrying amount of the investment, including impairment losses, are recognised in the statement of comprehensive income.

The Bank's HTM investments include sovereign and corporate bonds and are presented as part of investment securities.

(iii) 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, bonds, treasury bills, corporate bonds, receivables and mortgage loans portfolio.

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies *...continued*

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

Financial assets *... continued*

(iv) 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.

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'.

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Assets are classified as HTM if the Bank has a positive intention and ability to hold the investment until maturity. HTM investments are comprised of listed bonds.

HTM investments are measured at amortised cost using the effective interest rate. The Bank assesses its intention and ability to hold its HTM investments to maturity at the time of initial recognition and at the end of each reporting period. Any changes in the carrying amount of the investment, including impairment losses, are recognised in profit or loss.

Financial assets at FVTPL include financial assets that are either classified as held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies *...continued*

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

Financial liabilities

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

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.

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.

The Bank may also reclassify financial assets from fair value through profit or loss when those assets are no longer held for the purpose of selling or repurchasing in the near term if the financial assets meets the criteria for classification as loans and receivables and if the Bank has both an intention and ability to hold the financial asset for the foreseeable future or until maturity. If such a reclassification takes place, the Bank reclassifies the financial asset at its fair value on the date of reclassification, which becomes its new cost or amortised cost. Any gain or loss recognised in profit or loss prior shall not be reversed.

If as a result of a change in intention or ability to classify a financial asset as HTM then it is reclassified as AFS and measured at fair value. Additionally, whenever sales or reclassifications of more than an insignificant amount of HTM investments takes place, then the Bank reclassifies the remaining HTM investments as available for sale. The difference(s) between the carrying amount and fair value shall be recognised in other comprehensive income, except for impairment losses and foreign exchange gains and loss until the financial asset is derecognised.

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies *...continued*

e) 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="7">Financial assets</td><td>FVTPL</td><td>Held for trading</td><td>Equity instruments</td><td>Quoted international</td></tr>
<tr><td>HTM</td><td>Investment securities</td><td>Government fixed rated bonds quoted corporate bonds</td><td>Regional and international</td></tr>
<tr><td rowspan="4">Loans and receivables</td><td>Cash and cash equivalents</td><td>Bank accounts and short-term fixed deposits</td><td>Local and regional</td></tr>
<tr><td>Receivables</td><td>Primary lenders</td><td>Regional</td></tr>
<tr><td>Investment securities</td><td>Financial institutions, Government fixed rated bonds and treasury bills</td><td>Local, regional and international</td></tr>
<tr><td>Mortgage loans portfolio</td><td>Primary lenders</td><td>Local and regional</td></tr>
<tr><td>AFS financial asset</td><td>AFS investment</td><td>Unquoted</td><td>Local</td></tr>
<tr><td rowspan="2">Financial liabilities</td><td rowspan="2">Financial liabilities at amortised cost</td><td>Borrowings</td><td colspan="2">Unquoted</td></tr>
<tr><td colspan="3">Accrued expenses and other liabilities</td></tr>
</table>

f) 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.

Evidence of impairment may include indications that a debtor 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*

f) 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 Bank may measure impairment on the basis of an instrument's fair value using an observable market price. For all HTM investments, if there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes in the carrying amount of the investment including impairment losses are recognized in profit or loss.

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.

g) Offsetting financial instruments

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

h) 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.

i) 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*

j) 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.

k) 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.

l) 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 amortisation and any accumulated impairment losses. These costs are amortised over their estimated useful life of three years. The amortisation period and the amortisation method used for the computer software and website development are reviewed at least at each financial year-end.

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies *...continued*

l) Intangible assets *... continued*

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 amortisation 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.

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 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.

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.

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies *...continued*

o) 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.

p) Expenses

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

q) Operating lease – Bank as a lessee

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

r) 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'.

s) Share capital

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

t) Portfolio risk reserve

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.

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies *...continued*

u) Retained earnings

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

v) 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.

w) Reclassification

Where necessary, comparative figures have been adjusted to conform with the change in presentation in the current year (see note 24).

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.

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.

(expressed in Eastern Caribbean dollars)

3 Financial risk management *...continued*

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

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;
- establishing and communicating 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.

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.

(expressed in Eastern Caribbean dollars)

3 Financial risk management *...continued*

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 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 2017 $	Gross Maximum Exposure 2016 $
Credit risk exposure relating to on–balance sheet position		
Cash and cash equivalents	**6,699,310**	43,427,924
Receivables	**1,578,834**	2,296,206
Investment securities	**204,157,055**	150,128,233
Mortgage loans portfolio	**31,396,223**	51,806,819
	243,831,422	247,659,182

The above table represents a worst case scenario of credit exposure to the Bank as at March 31, 2017 and 2016, without taking into account 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, 84% (2016: 61%) of the total maximum exposure is derived from the investments securities and 13% (2016: 21%) of the total maximum exposure represents mortgage loans portfolio.

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*
  Some accounts 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.

(expressed in Eastern Caribbean dollars)

3 Financial risk management *...continued*

d) Credit risk *...continued*

- *Mortgage loans portfolio and receivables*
  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 assessments are conducted to ensure that the quality standards of the loans are maintained.

- *Investment securities*
  The Bank's investment securities are held in a diverse range of financial institutions, corporations and governments both locally, regionally and internationally. Equity instruments are held with reputable companies. These companies operate in a wide cross section of geographical regions and industries which manages credit risk. The Bank does not purchase junk bonds and ensures bonds are rated at a high level to further mitigate credit risk. These bonds are held with regional and international corporations which are deemed to be reputable and of a high credit rating as well as with regional governments. Before an investment is purchased it must meet the standard requirements of the Bank as outlined in its investment policy statement under consultation with the Executive Committee.

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) or corporation or country (for investment securities). 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, financial institutions, corporation or governments. The Bank's credit exposure for mortgage loans at their carrying amounts, categorised by individual Eastern Caribbean Currency Union (ECCU) territory is disclosed in Note 8. Credit exposure for all other financial assets is disclosed subsequently in Note 3 e).

(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, 2017 with comparatives for 2016. 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 $	Other Caribbean $	USA $	UK $	Other $	Total $
Cash and cash equivalents	5,542,563	–	10,745	1,146,002	–	–	6,699,310
Receivables	53,944	1,524,890	–	–	–	–	1,578,834
Investment securities							
FVTPL	–	–	–	984,845	44,158	34,256	1,063,259
HTM	–	–	24,402,840	5,829,964	1,397,197	7,156,100	38,786,101
AFS	100,000	–	–	–	–	–	100,000
Loans and receivables	10,392,058	139,106,994	14,708,643	–	–	–	164,207,695
Mortgage loans portfolio	6,824,040	24,572,183	–	–	–	–	31,396,223
As of March 31, 2017	**22,912,605**	**165,204,067**	**39,122,228**	**7,960,811**	**1,441,355**	**7,190,356**	**243,831,422**
Cash and cash equivalents	43,427,924	–	–	–	–	–	43,427,924
Receivables	37,496	2,258,710	–	–	–	–	2,296,206
Investment securities							
HTM	–	–	7,355,233	–	–	–	7,355,233
AFS	100,000	–	–	–	–	–	100,000
Loans and receivables	–	142,304,718	368,282	–	–	–	142,673,000
Mortgage loans portfolio	7,435,545	44,371,274	–	–	–	–	51,806,819
As of March 31, 2016	**51,000,965**	**188,934,702**	**7,723,515**	**–**	**–**	**–**	**247,659,182**

(expressed in Eastern Caribbean dollars)

3 Financial risk management *...continued*

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

	2017 $	2017 %	2016 $	2016 %
Commercial banks	**12,151,315**	**39**	29,814,428	58
Development bank	**6,824,040**	**22**	7,435,545	14
Building society	**6,783,216**	**22**	8,525,533	16
Credit unions	**3,394,684**	**10**	3,623,422	7
Finance company	**2,242,968**	**7**	2,407,891	5
	31,396,223	**100**	51,806,819	100

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.

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 *...continued*

i) Interest rate risk *...continued*

The following table summarizes 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 2017						
Financial assets:						
Cash and cash equivalents	6,401,288	–	–	–	298,522	6,699,810
Receivables	–	–	–	–	1,578,834	1,578,834
Investment securities						
FVTPL	–	–	–	–	1,063,259	1,063,259
HTM	–	–	–	38,357,720	428,381	38,786,101
AFS	–	–	–	–	100,000	100,000
Loans and receivables	72,136,745	22,888,613	58,944,068	5,313,248	4,925,021	164,207,695
Mortgage loans portfolio	561,394	1,640,317	6,967,051	22,227,461	–	31,396,223
Total financial assets	**79,099,427**	**24,528,930**	**65,911,119**	**65,898,429**	**8,394,017**	**243,831,922**
Financial liabilities:						
Borrowings	60,000,000	124,096,700	–	–	563,209	184,659,909
Accrued expenses and other liabilities	–	–	–	–	355,332	355,332
Total financial liabilities	**60,000,000**	**124,096,700**	**–**	**–**	**918,541**	**185,015,241**
Interest sensitivity gap	**19,099,427**	**(99,567,770)**	**65,911,119**	**65,898,429**	**7,475,476**	**58,816,681**

(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 2016						
Financial assets:						
Cash and cash equivalents	43,415,368	–	–	–	13,056	43,428,424
Receivables	–	–	–	–	2,296,206	2,296,206
Investment securities						
HTM	–	–	–	7,355,233	–	7,355,233
AFS	–	–	–	–	100,000	100,000
Loans and receivables	15,562,500	33,078,660	89,845,080	–	4,186,760	142,673,000
Mortgage loans portfolio	889,794	2,635,673	11,465,992	36,815,360	–	51,806,819
Total financial assets	**59,867,662**	**35,714,333**	**101,311,072**	**44,170,593**	**6,596,022**	**247,659,682**
Financial liabilities:						
Borrowings	61,511,773	125,146,700	1,341,903	–	1,552,606	189,552,982
Accrued expenses and other liabilities	–	–	–	–	150,756	150,756
Total financial liabilities	**61,511,773**	**125,146,700**	**1,341,903**	–	**1,703,362**	**189,703,738**
Interest sensitivity gap	**(1,644,111)**	**(89,432,367)**	**99,969,169**	**44,170,593**	**4,892,660**	**57,955,944**

(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, 2017 and 2016. 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, 2017			
Financial assets			
Cash and cash equivalents	5,421,163	1,278,647	6,699,810
Receivables	1,578,834	–	1,578,834
Investment securities			
FVTPL	–	1,063,259	1,063,259
HTM	–	38,786,101	38,786,101
AFS	100,000	–	100,000
Loans and receivables	149,636,350	14,571,345	164,207,695
Mortgage loans portfolio	30,140,382	1,255,841	31,396,223
	186,876,729	**56,955,193**	**243,831,922**
Financial liabilities			
Borrowings	184,659,909	–	184,659,909
Accrued expenses and other liabilities	355,332	–	355,332
	185,015,241	–	**185,015,241**
Net statement of financial position	**1,861,488**	**56,955,193**	**58,816,681**

(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, 2016			
Financial assets			
Cash and cash equivalents	43,196,097	232,327	43,428,424
Receivables	2,296,206	–	2,296,206
Investment securities			
HTM	–	7,355,233	7,355,233
AFS	100,000	–	100,000
Loans and receivables	142,592,219	80,781	142,673,000
Mortgage loans portfolio	50,518,667	1,288,152	51,806,819
	238,703,189	**8,956,493**	**247,659,682**
Financial liabilities			
Borrowings	185,178,097	4,374,885	189,552,982
Accrued expenses and other liabilities	150,756	–	150,756
	185,328,853	**4,374,885**	**189,703,738**
Net statement of financial position	**53,374,336**	**4,581,608**	**57,955,944**

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, monitor 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 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, 2017					
Assets:					
Cash and cash equivalents	6,699,848	–	–	–	6,699,848
Receivables	1,675,943	–	–	–	1,675,943
Investment securities					
FVTPL	1,063,259	–	–	–	1,063,259
HTM	219,200	1,627,764	7,387,856	42,152,872	51,387,692
AFS	–	–	–	100,000	100,000
Loans and receivables	71,735,511	32,982,484	56,334,599	12,360,819	173,413,413
Mortgage loans portfolio	1,199,380	3,564,113	16,687,198	31,487,806	52,938,497
Total assets	**82,593,141**	**38,174,361**	**80,409,653**	**86,104,497**	**287,278,652**
Liabilities:					
Borrowings	60,872,292	127,425,932	–	–	188,298,224
Accrued expenses and other liabilities	355,333	–	–	–	355,333
	61,227,625	**127,425,932**	–	–	**188,653,557**
Net liquidity gap	**21,365,516**	**(89,251,571)**	**80,409,653**	**86,101,497**	**98,625,095**

(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, 2016					
Assets:					
Cash and cash equivalents	43,430,737	–	–	–	43,430,737
Receivables	2,296,206	–	–	–	2,296,206
Investment securities					
HTM	–	586,123	2,344,491	10,614,256	13,544,870
AFS	–	–	–	100,000	100,000
Loans and receivables	16,916,731	36,082,109	90,181,880	6,126,272	149,306,992
Mortgage loans portfolio	1,958,326	5,836,522	27,646,063	51,843,285	87,284,196
Total assets	**64,602,000**	**42,504,754**	**120,172,434**	**68,683,813**	**295,963,001**
Liabilities:					
Borrowings	61,290,000	82,568,242	46,489,700	–	190,347,942
Accrued expenses and other liabilities	150,756	–	–	–	150,756
	61,440,756	**82,568,242**	**46,489,700**	–	**190,498,698**
Net liquidity gap	**3,161,244**	**(40,063,488)**	**73,682,734**	**68,683,813**	**105,464,303**

(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.

(expressed in Eastern Caribbean dollars)

3 Financial risk management approach *...continued*

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.

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.

	2017	**2016**
	$	**$**
Total Debt	**184,659,909**	189,552,982
Total Equity	**59,157,653**	58,113,604
Debt to Equity ratio	**3:12**	3:26

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	
	2017 **$**	**2016** **$**	**2017** **$**	**2016** **$**
Cash and cash equivalents	**6,699,810**	43,428,424	**6,699,810**	43,428,424
Receivables	**1,578,834**	2,296,206	**1,578,834**	2,296,206
Investment securities				
FVTPL	**1,063,259**	–	**1,063,259**	–
HTM	**38,357,720**	7,355,233	**37,699,692**	7,314,152
AFS	**100,000**	100,000	**100,000**	100,000
Loans and receivable	**164,636,076**	142,673,000	**164,636,076**	142,673,000
Mortgage loans portfolio	**31,396,223**	51,806,819	**31,396,223**	51,806,819
	243,831,922	247,659,682	**243,173,894**	247,618,601
Borrowings	**184,659,909**	189,552,982	**184,659,909**	189,552,982
Accrued expenses and other liabilities	**355,332**	150,756	**355,332**	150,756
	185,015,241	189,703,738	**185,015,241**	189,703,738

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 an organised financial market, 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, receivables and accrued expenses 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.

(expressed in Eastern Caribbean dollars)

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

(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 uses experienced 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, 2017 (2016: 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, 2017 (2016: Nil).

5 Cash and cash equivalents

	2017 **$**	**2016** **$**
Cash on hand	**500**	500
Balances with commercial banks	**5,688,459**	40,400,368
Three month fixed deposit at St. Kitts-Nevis-Anguilla National Bank Limited maturing on April 14, 2017 bearing interest at a rate of 1.5% (2016: 2.0%)	**1,010,851**	3,027,556
	6,699,810	43,428,424

Balances with commercial banks earned interest at rates ranging from 0 % to 0.1% (2016: 0 % to 0.1%) during the year.

(expressed in Eastern Caribbean dollars)

6 Receivables and prepayments

	2017 $	2016 $
Receivables	**1,578,834**	2,296,206
Prepayments	**97,109**	19,152
	1,675,943	2,315,358

Receivables represent loan payments collected by its primary lenders on behalf of the Bank which have not been remitted to the Bank. Receivable balances are non-interest bearing and are all current.

(expressed in Eastern Caribbean dollars)

7 Investment securities

	2017 $	2016 $
Held for trading		
FVTPL		
Quoted equity instruments	**1,063,259**	–
HTM		
Quoted corporate bonds	**24,195,140**	7,355,233
Quoted sovereign bonds	**14,162,580**	–
	38,357,720	7,355,233
AFS		
Unquoted equity investment	**100,000**	100,000
Loans and receivables		
Term deposits	**104,420,174**	89,773,740
Bonds	**46,000,000**	46,000,000
Treasury bills	**9,000,000**	3,000,000
	159,420,174	138,773,740
Total investment securities - principal	**198,941,153**	146,228,973
Interest receivable	**5,440,902**	4,124,260
Less provision for impairment – CLICO	**(225,000)**	(225,000)
Total investment securities	**204,157,055**	150,128,233
Current	**101,304,519**	52,540,420
Non–current	**102,852,536**	97,587,813
	204,157,055	150,128,233

(expressed in Eastern Caribbean dollars)

7 Investment securities *...continued*

The movement of the investment securities is shown below:

	2017				
	FVTPL	**HTM**	**AFS**	**Loans and receivables**	**Total**
Principal					
Balance at beginning of year	–	7,355,233	100,000	138,773,740	146,228,973
Addition	1,917,685	31,196,225	–	106,684,106	139,798,016
Disposals	(909,030)	–	–	(85,887,672)	(86,796,702)
Bond premium amortisation	–	(193,738)	–	–	(193,738)
Fair value adjustment	54,604	–	–	–	54,604
Reclassification/transfer	–	–	–	(150,000)	(150,000)
Balance at end of year	**1,063,259**	**38,357,720**	**100,000**	**159,420,174**	**198,941,153**
Interest					
Balance at beginning of year	–	–	–	4,124,260	4,124,260
Interest earned	–	1,070,127	–	6,965,556	8,035,683
Interest received/collected	–	(641,746)	–	(6,077,295)	(6,719,041)
Balance at end of year	–	**428,381**	–	**5,012,521**	**5,440,902**

(expressed in Eastern Caribbean dollars)

7 Investment securities ...*continued*

	2016				
	FVTPL	**HTM**	**AFS**	**Loans and receivables**	**Total**
Principal					
Balance at beginning of year	–	–	100,000	145,302,795	145,402,795
Addition	–	7,355,233	–	37,304,315	44,659,548
Disposals	–	–	–	(43,683,370)	(43,683,370)
Reclassification/transfer	–	–	–	(150,000)	(150,000)
Balance at end of year	–	**7,355,233**	**100,000**	**138,773,740**	**146,228,973**
Interest					
Balance at beginning of year	–	–	–	3,484,125	3,484,125
Interest earned	–	–	–	7,576,665	7,576,665
Interest received/collected	–	–	–	(6,936,530)	(6,936,530)
Balance at end of year	–	–	–	**4,124,260**	**4,124,260**

(expressed in Eastern Caribbean dollars)

7 Investment securities *...continued*

FVTPL

Balances which are classified as fair value through profit or loss are equity instruments purchased in a diverse range of corporations and are traded in United States Dollars. During the financial year, the fair value of the equity instruments increased by $54,604. The Bank also realised gains on disposal of $15,102 as well as dividend income of $4,521 (note 18).

HTM

Held-to-maturity investments are comprised of quoted corporate and sovereign fixed rate bonds trading in United States Dollar. Bonds have coupon rates of 4.14% to 8.88%; whilst, the effective interest rate for these bonds ranges from 3.15% to 6.6%. Bonds have an average term of ten (10) years; and will mature between November 2022 and September 2026. As at March 31, 2017, the fair values of these amounted to $37,699,692 (2016: $7,314,152) were derived using level 1 inputs as these bonds are quoted in active markets.

Bonds pay semi-annual coupon interest payments and interest income earned on these investments securities for the year amounted to $1,070,127 (2016: nil) (see note 16).

AFS

The available-for-sale investment is comprised of 10,000 Class C shares of $10 each in the Eastern Caribbean Securities Exchange (ECSE) Limited carried at cost.

Loans and receivables

The balances included in loans and receivables comprise of term deposits, regional bonds and treasury bills which are all denominated in Eastern Caribbean dollars.

a) Term deposits

Term deposits are held in various financial institutions in the ECCU region and the wider Caribbean and will mature from May 2017 to September 2019. These deposits bear interest of 3% - 7.75% (2016: 3% - 5%). During the financial year, interest earned on term deposits amounted to $4,096,837 (2016: $5,039,939) (see note 16).

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 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, 2017, the Bank's management have adopted a prudent approach to this matter and have established an impairment provision of 97% (2016: 93%) of the deposit balance and 100% (2016: 100%) of the accrued interest.

(expressed in Eastern Caribbean dollars)

7 Investment securities *...continued*

Loans and receivables *...continued*

a) Term deposits *...continued*

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

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 CLICO the sums of $150,000 for 2016 and 2015 as well as yearly dividends of $200,000 relating to 2014, 2013, 2012 and 2011 totaling $1,100,000 as of March 31, 2017. The dividends payable has been offset with the principal receivable in 2017.

Depositors Protection Trust (DPT)

On July 22, 2011, the ECCB exercised the powers conferred on it by Part IIA, Article 5B of the ECCB Agreement Act 198 and assumed control of the Antigua and Barbuda Investment Bank (ABIB). Relative to this, the Government of Antigua and Barbuda pledged its full support to the ECCB in its efforts to resolve the challenges facing ABIB.

By the Depositors Protection Trust Deed (the "Deed") dated April 14, 2016 between the Government of Antigua and Barbuda, the Trustees of the DPT and the Receiver of the ABI Bank, a DPT was established to assist with securing the stability of the banking system of Antigua and Barbuda by protecting the deposits of ABIB in excess of $500,000. The Government of Antigua and Barbuda agreed to fund the DPT by issuing a 10-year bond to the DPT in the amount of $157,000,000.

The DPT would assume the liabilities of amounts in excess of $500,000 held in the ABIB. As of March 31, 2017, the Bank held an amount of $4,904,228 in excess of $500,000 with ABIB; accordingly, under the Terms of the Agreement, this amount will now become a liability to the DPT, subject to the completion of the Deed of Subrogation.

Under the Deed, depositors held under the DPT would receive ten (10) annual equal instalments equal to 1/10th of the principal benefit transferred to the DPT. Payments related to these balances were to commence on May 31, 2016. Furthermore, outstanding balances remaining in the DPT attract interest at an interest rate of 2.0% per annum accruing from December 1, 2015, the payment of which was to be made on May 31, 2016 and thereafter twice in each year starting on November 30, 2017 and continuing every six months until full payment has been made of the principal benefit.

With respect to the $500,000 which was not to be transferred to the DPT, this balance was converted to a fixed deposit and current account with the Eastern Caribbean Amalgamated Bank (ECAB). As at year end date, these accounts were duly transferred to the Bank.

(expressed in Eastern Caribbean dollars)

7 Investment securities ...*continued*

Loans and receivables ...*continued*

b) Government bonds

Bonds denominated in Eastern Caribbean Dollars are held with regional governments and yield interest rates of 5.5%-7% (2016: 5.5%-7%). During the financial year, interest earned on these bonds amounted to $2,416,603 (2016: $2,370,499) (see note 16). Bonds mature from May 2017 to October 2019.

c) Treasury bills

Treasury bills are held with a regional government and yield interest rates of 5% (2016: 2.3%-5%). During the financial year, interest earned on these treasury bills amounted to $439,852 (2016: $119,802) (see note 16). Bonds have maturity dates from May 2017 to October 2019.

8 Mortgage loans portfolio

	2017 $	2016 $
Commercial banks	**12,151,315**	29,814,428
Building society	**6,783,216**	8,525,533
Development bank	**6,824,040**	7,435,545
Credit unions	**3,394,684**	3,623,422
Finance company	**2,242,968**	2,407,891
	31,396,223	51,806,819
Current	**2,201,711**	3,525,467
Non-current	**29,194,512**	48,281,352
	31,396,223	51,806,819

Territory analysis	2017 $	2016 $
St. Vincent and the Grenadines	**10,177,901**	16,964,753
St. Kitts and Nevis	**6,824,040**	7,435,545
Anguilla	**6,126,818**	6,580,929
Antigua and Barbuda	**6,024,497**	18,417,701
St. Lucia	**2,242,967**	2,407,891
	31,396,223	51,806,819

(expressed in Eastern Caribbean dollars)

8 Mortgage loans portfolio *…continued*

	2017 $	2016 $
Movement in the balance is as follows:		
Balance at beginning of year	**51,806,819**	78,580,300
Add: Loans purchased	**–**	3,256,555
Less: Principal repayments	**(2,557,128)**	(3,949,392)
Mortgages that were repurchased and replaced	**(2,749,076)**	(8,679,162)
Mortgages pools repurchased	**(15,104,392)**	(17,401,482)
Balance at end of year	**31,396,223**	51,806,819

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.

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 6% to 11% (2016: 6% to 11%). During the financial year, the Bank earned interest income of $3,106,246 (2016: $4,846,905).

Mortgage loans portfolio and accounts receivable balances held with the ABIB

Under the Sales and Administration Agreements between the ABIB and the Bank affected on May 27, 1994, the Bank entered into an arrangement to acquire certain mortgage loans from the ABIB. The Bank acquired all rights associated with the loans including but not limited to the right to interest, first right to liquidation of the loan and indemnification of losses from the ABIB. These balances have been classified under "Mortgage loans portfolio". Under the agreement, the ABIB and subsequently ABIB under receivership collected monthly payments from the mortgagors on behalf of the Bank and remitted those to the Bank net of an administration fee. These have been classified under "Receivables and prepayments".

(expressed in Eastern Caribbean dollars)

8 Mortgage loans portfolio *…continued*

Mortgage loans portfolio and accounts receivable balances held with the ABIB *... continued*

As at March 31, 2017, the mortgage loan balance amounted to $6,024,497 (2016: $18,417,701). Collections made on behalf of the Bank for these loans amounted to $1,128,476 (2016: $1,616,382).

As it relates to the mortgage loan balance which remains with ABIB under receivership, the Bank believes that these balances are not impaired based on the Bank's first right to the underlying collateral supporting the loans. Furthermore, based on reports received from the ABIB under receivership, the mortgages continue to be serviced. Collections made on behalf of the loans are to be remitted to the Bank. The last remittance up to the finalization of these financial statements was completed in June 2017.

(expressed in Eastern Caribbean dollars)

9 Motor vehicles and equipment

	Motor vehicles $	Computer equipment $	Furniture and fixtures $	Machinery and equipment $	Total $
Year ended March 31, 2016					
Opening net book value	112,792	69,513	1,381	34,872	218,558
Depreciation charge (note 20)	(41,602)	(34,046)	(486)	(10,197)	(86,331)
Closing net book value	**71,190**	**35,467**	**895**	**24,675**	**132,227**
At March 31, 2016					
Cost	290,000	188,628	5,744	71,965	556,337
Accumulated depreciation	(218,810)	(153,161)	(4,849)	(47,290)	(424,110)
Net book value	**71,190**	**35,467**	**895**	**24,675**	**132,227**
Year ended March 31, 2017					
Opening net book value	71,190	35,467	895	24,675	132,227
Additions	238,170	22,595	–	–	260,765
Disposals	(290,000)	(24,857)	–	–	(314,857)
Written off of accumulated depreciation	221,816	24,946	–	–	246,762
Depreciation charge (note 20)	(42,700)	(28,101)	(486)	(9,747)	(81,034)
Closing net book value	**198,476**	**30,050**	**409**	**14,928**	**243,863**
At March 31, 2017					
Cost	238,170	186,366	5,744	71,965	502,245
Accumulated depreciation	(39,694)	(156,316)	(5,335)	(57,037)	(258,382)
Net book value	**198,476**	**30,050**	**409**	**14,928**	**243,863**

(expressed in Eastern Caribbean dollars)

10 Intangible assets

	Computer software $	Website development $	Total $
Year ended March 31, 2016			
Opening net book value	8,201	7,502	15,703
Amortisation charge (note 20)	(4,920)	(4,502)	(9,422)
Closing net book value	**3,281**	**3,000**	**6,281**
At March 31, 2016			
Cost	14,761	13,505	28,266
Accumulated amortisation	(11,480)	(10,505)	(21,985)
Net book value	**3,281**	**3,000**	**6,281**
Year ended March 31, 2017			
Opening net book value	3,281	3,000	6,281
Amortisation charge (note 20)	(3,281)	(3,000)	(6,281)
Closing net book value	–	–	–
At March 31, 2017			
Cost	14,761	13,505	28,266
Accumulated amortisation	(14,761)	(13,505)	(28,266)
Net book value	–	–	–

(expressed in Eastern Caribbean dollars)

11 Borrowings

	2017 $	2016 $
Corporate papers and bonds in issue		
Balance at beginning of year	**184,096,700**	184,096,700
Add: Issues during the year	**184,096,700**	87,637,000
Less: Redemptions during the year	**(184,096,700)**	(87,637,000)
	184,096,700	184,096,700
Less: unamortised issue costs	**(256,218)**	(342,972)
	183,840,482	183,753,728
Interest payable	**819,427**	1,519,624
Balance at end of year	**184,659,909**	185,273,352
Other borrowed funds		
Caribbean Development Bank (CDB) loan	–	4,341,903
Less: unamortised transaction costs	–	(95,255)
	–	4,246,648
Interest payable	–	32,982
	–	4,279,630
Total	**184,659,909**	189,552,982

	2017 $	2016 $
Corporate papers and bonds in issue	**184,916,127**	185,616,324
Less: unamortised bond costs	**(256,218)**	(342,972)
	184,659,909	185,273,352
Other borrowed funds	–	4,374,885
Less: unamortised transaction costs	–	(95,255)
	–	4,279,630
Total	**184,659,909**	189,552,982

(expressed in Eastern Caribbean dollars)

11 Borrowings *...continued*

	2017 $	2016 $
Corporate papers and bonds in issue		
1 year corporate paper maturing on July 4, 2017 bearing interest at a rate of 1.50%	**31,200,000**	–
1 year corporate paper maturing on April 4, 2017 bearing interest at a rate of 2.00%	**30,000,000**	–
1 year corporate paper maturing on June 1, 2017 bearing interest at a rate of 1.998%	**30,000,000**	–
1 year corporate paper maturing on December 28, 2017 bearing interest at a rate of 1.99%	**27,637,000**	–
1 year corporate paper maturing on March 27, 2018 bearing interest at a rate of 3.00%	**24,984,700**	–
1 year corporate paper maturing on January 30, 2018 bearing interest at a rate of 1.75%	**21,505,000**	–
1 year corporate paper maturing on September 29, 2017 bearing interest at a rate of 2.00%	**18,770,000**	–
3–year bond matured on July 1, 2016 bearing interest at a rate of 3.75%	–	31,200,000
277–day bond matured on April 4, 2016 bearing interest at a rate of 2.80%	–	30,000,000
335–day bond matured on June 2, 2016 bearing interest at a rate of 1.50%	–	30,000,000
331–day bond matured on December 28, 2016 bearing interest at a rate of 2.49%	–	27,637,000
3–year bond matured on March 26, 2017 bearing interest at a rate of 4%	–	24,984,700
4–year bond matured on January 30, 2017 bearing interest at a rate of 3.75%	–	21,505,000
4–year bond matured on September 28, 2016 bearing interest at a rate of 4%	–	18,770,000
Total	**184,096,700**	184,096,700

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 1.50% to 3% (2016: 1.50% to 4%).

(expressed in Eastern Caribbean dollars)

11 Borrowings *...continued*

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 had the right to increase or decrease the rate of interest payable on the loan. The loan was secured by first fixed and floating charges over the Bank's assets. The interest rate on the loan in 2016 decreased from 3.90% to 2.97% during the financial year. The interest incurred for the year ended March 31, 2017 amounted to nil (2016: $297,458). The loan from CDB was fully repaid in advance of maturity on April 1, 2016.

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

	2017 $	2016 $
3 months or less	–	750,000
3–12 months	–	2,250,000
1–5 years	–	1,341,903
	–	4,341,903

The breakdown of interest payable is as follows:

	2017 $	2016 $
Corporate papers and bonds interest payable	**819,427**	1,519,624
Long–term loan interest payable	–	32,982
	819,427	1,552,606

(expressed in Eastern Caribbean dollars)

11 Borrowings *...continued*

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

	2017 $	2016 $
Capitalised bond issue costs		
Balance at beginning of year	**342,972**	303,027
Additions	**419,545**	520,545
	762,517	823,572
Less: amortisation for year (note 20)	**(506,299)**	(480,600)
Balance at end of year	**256,218**	342,972
Transaction costs on other borrowed funds		
Balance at beginning of year	**95,255**	119,575
Additions	**50,422**	138,374
	145,677	257,949
Less: amortisation for year (note 20)	**(145,677)**	(162,694)
Balance at end of year	–	95,255
	256,218	438,227

(expressed in Eastern Caribbean dollars)

11 Borrowings *...continued*

	2017 $	2016 $
Breakdown of capitalised bond issue costs		
1 year corporate paper maturing on March 27, 2018 bearing interest at a rate of 3.00%	**66,662**	–
1 year corporate paper maturing on January 30, 2018 bearing interest at a rate of 1.75%	**52,380**	–
1 year corporate paper maturing on December 28, 2017 bearing interest at a rate of 1.99%	**43,694**	–
Capitalised issue costs for debt instruments not yet issued	**43,297**	47,701
1 year corporate paper maturing on September 29, 2017 bearing interest at a rate of 2.00%	**23,248**	–
1 year corporate paper maturing on July 4, 2017 bearing interest at a rate of 1.50%	**16,569**	–
1 year corporate paper maturing on June 1, 2017 bearing interest at a rate of 2.75%	**10,368**	–
365-day revolving credit matured January 31, 2017 bearing interest of 7.0%	–	125,000
331-day bond matured on December 28, 2016 bearing interest at a rate of 2.49%	–	82,526
3–year bond matured on March 26, 2017 bearing interest at a rate of 4%	–	38,381
4–year bond matured on January 30, 2017 bearing interest at a rate of 3.75%	–	21,153
3–year bond matured on July 1, 2016 bearing interest at a rate of 3.75%	–	11,408
335-day bond matured on June 2, 2016 bearing interest at a rate of 1.50%	–	7,428
4–year bond matured on September 28, 2016 bearing interest at a rate of 4%	–	6,568
277-day bond matured on April 4, 2016 bearing interest at a rate of 2.80%	–	2,807
Total	**256,218**	342,972

(expressed in Eastern Caribbean dollars)

11 Borrowings *...continued*

Capitalised bond issue costs
The bond issue costs are being amortised over the duration of the life of the respective bonds ranging from 277 days to four (4) years (2016: one (1) to four (4) years) which carry an interest rate ranging from 1.50% to 3.0% (2016: 1.5% to 4%).

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.

Revolving line of credit

During the financial year, the revolving line of credit was established with the Grenada Co–operative Bank Limited with a limit of $32,000,000.

12 Accrued expenses and other liabilities

	2017 $	2016 $
Accrued expenses	**311,222**	147,756
Other liabilities	**44,110**	3,000
	355,332	150,756

13 Share capital

The Bank is authorised to issue 400,000 (2016: 400,000) ordinary shares of no par value.

As at March 31, 2017, there were 268,749 (2016: $268,749) ordinary shares of no par value issued and outstanding.

	Number of shares	2017 $	2016 $
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

(expressed in Eastern Caribbean dollars)

13 Share capital *...continued*

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.

14 Portfolio risk reserve

In March 2004, the Board of Directors approved the creation of 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 movement of portfolio risk reserve is shown below.

	2017	**2016**
	$	**$**
Balance at beginning of year	**8,962,834**	8,865,029
Transfer during the year	**208,810**	97,805
Balance at end of year	**9,171,644**	8,962,834

15 Dividends

At the Annual General Meeting on November 7, 2016 (2016: November 11, 2015), dividends of $7.50 (2016: $7.50) per share were approved amounting to $2,015,618 (2016: $2,015,618).

Dividends paid during the financial year amounted to $2,015,618 (2016: $2,015,618). The dividends payable amounted to $150,000 at March 31, 2017 (2016: $950,000). In 2017, management took the decision to offset dividends payable to CLICO Barbados $150,000 (2016: $950,000) 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 $3,900,000 (2016: $4,050,000).

(expressed in Eastern Caribbean dollars)

16 Interest income

	2017 $	2016 $
Term deposits (note 7)	**4,096,837**	5,039,939
Mortgage loans portfolio (note 8)	**3,106,246**	4,846,905
Government bonds (note 7)	**2,416,603**	2,370,499
Quoted bonds (note 7)	**1,070,127**	–
Treasury bills (note 7)	**439,852**	119,802
Bank deposits	**12,264**	46,425
	11,141,929	12,423,570

17 Interest expense

	2017 $	2016 $
Bonds in issue	**4,790,392**	6,226,514
CDB loan	**–**	297,458
	4,790,392	6,523,972

18 Other income

	2017 $	2016 $
Mortgage underwriting seminar income	**177,000**	168,011
Mortgage underwriting seminar expenses	**(119,290)**	(127,697)
	57,710	40,314
Unrealised fair value gains on equity investments	**54,604**	–
Gain on disposal of equipment	**36,905**	–
Realised fair value gain on disposal of equity instruments (note 7)	**15,102**	–
Dividend income (note 7)	**4,521**	–
Other income	**–**	125
	168,842	40,439

(expressed in Eastern Caribbean dollars)

19 General and administrative expenses

	2017 $	2016 $
Salaries and related costs	**1,385,864**	1,161,276
Rent (note 23)	**180,000**	147,847
Credit rating fee	**62,436**	40,754
Chief Executive Officer expenses	**60,186**	20,864
Telephone	**55,834**	36,736
Internal audit fees	**35,700**	35,700
Home Ownership Day	**35,000**	–
Others	**33,463**	44,661
Advertising/promotion	**28,870**	29,307
Airfares	**28,855**	13,041
Commission and fees	**21,466**	18,250
Printing and stationery	**17,085**	28,911
Hotel accommodation	**13,874**	2,603
Office supplies	**11,767**	7,386
Repairs and maintenance	**11,532**	25,003
Courier services	**7,958**	3,394
Dues and subscriptions	**7,895**	12,429
Insurance	**6,900**	6,554
Computer repairs and maintenance	**5,741**	20,441
Legal and professional	**5,737**	29,932
	2,016,163	1,685,089

20 Other operating expenses

	2017 $	2016 $
Amortisation of bond issue costs and transaction costs (note 11)	**651,976**	643,294
Directors fees and expenses	**312,508**	301,766
Sundry	**84,382**	115,785
Depreciation of motor vehicle and equipment (note 9)	**81,034**	86,331
Professional fees	**57,700**	55,204
Amortisation of intangible asset (note 10)	**6,281**	9,422
Foreign currency losses	**371**	6,460
	1,194,252	1,218,262

(expressed in Eastern Caribbean dollars)

21 Earnings per share (EPS)

Basic and diluted EPS are computed as follows:

	2017 $	2016 $
Net profit for the year	**3,059,667**	2,504,642
Weighted average number of shares issued	**268,749**	268,749
Basic earnings per share	**11.38**	9.32

The Bank has no dilutive potential ordinary shares as of March 31, 2017 and 2016.

22 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, 2017 (2016: nil). There were no outstanding contingent liabilities as of March 31, 2017 (2016: Nil).

23 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 $180,000 (2016: $147,847).

The Bank maintains a call account with the ECCB for the primary purpose of settlement of transactions relating to the mortgage loan portfolio with some of its Primary Lenders. As at March 31, 2017, the balance held with the ECCB was $69,450 (2016: $4,430,453).

Compensation of key management personnel

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

	2017 $	2016 $
Short–term benefits	**312,507**	420,380
Director fees	**165,000**	198,000
	477,507	618,380

(expressed in Eastern Caribbean dollars)

24 Reclassifications

Several items in the financial statements have been reclassified to achieve a clearer or more appropriate presentation. The comparative figures have been similarly formatted and reclassified in order to achieve comparability with the current period. The items reclassified are as follows:

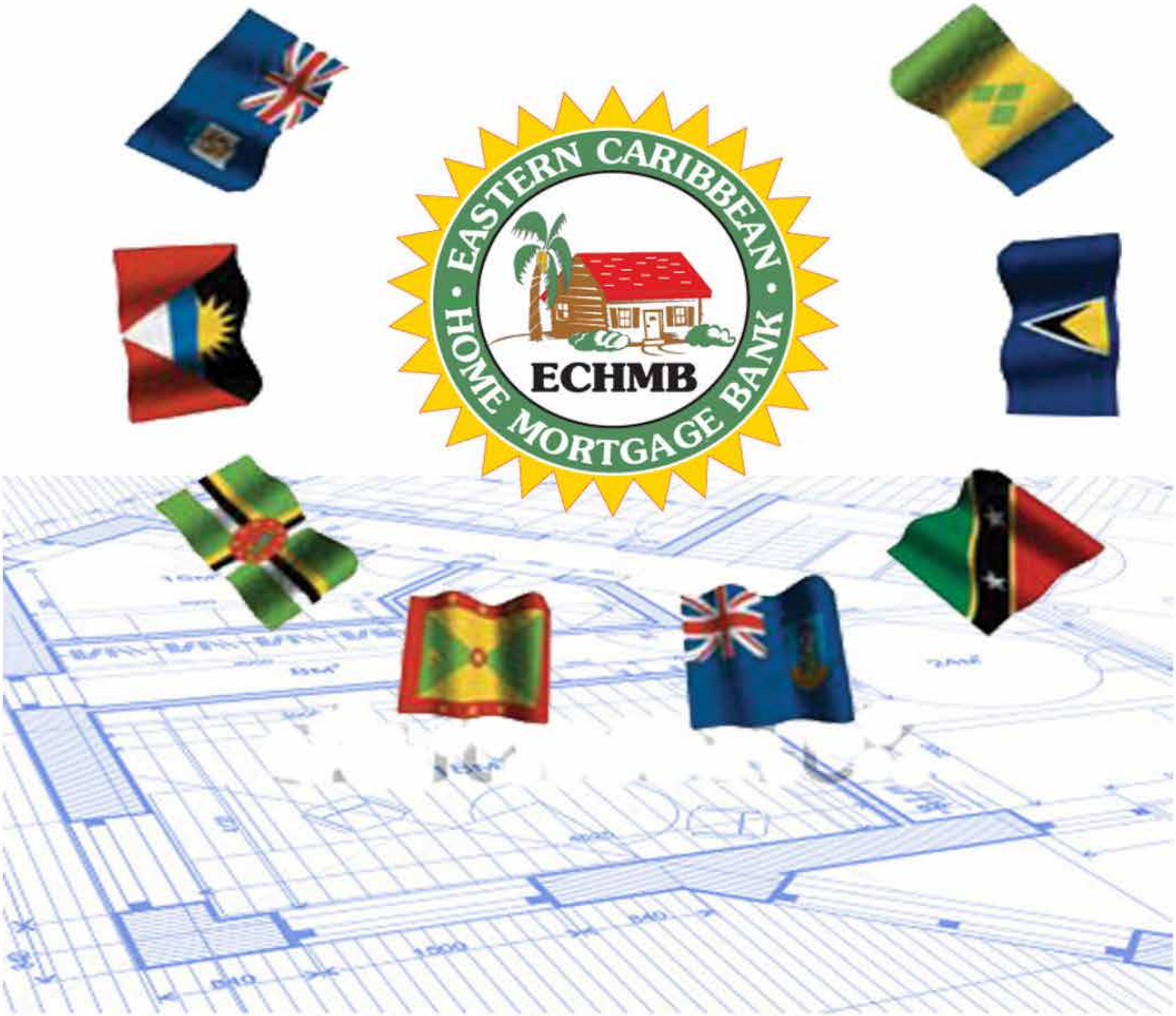
a) Bond premium was reclassified from receivables and prepayments to investments securities.

b) AFS investment was reclassified from AFS investment to investment securities.

The summary of reclassifications is shown below.

	As previously classified 2016 $	Reclassifications 2016 $	As reclassified 2016 $
Effect on statement of financial position			
Receivables and prepayments	3,066,391	(751,033)	2,315,358
AFS investment	100,000	(100,000)	–
Investment securities	149,277,200	851,033	150,128,233

EASTERN CARIBBEAN HOME MORTGAGE BANK



ANNUAL REPORT

2015

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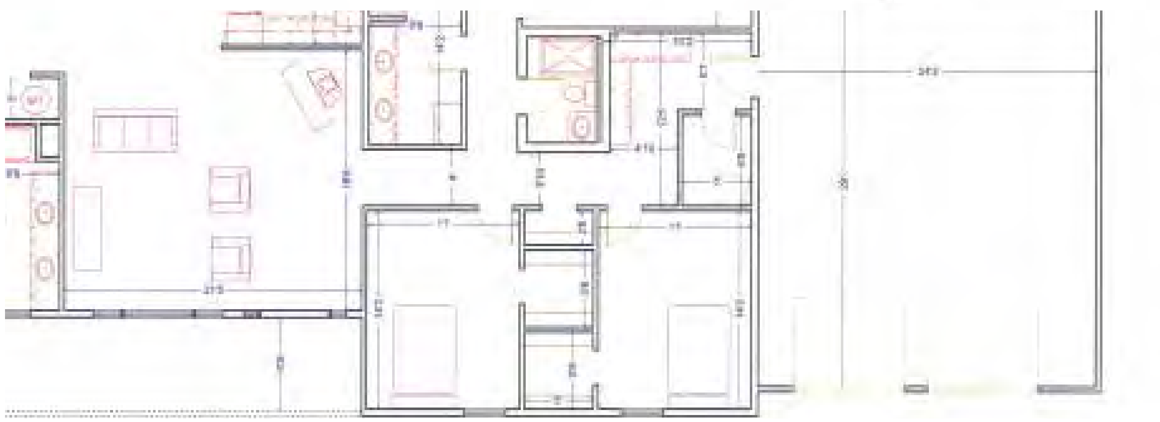


Our Vision

The Bank aspires to be the principal financial intermediary for providing affordable and sustainable sources of housing finance to Primary Lenders operating within the Member States and that its securities are investments of choice on the regional capital market.

Our Mission

To promote the development of the secondary mortgage market in Anguilla, Antigua and Barbuda, Commonwealth of Dominica, Grenada, Montserrat, St. Christopher and Nevis, Saint Lucia, Saint Vincent and the Grenadines, and bring additional benefits, by facilitating the development of the money and capital market, improving liquidity management in the financial system and promoting home ownership throughout the Member States

Secure your family's future

Invest in

ECHMB's CORPORATE BONDS

TAX FREE

CORPORATE INFORMATION

Registered Office	ECCB Agency Office, Monckton Street, St. George's, Grenada
Postal Address	ECCB Complex, Bird Rock Road, P.O. Box 753, Basseterre, St. Kitts
Email Address	info@echmb.com
Website Address	www.echmb. com
Telephone Number	(869) 466-7869
Fax Number	(869) 466-7518
Chairman	Honourable Sir K Dwight Venner
Corporate Secretary	Maria Barthelmy
External Auditors	Grant Thornton Corner Bank Street & West Independence Square, Basseterre, St. Kitts.
Internal Auditors	Roosevelt Maloney & Associates Chartered Certified Accountants Basseterre, St.Kitts
Bankers	St. Kitts - Nevis - Anguilla National Bank Limited Central Street, Basseterre, St. Kitts The Bank of Nova Scotia Fort Street, Basseterre, St. Kitts
Credit Rating Agency	Caribbean Information and Credit Rating Services Limited (CariCRIS)
Affiliation	Caribbean Association of Audit Committee Members
Regulator	Eastern Caribbean Securities Regulatory Commission

Shareholders

Name	Percentage Holding
Eastern Caribbean Central Bank	24.86%
National Co-operative Credit Union Limited (Dominica)	7.63%
CLICO Internation Life Insurance Company Limited (Barbados)	7.44%
Dominica Social Security	5.58%
Other Financial Institutions	54.49%

CHAIRMAN'S STATEMENT

Honourable Sir K Dwight Venner
Chairman

On behalf of the Board of Directors of the Eastern Caribbean Home Mortgage Bank (ECHMB), it is my pleasure to present the Annual Report of the ECHMB with the audited financial statements for the year ended 31 March 2015.

Moderate recovery in the global economy continued in 2014, with a growth rate of 3.4 per cent being recorded. The USA, our major trading partner, grew by 2.4 per cent. The Eastern Caribbean Currency Union (ECCU), similarly, is estimated to have grown by 2.9 per cent in 2014. From all indications, the prospects for further strengthening in the global economy appear encouraging, led by elevated expectations for the US and UK economies.

In the ECCU, economic activity is forecasted to grow by 2.63 per cent influenced by positive developments in some of the major economic sectors, including construction, hotels and restaurants, transport, storage and communications and agriculture.

Notwithstanding, these encouraging signs, the challenges of financial stability, fiscal and debt sustainability and growth and competitiveness persist. Economic growth can only be achieved in the context of a diversified financial sector comprised of well-developed domestic money and capital markets and institutions. A re-orientation of the financial sector in the region is required with a restructured banking sector comprised of stronger and well capitalised banks with very strong risk management and research capabilities. The complementary capital market institutions would include the Eastern Caribbean Securities Exchange, the Eastern Caribbean Home Mortgage Bank, the Eastern Caribbean Enterprise Fund, and a consolidated Development Bank, complemented by a regional unit trust.

The ECHMB has performed well in the 2014/2015 financial year. The Bank generating a net income of $3.46m compared to $4.36m in 2014, representing a decrease of $0.90m (20.64 per cent). The Bank's performance was tempered by a $69.72m decline in the Mortgage Loans Portfolio. This was attributed to $63.46m repurchased by Primary Lenders. As at 31 March 2015, the ECHMB's mortgage portfolio stood at $78.76m compared to $148.48m in the previous financial year. The repurchase of mortgages resulted in increased cash flows in the ECHMB; however, the Bank was affected by low coupon rates offered on investment securities.

In light of the prevailing market conditions, the ECHMB has embarked on a strategy to review its business model in order to achieve its objectives while maintaining its profitability. The Board of Directors made a deliberate effort to address the immediate challenges affecting the institution namely:

- The weak demand for loans on the primary market;
- A build-up of liquidity in the banking system;
- Repurchase of mortgages by primary lenders.

As a result, the ECHMB continued to generate a positive return for its shareholders. Shareholders' equity increased by 1.35 per cent from $56.85m in 2014 to $57.62m in 2015. As at 31 March 2015, the ECHMB's cash reserves stood at $8.23m with resources adequate to finance future projects. Total dividends paid over the preceding fourteen (14) years amounted to $19.42m.

During the year, the ECHMB continued its efforts in conducting mortgage underwriting courses. These courses are of great significance in assisting to improve the mortgage underwriting standards within the region. During the financial year a total of sixty eight (68) participants attended the two (2) programmes which were held in St Kitts and St Vincent and the Grenadines respectively.

I am pleased to note that to date, in excess of fifty-two (52) persons have attained the Certified Residential Underwriter (CRU) designation.

Improving mortgage underwriting standards in the region is critical in minimizing the level of non-performing loans in the system thereby maintaining overall financial stability.

Shareholders, I am pleased to welcome Mr. Randy Lewis as General Manager/Chief Executive Officer (CEO), of the ECHMB. Mr. Lewis, who was formerly the Chief Financial Officer, succeeds Mr Duleep Cheddie as the third CEO of the ECHMB.

The Board of Directors is confident that Mr. Lewis will build on the institution's existing strengths and lead its strategic development.

Looking ahead, the ECHMB will continue to focus its efforts on the following:

- Develop strategies to mitigate declining coupon rates on investments;
- Establish new products such as mortgage credit facilities and issuing commercial paper;
- Revamp the mortgage portfolio with the objective of making it more relevant in the current environment and targeting non-traditional markets and institutions;
- Increase the yield on assets

while lowering the weighted average cost of debt;

- Increase the ECHMB presence on the money and capital market by implementing an appropriate Functional Structure;

- Automate the Bank's manual processes.

As we move into another year of operations, I would like to thank the shareholders for your support over another year of operations.

I also thank the Board of Directors, management and staff for their tremendous efforts during the course of the 2014/2015 financial year.

Honourable Sir K Dwight Venner
Chairman

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 K Dwight Venner 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 (UWI), 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 of the UWI Open Campus Council and was Chairman of the OECS Economic Union Task Force.

The Honourable Sir Dwight 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.

Mrs. Missi P. Henderson - Director

Mrs. Henderson was appointed to the Board of Directors in September 2014, representing Class B shareholders. 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.

Mrs. Henderson has been with the Dominica Social Security Board for the past twelve (12) years and currently holds the position of Chief Financial Officer. 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).

Mr. Gordon Derrick - Director

Mr. Derrick was appointed to the Board of Directors in July 2008, representing Class C shareholders. He holds a Bachelors of Science Degree in Mechanical Engineering from Florida Institute of Technology and a Masters of Science Degree in Business Administration from the University of the West Indies (UWI).

Mr. Derrick holds the international designation of Accredited Director from the Institute of Chartered Secretaries and Administrators (ICSA). Mr. Derrick is the Chairman of the ACB Mortgage & Trust, Antigua, and in April 2004, was appointed General Secretary of the Antigua and Barbuda Football Association. Since May 2012, Mr. Derrick has served as the President of the Caribbean Football Union.

Ms. Sharmaine Francois - Director

Ms. Francois was appointed to the Board of Directors in September 2014, representing Class C shareholders. Ms. Francois has completed several training courses in financial and investment planning, as well as financial counseling and has attended a wide range of training programmes in banking and financial management. Ms. Francois holds B.Sc. in Accounting and Statistics from the University of the West Indies (UWI), and a Post Graduate Certificate in Business Administration from Manchester Business School, UK, and is an Accredited Director, having completed the directors' programme with the Institute of Chartered Secretaries and Administrators (ISCA), Canada.

Ms. 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. Ms. Francois current holds the position of Assistant General Manager at Bank of Montserrat.

Mr. Dexter Ducreay - Director

Mr. Ducreay was appointed to the Board of Directors in July 2008, representing Class D shareholders. He holds a BSc. (Hons) in Accounting from St. John's University, New York. Mr. Ducreay is a former General Manager of Dominica Water and Sewerage Company, and is also 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 General Manager of A.C. Shillingford & Company Limited, Dominica as well as the Chairman of the Credit Union League (Dominica). In 2015, Mr. Ducreay was reappointed as the President of the National Cooperative Credit Union Limited

Mr. Ducreay has in excess of sixteen (16) years senior management experience.

REPORT OF THE BOARD OF DIRECTORS

The Directors have the pleasure in submitting their report for the year ended 31st March 2015.

Financial results and dividends	$'000
Net profit for year attributed to shareholders	3,459
Final dividends of $10.00 per share for 2014	(2,687)
Transfer to reserves	(155)
Net income for year after distribution	617
Retained earnings at beginning of year	11,143
Retained earnings at end of year	11,760

Dividends

The Directors have recommended a dividend of $7.50 per share for the year ended 31st March, 2015, amounting to $2.02m

Shareholder	Fully Paid up Ordinary Shares	% of issued Share Capital
Eastern Caribbean Central Bank	66,812	24.86%
Central Co-operative Credit Union Ltd.	20,500	7.63%
CLICO International Life Insurance Ltd, Barbados	20,000	7.44%
Dominica Social Security Board	15,008	5.58%

There have been no changes in these interests occurring between the end of ECHMB's financial year and the date of the Notice convening the Annual General Meeting.

Statement of Affairs

In the opinion of the Directors there were no significant changes in the state of the affairs of the Bank during the financial year.

Directors

Article 15 (1) of the Eastern Caribbean Home Mortgage Bank Agreement provides that (a) a director holds office for two (2) years and shall be eligible for re-appointment; (b) a vacancy in the Board shall be filled by the Class of shareholders which appointed the director to be replaced; and (c) a director appointed to fill a vacancy holds office for the un-expired term of his predecessor.

At the 19th Annual General Meeting held on 27th September 2014, the following Directors demitting office were:-

Mr. Louis Williams	Class B
Mr. Henry Hazel	Class C

They were replaced by

Mrs. Missi P. Henderson	Class B
Ms. Sharmaine Francois	Class C

None of the Directors hold shares in the Bank. No Director had, during the year or at the end of the year, any interest in any contract pertaining to the Bank's business.

Events Subsequent to Statement of Financial Position Date

The Directors are not aware of any transaction which has arisen since 31st March 2015 that has a material effect on the operations of the Bank and for which adequate disclosures have not been made in the financial statements.

Auditors

Article 23 of the Eastern Caribbean Home Mortgage Agreement provides that shareholders shall at each Annual General Meeting appoint an auditor to hold office from the conclusion of the meeting until the conclusion of the next Annual General Meeting

The Auditors, Grant Thornton, retired at the financial year ended 31st March 2015. The Auditors are eligible for re-appointment and have offered themselves as External Auditors for the year ending 31st March 2016.

The Board of Directors recommends their re-appointment.

GOVERNANCE

Governance Structure

The Board of Directors (the "Board") has ultimate responsibility for ECHMB's corporate governance and risk management. Each year, the Executive Committee of the Board approves and reviews risk appetite and risk management policies. The Board delegates the role of identifying, assessing and managing risk to Senior Management. In keeping with its principal responsibilities, the Board of Directors of the ECHMB continues to ensure that the highest standards in corporate governance are maintained, with the objectives of reinforcing confidence and trust of investing financial institutions, increasing Primary lenders' satisfaction and building a strong and ethical regional institution.

On an annual basis, the ECHMB adopts the latest developments in corporate governance in an effort to ensure that its procedures are in line with international best practice. The fundamental approach adopted is to ensure that the right executive leadership, corporate strategy, internal controls and risk management procedures are in place. Notwithstanding the aforesaid, the Board continuously reviews its governance model to ensure relevance and effectiveness as the Bank faces future challenges exacerbated by uncertain economic conditions.

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 the 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.

Ms. Maria Barthelmy
Corporate Secretary

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.

Directors' 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;
- willingness to stand up and defend his own views, beliefs and opinions for the ultimate good of the Bank; and as
- 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.

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 Corporate 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.

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.

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.

Structured Training Programme for Directors

Directors are expected to participate in the Directors 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.

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
- Gordon Derrick
- Dexter Ducreay
- Sharmaine Francois
- Randy Lewis
- Shanna Herbert

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 Committee is comprised of the following members:-

- Dexter Ducreay - Chairman
- Sharmaine Francois
- Missi P Henderson

The 2015 activities of the 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 reports and monitored Management's implementation of Internal Auditors' recommendations;

Strategy Committee

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

- Gordon Derrick - Chairman
- Dexter Ducreay
- Sharmaine Francois
- Missi P Henderson

The responsibilities of the Strategic Committee include the following:

- reviewing and recommending strategic actions to be taken by the Bank for the Board's approval;
- developing and fostering a risk awareness culture within the Bank;
- reviewing and approving 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;
- ensuring 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;
- reviewing and assessing the appropriate levels of capital for the Bank, vis-à-vis its risk profile;

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:-

- Gordon Derrick- Chairman
- Dexter Ducreay
- Missi P Henderson

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 independent contractors.
- The Audit Committee meets separately with the Internal Auditors.

Message from the Chief Executive Officer

Dear Fellow Shareholders

It is an honour and an immense privilege to have been chosen to lead the ECHMB as we enter our twentieth (20) year of operations. I am confident your Bank will continue to deliver exemplary results to all stakeholders going forward.

During the 2015 financial year, the secondary mortgage market continued to be shaped by declining Loans and Advances, increasing liquidity and declining interest rates on Cash and Cash Equivalents and Investments. These trends had the knock-on effect of eroding the Bank's traditional streams of Interest Income. However, the exemplary stewardship of your Board of Directors and fortitude of Management were instrumental in the Bank reporting a Net Profit for the Year of $3.46M.

Mr. Randy R. Lewis
Chief Executive Officer

As indicated in my 2014 message, the 2015 financial year was devoted to costs containment, strengthening our systems and risks reduction. We took difficult decisions in order to streamline the Bank's Statement of Financial Position. The ECHMB is already reaping the benefits of these initiatives. Net Interest Income Percentage has improved from 41.42% in 2014 to 44.57% in 2015. Interest Cover improved from 1.36% in 2014 to 1.40% in 2015 and our Debt-to-Equity Ratio improved from 4.72:1 in 2014 to 3:47.1 in 2015.

Our emphasis for the 2016 financial year will be to ensure the ECHMB synchronizes its business model and functional structure with the dominant trends in the Eastern Caribbean Currency Union (ECCU). This strategic realignment of the ECHMB is imperative in order to preserve shareholders' value. However, it should not be misconstrued that the Bank is shelving its long-standing objectives. We will continue to focus on promoting the availability of affordable home financing and to assist Primary Lenders to promote and maintain the availability of affordable home financing. Nevertheless, it should be noted that the current environment presents unique opportunities for the ECHMB to broaden its strategic focus and in particular, increase the Bank's contribution to the growth and development of the money and capital markets.

I am profoundly grateful to the Chairman and the Board of Directors for their support and guidance in undertaking the strategic decisions of the Bank in 2015. Likewise, I would like to extend gratitude to my colleagues for their support and to our valued business associates whose continued relationships would no doubt enable the ECHMB to achieve its mandate across the ECCU.

Randy Lewis
Chief Executive Officer

The Team

Back Row: L-R: Mr. Justin Skeete - Systems Officer, Ms. Cynthia Joseph - Chief Mortgage Portfolio Officer, Ms. Sharon Pyke - Administrative Professional II, Mr. Dennis Cornwall - Research & Compliance Officer, Front Row: Ms. Sanginee Rattan - Mortgage Portfolio Assistant, Mr. Randy Lewis - Chief Executive Officer, Ms. Shanna Herbert - Chief Financial Officer (Ag) Mrs. Mirian Etienne - Executive Assistant/ Human Resource Officer

Financial Highlights

Five Year (5) Financial Summary
(Expressed in Eastern Caribbean dollars)

Year Ended 31 March	2011 ($M)	2012 ($M)	2013 ($M)	2014 ($M)	2015 ($M)	YOY ($M)	Change %
OPERATING RESULTS							
Interest Income	25.22	25.55	24.43	20.69	15.46	(5.23)	-25.28%
Net Interest Income	9.68	10.61	10.61	8.57	6.89	(1.68)	-19.60%
Net Income For Year	3.35	5.60	5.76	4.36	3.46	(0.90)	20.64%
FINANCIAL POSITION							
Total Assets	330.19	328.65	329.70	328.02	257.81	(70.21)	-21.40%
Mortgage Portfolio	228.80	202.31	200.46	148.48	78.76	(69.72)	-46.96%
Short-term securities	98.77	125.97	128.78	179.09	178.65	(0.44)	-0.25%
Borrowings	277.00	275.66	272.78	269.30	199.92	(69.38)	-25.76%
Shareholders' Equity	49.19	52.11	55.18	56.85	57.62	0.77	1.35%
SHARE INFORMATION							
EPS (Dollars)	16.14	20.84	21.43	16.23	12.87	(3.36)	-20.70%
Gross Dividends	1.60	2.69	2.69	2.69	2.69	-	0.00
Book Value per Share ($)	236.91	193.89	205.31	211.55	214.42	2.87	1.36%
FINANCIAL RATIOS							
Net Interest Income	38.38%	41.53%	43.43%	41.42%	44.57%	3.15%	7.59%
Return on Total Assets	1.01%	1.70%	1.75%	1.33%	1.34%	0.01%	0.97%
Interest Cover	1.22	1.37	1.42	1.36	1.40	0.04	2.96%
Debt-to-Equity	5.63:1	5.30:1	4.94:1	4.72:1	3.47:1	(1.27)	26.79%

MANAGEMENT's DISCUSSION & ANALYSIS

This Management's Discussion and Analysis (MD&A) is presented to enable readers to assess material changes in the financial condition and operating results of ECHMB for the year ended 31st March 2015, compared with the corresponding period in the prior years. This MD&A should be read in conjunction with our audited Financial Statements and related Notes for the year ended 31st March 2015. Unless otherwise indicated, all amounts are expressed in Eastern Caribbean Dollars and have been primarily derived from the Bank's Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Significant transactions in 2015

- Resold Mortgage Loans totaling $63.46M to Primary Lenders
- Repaid Bonds totaling $95.90M
- Issued a Bond in the amount of $30.0M
- Placed $111.84M in Investment Securities
- Redeemed Investment Securities totaling $94.0M
- Repaid loan principal totaling $3.0M to the Caribbean Development Bank
- Diversified the Investment Portfolio by placing $32.0M in Government Bonds and $7.46M in Treasury bills
- Paid dividends totaling $2.49M

Challenges in 2015

- Low interest rate environment led to additional pressure on margins
- Declining target market for the acquisition of Mortgage Loans due to weak economic growth
- Increasing liquidity in the banking system
- Limited investment options

Delivering results in 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%) decrline 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 4.72:1 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)	(13.83)
Net interest income	6.89	8.57	10.61
Other income	0.04	0.04	0.02
Operating Income	6.93	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%	43.41%
Return on total assets	1.34%	1.33%	1.75%
Interest cover ratio	1.40	1.36	1.42
Debt-to-equity ratio	3.47:1	4.72:1	4.94:1
Earnings per share ($)	12.87	16.23	21.43
Book value per share ($)	214.42	211.55	205.32
Mortgage loans portfolio	78.76	148.48	200.46
Borrowings	199.92	269.30	272.78
Assets under management	257.81	328.02	329.70
Full time employees	8	8	9

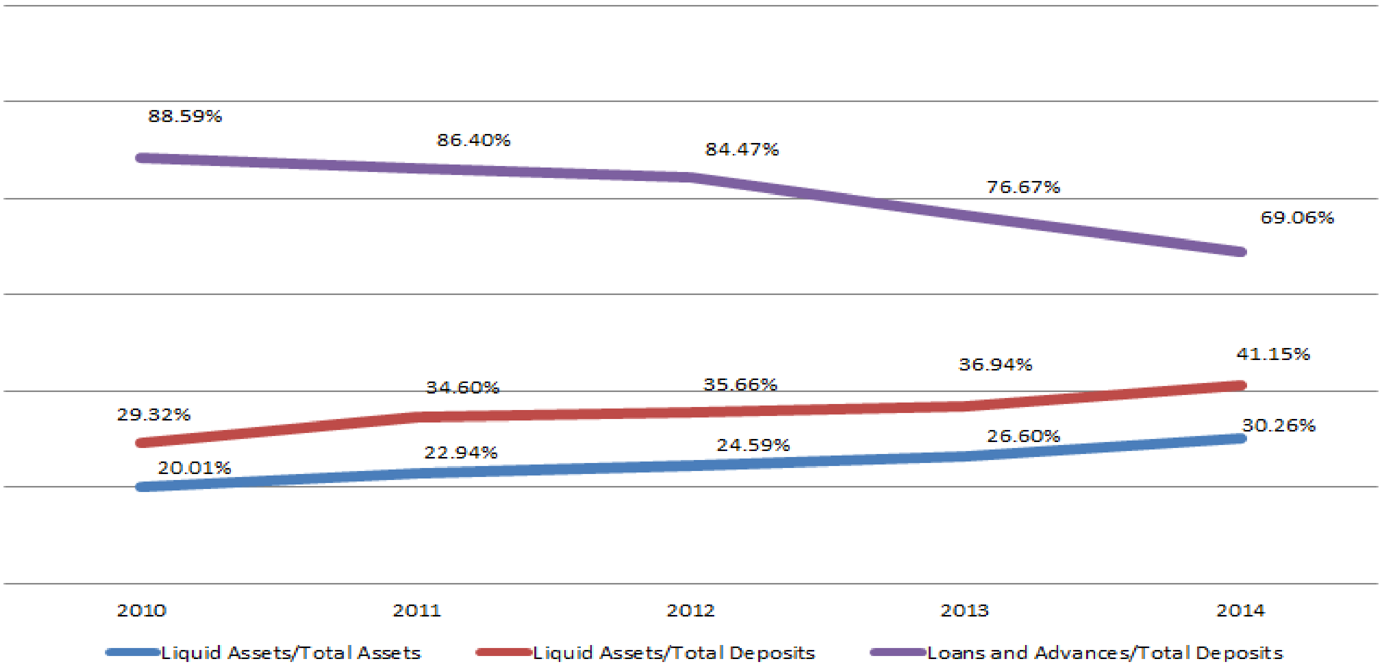
Declining Loans and Advances in Commercial Banks

The results of the commercial banks senior loans officers' survey ("The Survey") on credit market conditions in the Eastern Caribbean Currency Union (ECCU) for fiscal year 2013, indicated that for the six (6) months ending 30th June 2014, there were expectations for an overall decrease in the demand for all types of loans; the exception, being loans to small and medium sized businesses and other consumer loans. The expectation for a decrease in demand for loans was based on the belief that the sluggish international economy would continue to impact the local economy and exert a negative impact on demand. As predicted by the Survey, Loans and Advances in commercial banks declined from $14.33B in fiscal 2013 to $13.59B in fiscal 2014. Commercial banks' Loans and Advances/Total Deposit Ratio declined from 76.67% in 2013 to 69.06% in 2014. A Loan to Deposit Ratio in the range of 80.0%-85.0% is considered normal.

Increasing liquidity in Commercial Banks

Commercial banks' Liquid Assets/Total Assets Ratio increased from 26.60% in 2013 to 30.26% in 2014. The accepted benchmark for the Liquid Asset Ratio in the ECCU ranges from 20.0% - 25.0%. Commercial banks also recorded an increase in the Liquid Assets/Total Deposits Ratio from 36.94% in 2013 to 41.15% in 2014.

Commercial Banks' Liquidity Ratios



Declining Interest Rates on Cash and Cash Equivalents

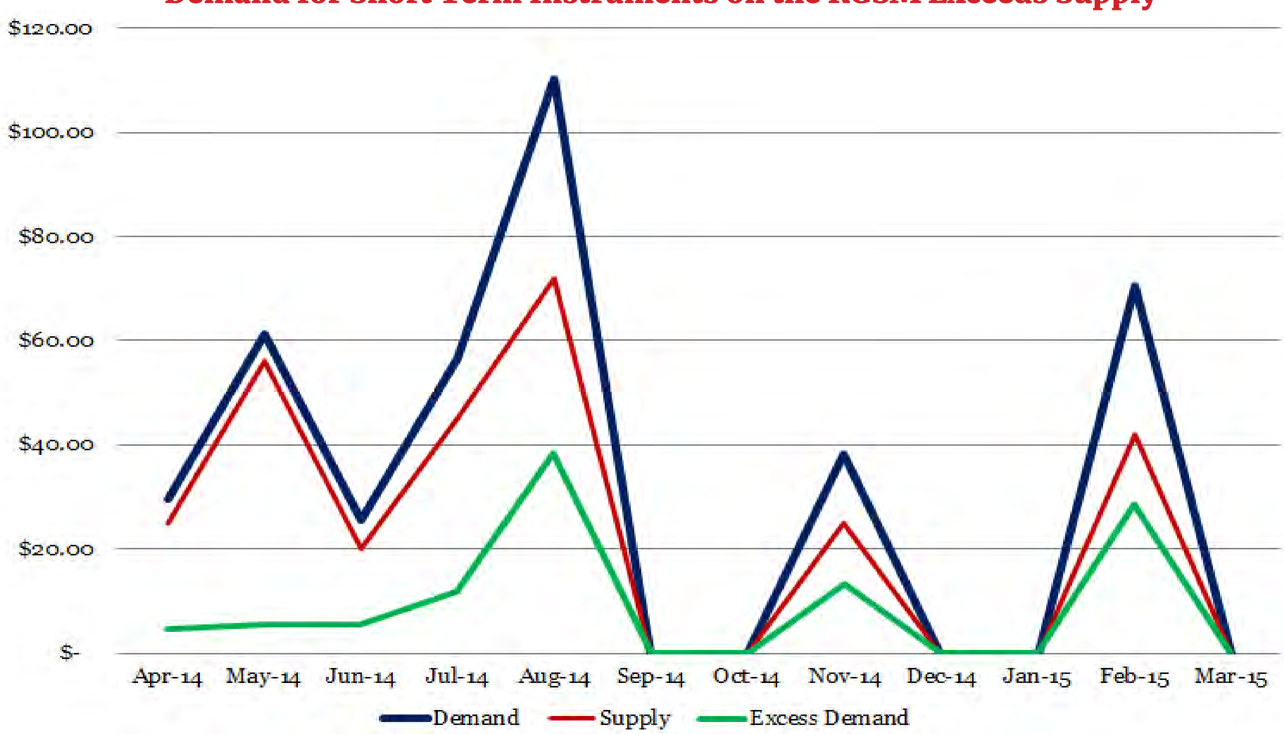
On account of the declining trend in Loans and Advances and corresponding increase in liquidity, commercial banks lowered interest rates on Customers' Deposits to stabilize Net Interest Income.

According to the Eastern Caribbean Central Bank (ECCB), at September 2014, the weighted average deposit rate in the ECCU was 2.62%.

Declining Interest Rates on Investments

Apart from placement of surplus cash in commercial banks' instruments, the alternative vehicle available to corporate customers for the investment of surplus cash in the ECCU is the Regional Government Securities Market (RGSM). As depicted in the graph below, over the period April 2014 to March 2015, the demand for 91-day Treasury bills exceeded supply.

Demand for Short Term Instruments on the RGSM Exceeds Supply



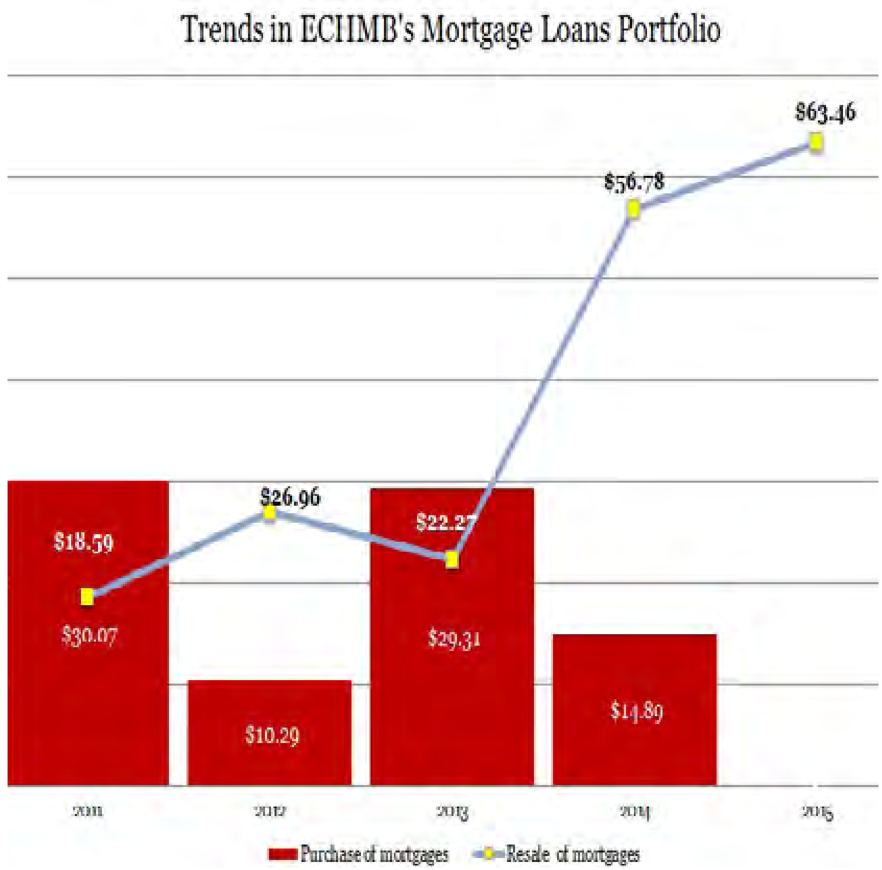
The governments of the ECCU exploited this situation through the issuance of treasury bills ("T-Bills") via Competitive Bid Auction. Statistics published by the ECCB in September 2014 indicated the weighted average interest rate on 91-day T-Bill issued for Government of St. Vincent and the Grenadines was 1.77% with the Commonwealth of Dominica weighted average interest rate reported at 1.24%. The weighted average rate secured by Saint Lucia was 2.55% with Grenada at 6.0%.

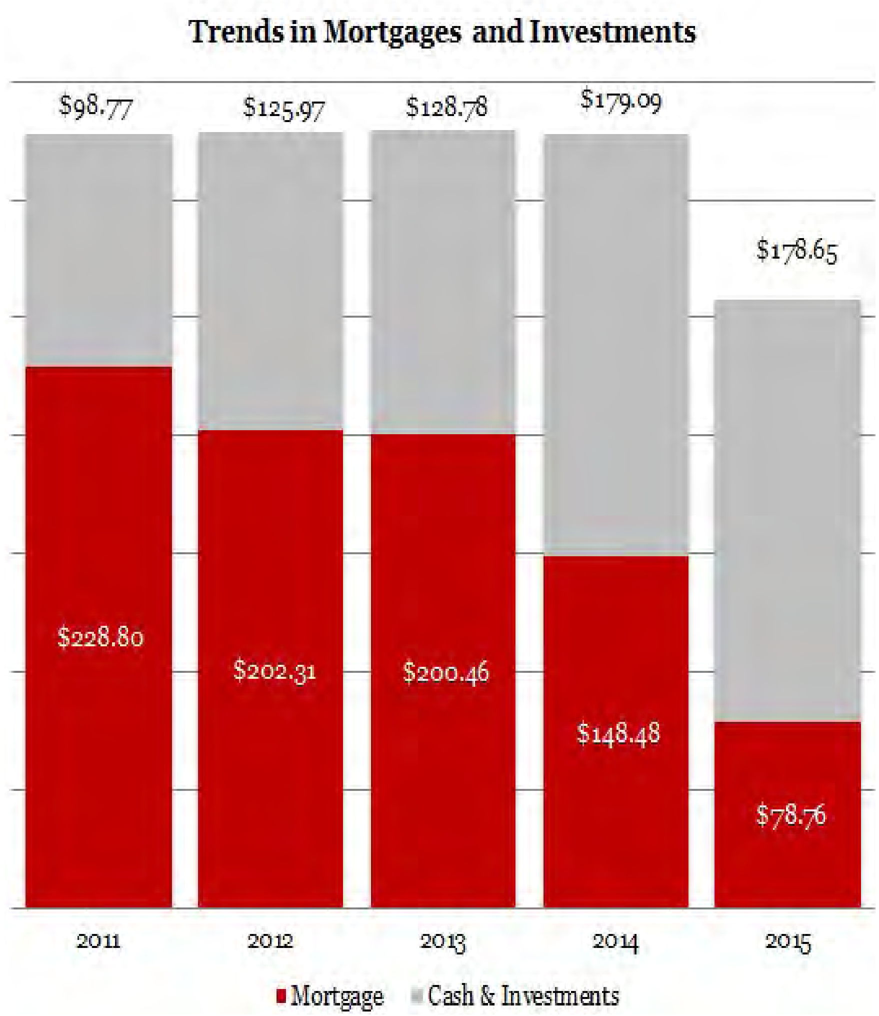
Impact of Market Trends on the ECHMB

As a result of declining Loans and Advances and the corresponding increase in liquidity, commercial banks were not inclined to finance growth in their Mortgage Loans Portfolio from the sale of mortgages to the ECHMB. In fact, commercial banks used their surplus liquidity to repurchase their pools of mortgages from the ECHMB.

As depicted in the graph, cumulative repurchase of mortgages by Primary Lenders over the preceding five (5) years amounted to $188.06M. The net effect of the aforementioned is a decline in ECHMB's Mortgage Loans Portfolio from $228.80M in 2011 to $78.76M in 2015. The percentage of ECHMB's assets held in the Mortgage Loans Portfolio declined from 69.29% in 2011 to 30.55% in 2015. ECHMB generates higher profit when a greater proportion of assets are held in Mortgages.

The resale of mortgages to Primary Lenders resulted in a substantial shift in ECHMB's assets from Mortgage Loans to Cash and Cash Equivalents.





Cash and Cash Equivalents and Investments

As at 31st March 2015, 69.30% of ECHMB's Assets under Management were held in Cash and Cash Equivalents and Investments. In 2015, ECHMB redeemed Investment Securities totaling $94.0M and placed Investments totaling $111.84M. Term Deposits accounted for $105.41M (59.0%) of the Investment Portfolio. The higher proportion of assets held in Cash and Cash Equivalents increase ECHMB's exposures to interest rates fluctuation.

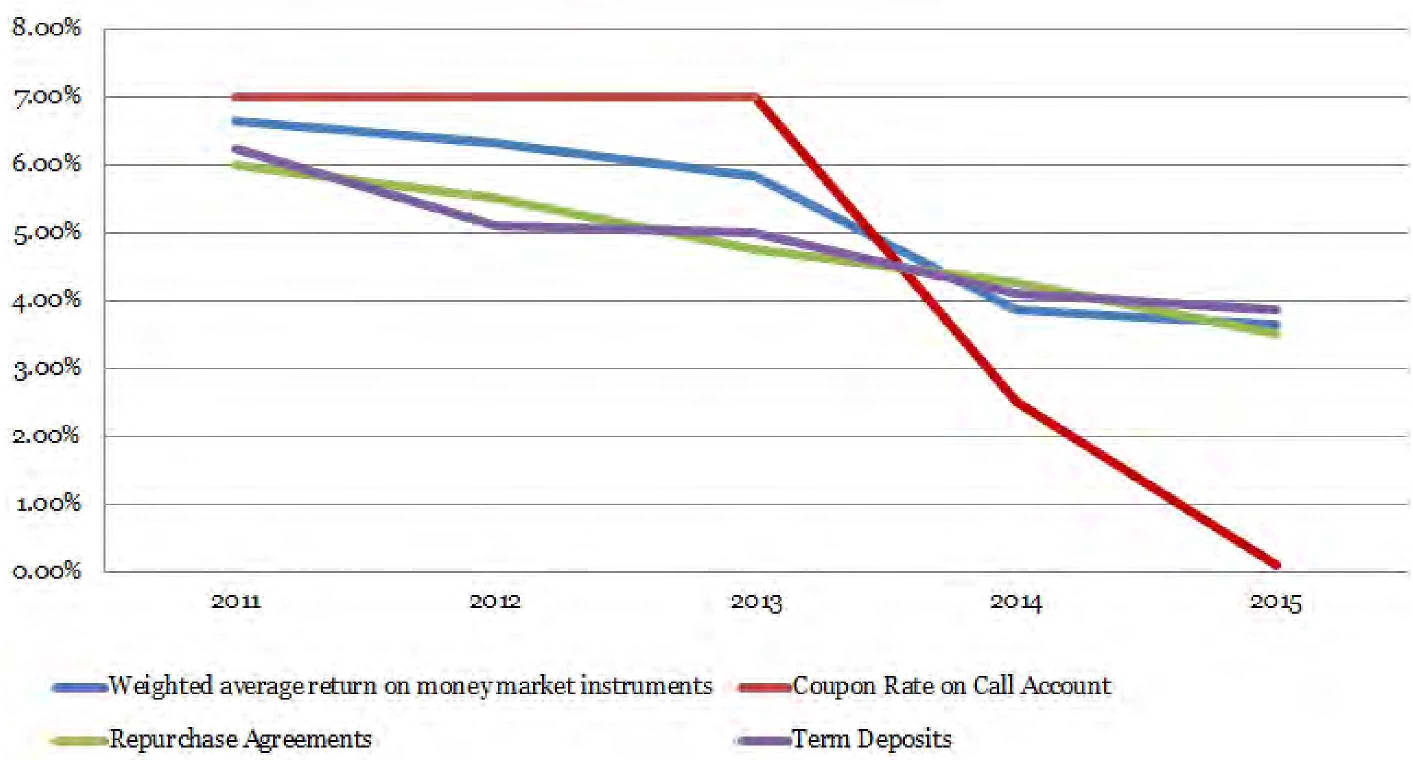
Interest Rates fluctuation Cash and Investments

During the 2015 financial year, the interest rate on cash on call was lowered from 2.5% to 0.1%. In addition, the coupon rates on Term Deposits were reduced by an average of 0.7% on roll-over. The ECHMB attempted to mitigate the decline in the yield on Term Deposits by extending the tenure of the instruments. At the sojourn of the 2015 financial year, the weighted average return on ECHMB's Money Market Instruments declined from 3.86% in 2014 to 3.64%.

Impact of Market Condition on ECHMB's Interest Income

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 $5.07M to Interest Income in 2013.

Fluctuation in Interest rates on Cash & Investments



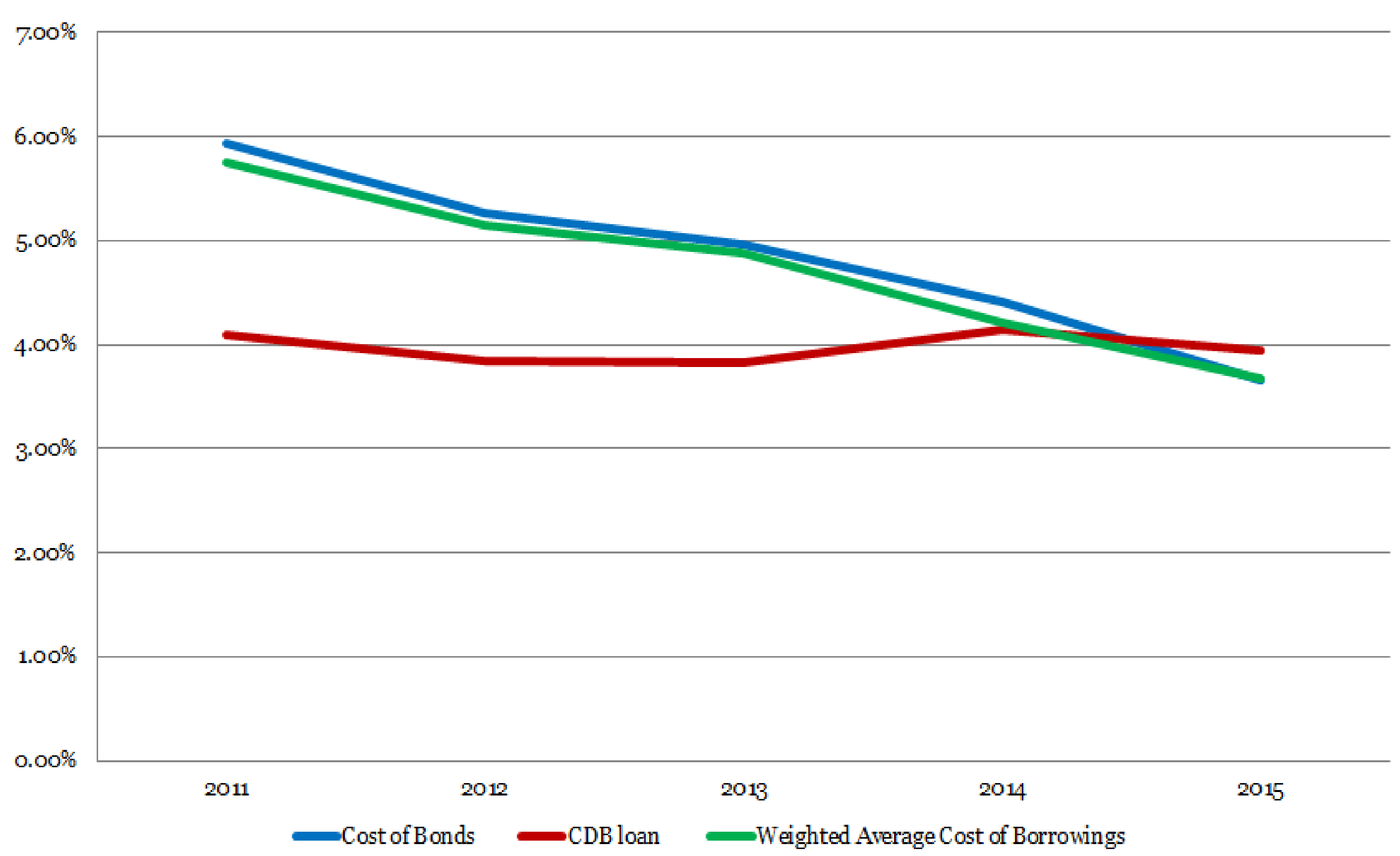
(EC$ in millions, except as noted)				
As at the year ended 31 March	2015	2014	2013	%
Mortgage Loans portfolio	8.65	14.78	16.23	-41.47%
Term deposits	5.45	5.06	3.14	7.68%
Government bonds	0.77	-	-	100.00%
Bank deposits	0.58	0.85	5.06	-31.29%
Treasury bills	0.01	-	-	100.00%
	15.46	20.69	24.43	-25.28%

Funding Activities in 2015

As a result of the lower interest income by $5.23M (25.28%), Net Profit for the Year was preserved through savings in Interest and Non-Interest Expenses. As part of the strategy to reduce Interest Expense, low yielding Term Deposits were used to retire high cost Bonds totaling $65.90M. At the sojourn of the 2015 financial year, Bonds totaling $184.10M remained outstanding. The Bank 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 CDB loan was also reduced from 4.10% at the commencement of the 2014 financial year to 3.90% at 31st March 2015.

Trends in ECHMB Cost of Borrowings



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)				Changes from 2014
As at the year ended 31 March	2015	2014	2013	%
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)				Change from 2014
As at the year ended 31 March	2015	2014	2013	%
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%	43.41%	7.59%

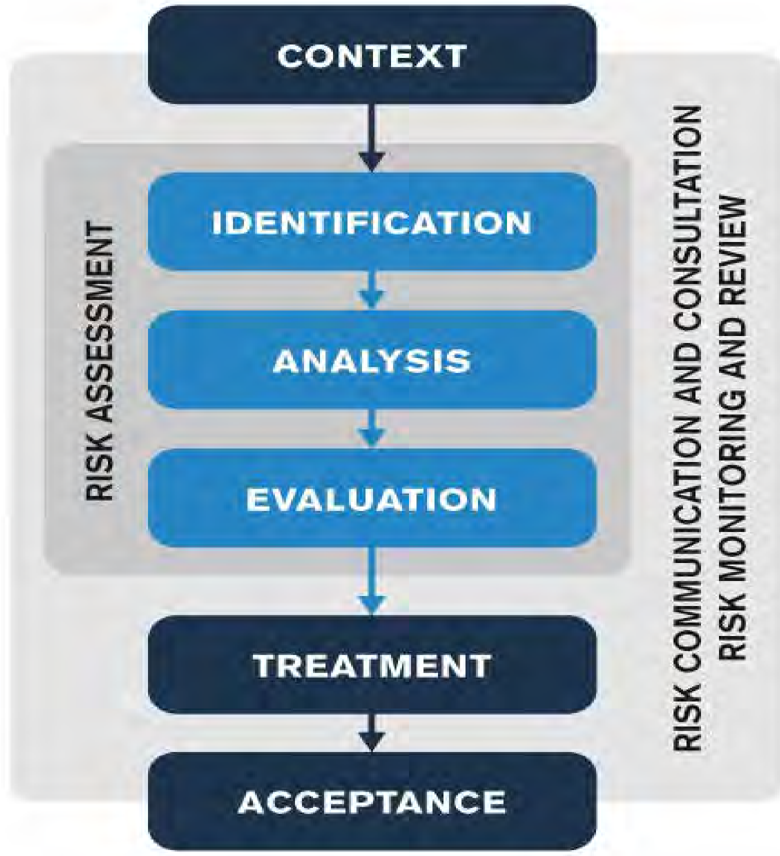
Non–Interest Expenses

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)				Change from 2014
As at the year ended 31 March	2015	2014	2013	%
Salaries and related costs	1.12	1.35	1.62	-17.59%
Other general and admini expenses	0.35	0.44	0.61	-19.77%
Mortgage administrative fees	0.91	1.57	1.77	-42.15%
Amortisation	0.39	0.34	0.04	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	0.57	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 the 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 4.72:1 in 2014 to 3.47:1 in 2015; our benchmark is 8.0:1.

Risk Management

Risk management is essential for the ECHMB to achieve its financial and operating objectives. The ECHMB has developed a Risk Management Framework ("the Framework") in a bid to ensure that its Senior Management propagates sound business practices which foster efficient and prudent management of its operations.

The main objective of the Framework is to promote sound stewardship of the Bank. Other objectives include:

To establish and apply effective internal controls;
To align the Bank's strategy and objectives with its risk tolerance;
To adopt sound and prudent risk limits and management policies;
To define the Bank's risk appetite and tolerance;
To establish processes to continuously identify, understand and assess major risks;
To define the committees' roles and responsibilities regarding risk management.

The Framework defines the Bank's governance structure and risk management processes. Furthermore, it enhances the Bank's integrated risk management strategy by strengthening its internal control structure and corporate governance. In essence, the Framework not only facilitates the identification of the risks the Bank faces, but also provides the mechanism for the development and application of adequate and efficient internal controls to ensure that sound and prudent risk management strategies are implemented. The Bank's risk management process is closely tied to the strategic planning process from which the Bank's strategic and business plans are derived. Policies approved by the Board prescribe the tolerances, measures and responsibilities for each significant risk.

Risk Tolerance

Risk tolerance corresponds to implicit and acceptable variations relative to the Bank's risk appetite targets but can also reflect the level of risk when there is no direct benefit associated or when the risk is not aligned with benefits.

Risk Appetite

Risk taking is a necessary part of the Bank's business. The business strategies incorporate decisions regarding the risk and reward trade-offs the Bank is willing to make and the means with which it will manage and mitigate those risks. The Bank has determined a risk appetite, which is defined in the Framework, and continuously attempts to maintain a balance between its risk tolerance and risk capacity. The Executive Committee of the Board is responsible for the annual review and approval of the Bank's risk appetite. Risk appetite is defined as the level of risk the Bank is willing to accept to achieve its objectives, particularly when there is a benefit associated:

- it is a broad concept in which is described the types of activities and risks the Bank is willing to develop; and
- this risk appetite is defined in terms of performance targets, credit rating and debt-to-equity ratio.

Risk capacity is determined by the availability of resources to assess and mitigate the "risks" as well as to absorb significant losses. The Bank's risk appetite statement can be summarized as a combination of:

- strategic objectives: financial objectives, target debt-equity-ratio, growth target, business types; and
- a set of internal limits described that define the Bank's risk tolerance (including regulatory constraints).

Business and Strategic Risk Management

Business risk is the potential adverse effect of changes in the economic, competitive, regulatory, or accounting environment on the Bank's results. Strategic risk results from inadequate business plans, strategies, decision-making processes, allocation and use of the Bank's resources. Senior Management is responsible for managing the Bank's business and strategic risks. On a triennial basis, strategic planning is carried out to analyze strengths, weaknesses, threats and opportunities in order to determine the profitability and risk profiles of the Bank's internal and external environments. The Bank's overall strategy is crafted by Senior Management and presented to the Board of Directors for approval.

Credit Risk Management

Credit risk is the risk of a financial loss occurring if a Primary Lender does not fully honour its financial obligations towards the Bank with regard to the Mortgage Loans Portfolio and/or Investment Securities. The ECHMB through its automated eMIMS mortgage system undertakes monthly reconciliations of its Mortgage Loans Portfolio. These reconciliations monitor the performance of mortgage pools including changes in interest rate, lump sum payments, maintenance of adequate insurance coverage and defaults. The average Debt Service Ratio of each mortgage has been stipulated at 40.0% with the Loan-to-value Ratio restricted to 90.0%. The monthly reconciliations are supplemented by annual reviews (Review) of each Primary Lender. The Reviews cover the Primary Lender's financial conditions as well as the performance of the Mortgage Loans Portfolio. Primary Lenders are required to replace mortgages which are not in compliance with the Bank's underwriting standards. During the 2014/15 financial year, three (3) Primary Lenders remained under administration by the Eastern Caribbean Central Bank. Notwithstanding the aforementioned, the ECHMB continues to receive timely monthly remittances. The pending amalgamation of indigenous banks is expected to eliminate the counter party risk associated with the banks presently under administration.

Mortgage Loans Portfolio Mix

In 2015, the Mortgage Loans Portfolio declined by $69.72M when compared to the 2014 outturn. This was attributed to $63.46M repurchased by Primary Lenders. As part of the Bank's risk mitigation strategy, 71.0% of its Mortgage Loans Portfolio was acquired from commercial banks whilst the non-bank financial institutions accounted for 29.0%.

Risks in the ECHMB Mortgage Loans Portfolio are also diversified through geographic distribution. The ECHMB operates throughout the ECCU and has acquired mortgages from each island, except for Dominica. No more than 49.0% of the Mortgage Loans Portfolio domiciled in one ECCU state.

Foreign exchange risk

Foreign exchange risk is the losses that the Bank may incur subsequent to adverse exchange rate fluctuations. It originates mainly from holding mortgages and a long-term loan denominated in United States dollars. ECHMB's foreign exchange risk exposure is managed by a "natural hedge" in which proceeds from the Mortgage Loans Portfolio are reserved for the repayment of Borrowing held in United States dollars.

Impaired loans

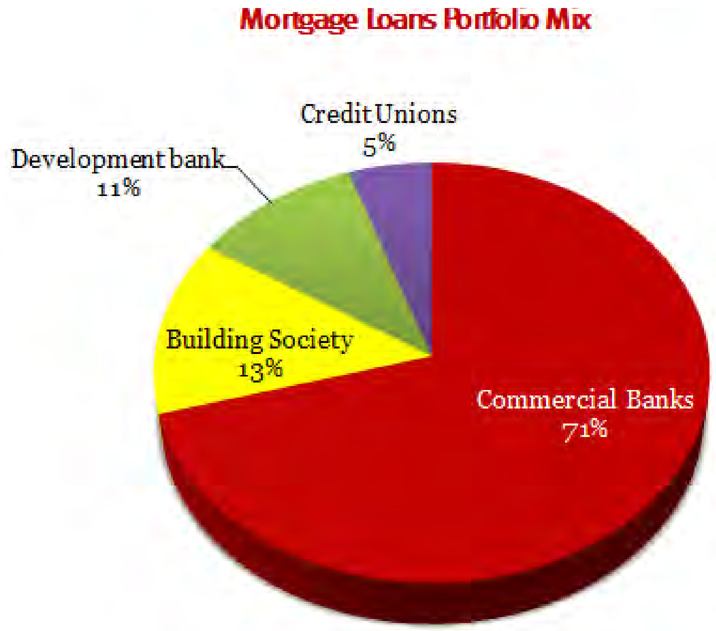
The ECHMB was not required to impair its Mortgage Loans Portfolio for the 2015 financial year.

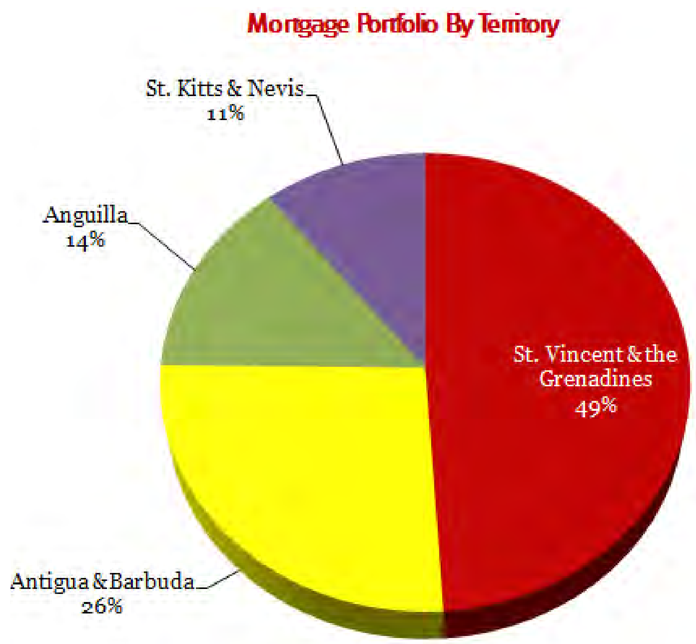
Investment Securities

As at 31 March 2015, Cash & Cash Equivalents, Securities Purchased under Agreements to Resell and Investment Securities totaled $178.65M. During the 2015 financial year, the Bank was effective in reducing its concentration risk both geographically and to individual institutions. As a result, no more than 13.0% of its Investments are held in one entity. The ECHMB managed the declining interest rate on its Investment Securities by placing securities over longer tenures and increasing investments in higher yielding sovereign bonds.

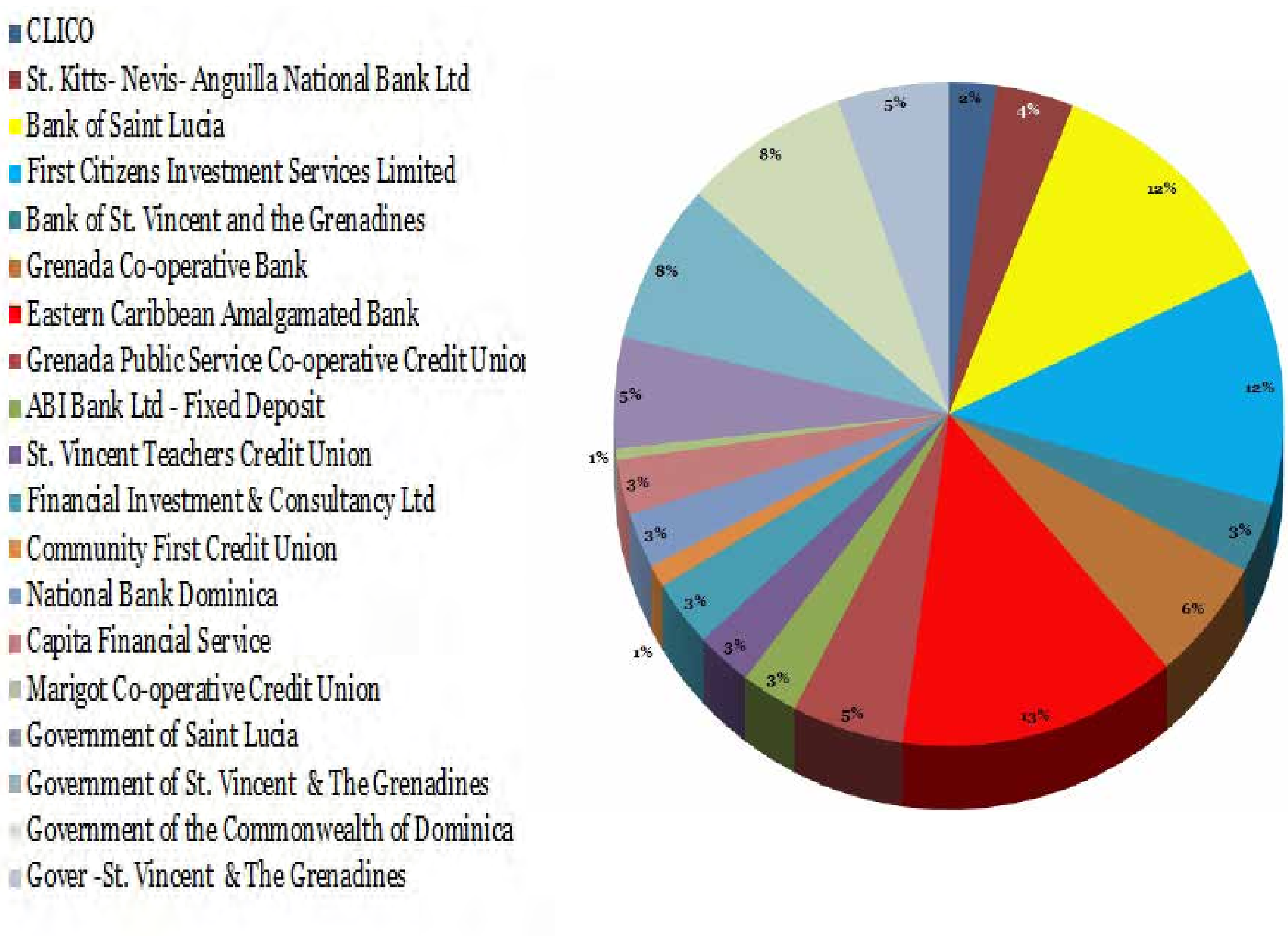
Liquidity and Funding Risk Management

Liquidity and funding risk represents the possibility that the Bank may not be able to gather sufficient cash resources when required and on reasonable conditions, to meet its financial obligations. Financial obligations include obligations to Bondholders and suppliers, as well as, the CDB. The Bank's overall liquidity risk is managed by the Chief Financial Officer with oversight from the Executive Committee and, ultimately, by the Board of Directors,





Investment Securities



in accordance with the Bank's Liquidity Policy (the "Policy"). The main purpose of this Policy is to ensure that the Bank has sufficient cash resources to meet its current and future financial obligations, under both normal and stressed conditions.

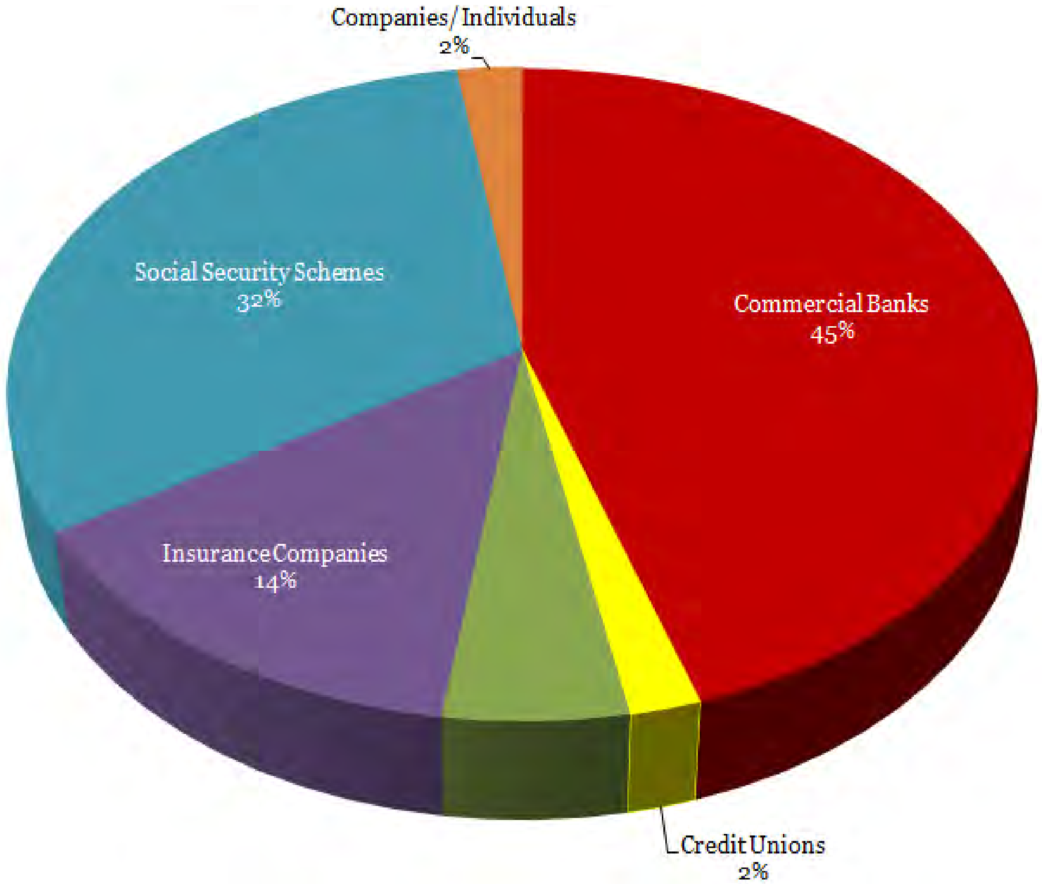
The Bank defines its risk tolerance towards liquidity and funding in terms of a minimum required liquidity level that would assure the Bank's survival in the event of a liquidity crisis. The Bank monitors cash resources daily and ensures that liquidity indicators are within established limits. Liquidity risk management pays particular attention to investment maturities, as well as, to funding availability and Primary Lenders' demand for cash when planning financing. The Bank maintains a reserve of unencumbered liquid assets in its Call Account that are readily available to face contingencies and which constitutes its liquidity buffer. A liquidity forecast is prepared and reviewed on an annual basis. It provides a detailed action plan that enables the Bank to fulfill its obligations in the event of a liquidity crisis.

Funding

Funding relates mainly to issuance of Bonds on the ECSM; Borrowing from the CDB; and Shareholders' Equity. Corporate Bonds continue to be the Bank's principal source of funds and accounted for 77.54% of total capital in 2015. It should be noted that commercial banks hold fifty percent (50.0%) of the Bank's Bonds.

The ECHMB has secured a United States denominated amortising loan from the CDB in the amount of $10.0M at a floating coupon rate. The coupon rate declined from 4.10% in 2014 to 3.90% in 2015. The proceeds from the Bank's US$ mortgages are used to insulate against foreign exchange risk.

An Analysis of ECHMB's Bond Holders



Capital Management

Management's objective is to maintain an adequate level of capital, in line with the Bank's risk appetite, to support the Bank's activities while producing an acceptable return for shareholders.

Although it is not a statutory requirement, the ECHMB has imposed a Debt-to-Equity Ratio limit of 8.0:1. During the 2015 financial year, the Bank reported a Debt-to-Equity Ratio of 3.47:1. 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 20.0% 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. During the 2014 financial year, the Board of Directors approved the transfer of the Building Reserve to the Portfolio Risk Reserve.

Operational Risk Management

Operational risk is inherent to the activities of financial institutions. It results from inadequacy or failure attributable to processes, people, systems or external events. The Bank deals with this risk principally through its system of accounting and internal controls and internal audit function. The Internal Audit function is outsourced to an independent firm of Chartered Certified Accountants. The Internal Audit plan and programmes are reviewed by the Audit Committee and reports thereon are presented to the Board of Directors.

Business continuity

Resources, processes and results of the Bank could be affected by unexpected external events such as natural catastrophes. The Bank has developed an extensive contingency planning framework. Some of the measures implemented include offsite backup with offshore redundancies. Further the Bank continues to ensure its information systems are protected against cyber-attacks and intends to undertake an information system audit in the early part of the 2016 financial year.

Reputational Risk Management

Reputational risk is the risk that a decision, an event or a series of events may affect, either directly or indirectly, the Bank's image with shareholders, Primary Lenders, employees, the general public or any other stakeholders, and negatively impact the Bank's revenues, operations and, ultimately, its value. Reputational risk most often results from the inadequate management of other risks and may affect almost every activity of a financial institution, even when operations are, from a technical point of view, in compliance with legal and accounting requirements.

Reputation is a critical asset that favours the ECHMB'S growth as well as continued trust from Primary Lenders, bond holders and the general investing public. It optimizes the Bank's value for shareholders. At the ECHMB, reputation is considered a strategic resource. In order to protect the Bank from any impairment to its reputation, Senior Management ensures that all other risks are adequately managed.

Development of the Money and Capital Market

Provision of Funding to Primary Lenders

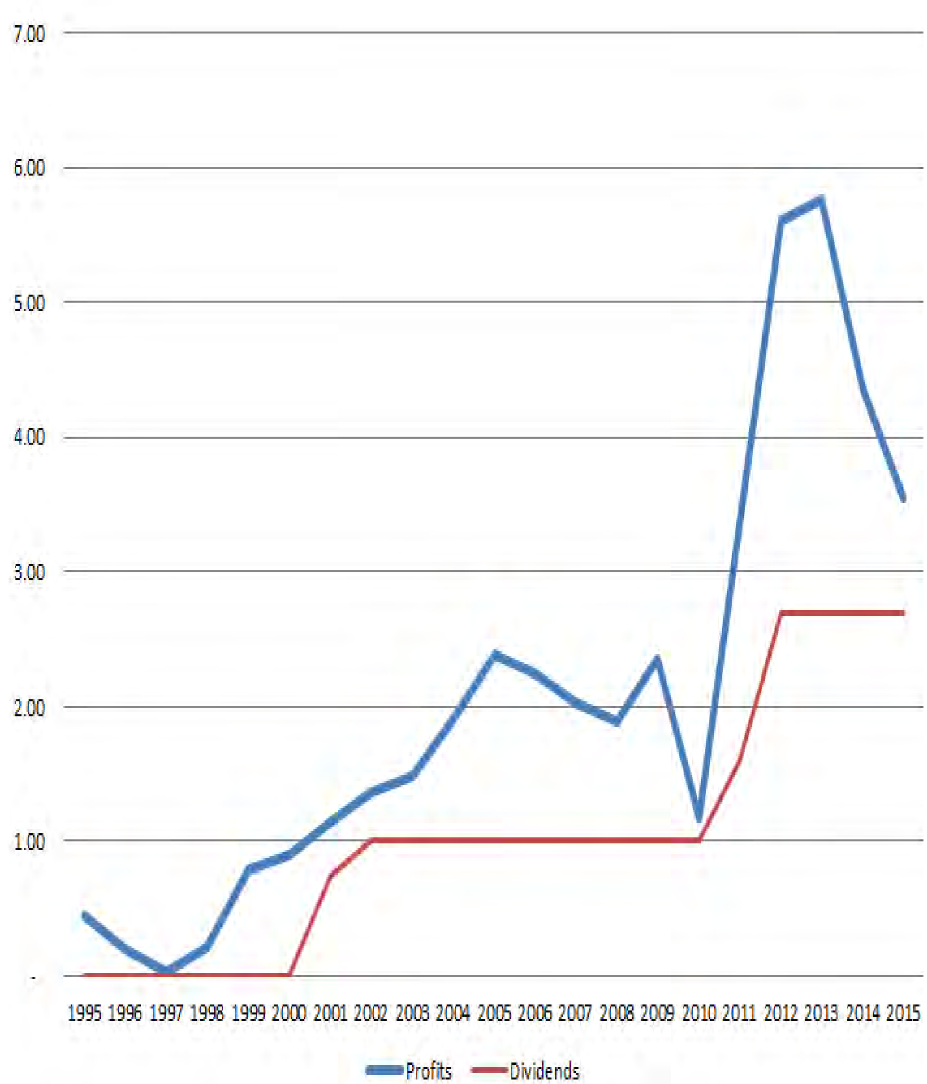
Despite the difficult market conditions and the adverse impact on the ECHMB, the Bank continues to make significant strides to achieve our objectives. Although, liquidity was generally high, the ECHMB identified segments of the mortgage market where liquidity continued to be scarce. Funding was provided to these Primary Lenders through Mortgage Credit Facility (MCF). We are particularly pleased with this initiative since the ECHMB achieves the dual purpose of channeling resources to the construction of houses for vulnerable sections of society.

The ECHMB is also pleased to report that after nineteen (19) years of operations, the Bank has penetrated the market of the Commonwealth of Dominica with the placement of Term Deposits in the amount of $6.0M at two (2) financial institutions. The ECHMB has attained the milestone of providing housing finance in each of the eight (8) countries of the participating Governments.

Development of the Equity Market

Shareholders' Equity increased from $56.85M in 2014 to $57.62M in 2015. The ECHMB Book Value per Share increased from $211.55 in 2014 to $214.42 in 2015. The last issue price of ECHMB's shares was $160.0. ECHMB's shareholders were paid annual dividends of $10.0 per share for 2014. Total dividends paid over the preceding fourteen (14) years amounted to $19.42M.

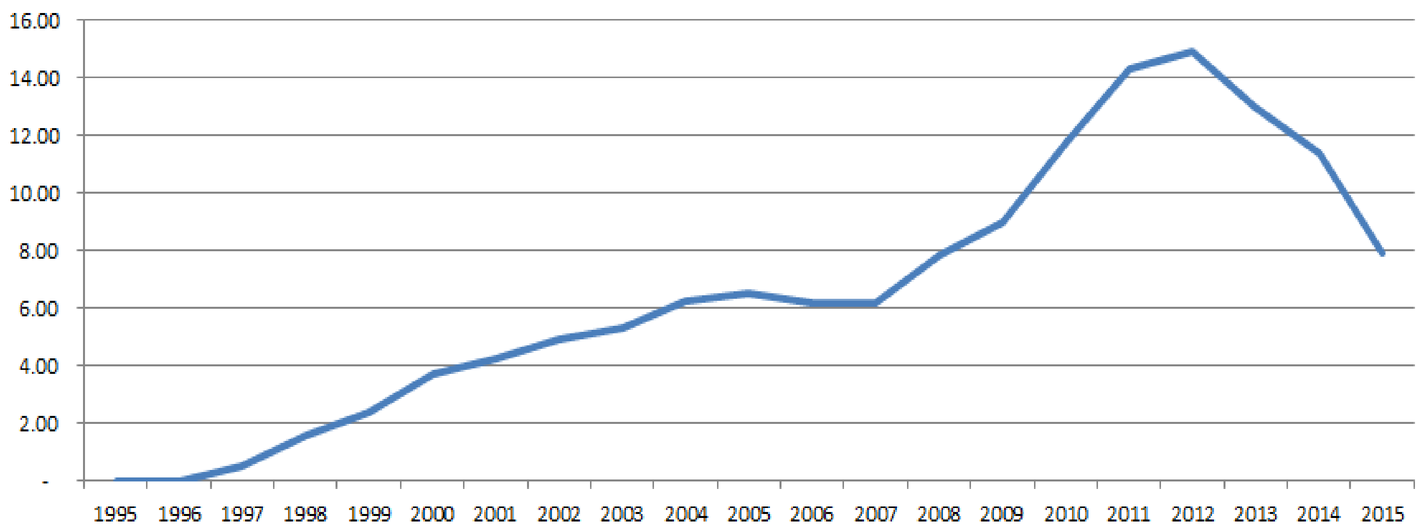
ECHMB's Net Profit & Dividend Trends (Expressed in $'M)



Development of the Bond Market

ECHMB's Bonds are rated CariA- (Foreign Currency Rating) and CariA- (Local Currency Rating) by the Caribbean Information and Credit Rating Services Limited (CariCRIS). These regional scale ratings indicate that the level of creditworthiness of the ECHMB' Bonds, adjudged in relation to other obligations in the Caribbean, is good. The ECHMB issued Bonds totaling $762.22M over the preceding nineteen years and has paid Bond Interest totaling $137.80M.

Interest Paid to Bond Holders



Corporate Social Responsibility

The ECHMB continues to support Administrative Professional Day. In addition to an annual donation, the Bank's administrative professionals continue to play an integral part in the annual celebrations. The Bank was recognized as the Valuable Partner of the Year at Administrative Professionals' Day in April 2014. Further, Mrs. Miriam Etienne, the Bank's Executive Secretary, was recognized as 2014 Administrative Professional of the Year.

The ECHMB continued to make significant contributions to improving the mortgage underwriting process in the ECCU. Our primary goal is to increase the number of loan officers certified in Residential Underwriter. A total of sixty-eight (68) participants attended the two (2) diets which were held in St. Kitts and St. Vincent and the Grenadines respectively. To date, in excess of fifty-two (52) persons have attained the CRU designation.

The ECHMB continued to support the Financial Information Month (FIM). The Theme for FIM 2014, "Soar to Succeed" was submitted by the Bank's Research and Compliance Officer. In addition to monetary support, the staff of the Bank also volunteered their time and expertise to the various activities.

The Bank continued its charity outreach programme. In October, the Bank provided assistance to a handicap citizen who resides in St. Kitts.

AUDITED FINANCIAL STATEMENTS

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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 at March 31, 2015, 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 at March 31, 2015, 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, 2015
Basseterre, St. Kitts

Partners:
Antigua
Charles Walwyn - Managing partner
Robert Wilkinson
Cathy David

St. Kitts
Jefferson Hunte

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	**257,814,842**	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	**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 41 to 85 are an integral part of these financial statements.

Approved for issue by the Board of Directors on 03 July 2015

K. Dwight Venner

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 41 to 85 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 41 to 85 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
(Gain)/loss on disposal of equipment	**(2,400)**	632
Interest income (note 18)	**(15,461,145)**	(20,690,064)
Operating loss before working capital changes	**(2,944,526)**	(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	**(3,935,175)**	(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	**(179,719)**	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	**8,544,768**	31,401,127
Proceeds from principal repayment on mortgages	**6,095,349**	9,322,782
Proceeds from disposal of equipment	**2,400**	–
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	**51,658,436**	(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 41 to 85 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.

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. Management anticipates that all relevant pronouncements will be adopted in the Bank's accounting policies for the first period beginning after the effective date of the pronouncement. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Bank's financial statements.

The IASB recently released IFRS 9, Financial Instruments (2014), representing the completion of its project to replace IAS 39, Financial Instruments: Recognition and Measurement. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

The Bank's management have yet to assess the impact of IFRS 9 on these financial statements. The new standard is required to be applied for annual reporting periods beginning on or after January 1, 2018.

There are no other IFRSs or International Financial Reporting Interpretations Committee interpretations that are not yet effective that would be expected to have a material impact on the Bank.

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 categories 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)

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.

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>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)

g) Impairment of financial assets *…continued*

Evidence of impairment may include indications that a debtor 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)

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 amortisation and any accumulated impairment losses. These costs are amortised over their estimated useful life of three years. The amortisation period and the amortisation 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 amortisation 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.

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 the operating lease agreements are 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;
- establishing and communicating 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

(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
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 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 (ECCU) territory is disclosed in Note 9.

(expressed in Eastern Caribbean dollars)

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	**8,451,546**	**70,307,472**	–	**78,759,018**
AFS investment	**100,000**	–	–	**100,000**
As of March 31, 2015	**23,822,194**	**233,294,903**	**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	10,243,711	138,240,118	–	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**	10,559,405	7
Building society	**10,610,024**	**13**	11,686,165	8
Development bank	**8,451,546**	**11**	10,243,711	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
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	108,459,700	–	820,495	199,917,195
Accrued expenses and other liabilities	–	–	–	–	273,067	273,067
Total financial liabilities	**750,000**	**89,887,000**	**108,459,700**	–	**1,093,562**	**200,190,262**
Interest sensitivity gap	**32,801,618**	**(16,313,053)**	**7,731,923**	**30,720,836**	**2,423,511**	**57,364,835**

(expressed in Eastern Caribbean dollars)

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
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
AFS investment	–	–	–	–	100,000	100,000
Total financial assets	**45,293,507**	**106,537,649**	**59,852,065**	**112,140,682**	**3,894,091**	**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 liabilities	–	–	–	–	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
Receivables	40,011	–	40,011
Investment securities	148,561,920	–	148,561,920
Mortgage loans portfolio	75,965,578	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**	–	**20,974,227**
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**
Dividends payable	**600,000**	–	**600,000**
	253,123,187	**18,040,605**	**271,163,792**
Net statement of financial position	**52,559,367**	**3,994,835**	**56,554,202**

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
AFS 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 8:1 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
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
AFS 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 an organised financial market, 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, 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 reverse repurchase agreement maturing on March 21, 2016, interest rate of 4.25% (2014: 4.25%)	**10,947,397**	10,947,397
1–year reverse repurchase agreement 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 in the amount of $10,705,243 bearing interest at a rate of 4.25% and $10,417,491 (USD$3,858,330) bearing interest at a rate of 3.50% (2014: $10,705,243 and $9,990,564) respectively.

7 Receivables and prepayments

	2015 $	2014 $
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 year fixed deposit at The Bank of St. Lucia Limited maturing on March 23, 2018 bearing interest at a rate of 3.0% (2014: 4.25%)	**11,945,125**	20,950,000
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**	–
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 (2) three year fixed deposits at Grenada Public Service Co-operative Credit Union maturing on June 5, 2018 bearing interest at a rate of 4.25%	**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% (2014: 4.0%)	**10,000,000**	10,000,000
One 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**	–
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
One year fixed deposit at ABI Bank Limited maturing on March 4, 2016 bearing interest at a rate of 3.5% (2014: 3.5%)	**5,126,553**	3,553,224
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**	–

(expressed in Eastern Caribbean dollars)

8 Investment securities *...continued*

Loans and receivables *...continued*

Term deposits *...continued*

	2015 $	2014 $
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**	–
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**	–
Two (2) one year fixed deposits at Financial Investment and Consultancy Services (FICS) Limited maturing on August 6, 2016 bearing interest at a rate of 5.0%	**3,999,965**	–
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**	–
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**	–
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**	–
Two (2) 1–year fixed deposits at St. Kitts-Nevis-Anguilla National Bank Limited matured 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 matured 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 2.30%	**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 1.995%	**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

(expressed in Eastern Caribbean dollars)

8 Investment securities *...continued*

The movement of the investment securities is shown below:

	2015 $	2014 $
Opening principal balance	**127,804,706**	51,484,075
Additions	**111,842,462**	90,264,502
Disposals	**(94,000,000)**	(14,893,872)
Reclassifications/transfers	**(344,373)**	950,001
Ending principal balance	**145,302,795**	127,804,706
Opening interest receivable	**2,281,695**	1,874,256
Interest earned	**6,228,204**	5,064,364
Interest received/collected	**(4,570,147)**	(3,706,924)
Reclassifications/transfers	**(455,627)**	(950,001)
Ending interest receivable	**3,484,125**	2,281,695

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, 2014, the Bank's management have adopted a prudent 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 CLICO 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.

(expressed in Eastern Caribbean dollars)

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

	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
Less: Principal repayments	**(6,095,349)**	(9,322,782)
Mortgages that were repurchased and replaced	**(8,544,768)**	(31,401,127)
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

9 Mortgage loans portfolio…*continued*

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%).

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

(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

	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

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 matured on June 14, 2014 bearing interest at a rate of 5.9%	–	11,300,000
3–year bond matured on July 1, 2014 bearing interest at a rate of 4.72%	–	49,560,000
3–year bond matured 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: 3.75% to 5.9%).

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: increased from 3.83% to 4.10%) during the financial year. The interest incurred for the year ended March 31, 2015 amounted to $641,531 (2014: $756,112) 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: amortisation 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: amortisation 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 matured on July 1, 2014 bearing interest at a rate of 4.72%	–	14,492
3–year bond matured on August 26, 2014 bearing interest at a rate of 4.497%	–	13,106
12–year bond matured 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 5.9%).

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 per share 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 to 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 (2014: $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 Building Reserve 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 the 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	**5,997**	–
	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	**75**	–
Gain/(loss) on disposal of equipment	**2,400**	(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
Others	**40,855**	17,245
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
Chief Executive Officer 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)
	1,473,660	1,793,285

(expressed in Eastern Caribbean dollars)

22 Other operating expenses

	2015 $	2014 $
Amortisation (note 13)	**390,771**	338,763
Directors fees	**378,190**	337,631
Sundry expenses	**107,960**	131,302
Depreciation (note 11)	**89,741**	84,082
Professional 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 (2015: 74,960). There were no outstanding contingent liabilities as of March 31, 2015 (2014: Nil).

(expressed in Eastern Caribbean dollars)

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.

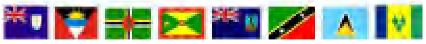
The ECCB, which provided material support to the Bank in its formative years, holds 24.9% of its share capital and controls the chairmanship of the Board of Directors. Additionally, the Bank is housed in the complex of the ECCB at an annual rent of $51,386.

The Bank maintains a call account with the ECCB for the primary purpose of settlement of transactions relating to the mortgage loan portfolio with some of its Primary Lenders. As at March 31, 2015, the balance held with the ECCB was $118,019 (2014: $554,281).

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



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