Schedule 1

FORM ECSRC – K

ANNUAL REPORT
PURSUANT TO SECTION 98(1) OF THE SECURITIES ACT, CAP. 21.16

For the financial year ended ______**31st MARCH 2018**________________________________

Issuer Registration number
________________________**HMB160990GR**____

_________**EASTERN CARIBBEAN HOME MORTGAGE BANK (ECHMB)**___________
(Exact name of reporting issuer as specified in its charter)

_______________________________**GRENADA**____________________________________
(Territory of incorporation)

_________**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___√__ 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

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

19 July 2018
Date

Name of Director:
TIMOTHY ANTOINE

Signature

July 20, 2018
Date

Name of Chief Financial Officer:

N/A
Signature

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.

No new development at 1 April 2017.

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 off since the beginning of the financial year for which this report is filed.

The ECHMB does not own any properties/facilities nor is there any plan to acquire 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 Legal Proceedings commenced or terminated during the 2018 Financial Year.

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.

The Bank's 22nd Annual General Meeting (AGM) was held on 6th October 2017 at the Ocean Terrance Inn.

(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.

This item was not applicable to 22nd AGM.

(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 and approved:
1) Shareholders approved a cash dividend of $7.50 for each unit of share for the financial year ended 31st March 2017. The dividend was paid to shareholders of record at 31st March 2017.
2) Grant Thornton was re-appointed as the Bank's External Auditors for the next (2019) financial year.

All matters are approved by majority vote. However, the number of votes cast for or against and abstentions are unavailable.

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

Not applicable.

(e) Relevant details of any matter where a decision was taken otherwise than at a meeting of such security holders.

Not applicable.

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 were no sales of equity securities by the ECHMB during the reporting period (1st April 2017 to 31st March 2018).

6. Financial Statements and Selected Financial Data.

Provide 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.

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.

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 the following risks:

1) 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. 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.

2) 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.

2a) 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.

2b) 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. However, the EC Dollar is fixed to the US Dollar at a rate of 2.70.

3) 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.

4) Operational Risk - 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.

There have been no changes to the aforementioned risk factors between the previous and current filing period.

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.

Not applicable.

(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)

  ______**N/A**____

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

  ______**N/A**____

- Name and address of underwriter(s)
  ______**N/A**____

  ____

- Amount of expenses incurred in connection with the offer __**N/A**_____________

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

  __**N/A**____

  ____

- Payments to associated persons and the purpose for such payments

  __**N/A**____

  ____

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

There are no working capital restrictions or other limitations upon the payment of dividends.

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.

There has been no default upon Senior Securities.

(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.

There are no arrears with respect to the payment of dividends or any other material delinquency.

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

Please refer to 'Management Discussion and Analysis' Insert.

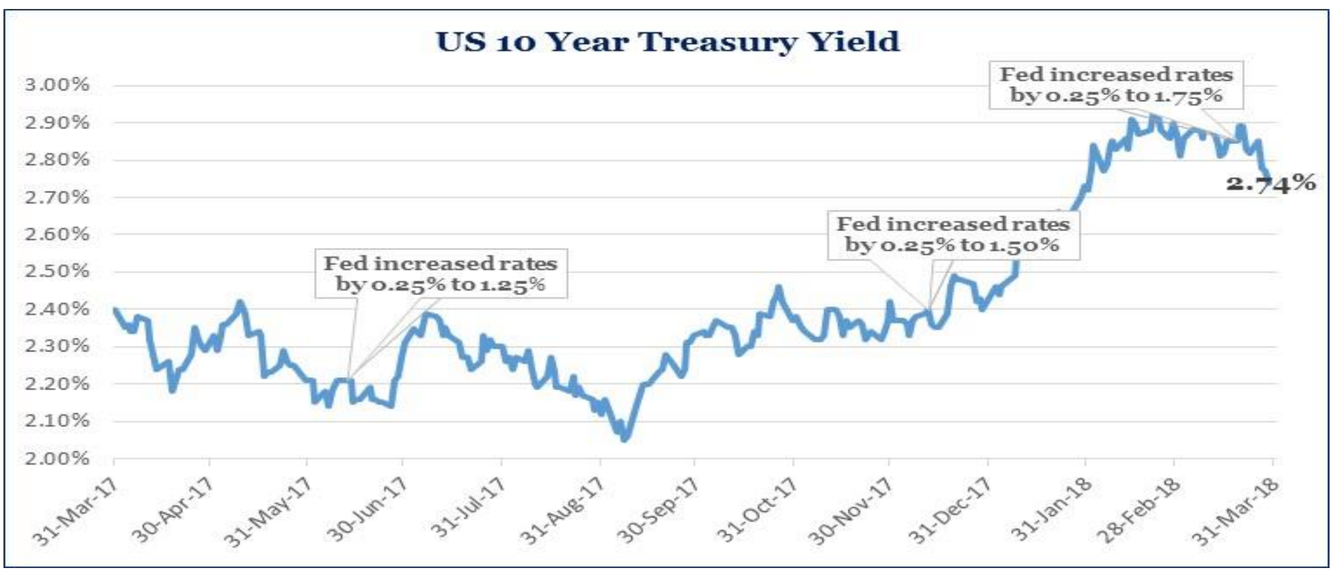
Management Discussion and Analysis

The World Economy

According to IMF's World Economic Outlook Report dated April 2018, the global economy continues to gather speed reflected by 3.8% growth in 2017, the most acceleration since 2011. The GDP growth forecasts for 2018 and 2019 are pegged at 3.9% with growing trade and investment as notable factors powering the global upswing. It is forecasted that advanced economies will continue to expand above their potential growth rates this year and next before decelerating, while growth in emerging market and developing economies will rise before leveling off. More importantly, the IMF warned that the present economic momentum reflects a "confluence of factors" that is unlikely to last for long. Monetary policy may tighten sooner than expected coupled with an escalating cycle of trade restrictions and retaliation.

Performance of Bond Market

The outlook for the international bond market appears pessimistic over the next twelve months. Similar to the equity market, the bond market has been significantly overpriced and due for a correction. The jump in yields and corresponding weakness in prices are as a result of investors' expectation for global central banks to pull back monetary stimulus against the backdrop of improving economic activity and anticipated inflationary pressure. While inflation is unlikely to rise much, Central Banks are expected to reduce liquidity and gradually raise interest rates in response to better growth. The United States' Federal Reserve has fast-tracked its tightening cycle with three interest rate increases during fiscal 2017, pushing the return on 10-year U.S. government treasuries to 2.74% as at March 31st, 2018 from 2.40% as at March 31st, 2017.



As the Bank extends its target markets and further diversify the investment portfolio, we intend to take advantage of the opportunity to buy bonds at cheaper prices especially given the fact that we are not susceptible to price volatility. Taking into consideration the gloomy medium-term outlook, we believe that bonds with fundamentally sound issuers continue to be the preferred investments as safe haven assets.

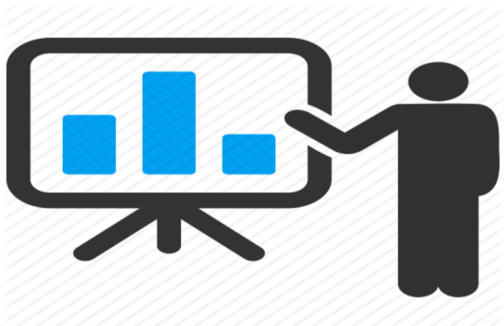
The ECCU's Economic Performance

Preliminary data from ECCB's 2017 Financial review indicated that economic activity in the ECCU expanded, albeit at a slower rate than 2016. Notwithstanding the deceleration, economic growth was facilitated by positive global developments, particularly in the economies of the major trading partners, and supported by increased output in several sectors in the regional economy. Real GDP in the ECCU is provisionally estimated to have expanded for the sixth consecutive year, at a rate of 1.8% in 2017, compared with 2.9% in 2016. Expansions in value added were recorded in a few key sectors, namely construction, transport, storage & communications and wholesale & retail trade. On a country basis, economic activity is estimated to have expanded in six of the eight territories and was partially moderated by contractions in Anguilla and Dominica. Inflationary conditions prevailed in all the ECCU's member states in contrast to overall deflation during the prior year.

Liquidity Trends in the ECCU

In the banking sector, monetary liabilities and net foreign assets expanded while domestic credit contracted. Liquidity in the commercial banking system improved, associated in part with an expansion in the deposit base coupled with the decline in credit. The spread between commercial banks' weighted average lending and deposit interest rates narrowed.

Financial Summary



3.08% **Investment Portfolio $204.27m**

14.57% **Mortgage Loans $42.85m**

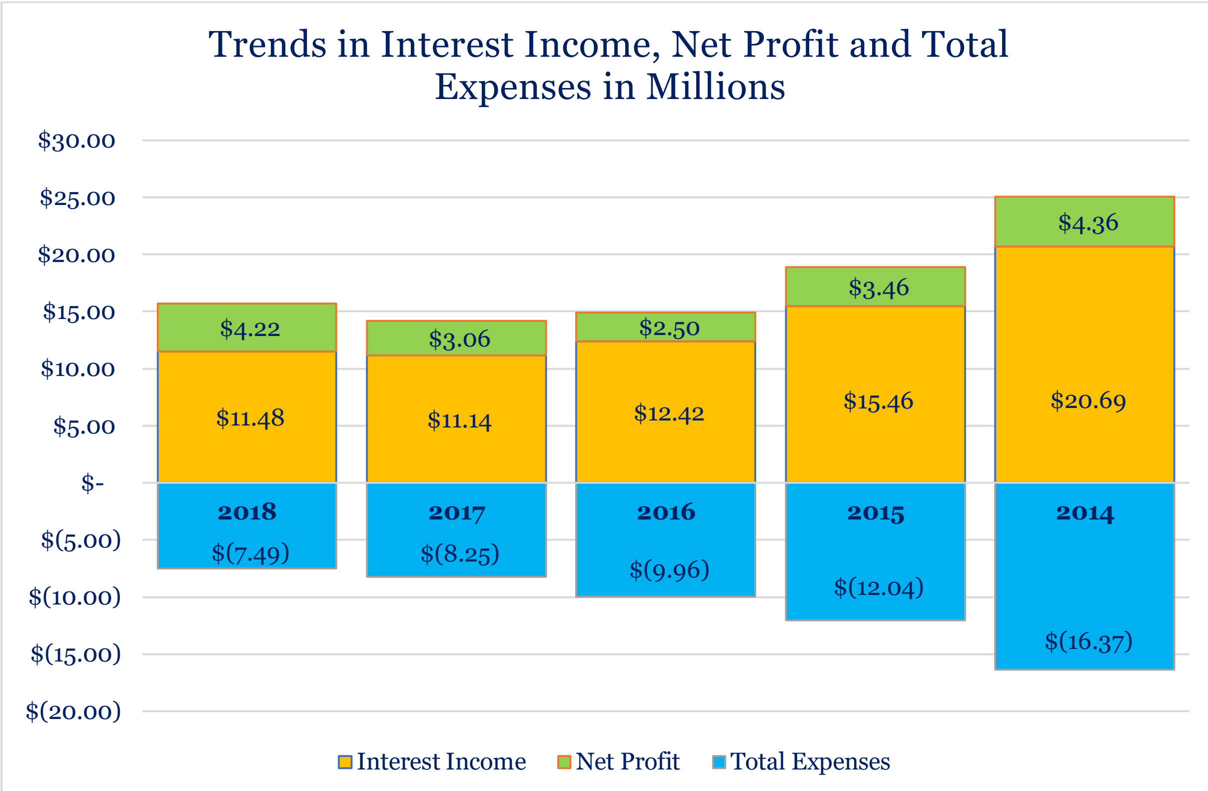
7.26% **Assets under Management $261.90m**

37.75% **Earnings per share $15.69m**

3.72% **Shareholders' Equity $61.36m**

37.91% **Net Profit For the year $4.22m**

In FY2018, the ECHMB reported a Net Profit for the Year of $4.22m representing an increase of $1.16m (37.91%) when compared to the $3.06m generated in FY2017.



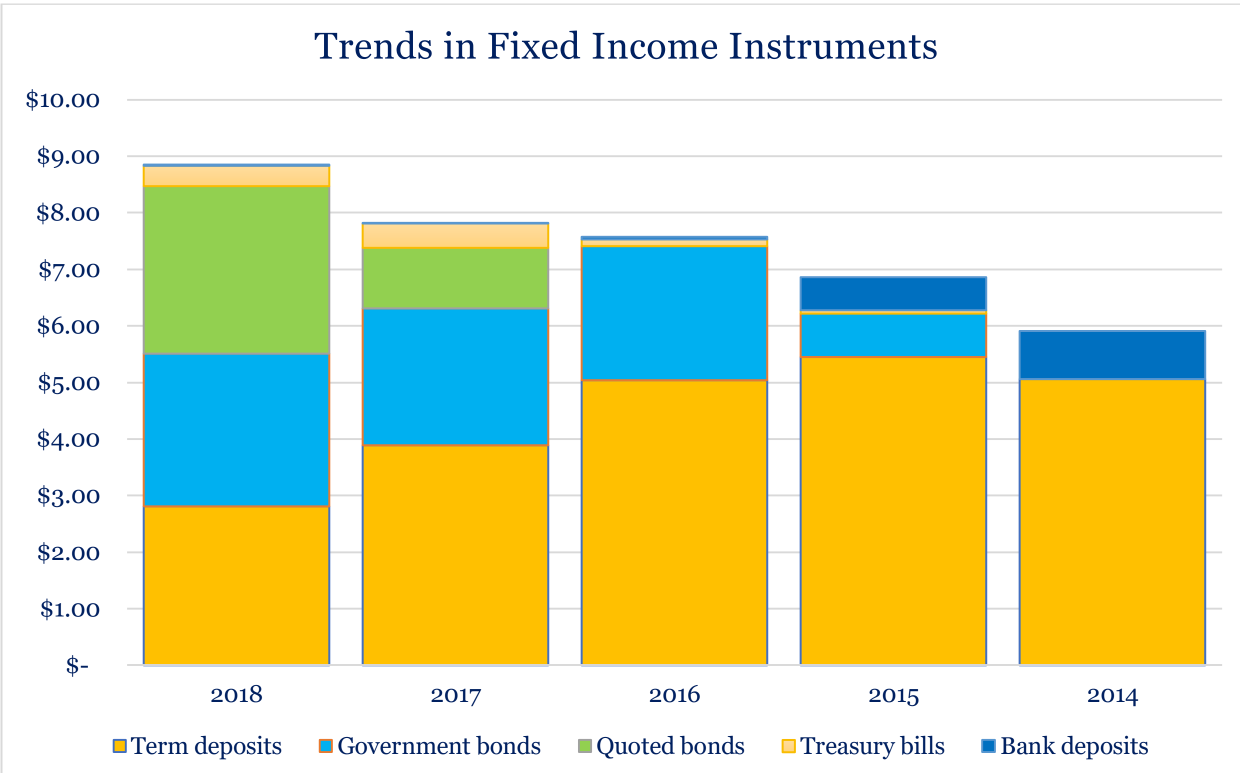
The improvement in ECHMB's financial outturn was attributed to the combined efforts of growth in the Bank's top line by $0.34m (3.05%) from $11.14m in FY2017 to $11.48m in FY2018 and a reduction in Total Expenses by $0.76m (9.21%) from $8.25m in FY2017 to $7.49m in FY 2018.

The ECHMB is mindful that it is implausible to build a sustainable business model on the containment of costs and hence, the Bank's principal strategic focus going forward is the expansion of the investment arm of its operations.

Revenue Enhancement Strategies

The ECHMB continues to experience challenges in acquiring investment grade instruments on the money and capital market of the ECCU. This is partly attributable to the fact that there is a scarcity of corporate instruments traded on the market and most sovereign instruments in the ECCU are assigned the credit rating status of non-investment grade. This situation is further exacerbated by the significant reduction in the interest rate offered by financial intermediaries on certificates of deposits and repurchase agreements. To mitigate the decline in the yield on the Assets under Management, the Bank increased its Investment Portfolio by $6.11m (3.08%) from $198.16m in FY2017 to $204.27m in FY2018. The Bank's principal strategies for revenue enhancement and diversification were as follows: -

- Invested the proceeds of matured EC instruments in International Corporate instruments domiciled in jurisdictions where the Bank has low concentration risk;
- Increased allocation to reputable, regional corporates within the non-EC Caribbean;
- Increased the Weighted Average Maturity of the Investment Portfolio through investing the proceeds of short term deposits in long term instruments;
- Converted two maturing term deposits to mortgage instruments.



Despite the growth of the Bank's Investment Portfolio, it is to be noted that major emphasis was placed on de-risking. This was mainly achieved through the disposal of securities held in jurisdictions and entities where the Bank's concentration levels exceeded the specifications of the Investment Policy Statement. Investment Securities generated Interest Income of $8.85m in FY2018 compared to $7.82m in FY2017, representing an increase of $1.03m (13.17%).

The increase in income from Investments was tempered by the sluggish Secondary Mortgage Market ("The SMM") which continued to exhibit symptoms of a product at the declining stage of its life cycle. The main contributing factor to the diminution of the SMM was the high levels of liquidity in the Primary Mortgage Market. Despite the unconducive market conditions, the ECHMB increased its Mortgage Loans Portfolio ("MLP") by $5.45m (14.57%) from $37.40m in FY2017 to $42.85m in FY2018. This resulted in the MLP exposure increasing to 17.34% of Assets under Management in FY2018 from 15.88% in FY2017. An analysis of the movements in the MLP highlighted that growth was attributed to acquisitions and/or conversions of mortgages totaling $20.93m; however, the increase in the MLP was stemmed by the repayment of mortgages totaling $9.48m. In addition, consistent with the Primary Mortgage Market, the ECHMB continued to report a decline in the weighted average yield on its MLP; new mortgages were generally acquired at a weighted average yield of 4.0% compared with a weighted average yield of 8.0% on mortgages resold to primary lenders.

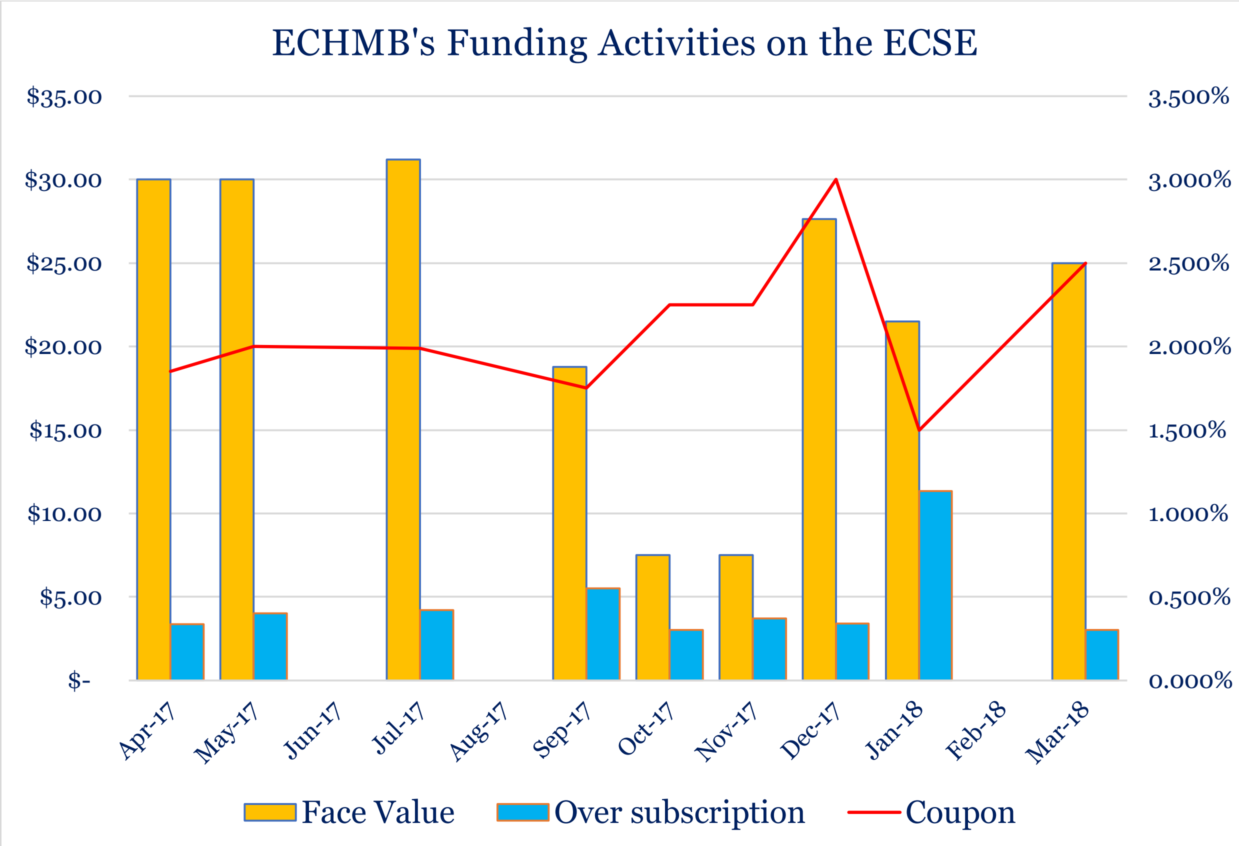
Interest Income from the MLP was lower by $0.69m (20.78%) from $3.32m in FY2017 to $2.63m in FY2018.

Interest Income

(EC$ in millions, except as noted) 31st March 2018	2018	2017	Change from 2017 $	Change from 2017 %
Term deposits	2.81	3.89	(1.08)	-27.76%
Government bonds	2.70	2.42	0.28	11.57%
Quoted bonds	2.96	1.07	1.89	176.64%
Treasury bills	0.36	0.43	(0.07)	-16.28%
Bank deposits	0.02	0.01	0.01	100.00%
Income from investments	**8.85**	**7.82**	**1.03**	13.20%
Income Mortgage loans portfolio	**2.63**	**3.32**	**(0.69)**	-20.78%
	11.48	**11.14**	**0.34**	**3.07%**

Cost Reduction Strategies

The Yield Curve in the ECCU was assessed as "normal" in FY2018 and, as a result, the ECHMB opted to issue a one (1) year Corporate Paper ("CP") via competitive uniform price auction methodology to benefit from the lower coupon rates garnered by short term instruments. The ECHMB continued to be the most prolific corporate issuer on the ECSE and increased its Borrowing by $15.0m to $199.83m in FY2018, up from the $184.66m reported in FY2017.



The Bank's CPs are rated Cari BBB+ (Foreign/Local Currency) and hence is very attractive to low risk investors on the ECSE. In general, the issuances of the Bank's CPs were oversubscribed by an average of 20.0% per issue. The oversubscription and resulting competitive bidding fostered the reduction in the weighted average cost of the CPs from **3.00%** in FY2017 to **2.88%** in FY2018. Given the decline in the weighted average cost of funding the Bank's operations, Interest Expense declined by $0.83m (17.33%) in FY2018.

Interest Expense

(EC$ in millions, except as noted) 31st March 2018	**2018**	**2017**	**Change from 2017** $	%
Bonds in issue	3.96	4.79	0.83	**17.33%**

Net Interest Income

Net Interest Income or the difference between Interest Income ($11.48m) and Interest Expense ($6.96m) was reported at $7.52m (Net Interest Margin of 65.51%) compared to the $6.35m (Net Interest Margin of 57.00%) reported in FY 2017. The improvement in Net Interest Income was principally attributed to the $0.83m (17.33%) decline in Interest Expense.

Net Interest Income

(EC$ in millions, except as noted) 31st March 2018	2018	2017	Change from 2017 $	 %
Interest income	11.48	11.14	0.34	**3.05%**
Interest expense	3.96	4.79	0.83	**17.33%**
Net interest income	**7.52**	**6.35**	**1.17**	**18.43%**
Net Interest income percentage	**65.51%**	**57.00%**	**8.50%**	**14.92%**

Non-Interest Expenses

Total Non-Interest Expenses increased by $0.07m (2.02%) from $3.46m in FY2017 to $3.53m in FY2018. The higher Non-Interest Expenses were attributed to General and Administration Expenses which increased by $0.26m (12.87%) from $2.02m in FY2017 to $2.28m in FY2018.

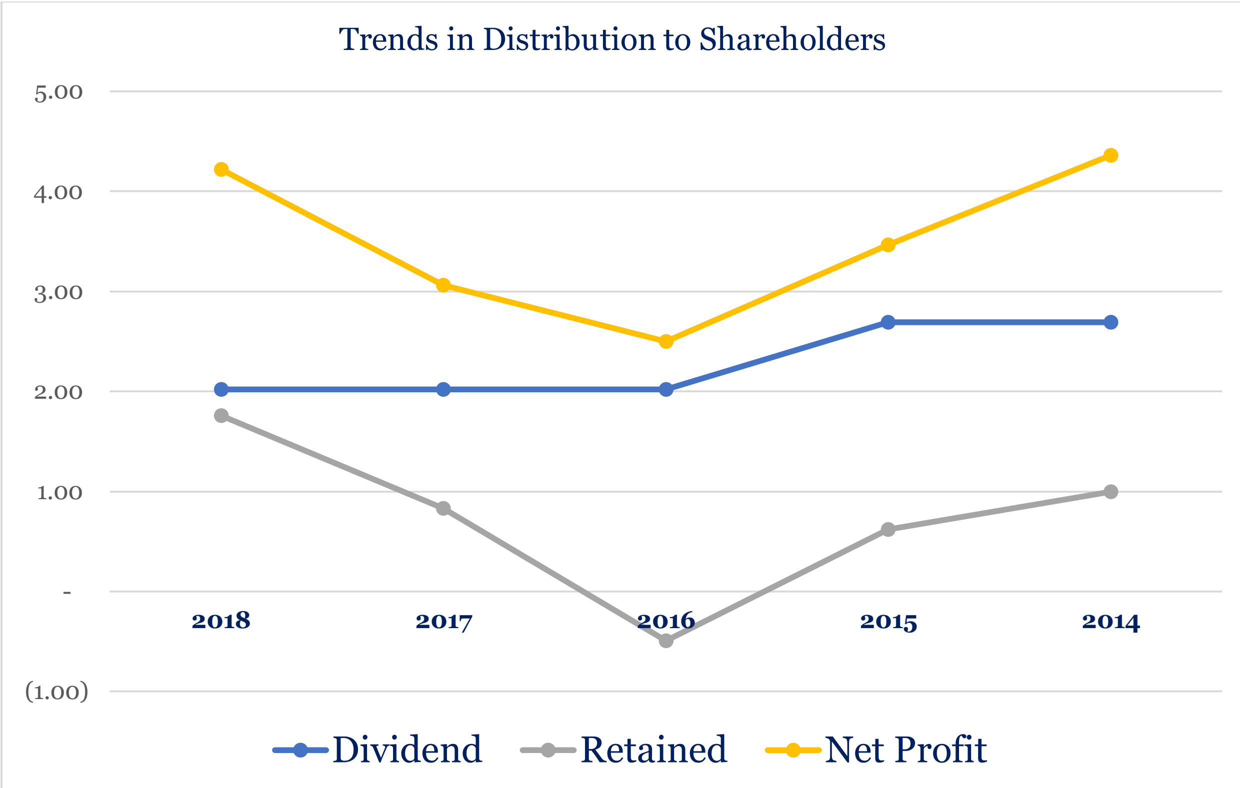
An analysis of General and Administrative Expenses highlighted that the Salaries and Related Expenses increased by $0.03m (2.16%) which was generally associated with the annual inflation allowance afforded to staff. Other significant increases included Advertising and Promotions which moved from $0.028m in FY2017 to $0.16m in FY2018; Consultancy Fees which totaled $0.04m in FY 2018; and Legal and Professional Fees which increased to $0.063m in FY2018. The aforesaid costs were associated with the rebranding of the Eastern Caribbean Home Mortgage Bank to ECHMB Capital Ltd.

Non-Interest Expenses

(EC$ in millions, except as noted) 31st March 2018	2018	2017	Change from 2017 $	 %
General and administrative	2.28	2.02	(0.26)	**-12.87%**
Mortgage Administrative fees	0.23	0.25	0.02	**8.00%**
Other operating	1.02	1.19	0.17	**14.29%**
	3.53	**3.46**	**(0.07)**	**-2.02%**

Distribution to Shareholders

In FY2018, the ECHMB continued to maintain its prudent dividend policy of $7.50 per share resulting in distributions totaling $2.02m. The policy has enabled the ECHMB to build adequate reserves to support the Bank's growth agenda.



The dividend policy has contributed to an increase in the Bank's Book Value Per Share to $228.31 in FY2018, up from the $220.12 reported in FY2017. Initial investors in the ECHMB acquired each share for $100.00 in 1996. Over the Bank's twenty-four (24) years of operations, shareholders received total dividends of $104.75 per share.

Capital Adequacy

The Bank's Debt-to-Equity Ratio was reported at 3.26:1 in FY2018 which was within our internal guideline of 8:1. Our Interest Cover Ratio of 2.07 times exceeded our benchmark of 1.5 times.

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.

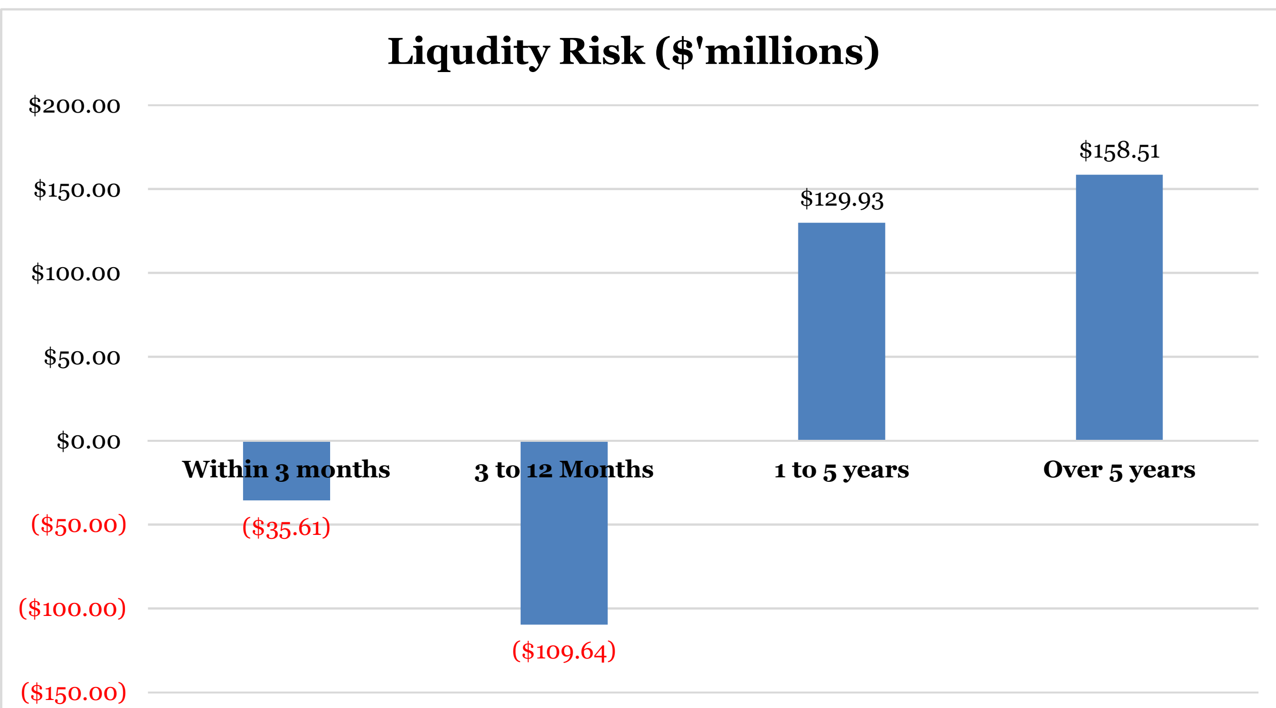
viii) The issuer’s material commitments for capital expenditures as of the end of the latest fiscal period, and indicate the general purposes of such commitments and the anticipated source of funds needed to fulfil such commitments.

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

i), and ii) **Liquidity and funding risk represents 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, 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. The Bank liquidity gaps are as follows:-



The negative liquidity gaps arise due to the Bank's strategy of funding its operations from corporate papers with a maximum tenure of 365 and the placement of investment over tenures in excess of three (3) years in order to secure higher interest rates. The ECHMB mitigate the negative liquidity gaps by arranging a Revolving Credit Line in the amount of $32.0m to meet large outlay of cash. ***(This addresses also requirement vii).***

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 2018 financial year, the Bank reported a Debt-to-Equity Ratio of 3.26:1; ECHMB has the capacity to increase its debt capital by $291.0m (145.55%) before breaching its guideline.

iii) **In addition to the aforementioned internal liquidity sources, the Bank also maintains Line of Credit Facilities for liquidity support.**

iv) **There are no events or circumstances meeting the specified criteria.**

v) **There are no events or circumstances meeting the specified criteria.**

vi) **The ECHMB's ability to raise financing is predicated on its ability to preserve its investment grade rating. Caricris reaffirmed the Bank's investment grade credit ratings as CariBBB+ Foreign Currency Ratings and Local Currency Ratings on issue size of US$30.00m in June 2017. The Bank's credit ratings are deemed as "adequate" by Caricris.**

vii) **Note above.**

viii) **As at reporting date, there are no material commitments for capital expenditures.**

ix) **During the 2018 financial year, the Bank increased its capital base through the issuance of new tranches of Corporate Paper instruments. The proceeds of which were used to expand the Bank's operations.**

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.

There are no Off Balance Sheet Arrangement.

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*

Please see earlier insertion for 'Management Discussion and Analysis', which also provides an Overview of Result of Operations and addresses requirements i) ii) and iii).

iv) There are no known events meeting the specified criteria.

v) Not applicable.

vi) There are no matters meeting the specified criteria.

vii) There are no matters meeting the specified criteria.

viii) There are no matters meeting the specified criteria.

ix) The ECHMB's Business Plan is implemented through Work Programmes, which outline team and individual performance goals. The Work Programmes are integral towards the preparation of the Operating Budget, with controls being monitored through Monthly Management reporting.

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.

There are no additional matters to report.

14. List of Exhibits

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

- Audited Financials for year ended 31st March 2018
- Audited Financials for year ended 31st March 2017
- Audited Financials for year ended 31st March 2016
- Biographical Data Form for Directors
- Biographical Data Form for Executive Officers and Other Key Personnel

Eastern Caribbean Home Mortgage Bank

Financial Statements
March 31, 2018
(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, 2018, and the statement of comprehensive income, statement of changes in 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, 2018, 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.

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
July 6, 2018
Basseterre, St. Kitts

Eastern Caribbean Home Mortgage Bank

Statement of Financial Position

For the year ended March 31, 2018

(expressed in Eastern Caribbean dollars)

	2018 $	2017 $
Assets		
Cash and cash equivalents (note 5)	**8,981,323**	6,699,810
Receivables and prepayments (note 6)	**5,578,573**	1,675,943
Investment securities (note 7)	**204,270,832**	198,157,055
Mortgage loans facilities (note 8)	**42,849,476**	37,396,223
Motor vehicles and equipment (note 9)	**192,952**	243,863
Intangible assets (note 10)	**28,648**	–
Total assets	**261,901,804**	244,172,894
Liabilities		
Borrowings (note 11)	**199,828,256**	184,659,909
Accrued expenses and other liabilities (note 12)	**715,677**	355,332
Total liabilities	**200,543,933**	185,015,241
Equity		
Share capital (note 13)	**36,999,940**	36,999,940
Portfolio risk reserve (note 14)	**9,612,452**	9,171,644
Retained earnings	**14,745,479**	12,986,069
Total equity	**61,357,871**	59,157,653
Total liabilities and equity	**261,901,804**	244,172,894

The notes on pages 1 to 47 are an integral part of these financial statements.

Approved for issue by the Board of Directors on July 6, 2018.

Chairman **Director**

Eastern Caribbean Home Mortgage Bank

Statement of Comprehensive Income

For the year ended March 31, 2018

(expressed in Eastern Caribbean dollars)

	2018 $	2017 $
Interest income (note 16)	**11,480,370**	11,141,929
Interest expense	**(3,962,620)**	(4,790,392)
Net interest income	**7,517,750**	6,351,537
Other income (note 17)	**228,173**	168,842
Operating income	**7,745,923**	6,520,379
Expenses		
General and administrative expenses (note 18)	**(2,276,976)**	(2,016,163)
Other operating expenses (note 19)	**(1,022,696)**	(1,194,252)
Mortgage administrative fees	**(230,415)**	(250,297)
Total expenses	**(3,530,087)**	(3,460,712)
Net profit for the year	**4,215,836**	3,059,667
Other comprehensive income	**–**	–
Total comprehensive income for the year	**4,215,836**	3,059,667
Earnings per share		
Basic and diluted per share (note 20)	**15.69**	11.38

The notes on pages 1 to 47 are an integral part of these financial statements.

Eastern Caribbean Home Mortgage Bank

Statement of Changes in Equity

For the year ended March 31, 2018

(expressed in Eastern Caribbean dollars)

	Share capital $	Portfolio risk reserve $	Retained earnings $	Total $
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 owners				
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**
Other comprehensive income				
Net profit for the year	–	–	4,215,836	4,215,836
Transfer to reserve	–	440,808	(440,808)	–
Transaction with owners				
Dividends – $7.50 per share (note 15)	–	–	(2,015,618)	(2,015,618)
Balance at March 31, 2018	**36,999,940**	**9,612,452**	**14,745,479**	**61,357,871**

The notes on pages 1 to 47 are an integral part of these financial statements.

Eastern Caribbean Home Mortgage Bank

Statement of Cash Flows

For the year ended March 31, 2018

(expressed in Eastern Caribbean dollars)

	2018 $	2017 $
Cash flows from operating activities		
Net profit for the year	**4,215,836**	3,059,667
Items not affecting cash:		
Interest expense	**3,962,620**	4,790,392
Amortisation of corporate paper issue and transaction costs (note 11)	**489,029**	651,976
Amortisation of bond premium (note 7)	**377,498**	193,738
Depreciation of motor vehicles and equipment (note 9)	**79,428**	81,034
Amortisation of intangible assets (note 10)	**819**	6,281
Gain on disposal of equipment (note 17)	–	(36,905)
Unrealised fair value gains on equity investments (note 17)	–	(54,604)
Impairment credit on investment securities(note 17)	**(12,500)**	–
Dividend income (note 17)	**(23,932)**	(4,521)
Interest income (note 16)	**(11,480,370)**	(11,141,929)
Operating loss before working capital changes	**(2,391,572)**	(2,485,075)
Changes in operating assets and liabilities:		
(Increase)/decrease in receivables and prepayments	**(3,902,630)**	639,415
Increase in accrued expenses and other liabilities	**360,345**	204,576
Cash used in operations before interest	**(5,933,857)**	(1,610,880)
Interest received	**12,536,339**	9,825,287
Interest paid	**(3,749,821)**	(5,523,571)
Net cash from operating activities	**2,852,661**	2,690,836
Cash flows from investing activities		
Proceeds from sales/maturity of investment securities	**61,747,292**	86,796,702
Proceeds from the pool of mortgages repurchased by primary lenders	**10,320,614**	15,104,392
Proceeds from principal repayment on mortgages	**2,295,171**	2,557,128
Increase in mortgages repurchased/replaced	**836,688**	2,749,076
Principal redemptions	**290,460**	–
Dividend income received	**23,932**	4,521
Proceeds from disposal of equipment	–	105,000
Purchase of motor vehicles and equipment	**(28,517)**	(260,765)
Purchase of intangible assets	**(29,467)**	–
Purchase of mortgages	**(18,905,726)**	(6,000,000)
Purchase of investment securities	**(69,722,496)**	(133,798,016)
Net cash used in investing activities	**(13,172,049)**	(32,741,962)
Cash flows from financing activities		
Proceeds from corporate papers	**199,096,700**	184,096,700
Payment for corporate paper issue costs and transaction costs	**(533,481)**	(469,967)
Dividends paid	**(1,865,618)**	(1,865,618)
Repayment of corporate papers	**(184,096,700)**	(184,096,700)
Repayment of borrowings	–	(4,341,903)
Net cash from/(used in) financing activities	**12,600,901**	(6,677,488)
Net increase/(decrease) in cash and cash equivalents	**2,281,513**	(36,728,614)
Cash and cash equivalents at beginning of year	**6,699,810**	43,428,424
Cash and cash equivalents at end of year (note 5)	**8,981,323**	6,699,810

The notes on pages 1 to 47 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 policies

New and revised standards that are effective for the financial year beginning April 1, 2017

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 2018.

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies *...continued*

b) Changes in accounting policies *...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 policies *…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-of-use asset 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 had certain equity instruments under this classification which were disposed of during the financial year.

(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 Bank upon initial recognition designates at fair value through profit or loss; (b) those that the Bank upon initial recognition designates as AFS; and (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, term deposits, government and corporate papers, treasury bills, receivables and mortgage loans facilities.

(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 settlement-date, being the date on when the purchase or sell of the asset occurs. 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 Bank’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 part of ‘other income’ as ‘gains/(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>Equity instruments</td><td>Quoted - corporations</td><td>International</td></tr>
<tr><td>HTM</td><td>Investment securities</td><td>Government fixed rate 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 deposit</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 rate bonds and treasury bills</td><td>Local, regional and international</td></tr>
<tr><td>Mortgage loans facilities</td><td>Primary lenders, financial institutions</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

(i) Pension plan

The Bank's pension scheme is a defined contribution plan which is managed by a third-party entity. 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 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.

(ii) Gratuity

The Bank provides a gratuity plan to its employees who are employed on contract. The amount of the gratuity payment to eligible employees at retirement is computed with reference to find salary and calibrated percentage rates based on the number of years of service. Provisions for these amounts are included in the statement of financial position.

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies *...continued*

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.

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:

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

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' 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.

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies *...continued*

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.

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, cash and cash equivalents and investment securities 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 23).

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 Eastern Caribbean Currency Union (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 minimise exposure in excess of twenty percent (20%) of total assets in any one (1) primary lender, financial institution, or group. The Bank manages its mortgage portfolio facilities by focusing on maintaining a diversified portfolio and concentration percentages. Identified concentrations of credit risks are controlled and managed accordingly.

Likewise, the Bank reviews its investment concentration to minimise exposure in excess of fifteen percent (15%) of shareholders' capital in any one (1) financial institution or group.

(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 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 2018 $	Gross Maximum Exposure 2017 $
Credit risk exposure relating to on-balance sheet position		
Cash and cash equivalents	**8,980,823**	6,699,310
Receivables	**5,483,140**	1,578,834
Investment securities	**204,270,832**	198,157,055
Mortgage loans facilities	**42,849,476**	37,396,223
	261,584,271	243,831,422

The above table represents a worst case scenario of credit exposure to the Bank as at March 31, 2018 and 2017, 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, 78% (2017: 81%) of the total maximum exposure is derived from the investments securities and 16% (2017: 15%) of the total maximum exposure represents mortgage loans facilities.

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 facilities 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.

  Additionally, all financial institutions which are issued by mortgage loan facilities are subjected to a due diligence assessment. Such financial institutions are further subjected to annual assessments to assess the credit worthiness of the institutions.

- *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 a reputable company. These companies and governments with which investment securities are held 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 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, 2018 with comparatives for 2017. 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	8,382,094	–	36,166	562,563	–	–	8,980,823
Receivables	35,642	1,338,576	4,108,922	–	–	–	5,483,140
Investment securities							
HTM	–	–	33,479,925	29,995,774	8,390,362	25,543,714	97,409,775
AFS	100,000	–	–	–	–	–	100,000
Loans and receivables	–	90,609,149	16,151,908	–	–	–	106,761,057
Mortgage loans facilities	16,344,799	26,504,677	–	–	–	–	42,849,476
As at March 31, 2018	**24,862,535**	**118,452,402**	**53,776,921**	**30,558,337**	**8,390,362**	**25,543,714**	**261,584,271**
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	4,392,058	139,106,994	14,708,643	–	–	–	158,207,695
Mortgage loans facilities	6,824,040	18,572,183	–	–	–	–	37,396,223
As at March 31, 2017	**16,912,605**	**159,204,067**	**39,122,228**	**7,960,811**	**1,441,355**	**7,190,356**	**243,831,422**

(expressed in Eastern Caribbean dollars)

3 Financial risk management *...continued*

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

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

	2018 $	2018 %	2017 $	2017 %
Development bank	**25,232,752**	**59**	6,824,040	18
Commercial banks	**8,478,882**	**20**	18,151,315	49
Credit unions	**6,836,427**	**16**	3,394,684	9
Finance company	**2,301,415**	**5**	2,242,968	6
Building society	–	–	6,783,216	18
	42,849,476	**100**	37,396,223	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 2018						
Financial assets:						
Cash and cash equivalents	7,325,674	–	–	–	1,655,649	8,981,323
Receivables	–	–	–	–	5,483,140	5,483,140
Investment securities						
HTM	–	–	16,536,362	79,796,897	1,076,516	97,409,775
AFS	–	–	–	–	100,000	100,000
Loans and receivables	5,899,955	20,415,742	60,641,589	16,720,354	3,083,417	106,761,057
Mortgage loans facilities	644,049	1,834,124	11,080,698	29,290,605	–	42,849,476
Total financial assets	**13,869,678**	**22,249,866**	**88,258,649**	**125,807,856**	**11,398,722**	**261,584,771**
Financial liabilities:						
Borrowings	60,000,000	139,096,700	–	–	731,556	199,828,256
Accrued expenses and other liabilities	–	–	–	–	715,677	715,677
Total financial liabilities	**60,000,000**	**139,096,700**	–	–	**1,447,233**	**200,543,933**
Interest sensitivity gap	**(46,130,322)**	**(116,846,834)**	**88,258,649**	**125,807,856**	**9,951,489**	**61,040,838**

(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 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	52,944,068	5,313,246	4,925,021	158,207,695
Mortgage loans facilities	561,394	1,640,317	12,967,051	22,227,461	–	37,396,223
Total financial assets	**79,099,427**	**24,528,930**	**65,911,119**	**65,898,427**	**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**	**65,898,427**	**7,475,476**	**58,816,681**

(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. However, 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, 2018 and 2017. Included in the table are the Bank's financial instruments at carrying amounts, categorised by currency.

	Eastern Caribbean Dollar $	United States Dollar $	Total $
As at March 31, 2018			
Financial assets			
Cash and cash equivalents	7,555,159	1,426,164	8,981,323
Receivables	1,374,218	4,108,922	5,483,140
Investment securities			
HTM	–	97,409,775	97,409,775
AFS	100,000	–	100,000
Loans and receivables	90,609,149	16,151,908	106,761,057
Mortgage loans facilities	41,627,255	1,222,221	42,849,476
	141,265,781	**120,318,990**	**261,584,771**
Financial liabilities			
Borrowings	199,828,256	–	199,828,256
Accrued expenses and other liabilities	715,677	–	715,677
	200,543,933	**–**	**200,543,933**
Net statement of financial position	**(59,278,152)**	**120,318,990**	**61,040,838**

(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 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	143,636,350	14,571,345	158,207,695
Mortgage loans facilities	36,140,382	1,255,841	37,396,223
	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**

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*

g) Liquidity risk *…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, 2018					
Assets:					
Cash and cash equivalents	8,981,323	–	–	–	8,981,323
Receivables	5,483,140	–	–	–	5,483,140
Investment securities					
HTM	1,134,719	3,927,884	35,658,622	112,027,258	152,748,483
AFS	–	–	–	100,000	100,000
Loans and receivables	9,041,654	24,195,996	76,419,088	6,208,753	115,865,491
Mortgage loans facilities	1,531,385	3,785,266	17,853,962	40,175,567	63,346,180
Total assets	**26,172,221**	**31,909,146**	**129,931,672**	**158,511,578**	**346,524,617**
Liabilities:					
Borrowings	61,157,171	141,102,469	–	–	202,259,640
Accrued expenses and other liabilities	715,677	–	–	–	715,677
	61,872,848	**141,102,469**	**–**	**–**	**202,975,317**
Net liquidity gap	**(35,700,627)**	**(109,193,323)**	**129,931,672**	**158,511,578**	**143,549,300**

(expressed in Eastern Caribbean dollars)

3 Financial risk management *…continued*

g) Liquidity risk *...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, 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	71,683,155	32,825,416	55,496,900	6,557,812	166,563,283
Mortgage loans facilities	1,251,736	3,721,182	16,844,266	37,290,813	59,107,997
Total assets	**82,593,141**	**38,174,362**	**79,729,022**	**86,101,497**	**286,598,022**
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**	**(89,251,570)**	**79,729,022**	**86,101,497**	**97,944,465**

(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 debt divided by total capital. Total debt is calculated as total bonds in issue (as shown in the statement of financial position as "Borrowings"). Total capital is calculated as 'equity' as shown in the statement of financial position.

	2018	**2017**
	$	**$**
Total Debt	**199,828,256**	184,659,909
Total Equity	**61,357,871**	59,157,653
Debt to Equity ratio	**3.26**	3.12

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*

j) Fair value estimation

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

	Carrying value		Fair value	
	2018 $	**2017 $**	**2018 $**	**2017 $**
Cash and cash equivalents	**8,981,323**	6,699,810	**8,981,323**	6,699,810
Receivables	**5,483,140**	1,578,834	**5,483,140**	1,578,834
Investment securities				
FVTPL	**–**	1,063,259	**–**	1,063,259
HTM	**97,409,775**	38,357,720	**95,389,626**	37,699,692
AFS	**100,000**	100,000	**100,000**	100,000
Loans and receivable	**106,761,057**	158,636,076	**106,761,057**	158,636,076
Mortgage loans facilities	**42,849,476**	37,396,223	**42,849,476**	37,396,223
	261,584,771	243,831,922	**259,564,622**	243,173,894
Borrowings	**199,828,256**	184,659,909	**199,828,256**	184,659,909
Accrued expenses and other liabilities	**715,677**	355,332	**715,677**	355,332
	200,543,933	185,015,241	**200,543,933**	185,015,241

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.

Mortgage loans facilities represent residential mortgages loans portfolio and other credit facilities issued for further provision of mortgage loans by the third party institution. Outstanding balances are carried based on its principal and interest. 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.

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.

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 include cash and cash equivalents, receivables and accrued expenses and other liabilities.

(expressed in Eastern Caribbean dollars)

3 Financial risk management …*continued*

k) Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observed.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2018		
	Level 1	**Level 3**	**Total**
	$	**$**	**$**
HTM	95,389,626	–	95,389,626
AFS	–	100,000	100,000
	95,389,626	**100,000**	**95,489,626**

	2017		
	Level 1	**Level 3**	**Total**
	$	**$**	**$**
HTM	37,699,692	–	37,699,692
FVTPL	1,063,259	–	1,063,259
AFS	–	100,000	100,000
	38,762,951	**100,000**	**38,862,951**

4 Critical accounting estimates and judgements

The Bank’s financial statements and its financial results are influenced by accounting policies, assumptions, estimates and management’s 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.

(expressed in Eastern Caribbean dollars)

4 Critical accounting estimates and judgements *…continued*

(a) Impairment losses on Investment Securities – Loan and Receivables and Held-to-Maturity Investments

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

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 in estimates and actual loss experienced.

(b) Impairment losses on mortgage loan facilities

(i) 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, 2018 (2017: Nil).

(ii) Mortgage credit facility and mortgage-pledged loans

The Bank reviews its mortgage credit facility and mortgage-pledged loans 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, 2018 (2017: Nil).

(expressed in Eastern Caribbean dollars)

5 Cash and cash equivalents

	2018 $	2017 $
Cash on hand	**500**	500
Balances with commercial banks	**7,959,806**	5,688,459
Short-term deposit	**1,021,017**	1,010,851
	8,981,323	6,699,810

Balances with commercial banks earned interest at rates ranging from 0 % to 0.1% (2017: 0 % to 0.1%) during the year. The short-term deposit is a three-month fixed deposit at St. Kitts-Nevis-Anguilla National Bank Limited maturing on April 14, 2018 bearing interest at a rate of 1.0% (2017: 1.5%).

6 Receivables and prepayments

	2018 $	2017 $
Other assets	**4,108,922**	–
Receivables	**1,374,218**	1,578,834
Prepayments	**95,433**	97,109
	5,578,573	1,675,943

As at March 31, 2018, other assets amounted to $4,108,922 (USD$1,521,823) and represents the partial purchase of three (3) corporate bonds that were settled on April 3, 2018.

Receivables represent loan payments collected by the Bank's primary lenders as loan administrators 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

	2018 $	2017 $
Held for trading		
FVTPL		
Quoted equity instruments	–	1,063,259
HTM		
Quoted corporate bonds	**82,270,850**	24,195,140
Quoted sovereign bonds	**14,062,409**	14,162,580
	96,333,259	38,357,720
AFS		
Unquoted equity investment	**100,000**	100,000
Loans and receivables		
Term deposits	**56,141,926**	102,182,674
Bonds	**45,285,714**	46,000,000
Treasury bills	**6,000,000**	9,000,000
	107,427,640	157,182,674
	203,860,899	196,703,653
Less provision for impairment – CLICO	**(3,750,000)**	(3,762,500)
Total investment securities – principal	**200,110,899**	192,941,153
Interest receivable	**4,384,933**	5,440,902
Less provision for impairment – CLICO	**(225,000)**	(225,000)
Total investment securities	**204,270,832**	198,157,055
Current	**30,475,630**	101,304,519
Non-current	**173,795,202**	96,852,536
	204,270,832	198,157,055

(expressed in Eastern Caribbean dollars)

7 Investment securities *…continued*

The movement of the investment securities is shown below:

	2018				
	FVTPL	**HTM**	**AFS**	**Loans and receivables**	**Total**
Principal					
Balance at beginning of year	1,063,259	38,357,720	100,000	157,182,674	196,703,653
Additions	1,197,423	58,638,235	–	9,886,838	69,722,496
Redemptions	–	(290,460)	–	–	(290,460)
Disposals	(2,260,682)	–	–	(59,486,610)	(61,747,292)
Bond premium amortisation	–	(372,236)	–	(5,262)	(377,498)
Reclassification/transfer	–	–	–	(150,000)	(150,000)
Balance at end of year	**–**	**96,333,259**	**100,000**	**107,427,640**	**203,860,899**
Interest					
Balance at beginning of year	–	428,381	–	5,012,521	5,440,902
Interest earned	–	2,960,527	–	5,861,728	8,822,255
Interest received/collected	–	(2,312,388)	–	(7,565,836)	(9,878,224)
Balance at end of year	**–**	**1,076,520**	**–**	**3,308,413**	**4,384,933**

(expressed in Eastern Caribbean dollars)

7 Investment securities *...continued*

	2017				
	FVTPL	**HTM**	**AFS**	**Loans and receivables**	**Total**
Principal					
Balance at beginning of year	–	7,355,233	100,000	142,536,240	149,991,473
Additions	1,917,685	31,196,225	–	100,684,106	133,798,016
Disposals	(909,030)	–	–	(85,887,672)	(86,796,702)
Bond premium amortisation	–	(193,738)	–	–	(193,738)
Fair value gains	54,604	–	–	–	54,604
Reclassification/transfer	–	–	–	(150,000)	(150,000)
Balance at end of year	**1,063,259**	**38,357,720**	**100,000**	**157,182,674**	**196,703,653**
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*

The movement in the provision for impairment is as follows:

	2018 $	2017 $
Balance at the beginning of year	**3,987,500**	3,987,500
Impairment credit for the year (note 17)	**(12,500)**	–
Balance at end of year	**3,975,000**	3,987,500

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. The Bank also realised gains on disposal of $173,456 (2017: $15,102) as well as dividend income of $23,932 (2017: $4,521) (note 17). The fair value of the equity instruments increased during the previous financial year by $54,604.

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 3.15% to 8.88%; whilst, the effective interest rate for these bonds ranges from 3.15% to 6.66%. Bonds have an average tenor of ten (10) years and will mature between November 2022 and May 2028. As at March 31, 2018, the fair values of these amounted to $95,389,626 (2017: $37,699,692) 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 $2,960,527 (2017: $1,070,127) (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 2018 to June 2019. These deposits bear interest of 3.50% – 7.75% (2017: 3.00% – 7.75%). During the financial year, interest earned on term deposits amounted to $2,808,400 (2017: $3,885,111) (see note 16).

(expressed in Eastern Caribbean dollars)

7 Investment securities *…continued*

Loans and receivables

a) Term deposits *…continued*

Term deposit held with CLICO International Life Insurance Limited

The Bank holds an Executive Flexible Premium Annuity (EFPA) with CLICO International Life Insurance Limited (CLICO Barbados), a member of the CL Financial Group. The EFPA matured in October 2009. In 2011, 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, 2018, the Bank's management have adopted a prudent approach to this matter and have established an impairment provision of 100% (2017: 97%) of the deposit balance and 100% (2017: 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, dividends payable have been offset with the principal receivable. A total of $1,250,000 in yearly dividends related to the years 2017, 2016 and 2015 for $150,000 each as well as $200,000 relating to 2014, 2013, 2012 and 2011 were offset with the investment.

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 ABIB, 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.

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). These accounts were duly transferred to the Bank in 2017.

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.

(expressed in Eastern Caribbean dollars)

7 Investment securities *…continued*

Loans and receivables

a) Term deposits *…continued*

Depositors Protection Trust (DPT) …continued

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.

During the financial year, the DPT's Deed was executed and the Bank received principal and interest payments based on terms noted. As at March 31, 2018, the Bank held an outstanding principal of $3,923,383. Interest gained in 2018 amounted to $65,353.

b) Bonds

Bonds denominated in Eastern Caribbean Dollars are held with regional governments and yield interest rates of 5.0% – 7.5% (2017: 5.5% – 7%). During the financial year, interest earned on these bonds amounted to $2,695,506 (2017: $2,416,603) (see note 16). Bonds have maturity dates from May 2019 to May 2024.

c) Treasury bills

Treasury bills are held with a regional government and yield interest rates of 5.0% (2017: 5.0%). During the financial year, interest earned on these treasury bills amounted to $357,822 (2017: $439,852) (see note 16). Treasury bills mature in August 2018.

8 Mortgage loans facilities

	2018 $	2017 $
Mortgage loans portfolio	**26,365,477**	31,396,223
Mortgage-pledged loan	**10,483,999**	–
Mortgage credit facility	**6,000,000**	6,000,000
	42,849,476	37,396,223
Current	**2,478,172**	2,201,711
Non-current	**40,371,304**	35,194,512
	42,849,476	37,396,223

(expressed in Eastern Caribbean dollars)

8 Mortgage loans facilities …*continued*

Territory analysis	2018 $	2017 $
St. Kitts and Nevis	**16,344,799**	6,824,040
Grenada	**13,755,303**	6,000,000
Anguilla	**5,892,081**	6,126,818
Antigua and Barbuda	**2,586,801**	6,024,497
St. Lucia	**2,301,415**	2,242,967
St. Vincent and the Grenadines	**1,969,077**	10,177,901
	42,849,476	37,396,223

Movement in the balance is as follows:	2018 $	2017 $
Balance at beginning of year	**37,396,223**	51,806,819
Add: Loans purchased	**18,905,726**	6,000,000
Less: Principal repayments	**(2,295,171)**	(2,557,128)
Mortgages that were repurchased and replaced	**(836,688)**	(2,749,076)
Mortgages pools repurchased	**(10,320,614)**	(15,104,392)
Balance at end of year	**42,849,476**	37,396,223

Terms and conditions of mortgage loans facilities

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.

(expressed in Eastern Caribbean dollars)

8 Mortgage loans facilities *…continued*

Terms and conditions of mortgage loans facilities *...continued*

d) Rates of interest

Rates of interest earned vary from 6% to 11% (2017: 6% to 11%). During the financial year, the Bank earned interest income of $2,635,553 (2017: $3,317,972) (see note 16).

Mortgage loans portfolio and accounts receivable balances held with the ABIB

Under the Sale and Administration Agreement 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 facilities". 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".

As at March 31, 2018, the mortgage loan balance amounted to $2,586,801 (2017: $6,024,497). Collections made on behalf of the Bank for these loans amounted to $1,259,748 (2017: $1,128,476).

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.

Terms and conditions of mortgage credit facility

The Bank advances funds for origination of mortgages by Primary Lenders domiciled in the ECCU such as Commercial Banks, Development Banks, Insurance Companies and Credit Unions (collectively referred to as "Primary Lenders"). The mortgages originated from these funds are subsequently sold to the Bank. The interest rate on the mortgage credit facility is 3.50% (2017: 3.50%) with an average tenor of sixteen (16) years.

Terms and conditions of mortgage-pledged loan

The Bank provides funds for the origination of mortgages to regulated mortgage-lending institutions in the ECCU. The mortgages generated from the funds are not sold to the Bank, instead, a pool of mortgages is pledged as collateral for the loan. The interest rate on mortgage-pledge loan is 4.0% with an average tenor of ten (10) years.

(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, 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 19)	(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**
Year ended March 31, 2018					
Opening net book value	198,476	30,050	409	14,928	243,863
Additions	–	14,043	14,474	–	28,517
Depreciation charge (note 19)	(47,634)	(22,718)	(1,651)	(7,425)	(79,428)
Closing net book value	**150,842**	**21,375**	**13,232**	**7,503**	**192,952**
At March 31, 2018					
Cost	238,170	200,409	20,218	71,965	530,762
Accumulated depreciation	(87,328)	(179,034)	(6,986)	(64,462)	(337,810)
Net book value	**150,842**	**21,375**	**13,232**	**7,503**	**192,952**

(expressed in Eastern Caribbean dollars)

10 Intangible assets

	Computer software $	Website development $	Total $
Year ended March 31, 2017			
Opening net book value	3,281	3,000	6,281
Amortisation charge (note 19)	(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	**–**	**–**	**–**
Year ended March 31, 2018			
Opening net book value	–	–	–
Additions	29,467		29,467
Amortisation charge (note 19)	(819)	–	(819)
Closing net book value	**28,648**	–	**28,648**
At March 31, 2018			
Cost	44,228	13,505	57,733
Accumulated amortisation	(15,580)	(13,505)	(29,085)
Net book value	**28,648**	–	**28,648**

(expressed in Eastern Caribbean dollars)

11 Borrowings

	2018 $	2017 $
Corporate papers		
Balance at beginning of year	**184,096,700**	184,096,700
Add: Issues during the year	**199,096,700**	184,096,700
Less: Redemptions during the year	**(184,096,700)**	(184,096,700)
	199,096,700	184,096,700
Less: unamortised issue costs	**(300,670)**	(256,218)
	198,796,030	183,840,482
Interest payable	**1,032,226**	819,427
Balance at end of year	**199,828,256**	184,659,909

	2018 $	2017 $
Corporate papers	**200,128,926**	184,916,127
Less: unamortised issue costs	**(300,670)**	(256,218)
Total	**199,828,256**	184,659,909

Corporate papers are comprised of one-year debt instruments with maturity dates ranging from April 4, 2018 to March 27, 2019.

Corporate papers issued by the Bank are secured by debentures over its fixed and floating assets. Interest is payable semi-annually in arrears at rates varying between 1.50% to 3% (2017: 1.50% to 4%). Interest expense incurred during the year amounted to $3,962,620 (2017: $4,790,392).

(expressed in Eastern Caribbean dollars)

11 Borrowings *...continued*

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

	2018 $	2017 $
Capitalised issue costs		
Balance at beginning of year	**256,218**	342,972
Additions	**533,481**	419,545
	789,699	762,517
Less: amortisation for year (note 19)	**(489,029)**	(506,299)
Balance at end of year	**300,670**	256,218
Transaction costs on other borrowed funds		
Balance at beginning of year	–	95,255
Additions	–	50,422
	–	145,677
Less: amortisation for year (note 19)	–	(145,677)
Balance at end of year	–	–
	300,670	256,218

Capitalised issue costs
The corporate paper issue costs are being amortised over the duration of the life of the respective corporate paper for a period of one (1) year (2017: 277 days to four (4) years) which carry an interest rate ranging from 1.50% to 3.0% (2017: 1.5% to 3.0%).

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

(expressed in Eastern Caribbean dollars)

11 Borrowings *…continued*

Revolving line of credit

During the financial year, the Bank commenced the use of a Securities Based Line of Credit (SBLC) held with the United States Brokers, Raymond James & Associates Inc. This facility serves as an alternative source of liquidity and is secured by the assets held in custody of Raymond James and Associates Inc.

The $30.0 million Revolving Line of Credit which was established in 2017 with the Grenada Co-operative Bank Limited was renewed during the year.

12 Accrued expenses and other liabilities

	2018	**2017**
	$	**$**
Accrued expenses	**595,090**	311,222
Other liabilities	**120,587**	44,110
	715,677	355,332

13 Share capital

The Bank is authorised to issue 400,000 (2017: 400,000) ordinary shares of no par value.

As at March 31, 2018, there were 268,749 (2017: 268,749) ordinary shares of no par value issued and outstanding.

	Number of shares	**2018**	**2017**
		$	**$**
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.

	2018	**2017**
	$	**$**
Balance at beginning of year	**9,171,644**	8,962,834
Transfer during the year	**440,808**	208,810
Balance at end of year	**9,612,452**	9,171,644

15 Dividends

At the Annual General Meeting on October 6, 2017 (2017: November 7, 2016), dividends of $7.50 (2017: $7.50) per share were approved amounting to $2,015,618 (2017: $2,015,618).

Dividends paid during the financial year amounted to $2,015,618 (2017: $2,015,618). The dividends payable amounted to $150,000 at March 31, 2018 (2017: $150,000). In 2018, management took the decision to offset dividends payable to CLICO Barbados of $150,000 (2017: $150,000) against a balance receivable for term deposits held with the Bank in the amount of $5,000,000. As a result of this, the principal balance of the investment is now reflected as $3,750,000 (2017: $3,900,000).

(expressed in Eastern Caribbean dollars)

16 Interest income

	2018 $	2017 $
Quoted bonds (note 7)	**2,960,527**	1,070,127
Term deposits (note 7)	**2,808,400**	3,885,111
Bonds (note 7)	**2,695,506**	2,416,603
Mortgage loans facilities (note 8)	**2,635,553**	3,317,972
Treasury bills (note 7)	**357,822**	439,852
Bank deposits	**22,562**	12,264
	11,480,370	11,141,929

17 Other income

	2018 $	2017 $
Mortgage underwriting seminar income	**131,995**	177,000
Mortgage underwriting seminar expenses	**(113,710)**	(119,290)
	18,285	57,710
Realised fair value gain on disposal of equity instruments (note 7)	**173,456**	15,102
Dividend income (note 7)	**23,932**	4,521
Impairment credit on investment securities(note 7)	**12,500**	–
Unrealised fair value gains on equity investments	–	54,604
Gain on disposal of equipment	–	36,905
	228,173	168,842

(expressed in Eastern Caribbean dollars)

18 General and administrative expenses

	2018 $	2017 $
Salaries and related costs	**1,488,213**	1,446,050
Rent (note 22)	**180,000**	180,000
Advertising/promotion	**159,186**	28,870
Legal and professional	**63,133**	5,737
Credit rating fee	**51,798**	62,436
Consultancy	**40,500**	–
Telephone	**40,329**	55,834
Internal audit fees	**38,850**	35,700
Miscellaneous	**37,461**	33,463
Commission and fees	**32,793**	21,466
IT Audit	**29,737**	–
Computer repairs and maintenance	**23,279**	5,741
Repairs and maintenance	**20,759**	11,532
Printing and stationery	**16,433**	17,085
Hotel accommodation	**14,131**	13,874
Airfares	**13,593**	28,855
Dues and subscriptions	**7,811**	7,895
Insurance	**7,160**	6,900
Office supplies	**6,833**	11,767
Courier services	**4,977**	7,958
Home Ownership Day	**–**	35,000
	2,276,976	2,016,163

19 Other operating expenses

	2018 $	2017 $
Amortisation of corporate paper issue and transaction costs (note 11)	**489,029**	651,976
Directors fees and expenses	**334,598**	312,508
Depreciation of motor vehicles and equipment (note 9)	**79,428**	81,034
Professional fees	**59,660**	57,700
Sundry debt instrument listing, registry and processing fees	**59,248**	84,382
Amortisation of intangible assets (note 10)	**819**	6,281
Foreign currency (gains)/losses, net	**(86)**	371
	1,022,696	1,194,252

(expressed in Eastern Caribbean dollars)

20 Earnings per share (EPS)

Basic and diluted earnings per share are computed as follows:

	2018 $	2017 $
Net profit for the year	**4,215,835**	3,059,667
Weighted average number of shares issued	**268,749**	268,749
Basic and diluted earnings per share	**15.69**	11.38

The Bank has no dilutive potential ordinary shares as of March 31, 2018 and 2017.

21 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, 2018 (2017: nil). There were no outstanding contingent liabilities as of March 31, 2018 (2017: Nil).

22 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 its representative holds 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 (2017: $180,000).

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, 2018, the balance held with the ECCB was $21,636 (2017: $69,450).

Compensation of key management personnel

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

	2018 $	2017 $
Short-term benefits	**1,076,350**	1,039,291
Director fees	**168,000**	165,000
	1,244,350	1,204,291

(expressed in Eastern Caribbean dollars)

23 Reclassifications

Mortgage credit facility in “Investment securities” was reclassified to “Mortgage loans facilities” in the financial statements in order 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) Mortgage credit facility in “Investment securities” was reclassified to “Mortgage loans facilities”.

The summary of reclassifications is shown below.

	As previously classified 2017 $	**Reclassifications 2017 $**	**As reclassified 2017 $**
Effect on statement of financial position			
Investment securities	204,157,055	(6,000,000)	198,157,055
Mortgage loans facilities	31,396,223	6,000,000	37,396,223

Eastern Caribbean Home Mortgage Bank

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

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 pages 1 to 50 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 pages 1 to 50 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 pages 1 to 50 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 pages 1 to 50 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.

Financial assets	FVTPL	Held for trading	Equity instruments	Quoted international
	HTM	Investment securities	Government fixed rated bonds quoted corporate bonds	Regional and international
	Loans and receivables	Cash and cash equivalents	Bank accounts and short-term fixed deposits	Local and regional
		Receivables	Primary lenders	Regional
		Investment securities	Financial institutions, Government fixed rated bonds and treasury bills	Local, regional and international
		Mortgage loans portfolio	Primary lenders	Local and regional
	AFS financial asset	AFS investment	Unquoted	Local
Financial liabilities	Financial liabilities at amortised cost	Borrowings	Unquoted	
		Accrued expenses and other liabilities		

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)

3 Financial risk management …*continued*

ii) Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observed.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2017 **$** **Level 1**	**2016** **$** Level 1
FVTPL	**1,063,259**	–
HTM	**37,699,692**	7,314,152
	38,762,951	7,314,152

4 Critical accounting estimates and judgements

The Bank’s financial statements and its financial results are influenced by accounting policies, assumptions, estimates and management’s 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.

(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

Financial Statements
March 31, 2016
(expressed in Eastern Caribbean dollars)

Grant Thornton

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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, 2016, 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, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Grant Thornton

Chartered Accountants
August 26, 2016
Basseterre, St. Kitts

Eastern Caribbean Home Mortgage Bank

Statement of Financial Position

As at March 31, 2016

(expressed in Eastern Caribbean dollars)

	2016 $	2015 $
Assets		
Cash and cash equivalents (note 5)	**43,428,424**	8,231,137
Securities purchased under agreements to resell (note 6)	–	21,863,011
Receivables and prepayments (note 7)	**3,066,391**	244,213
Investment securities (note 8)	**149,277,200**	148,561,920
Mortgage loans portfolio (note 9)	**51,806,819**	78,580,300
Available–for–sale investment (note 10)	**100,000**	100,000
Motor vehicles and equipment (note 11)	**132,227**	218,558
Intangible assets (note 12)	**6,281**	15,703
Total assets	**247,817,342**	257,814,842
Liabilities		
Borrowings (note 13)	**189,552,982**	199,917,195
Accrued expenses and other liabilities (note 14)	**150,756**	273,067
Total liabilities	**189,703,738**	200,190,262
Equity		
Share capital (note 15)	**36,999,940**	36,999,940
Portfolio risk reserve (note 16)	**8,962,834**	8,865,029
Retained earnings	**12,150,830**	11,759,611
Total equity	**58,113,604**	57,624,580
Total liabilities and equity	**247,817,342**	257,814,842

The notes on pages 1 to 46 are an integral part of these financial statements.

Approved for issue by the Board of Directors on August 26, 2016.

K. Dwight Venner

Chairman

Director

Eastern Caribbean Home Mortgage Bank

Statement of Comprehensive Income

For the year ended March 31, 2016

(expressed in Eastern Caribbean dollars)

	2016 $	2015 $
Interest income (note 18)	**12,423,570**	15,461,145
Interest expense (note 19)	**(6,523,972)**	(8,570,266)
Net interest income	**5,899,598**	6,890,879
Other income (note 20)	**40,439**	33,668
Operating income	**5,940,037**	6,924,547
Expenses		
General and administrative expenses (note 21)	**(1,685,089)**	(1,473,660)
Mortgage administrative fees	**(532,044)**	(905,409)
Other operating expenses (note 22)	**(1,218,262)**	(1,086,659)
Total expenses	**(3,435,395)**	(3,465,728)
Net profit for the year	**2,504,642**	3,458,819
Other comprehensive income	–	–
Total comprehensive income for the year	**2,504,642**	3,458,819
Earnings per share		
Basic and diluted per share (note 23)	**9.32**	12.87

The notes on pages 1 to 46 are an integral part of these financial statements.

Eastern Caribbean Home Mortgage Bank

Statement of Changes in Equity

For the year ended March 31, 2016

(expressed in Eastern Caribbean dollars)

	Share capital $	Portfolio risk reserve $	Retained earnings $	Total $
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 17)	–	–	(2,687,490)	(2,687,490)
Transfers to reserve	–	154,501	(154,501)	–
Balance at March 31, 2015	**36,999,940**	**8,865,029**	**11,759,611**	**57,624,580**
Net profit for the year	–	–	2,504,642	2,504,642
Dividends – $7.50 per share (note 17)	–	–	(2,015,618)	(2,015,618)
Transfer to reserve	–	97,805	(97,805)	–
Balance at March 31, 2016	**36,999,940**	**8,962,834**	**12,150,830**	**58,113,604**

The notes on pages 1 to 46 are an integral part of these financial statements.

Eastern Caribbean Home Mortgage Bank

Statement of Cash Flows

For the year ended March 31, 2016

(expressed in Eastern Caribbean dollars)

	2016 $	2015 $
Cash flows from operating activities		
Net profit for the year	**2,504,642**	3,458,819
Items not affecting cash:		
Interest expense (note 19)	**6,523,972**	8,570,266
Amortisation of bond issue costs and transaction costs (note 13)	**643,294**	390,771
Depreciation of motor vehicles and equipment (note 11)	**86,331**	89,741
Amortisation of intangible assets (note 12)	**9,422**	9,422
Gain on disposal of equipment	–	(2,400)
Interest income (note 18)	**(12,423,570)**	(15,461,145)
Operating loss before working capital changes	**(2,655,909)**	(2,944,526)
Changes in operating assets and liabilities:		
Increase in receivables and prepayments	**(2,822,178)**	(183,237)
Decrease in accrued expenses and other liabilities	**(122,311)**	(986,130)
Cash used in operations before interest	**(5,600,398)**	(4,113,893)
Interest received	**12,271,720**	13,199,180
Interest paid	**(6,214,463)**	(9,326,389)
Net cash from/(used in) operating activities	**456,859**	(241,102)
Cash flows from investing activities		
Proceeds from maturity of investment securities	**43,683,370**	94,000,000
Proceeds from principal repayment on securities purchased under agreements to resell	**21,374,726**	–
Proceeds from the pool of mortgages repurchased by primary lenders	**17,401,482**	54,917,153
Increase in mortgages repurchased/replaced	**8,679,162**	8,544,768
Proceeds from principal repayment on mortgages	**3,949,392**	6,156,731
Proceeds from disposal of equipment	–	2,401
Purchase of motor vehicle and equipment	–	(58,772)
Purchase of mortgages	**(3,256,555)**	–
Purchase of investment securities	**(43,908,515)**	(111,842,462)
Net cash from investing activities	**47,923,062**	51,719,819
Cash flows from financing activities		
Proceeds from bond issues	**87,637,700**	30,000,000
Payment for bond issue costs and transaction costs	**(658,919)**	(118,748)
Dividends paid	**(1,865,618)**	(2,487,490)
Repayment of borrowings	**(10,658,097)**	(3,000,000)
Repayment of bonds	**(87,637,700)**	(95,903,300)
Net cash used in financing activities	**(13,182,634)**	(71,509,538)
Increase/(decrease) in cash and cash equivalents	**35,197,287**	(20,030,821)
Cash and cash equivalents at beginning of year	**8,231,137**	28,261,958
Cash and cash equivalents at end of year (note 5)	**43,428,424**	8,231,137

The notes on pages 1 to 46 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, 2015

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 2016.

(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 not either adopted or listed below are not expected to have a material impact on the Bank's financial statements.

- IFRS 9 'Financial Instruments' (2014). 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.

  Management has started to assess the impact of IFRS 9 but is not yet in a position to provide quantified information. At this stage the main areas of expected impact are as follows:

  - the classification and measurement of the Bank's financial assets will need to be reviewed based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed;
  - an expected credit loss-based impairment will need to be recognised on the Bank's receivables, mortgage loans portfolio and investments in debt-type assets currently classified as AFS unless classified as at fair value through profit or loss in accordance with the new criteria;
  - it will no longer be possible to measure equity investments at cost less impairment and all such investments will instead be measured at fair value. Changes in fair value will be presented in profit or loss unless the Bank makes an irrevocable designation to present them in other comprehensive income; and
  - if the Bank continues to elect the fair value option for certain financial liabilities, fair value movements will be presented in other comprehensive income to the extent those changes relate to the Bank's own credit risk.

  IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018.

(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*

- IFRS 15 'Revenue from Contracts with Customers'. IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities.

  IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2018. Management has started to assess the impact of IFRS 15 but is not yet in a position to provide quantified information.

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.

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies *...continued*

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

(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, 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.

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 and accrued expenses and other liabilities.

(expressed in Eastern Caribbean dollars)

3 Significant accounting policies *...continued*

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

Derecognition

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

Reclassification of financial assets

The Bank may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held–for–trading or 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.

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 and short-term fixed deposits</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 investments</td><td>Unquoted</td></tr>
<tr><td rowspan="2">Financial liabilities</td><td rowspan="2">Financial liabilities at amortised cost</td><td>Borrowings</td><td>Unquoted</td></tr>
<tr><td colspan="2">Accrued expenses and other liabilities</td></tr>
</table>

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies *…continued*

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.

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.

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies*…continued*

j) Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligation may be small.

k) Motor vehicles and equipment

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

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.

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies *...continued*

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

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

p) Dividends distribution

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

q) Expenses

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

r) Operating lease – Bank as a lessee

Where the Bank is a lessee, payments on 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) 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.

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.

x) Reclassification

Where necessary, comparative figures have been adjusted to conform with the change in presentation in the current year (see note 26).

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 annual review of the portfolios held by the Bank.

(expressed in Eastern Caribbean dollars)

3 Financial risk management *...continued*

c) Excessive risk concentration

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

d) Credit risk

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

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

	Gross Maximum Exposure 2016 $	**Gross Maximum Exposure 2015 $**
Credit risk exposure relating to on–balance sheet position		
Cash and cash equivalents	**43,427,924**	8,230,637
Securities purchased under agreements to resell	–	21,863,011
Receivables	**2,296,206**	218,729
Investment securities	**149,277,200**	148,561,920
Mortgage loans portfolio	**51,806,819**	78,580,300
AFS investment	**100,000**	100,000
	246,908,149	257,554,597

The above table represents a worst case scenario of credit exposure to the Bank as at March 31, 2016 and 2015, 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, 21% of the total maximum exposure is derived from the mortgage loans portfolio (2015: 31%) and 60% (2015: 58%) 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 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 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)

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, 2016 with comparatives for 2015. 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	**43,427,924**	–	–	**43,427,924**
Receivables	**37,496**	**2,258,710**	–	**2,296,206**
Investment securities	–	**142,304,718**	**6,972,482**	**149,277,200**
Mortgage loans portfolio	**7,435,545**	**44,371,274**	–	**51,806,819**
AFS investment	**100,000**	–	–	**100,000**
As of March 31, 2016	**51,000,965**	**188,934,702**	**6,972,482**	**246,908,149**
Cash and cash equivalents	8,230,637	–	–	8,230,637
Securities purchased under agreements to resell	–	21,863,011	–	21,863,011
Receivables	40,011	178,718	–	218,729
Investment securities	7,000,000	141,124,420	437,500	148,561,920
Mortgage loans portfolio	8,451,546	70,128,754	–	78,580,300
AFS investment	100,000	–	–	100,000
As of March 31, 2015	23,822,194	233,294,903	437,500	257,554,597

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

	2016 $	2016 %	2015 $	2015 %
Commercial banks	**29,814,428**	**58**	55,475,100	71
Building society	**8,525,533**	**16**	10,610,204	13
Development bank	**7,435,545**	**14**	8,377,796	11
Credit unions	**3,623,422**	**7**	4,117,200	5
Finance company	**2,407,891**	**5**	–	–
	51,806,819	**100**	78,580,300	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 *...continued*

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 2016						
Financial assets:						
Cash and cash equivalents	43,415,368	–	–	–	13,056	43,428,424
Receivables	–	–	–	–	2,296,206	2,296,206
Investment securities	15,562,500	24,074,448	87,945,064	17,795,928	3,899,260	149,277,200
Mortgage loans portfolio	889,794	2,635,673	11,465,992	36,815,360	–	51,806,819
AFS investment	–	–	–	–	100,000	100,000
Total financial assets	**59,867,662**	**26,710,121**	**99,411,056**	**54,611,288**	**6,308,522**	**246,908,649**
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)**	**(98,436,579)**	**98,069,153**	**54,611,288**	**4,605,160**	**57,204,911**

(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 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	–	–	–	–	218,729	218,729
Investment securities	22,456,816	43,463,399	78,944,979	437,500	3,259,226	148,561,920
Mortgage loans portfolio	2,802,783	8,247,537	37,246,644	30,283,336	–	78,580,300
AFS investment	–	–	–	–	100,000	100,000
Total financial assets	**33,490,236**	**73,573,947**	**116,191,623**	**30,720,836**	**3,578,455**	**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	**32,740,236**	**(16,313,053)**	**7,731,923**	**30,720,836**	**2,484,893**	**57,364,835**

(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, 2016 and 2015. 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, 2016			
Financial assets			
Cash and cash equivalents	**43,196,097**	**232,327**	**43,428,424**
Receivables	**2,296,206**	–	**2,296,206**
Investment securities	**142,592,219**	**6,684,981**	**149,277,200**
Mortgage loans portfolio	**50,518,667**	**1,288,152**	**51,806,819**
AFS investment	**100,000**	–	**100,000**
	238,703,189	**8,205,460**	**246,908,649**
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**	**3,830,575**	**57,204,911**

(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, 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	218,729	–	218,729
Investment securities	148,561,920	–	148,561,920
Mortgage loans portfolio	75,786,860	2,793,440	78,580,300
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

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, 2016					
Assets:					
Cash and cash equivalents	43,428,424	–	–	–	43,428,424
Receivables	2,296,206	–	–	–	2,296,206
Investment securities	15,948,792	24,859,454	90,512,090	17,956,864	149,277,200
Mortgage loans portfolio	889,794	2,635,673	11,465,992	36,815,360	51,806,819
AFS investment	–	–	–	100,000	100,000
Total assets	62,563,216	27,495,127	101,978,082	54,872,224	246,908,649
Liabilities:					
Borrowings	32,577,334	158,746,131	2,479,740	–	193,803,205
Accrued expenses and other liabilities	150,756	–	–	–	150,756
	32,728,090	158,746,131	2,479,740	–	193,953,961
Net liquidity gap	29,835,126	(131,251,004)	99,498,342	54,872,224	52,954,688

(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, 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	218,729	–	–	–	218,729
Investment securities	24,903,649	43,498,745	79,722,026	437,500	148,561,920
Mortgage loans portfolio	2,802,783	8,247,537	37,246,644	30,283,336	78,580,300
AFS investment	–	–	–	100,000	100,000
Total assets	36,156,298	73,609,293	116,968,670	30,820,836	257,555,097
Liabilities:					
Borrowings	62,456,100	35,224,122	91,267,552	11,430,027	200,377,801
Accrued expenses and other liabilities	273,067	–	–	–	273,067
	62,729,167	35,224,122	91,267,552	11,430,027	200,650,868
Net liquidity gap	(26,572,869)	38,385,171	25,701,118	19,390,809	56,904,229

(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.

	2016	**2015**
	$	**$**
Total Debt	**189,552,982**	199,917,195
Total Equity	**58,113,604**	57,624,580
Debt to Equity ratio	**3.26**	3.47

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	
	2016 **$**	**2015** **$**	**2016** **$**	**2015** **$**
Cash and cash equivalents	**43,428,424**	8,231,137	**43,428,424**	8,231,137
Securities purchased under agreements to resell	**–**	21,863,011	**–**	21,863,011
Receivables	**2,296,206**	218,729	**2,296,206**	218,729
Investment securities	**149,277,200**	148,561,920	**149,277,200**	148,561,920
Mortgage loans portfolio	**51,806,819**	78,580,300	**51,806,819**	78,580,300
AFS investment	**100,000**	100,000	**100,000**	100,000
	246,908,649	257,555,097	**246,908,649**	257,555,097
Borrowings	**189,552,982**	199,917,195	**189,552,982**	199,917,195
Accrued expenses and other liabilities	**150,756**	273,067	**150,756**	273,067
	189,703,738	200,190,262	**189,703,738**	200,190,262

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, 2016 (2015: 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, 2016 (2015: 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, 2016 (2015: 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, 2016, 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

	2016 $	**2015 $**
Cash on hand	**500**	500
Balances with commercial banks	**40,400,368**	8,230,637
Three month fixed deposit at St. Kitts-Nevis-Anguilla National Bank Limited maturing on April 14, 2016 bearing interest at a rate of 2.0%	**3,027,556**	–
	43,428,424	8,231,137

Balances with commercial banks earned interest at rates ranging from 0 % to 0.1% (2015: 0 % to 0.1%) 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.

	2016 **$**	**2015** **$**
Two year reverse repurchase agreement matured on March 21, 2016 bearing interest at a rate of 4.25%	–	10,947,397
One year reverse repurchase agreement matured on March 25, 2016 bearing interest at a rate of 3.50%	–	10,427,329
	–	21,374,726
Interest receivable	–	488,285
	–	21,863,011

	2016 **$**	**2015** **$**
Current	–	21,863,011

These repurchase agreement securities were 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% respectively.

7 Receivables and prepayments

	2016 **$**	**2015** **$**
Receivables	**2,296,206**	218,729
Prepayments	**770,185**	25,484
	3,066,391	244,213

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)

8 Investment securities

	2016 $	2015 $
Loans and receivables		
Term deposits		
CLICO International Life Insurance Limited	**4,050,000**	4,200,000
Provision for impairment – CLICO	**(3,762,500)**	(3,762,500)
	287,500	437,500
One year fixed deposit at Eastern Amalgamated Bank Limited maturing on June 5, 2016 bearing interest at a rate of 3.0% (2015:3.75%)	**15,562,500**	15,000,000
Two year fixed deposit at The Bank of St. Lucia Limited maturing on March 23, 2018 bearing interest at a rate of 3.0% (2015: 3.0%)	**11,945,125**	11,945,125
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**	10,000,000
One year fixed deposit at The Bank of St. Vincent & the Grenadines Limited maturing on January 31, 2017 bearing interest at a rate of 3.0% (2015: 3.75%)	**6,574,493**	6,336,861
Ten year mortgage credit facility at Grenada Development Bank Limited maturing on September 15, 2019 bearing interest at a rate of 3.50%	**6,000,000**	–
One year fixed deposit at The Bank of St. Lucia Limited maturing on March 23, 2017 bearing interest at a rate of 3.00% (2015: 3.00%)	**5,000,000**	5,000,000
Five year fixed deposit at National Bank of Dominica Limited maturing on August 11, 2019 bearing interest at a rate of 4.5%	**5,000,000**	5,000,000
Three year fixed deposit at Capita Finance Services maturing on March 2, 2018 bearing interest at a rate of 4.25% (2015: 4.25%)	**5,000,000**	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% (2015: 4.0%)	**4,999,990**	4,999,990
One year fixed deposit at ABI Bank Limited (ABIB) maturing on March 4, 2017 bearing interest at 3.5%	**4,904,228**	5,126,553
Balance carried forward	**74,986,336**	68,408,529

(expressed in Eastern Caribbean dollars)

8 Investment securities *...continued*

	2016 $	2015 $
Term deposits *...continued*		
Loans and receivables *...continued*		
Balance brought forward	**74,986,336**	68,408,529
Two year fixed deposit at Capita Finance Services maturing on June 12, 2017 bearing interest at a rate of 4.25%	**4,899,955**	–
Two (2) one year fixed deposits at Financial Investment and Consultancy Services (FICS) Limited maturing on August 7, 2016 bearing interest at a rate of 5.0%	**3,999,965**	3,999,965
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% (2015: 5.0%)	**2,099,984**	1,999,985
One year fixed deposit at Community First Co-operative Credit Union maturing on October 9, 2016 bearing interest at a rate of 4.0%	**2,000,000**	2,000,000
Three year fixed deposit at Marigot Co-operative Credit Union maturing on March 31, 2018 bearing interest at a rate of 4.0%	**1,000,000**	1,000,000
One year fixed deposit at Eastern Caribbean Amalgamated Bank maturing on December 1, 2016 bearing interest at a rate of 3.5%	**500,000**	–
Two year fixed deposit at Grenada Co–operative Bank Limited matured on March 2, 2016 bearing interest at a rate of 4.5%	–	11,000,000
Two year fixed deposit at Eastern Amalgamated Bank Limited matured on March 28, 2016 bearing interest at a rate of 4.0%	–	10,000,000
One year fixed deposit at St. Kitts-Nevis-Anguilla National Bank Limited matured on August 6, 2015 bearing interest at a rate of 3.0%	–	7,000,000
Balance carried forward	**89,486,240**	105,408,479

(expressed in Eastern Caribbean dollars)

8 Investment securities *...continued*

	2016 $	2015 $
Term deposits *...continued*		
Balance carried forward	**89,486,240**	105,408,479
Bonds		
Sagicor Finance Inc.		
Maturing on August 11, 2022 bearing interest at a rate of 8.875%	**6,604,200**	–
Government of St. Vincent and the Grenadines		
Maturing on October 7, 2019 bearing interest at a rate of 6.00%	**10,000,000**	10,000,000
Maturing on May 11, 2017 bearing interest at a rate of 5.50%	**10,000,000**	–
Government of St. Lucia		
Maturing on October 14, 2019 bearing interest at a rate of 5.50%	**10,000,000**	10,000,000
Maturing on May 26, 2017 bearing interest at a rate of 5.50%	**4,000,000**	–
Government of the Commonwealth of Dominica		
Maturing on October 28, 2019 bearing interest at a rate of 5.00%	**10,000,000**	10,000,000
Maturing on October 28, 2019 bearing interest at a rate of 7.00%	**2,000,000**	2,000,000
	52,604,200	32,000,000
Treasury bills		
Government of St. Lucia		
Maturing on August 27, 2016 bearing interest at a rate of 2.30%	**3,000,000**	–
Government of St. Vincent and the Grenadines		
Matured on June 30, 2015 bearing interest at a rate of 2.30%	**–**	2,986,697
Matured on June 4, 2015 bearing interest at a rate of 4.00%	**–**	1,485,041
Government of the Commonwealth of Dominica		
Matured on June 26, 2015 bearing interest at a rate of 1.995%	**–**	2,985,078
	3,000,000	7,456,816
Total	**145,377,940**	145,302,795
Interest receivable	**4,124,260**	3,484,125
Less provision for impairment – CLICO	**(225,000)**	(225,000)
Total investment securities	**149,277,200**	148,561,920
Current	**57,024,696**	68,402,394
Non–current	**92,252,504**	80,159,526
	149,277,200	148,561,920

(expressed in Eastern Caribbean dollars)

8 Investment securities *…continued*

The movement of the investment securities is shown below:

	2016 $	2015 $
Opening principal balance	**145,302,795**	127,804,706
Additions	**43,908,515**	111,842,462
Disposals	**(43,683,370)**	(94,000,000)
Reclassifications/transfers	**(150,000)**	(344,373)
Ending principal balance	**145,377,940**	145,302,795
Opening interest receivable	**3,484,125**	2,281,695
Interest earned	**7,530,240**	6,228,203
Interest received/collected	**(6,890,105)**	(4,570,146)
Reclassifications/transfers	**–**	(455,627)
Ending interest receivable	**4,124,260**	3,484,125

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, 2016, the Bank's management have adopted a prudent approach to this matter and have established an impairment provision of 93% (2015: 90%) of the deposit balance and 100% (2015: 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 the sums of $150,000 for 2015 and yearly dividends of $200,000 relating to 2014, 2013, 2012 and 2011 totaling $950,000 as of March 31, 2016. The dividends payable has been offset with the principal receivable in 2016.

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 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. Further, the Government of Antigua and Barbuda and Eastern Caribbean Amalgamated Bank Ltd. (ECAB) reached an agreement to transfer most of the operations of the ABIB to the latter. As a result of the agreement between the Government of Antigua and Barbuda and the ECAB, deposits held at the ABIB up to $500,000 per depositor were to be transferred to ECAB.

(expressed in Eastern Caribbean dollars)

8 Investment securities *…continued*

Depositors Protection Trust (DPT) *…continued*

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. At the time of the approval of these financial statements, the bond had not been finalized for issue.

The DPT would assume the liabilities of amounts in excess of $500,000 held in the ABIB. As of March 31, 2016, 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.

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. At the date of the approval of these financial statements, there had been no payments made to the Bank in relation to principal payments or any related interest receivable.

Management assessed that the fixed deposit from ECAB and the DPT are recoverable in full, thus no allowance for impairment has been provided.

9 Mortgage loans portfolio

	2016 **$**	**2015** **$**
Commercial banks	**29,814,428**	55,475,100
Building society	**8,525,533**	10,610,204
Development bank	**7,435,545**	8,377,796
Credit unions	**3,623,422**	4,117,200
Finance company	**2,407,891**	–
	51,806,819	78,580,300
Current	**3,525,467**	11,050,319
Non-current	**48,281,352**	67,529,981
	51,806,819	78,580,300

(expressed in Eastern Caribbean dollars)

9 Mortgage loans portfolio *…continued*

Territory Analysis	**2016**	**2015**
	$	**$**
Antigua and Barbuda	**18,417,701**	20,562,402
St. Vincent and the Grenadines	**16,964,753**	38,511,204
St. Kitts and Nevis	**7,435,545**	8,377,796
Anguilla	**6,580,929**	11,128,898
St. Lucia	**2,407,891**	–
	51,806,819	78,580,300

	2016	**2015**
	$	**$**
Movement in the balance is as follows:		
Balance at beginning of the year	**78,580,300**	148,198,952
Add: Loans purchased	**3,256,555**	–
Less: Principal repayments	**(3,949,392)**	(6,156,731)
Mortgages that were repurchased and replaced	**(8,679,162)**	(8,544,768)
Mortgages pools repurchased	**(17,401,482)**	(54,917,153)
Balance at the end of the year	**51,806,819**	78,580,300

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 6.5% to 11% (2015: 7% to 11%).

(expressed in Eastern Caribbean dollars)

9 Mortgage loans portfolio *…continued*

Mortgage loans portfolio and accounts receivable balances held with the ABIB

Under the Sales and Administration Agreements between the ABIB and the Bank effected 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".

As at March 31, 2016, the mortgage loan balance amounted to $18,417,701. Collections made on behalf of the Bank for these loans amounted to $1,616,382.

Subsequent to the year end, the ECAB purchased a collection of mortgage loans from the ABIB under receivership which had been previously purchased by the Bank at March 31, 2016, these loans amounted to $9,991,814. The transfer for the aforementioned loans was completed as at May 31, 2016 along with all associated balances included under the Receivables and Prepayments.

Of the loans remaining, ABIB under receivership has collected $1,015,046 which was settled in June 2016.

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 finalisation of these financial statements was completed in June 2016.

10 Available-for-sale investment

	2016 $	2015 $
Eastern Caribbean Securities Exchange (ECSE) Limited 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, 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**
Year ended March 31, 2016					
Opening net book value	112,792	69,513	1,381	34,872	218,558
Depreciation charge (note 22)	(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**

(expressed in Eastern Caribbean dollars)

12 Intangible assets

	Computer software $	Website development $	Total $
Year ended March 31, 2015			
Opening net book value	13,121	12,004	25,125
Amortisation charge (note 22)	(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**
Year ended March 31, 2016			
Opening net book value	8,201	7,502	15,703
Amortisation charge (note 22)	(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**

(expressed in Eastern Caribbean dollars)

13 Borrowings

	2016 $	2015 $
Bonds in issue		
Balance at the beginning of the year	**184,096,700**	250,000,000
Add: Issues during the year	**87,637,000**	30,000,000
Less: Redemptions during the year	**(87,637,000)**	(95,903,300)
	184,096,700	184,096,700
Less: unamortised bond issue costs	**(342,972)**	(303,027)
	183,753,728	183,793,673
Interest payable	**1,519,624**	1,096,847
	185,273,352	184,890,520
Other borrowed funds		
Caribbean Development Bank (CDB) Loan	**4,341,903**	15,000,000
Less: unamortised transaction costs	**(95,255)**	(119,575)
	4,246,648	14,880,425
Interest payable	**32,982**	146,250
	4,279,630	15,026,675
Total	**189,552,982**	199,917,195

	2016 $	2015 $
Bonds in issue		
Current	**185,616,324**	88,733,847
Non–current	**–**	96,459,700
	185,616,324	185,193,547
Less: unamortised bond issue costs	**(342,972)**	(303,027)
	185,273,352	184,890,520
Other borrowed funds		
Current	**4,374,885**	3,146,250
Non–current	**–**	12,000,000
	4,374,885	15,146,250
Less unamortised transaction costs	**(95,255)**	(119,575)
	4,279,630	15,026,675
Total	**189,552,982**	199,917,195

(expressed in Eastern Caribbean dollars)

13 Borrowings *…continued*

	2016 $	2015 $
Bonds in issue		
3–year bond maturing on July 1, 2016 bearing interest at a rate of 3.75%	**31,200,000**	31,200,000
277–day bond maturing on April 4, 2016 bearing interest at a rate of 2.80%	**30,000,000**	–
335–day bond maturing on June 2, 2016 bearing interest at a rate of 1.50%	**30,000,000**	–
331–day bond maturing on December 28, 2016 bearing interest at a rate of 2.49%	**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
2–year bond matured on July 2, 2015 bearing interest at a rate of 3.749%	–	30,000,000
1–year bond matured on July 2, 2015 bearing interest at a rate of 2.75%	–	30,000,000
4–year bond matured on January 30, 2016 bearing interest at a rate of 4%	–	27,637,000
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 4% (2015: 2.75% to 4%).

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 3.90% to 2.97% (2015: decreased from 4.10% to 3.90%) during the financial year. The interest incurred for the year ended March 31, 2016 amounted to $297,458 (2015: $641,531) and is payable quarterly.

Subsequent to the Bank’s reporting period, on April 1, 2016, the loan from CDB was fully repaid in advance of maturity.

(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

	2016 $	2015 $
3 months or less	**750,000**	750,000
3–12 months	**2,250,000**	2,250,000
1–5 years	**1,341,903**	12,000,000
	4,341,903	15,000,000

The breakdown of interest payable is as follows:

	2016 $	2015 $
Bonds interest payable	**1,519,624**	1,096,847
Long–term loan interest payable	**32,982**	146,250
	1,552,606	1,243,097

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

	2016 $	2015 $
Capitalised bond issue costs		
Balance at beginning of year	**303,027**	550,730
Additions	**520,545**	118,748
	823,572	669,478
Less: amortisation for year (note 22)	**(480,600)**	(366,451)
Balance at end of year	**342,972**	303,027
Transaction costs on other borrowed funds		
Balance at beginning of year	**119,575**	143,895
Additions	**138,374**	–
	257,949	143,895
Less: amortisation for year (note 22)	**(162,694)**	(24,320)
Balance at end of year	**95,255**	119,575
	438,227	422,602

(expressed in Eastern Caribbean dollars)

13 Borrowings *…continued*

	2016 $	2015 $
Breakdown of capitalised bond issue costs		
365-day revolving credit maturing 31 January 2017 bearing interest of 7.0%	**125,000**	–
331-day bond maturing on December 28, 2016 bearing interest at a rate of 2.49%	**82,526**	–
Capitalised bond costs for bonds not yet issued	**47,701**	–
3–year bond maturing on March 26, 2017 bearing interest at a rate of 4%	**38,381**	76,763
4–year bond maturing on January 30, 2017 bearing interest at a rate of 3.75%	**21,153**	46,536
3–year bond maturing on July 1, 2016 bearing interest at a rate of 3.75%	**11,408**	57,040
335-day bond maturing on June 2, 2016 bearing interest at a rate of 1.50%	**7,428**	–
4–year bond maturing on September 28, 2016 bearing interest at a rate of 4%	**6,568**	19,703
277-day bond maturing on April 4, 2017 bearing interest at a rate of 2.80%	**2,807**	–
1–year bond maturing on July 2, 2015 bearing interest at a rate of 2.75%	–	59,897
4–year bond maturing on January 30, 2016 bearing interest at a rate of 4%	–	26,213
2–year bond maturing on July 2, 2015 bearing interest at a rate of 3.749%	–	16,875
Total	**342,972**	303,027

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 (2015: one (1) to four (4) years) which carry an interest rate ranging from 1.5% to 4% (2015: 2.75% to 4.0%).

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

The bank has a revolving line of credit which expires on January 31, 2017. The line of credit has a limit of $30,000,000 and is held at the St. Kitts-Nevis-Anguilla National Bank Limited. It incurs an interest rate of 7% per annum.

(expressed in Eastern Caribbean dollars)

14 Accrued expenses and other liabilities

	2016 $	2015 $
Accrued expenses	**147,756**	261,444
Other liabilities	**3,000**	11,623
	150,756	273,067

15 Share capital

The Bank is authorised to issue 400,000 (2015: 400,000) ordinary shares of no par value.

As at March 31, 2016, there were 268,749 (2015: 268,749) ordinary shares of no par value issued and outstanding.

	Number of shares	2016 $	2015 $
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)

16 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 in March 2014, 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.

17 Dividends

At the Annual General Meeting on November 11, 2015, dividends of $7.50 (2015: $10.00) per share were approved amounting to $2,015,618 (2015: $2,687,490).

Dividends paid during the financial year amounted to $2,015,618 (2015: $2,487,490). The dividends payable balance of $950,000 at March 31, 2016, includes $150,000 relating to 2015 and $200,000 relating to each of 2014, 2013, 2012, and 2011. In 2016, management took the decision to offset dividends payable to CLICO Barbados $150,000 (2015: $800,000) 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 $4,050,000 (2015: $4,200,000).

18 Interest income

	2016 **$**	**2015** **$**
Term deposits	**5,039,939**	5,453,247
Mortgage loans portfolio	**4,846,905**	8,648,317
Government bonds	**2,370,499**	768,959
Treasury bills	**119,802**	5,997
Bank deposits	**46,425**	584,625
	12,423,570	15,461,145

(expressed in Eastern Caribbean dollars)

19 Interest expense

	2016 $	2015 $
Bonds in issue	**6,226,514**	7,928,735
CDB loan	**297,458**	641,531
	6,523,972	8,570,266

20 Other income

	2016 $	2015 $
Mortgage underwriting seminar income	**168,011**	153,000
Mortgage underwriting seminar expenses	**(127,697)**	(121,807)
	40,314	31,193
Other income	**125**	75
Gain on disposal of equipment	**–**	2,400
	40,439	33,668

(expressed in Eastern Caribbean dollars)

21 General and administrative expenses

	2016 $	2015 $
Salaries and related costs	**1,161,276**	1,115,164
Rent (note 25)	**147,847**	51,386
Others	**44,661**	40,855
Credit rating fee	**40,754**	40,754
Telephone	**36,736**	31,793
Internal audit fees	**35,700**	37,800
Legal and professional	**29,932**	3,316
Advertising/promotion	**29,307**	8,929
Printing and stationery	**28,911**	12,731
Repairs and maintenance	**25,003**	10,474
Chief Executive Officer travel	**20,864**	11,718
Computer repairs and maintenance	**20,441**	10,165
Commission and fees	**18,250**	31,350
Airfares	**13,041**	9,133
Dues and subscriptions	**12,429**	10,605
Office supplies	**7,386**	26,027
Insurance	**6,554**	9,976
Courier services	**3,394**	2,610
Hotel accommodation	**2,603**	8,874
	1,685,089	1,473,660

(expressed in Eastern Caribbean dollars)

22 Other operating expenses

	2016 $	2015 $
Amortisation of bond issue costs and transaction costs (note 13)	**643,294**	390,771
Directors fees and expenses	**301,766**	378,190
Sundry	**115,785**	107,960
Depreciation of motor vehicle and equipment (note 11)	**86,331**	89,741
Professional fees	**55,204**	54,138
Intangible amortisation (note 12)	**9,422**	9,422
Foreign currency losses	**6,460**	35,437
Trustee fee	**–**	21,000
	1,218,262	1,086,659

23 Earnings per share (EPS)

Basic and diluted EPS are computed as follows:

	2016 $	2015 $
Net profit for the year	**2,504,642**	3,458,819
Weighted average number of shares issued	**268,749**	268,749
Basic earnings per share	**9.32**	12.87

The Bank has no dilutive potential ordinary shares as of March 31, 2016 and 2015.

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: nil). There were no outstanding contingent liabilities as of March 31, 2016 (2015: Nil).

(expressed in Eastern Caribbean dollars)

25 Related party transactions

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

The ECCB, which provided material support to the Bank in its formative years, holds 24.9% of its share capital and controls the chairmanship of the Board of Directors. Additionally, the Bank is housed in the complex of the ECCB at an annual rent of $147,847 (2015: $51,356).

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, 2016, the balance held with the ECCB was $4,430,453 (2015: $118,019).

Compensation of key management personnel

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

	2016 $	2015 $
Short–term benefits	**420,380**	511,116
Director fees	**198,000**	142,500
	618,380	653,616

26 Reclassification

The classification of certain items in the financial statement has been changed from the prior year to achieve a clearer or more appropriate presentation. Mortgage loan principal and interest payments collected by primary lender institutions which had not been remitted to the ECHMB were reclassified from mortgage loan portfolio to receivables and prepayments.

	As previously classified 2015 $	Reclassification 2015 $	As reclassified 2015 $
Effect on statement of financial position			
Assets			
Mortgage loan portfolio	78,759,018	(178,718)	78,580,300
Receivables and prepayments	65,495	178,718	244,213

APPENDIX 1 - BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: __**Timothy N. J. Antoine**_______________ Position: ___**Governor, ECCB**________

Age: ___**47**____________

Mailing Address: _**c/o Eastern Caribbean Home Mortgage Bank, ECCB Complex, Bird Rock**_

__**Basseterre, St. Kitts**____

____

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

List jobs held during past five years (include names of employers and dates of employment).

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)**

Give brief description of **current** responsibilities

The Governor shall -
1) preside as Chairman at the meetings of the Board of Directors;
2) serve as Chief Executive Officer of the Bank;
3) be in charge of and responsible to the Board for the implementation of the policy and the day to day management of the Bank;
4) attend all meetings of the Monetary Council.

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

Doctor of Humane Letters, St. George's University, Grenada	**2018**
Small Countries Financial Management, Isle of Man	**2009**
Training in Negotiations, SAID Business School, Oxford University	**2009**
MSc. Social Policy and Planning in Development Countries, London School of Economics and Political Science	**1998**
Certificate on Project Cycle Management, Caribbean Development Bank	**1994**
BSc. 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**________

Age: ___**54**____________

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).

General Manager - A.C. Shillingford & Co. Ltd, Dominica	**2000 - present**

Give brief description of **current** responsibilities

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. Johns University-Queens, New York	**1990**

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**______

Age: __**47**__________

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

____

____

Telephone No.: __**(767) 255 8324 (Work); 275 2674 (Mobile)**____________

List jobs held during past five years (include names of employers and dates of employment).

Chief Financial Officer - Dominica Social Security (DSS)	**2007 to present**

Give brief description of **current** responsibilities

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: _____**Peter L. Blanchard**_________ Position: ___**Chairman/ Owner, General Insurance Company Ltd**______

Age: ___**65**___________

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

____

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

List jobs held during past five years (include names of employers and dates of employment).

Chairman/Owner, General Insurance Company Limited 1984-Present

Give brief description of **current** responsibilities

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: ____**Sharmaine Francois**_______

Position: __**Asst. General Manager, Bank of Montserrat Ltd**_____

Age: ___**43**__________

Mailing Address: ___**c/o Bank of Montserrat, P. O. Box 10, Brades, Montserrat**_________

Telephone No.: __**(644) 491 3843 (Work); 495 4030 (Mobile);**_____________________

List jobs held during past five years (include names of employers and dates of employment).

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

Give brief description of **<u>current</u>** responsibilities

- **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, University of the West Indies (Jamaica)	**1999**

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: ____**Mr. Randy Lewis**____________ Position:_____**Chief Executive Officer**____________

Age: ____**44**______

Mailing Address: _____**c/o Eastern Caribbean Home Mortgage Bank, 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	**2013 - 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 University (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 [√] No

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

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

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

Age: ___**34**________

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 [√] No

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

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: __**Mr. Justin Skeete**______ Position:____**Systems Officer**_______

Age: __**31**_________

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 [√] No

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

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: __**Ms. Kelva Merchant**______ Position:___**Treasury Officer** ______

Age: __**33**________

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 and 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 Honours), University of West Indies (Barbados)	**2007**

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

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

Use additional sheets if necessary.