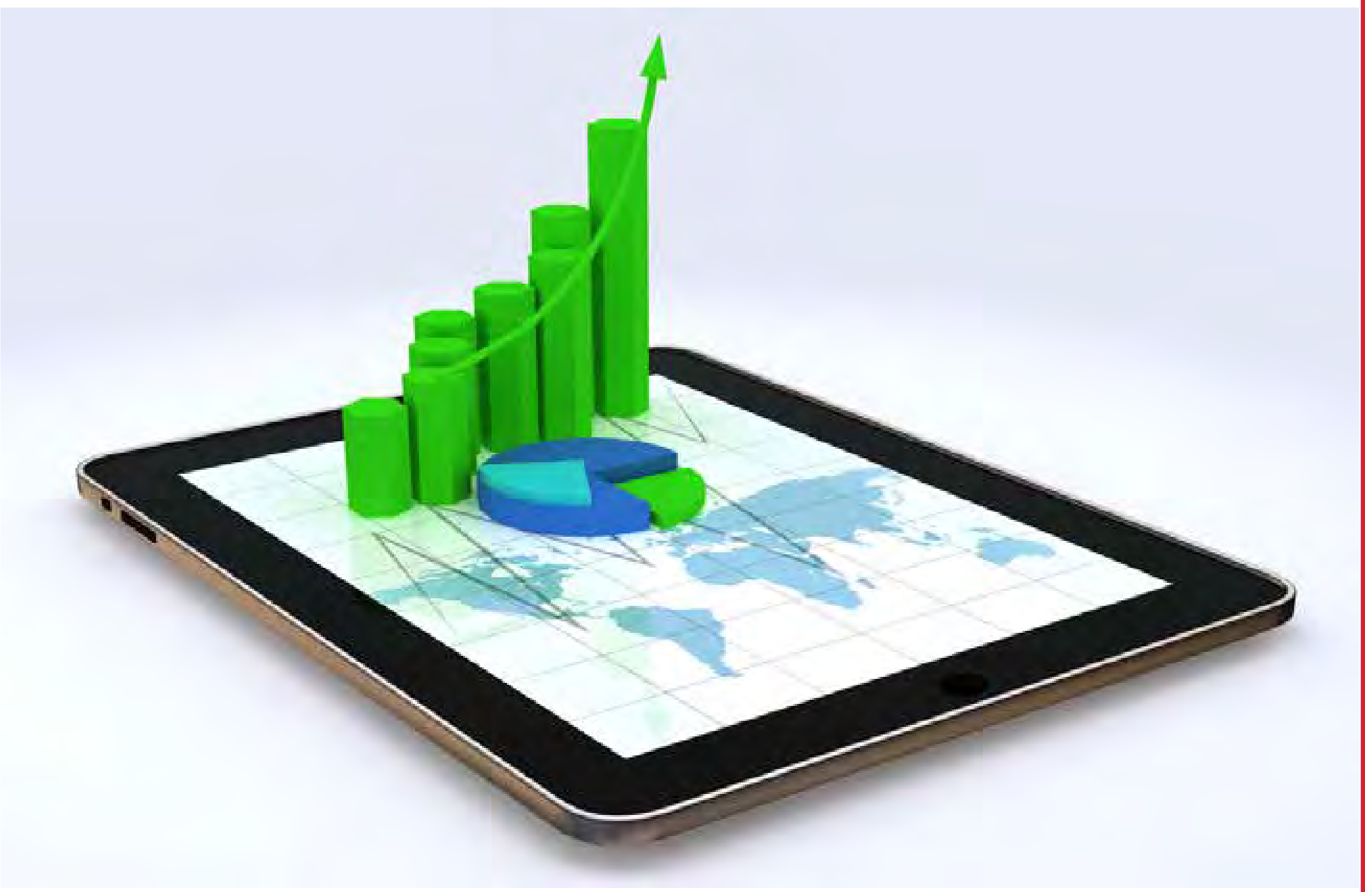
AUDITED FINANCIAL STATEMENTS



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Independent Auditors' Report

To the Shareholders
Eastern Caribbean Home Mortgage Bank

We have audited the accompanying financial statements of **Eastern Caribbean Home Mortgage Bank,** which comprise the statement of financial position as at March 31, 2015, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Eastern Caribbean Home Mortgage Bank** as at March 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Grant Thornton

Chartered Accountants
July 3, 2015
Basseterre, St. Kitts

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

St. Kitts
Jefferson Hunte

Audit • Tax • Advisory
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Eastern Caribbean Home Mortgage Bank

Statement of Financial Position
As at March 31, 2015

(expressed in Eastern Caribbean dollars)

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

The notes on pages 41 to 85 are an integral part of these financial statements.

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

K. Dwight Venner

Chairman

Director

Eastern Caribbean Home Mortgage Bank

Statement of Comprehensive Income
For the year ended March 31, 2015

(expressed in Eastern Caribbean dollars)

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

The notes on pages 41 to 85 are an integral part of these financial statements.

Eastern Caribbean Home Mortgage Bank

Statement of Changes in Equity
For the year ended March 31, 2015

(expressed in Eastern Caribbean dollars)

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

The notes on pages 41 to 85 are an integral part of these financial statements.

Eastern Caribbean Home Mortgage Bank

Statement of Cash Flows
For the year ended March 31, 2015

(expressed in Eastern Caribbean dollars)

	2015 $	2014 $
Cash flows from operating activities		
Net profit for the year	**3,458,819**	4,361,985
Items not affecting cash:		
Interest expense (note 19)	**8,570,266**	12,121,614
Amortisation: Bond issue costs and transaction costs (note 13)	**390,771**	338,762
Depreciation (note 11)	**89,741**	84,082
Amortisation: Intangible assets (note 12)	**9,422**	3,141
(Gain)/loss on disposal of equipment	**(2,400)**	632
Interest income (note 18)	**(15,461,145)**	(20,690,064)
Operating loss before working capital changes	**(2,944,526)**	(3,779,848)
Changes in operating assets and liabilities:		
(Increase)/decrease in receivables and prepayments	**(4,519)**	6,333
Decrease in accrued expenses and other liabilities	**(986,130)**	(75,044)
Cash used in operations before interest	**(3,935,175)**	(3,848,559)
Interest received	**13,081,845**	19,156,972
Interest paid	**(9,326,389)**	(12,494,006)
Net cash (used in)/generated from operating activities	**(179,719)**	2,814,407
Cash flows from investing activities		
Proceeds from maturity of investment securities	**94,000,000**	14,893,872
Proceeds from the pool of mortgages repurchased by primary lenders	**54,917,153**	25,375,040
Increase in mortgages repurchased/replaced	**8,544,768**	31,401,127
Proceeds from principal repayment on mortgages	**6,095,349**	9,322,782
Proceeds from disposal of equipment	**2,400**	–
Purchase of intangible assets	–	(28,266)
Purchase of mortgages	–	(14,893,872)
Purchase of motor vehicle and equipment	**(58,772)**	(48,828)
Purchase of investment securities	**(111,842,462)**	(90,264,502)
Net cash from/(used in) investing activities	**51,658,436**	(24,242,647)
Cash flows from financing activities		
Proceeds from bond issues	**30,000,000**	86,184,700
Payment for bond issue costs	**(118,748)**	(444,573)
Dividends paid	**(2,487,490)**	(2,487,490)
Repayment of borrowings	**(3,000,000)**	(3,000,000)
Repayment of bonds	**(95,903,300)**	(86,184,700)
Net cash used in financing activities	**(71,509,538)**	(5,932,063)
Decrease in cash and cash equivalents	**(20,030,821)**	(27,360,303)
Cash and cash equivalents at beginning of year	**28,261,958**	55,622,261
Cash and cash equivalents at end of year (note 5)	**8,231,137**	28,261,958

The notes on pages 41 to 85 are an integral part of these financial statements.

(expressed in Eastern Caribbean dollars)

1 Incorporation and principal activity

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

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

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

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

2 Significant accounting policies

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

a) Basis of preparation

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

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

b) Changes in accounting policy

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

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

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

2 Significant accounting policies *...continued*

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

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

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

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

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Bank. Management anticipates that all relevant pronouncements will be adopted in the Bank's accounting policies for the first period beginning after the effective date of the pronouncement. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Bank's financial statements.

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

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

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

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies *…continued*

c) Cash and cash equivalents

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

d) Securities purchased under agreements to resell

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

e) Financial assets and liabilities

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

Financial assets

The Bank allocates its financial assets to the IAS 39 categories of loans and receivables and available–for –sale (AFS) financial asset. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Loans and receivables

Loans and receivables are non–derivative financial assets with fixed or determinable payments that are not quoted in an active market other than: (a) those that the Bank intends to sell immediately or in the short term, which are classified or held for trading and those that the entity upon initial recognition designates at fair value through profit or loss; (b) those that the Bank upon initial recognition designates as AFS; (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

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

(ii) AFS financial asset

AFS financial asset is intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

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

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

Recognition and measurement

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

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

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

Financial liabilities

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

Derecognition

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

Reclassification of financial assets

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

(expressed in Eastern Caribbean dollars)

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

Reclassification of financial assets *...continued*

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

f) Classes of financial instruments

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

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

g) Impairment of financial assets

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

(expressed in Eastern Caribbean dollars)

g) Impairment of financial assets *…continued*

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

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

h) Offsetting financial instruments

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

i) Employee benefits

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

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

j) Provisions

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

(expressed in Eastern Caribbean dollars)

j) Provisions *...continued*

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

k) Motor vehicles and equipment

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

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

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

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

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

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

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

l) Impairment of non–financial assets

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

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies*...continued*

m) Intangible assets

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

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

n) Borrowings

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

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

o) Interest income and expense

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

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

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

(expressed in Eastern Caribbean dollars)

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

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

p) Dividends distribution

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

q) Expenses

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

r) Operating lease – Bank as a lessee

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

s) Foreign currency translation

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

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

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

t) Share capital

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

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies *...continued*

u) Reserves

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

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

v) Retained earnings

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

w) Earnings per share

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

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

3 Financial risk management

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

(expressed in Eastern Caribbean dollars)

3 Financial risk management *...continued*

a) Enterprise risk management approach

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

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

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

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

The Board carries out its risk management oversight function by:

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

b) Risk measurement and reporting systems

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

Information compiled is examined in order to analyse, control and identify early risks by undertaking an

(expressed in Eastern Caribbean dollars)

3 Financial risk management *...continued*

c) Excessive risk concentration

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

d) Credit risk

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

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

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

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

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

(expressed in Eastern Caribbean dollars)

3 Financial risk management *...continued*

d) Credit risk exposure

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

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

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

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

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

e) Management of credit risk

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

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

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

(expressed in Eastern Caribbean dollars)

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

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

	St. Kitts and Nevis $	Other ECCU Member States $	Barbados $	Total $
Cash and cash equivalents	**8,230,637**	–	–	**8,230,637**
Securities purchased under agreements to resell	–	**21,863,011**	–	**21,863,011**
Other receivables	**40,011**	–	–	**40,011**
Investment securities	**7,000,000**	**141,124,420**	**437,500**	**148,561,920**
Mortgage loans portfolio	**8,451,546**	**70,307,472**	–	**78,759,018**
AFS investment	**100,000**	–	–	**100,000**
As of March 31, 2015	**23,822,194**	**233,294,903**	**437,500**	**257,554,597**
Cash and cash equivalents	28,261,338	–	–	28,261,338
Securities purchased under agreements to resell	–	20,974,227	–	20,974,227
Other receivables	36,579	–	–	36,579
Investment securities	76,935,616	51,688,285	1,237,500	129,861,401
Mortgage loans portfolio	10,243,711	138,240,118	–	148,483,829
AFS investment	100,000	–	–	100,000
As of March 31, 2014	115,577,243	210,902,631	1,237,500	327,717,374

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

	2015 $	2015 %	2014 $	2014 %
Commercial banks	**55,580,428**	**71**	115,994,548	78
Credit unions	**4,117,020**	**5**	10,559,405	7
Building society	**10,610,024**	**13**	11,686,165	8
Development bank	**8,451,546**	**11**	10,243,711	7
	78,759,018	**100**	148,483,829	100

(expressed in Eastern Caribbean dollars)

3 Financial risk management *...continued*

f) Market risk

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

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

i) Interest rate risk

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

(expressed in Eastern Caribbean dollars)

3 Financial risk management *...continued*

f) Market risk

i) Interest rate risk *...continued*

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

	Within 3 months $	3 to 12 months $	1 to 5 years $	Over 5 years $	Non–interest bearing $	Total $
As at 31 March 2015						
Financial assets:						
Cash and cash equivalents	8,230,637	–	–	–	500	8,231,137
Securities purchased under agreements to resell	–	21,863,011	–	–	–	21,863,011
Receivables	–	–	–	–	40,011	40,011
Investment securities	22,456,816	43,463,399	78,944,979	437,500	3,259,226	148,561,920
Mortgage loans portfolio	2,864,165	8,247,537	37,246,644	30,283,336	117,336	78,759,018
AFS investment	–	–	–	–	100,000	100,000
Total financial assets	**33,551,618**	**73,573,947**	**116,191,623**	**30,720,836**	**3,517,073**	**257,555,097**
Financial liabilities:						
Borrowings	750,000	89,887,000	108,459,700	–	820,495	199,917,195
Accrued expenses and other liabilities	–	–	–	–	273,067	273,067
Total financial liabilities	**750,000**	**89,887,000**	**108,459,700**	–	**1,093,562**	**200,190,262**
Interest sensitivity gap	**32,801,618**	**(16,313,053)**	**7,731,923**	**30,720,836**	**2,423,511**	**57,364,835**

(expressed in Eastern Caribbean dollars)

Financial risk management *...continued*

f) Market risk *...continued*

i) Interest rate risk *...continued*

	Within 3 months $	3 to 12 months $	1 to 5 years $	Over 5 years $	Non–interest bearing $	Total $
As at 31 March 2014						
Financial assets:						
Cash and cash equivalents	28,261,338	–	–	–	620	28,261,958
Securities purchased under agreements to resell	–	10,000,000	10,947,397	–	26,830	20,974,227
Receivables	–	–	–	–	36,579	36,579
Investment securities	15,000,000	90,567,206	21,000,000	–	3,294,195	129,861,401
Mortgage loans portfolio	2,032,169	5,970,443	27,904,668	112,140,682	435,867	148,483,829
AFS investment	–	–	–	–	100,000	100,000
Total financial assets	**45,293,507**	**106,537,649**	**59,852,065**	**112,140,682**	**3,894,091**	**327,717,994**
Financial liabilities:						
Borrowings	12,050,000	86,853,300	169,096,700	–	1,304,595	269,304,595
Accrued expenses and other liabilities	–	–	–	–	1,259,197	1,259,197
Dividends payable	–	–	–	–	600,000	600,000
Total financial liabilities	**12,050,000**	**86,853,300**	**169,096,700**	–	**3,163,792**	**271,163,792**
Interest Sensitivity Gap	**33,244,127**	**19,684,349**	**(109,244,635)**	**112,140,682**	**729,679**	**56,554,202**

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

f) Market risk ...*continued*

ii) Foreign currency risk

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

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

	Eastern Caribbean Dollar $	United States Dollar $	Total $
At March 31, 2015			
Financial assets			
Cash and cash equivalents	7,622,203	608,934	8,231,137
Securities purchased under agreement to resell	21,863,011	–	21,863,011
Receivables	40,011	–	40,011
Investment securities	148,561,920	–	148,561,920
Mortgage loans portfolio	75,965,578	2,793,440	78,759,018
AFS investment	100,000	–	100,000
	254,152,723	3,402,374	257,555,097
Financial liabilities			
Borrowings	184,890,520	15,026,675	199,917,195
Accrued expenses and other liabilities	273,067	–	273,067
	185,163,587	15,026,675	200,190,262
Net statement of financial position	68,989,136	(11,624,301)	57,364,835

(expressed in Eastern Caribbean dollars)

3 Financial risk management *…continued*

f) Market risk *...continued*

ii) Foreign currency risk *...continued*

	Eastern Caribbean Dollar $	United States Dollar $	Total $
At March 31, 2014			
Financial assets			
Cash and cash equivalents	27,063,657	1,198,301	28,261,958
Securities purchased under agreement to resell	20,974,227	–	20,974,227
Receivables	36,579	–	36,579
Investment securities	129,861,401	–	129,861,401
Mortgage loans portfolio	127,646,690	20,837,139	148,483,829
AFS investment	100,000	–	100,000
	305,682,554	22,035,440	327,717,994
Financial liabilities			
Borrowings	251,263,990	18,040,605	269,304,595
Accrued expenses and other liabilities	1,259,197	–	1,259,197
Dividends payable	600,000	–	600,000
	253,123,187	18,040,605	271,163,792
Net statement of financial position	52,559,367	3,994,835	56,554,202

g) Liquidity risk

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

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

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

(expressed in Eastern Caribbean dollars)

3 Financial risk management … *continued*

Maturities analysis of assets and liabilities

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

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

(expressed in Eastern Caribbean dollars)

3 Financial risk management …*continued*

Maturities analysis of assets and liabilities …*continued*

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

(expressed in Eastern Caribbean dollars)

3 Financial risk management approach … *continued*

h) Operational risk

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

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

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

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

i) Capital management

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

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

(expressed in Eastern Caribbean dollars)

3 Financial risk management … *continued*

i) Capital management…*continued*

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

During 2015, the Bank's strategy, which was unchanged from 2014, was to maintain the gearing ratio within 8:1 and an AA– credit rating. The AA– credit rating has been maintained throughout the period. The gearing ratios as at March 31, 2015 and 2014 were as follows:

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

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

(expressed in Eastern Caribbean dollars)

3 Financial risk management *…continued*

i) Fair value estimation

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

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

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

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

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

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

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

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

4 Critical accounting estimates and judgements

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

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

(a) Impairment losses on investment securities

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

(b) Impairment losses on mortgage loans portfolio

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

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

(c) Impairment loss on AFS financial asset

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

(expressed in Eastern Caribbean dollars)

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

(d) Useful lives of motor vehicles and equipment

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

(e) Impairment of Non-financial assets

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

5 Cash and cash equivalents

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

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

(expressed in Eastern Caribbean dollars)

6 Securities purchased under agreements to resell

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

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

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

These repurchase agreement securities are collateralized by bonds issued by the Government of St. Lucia in the amount of $10,705,243 bearing interest at a rate of 4.25% and $10,417,491 (USD$3,858,330) bearing interest at a rate of 3.50% (2014: $10,705,243 and $9,990,564) respectively.

7 Receivables and prepayments

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

(expressed in Eastern Caribbean dollars)

8 Investment securities

	2015 $	2014 $
Loans and receivables		
Term deposits		
CLICO International Life Insurance Limited	**4,200,000**	5,000,000
Provision for impairment – CLICO	**(3,762,500)**	(3,762,500)
	437,500	1,237,500
Two year fixed deposit at The Bank of St. Lucia Limited maturing on March 23, 2018 bearing interest at a rate of 3.0% (2014: 4.25%)	**11,945,125**	20,950,000
One year fixed deposit at Eastern Amalgamated Bank Limited maturing on June 5, 2015 bearing interest at a rate of 3.75%	**15,000,000**	–
Two year fixed deposit at Grenada Co–operative Bank Limited maturing on March 2, 2016 bearing interest at a rate of 4.5% (2014: 4.5%)	**11,000,000**	11,000,000
Two (2) three year fixed deposits at Grenada Public Service Co-operative Credit Union maturing on June 5, 2018 bearing interest at a rate of 4.25%	**10,000,000**	–
Two year fixed deposit at Eastern Amalgamated Bank Limited maturing on March 28, 2016 bearing interest at a rate of 4.0% (2014: 4.0%)	**10,000,000**	10,000,000
One year fixed deposit at St. Kitts-Nevis-Anguilla National Bank Limited maturing on August 6, 2015 bearing interest at a rate of 3.0%	**7,000,000**	–
One year fixed deposit at The Bank of St. Vincent & the Grenadines Limited maturing on January 31, 2016 bearing interest at a rate of 3.75% (2014: 4.5%)	**6,336,861**	6,063,982
One year fixed deposit at ABI Bank Limited maturing on March 4, 2016 bearing interest at a rate of 3.5% (2014: 3.5%)	**5,126,553**	3,553,224
One year fixed deposit at The Bank of St. Lucia Limited maturing on March 23, 2017 bearing interest at a rate of 3.00%	**5,000,000**	–

(expressed in Eastern Caribbean dollars)

8 Investment securities *...continued*

Loans and receivables *...continued*

Term deposits *...continued*

	2015 $	2014 $
Five year fixed deposit at National Bank of Dominica Limited maturing on August 11, 2019 bearing interest at a rate of 4.5%	**5,000,000**	–
Three year fixed deposit at Capita Finance Services maturing on March 2, 2018 bearing interest at a rate of 4.25%	**5,000,000**	–
Two year fixed deposit at St. Vincent & the Grenadines Teachers Co-operative Credit Union maturing on August 7, 2016 bearing interest at a rate of 4.0%	**4,999,990**	–
Two (2) one year fixed deposits at Financial Investment and Consultancy Services (FICS) Limited maturing on August 6, 2016 bearing interest at a rate of 5.0%	**3,999,965**	–
One year fixed deposit at Communal Co-operative Credit Union maturing on October 9, 2015 bearing interest at a rate of 4.0%	**2,000,000**	–
Two year fixed deposit at Financial Investment and Consultancy Services (FICS) Limited maturing on October 9, 2016 bearing interest at a rate of 5.0%	**1,999,985**	–
Three year fixed deposit at Marigot Co-operative Credit Union maturing on March 31, 2018 bearing interest at a rate of 4.0%	**1,000,000**	–
Two (2) 1–year fixed deposits at St. Kitts-Nevis-Anguilla National Bank Limited matured on July 26, 2014 bearing interest at a rate of 4.25%	–	60,000,000
Six month fixed deposit at St. Kitts-Nevis-Anguilla National Bank Limited matured on April 24, 2014 bearing interest at a rate of 3.0%	–	15,000,000
	105,408,479	126,567,206

(expressed in Eastern Caribbean dollars)

8 Investment securities *...continued*

	2015 $	2014 $
Government bonds		
Government of St. Vincent and the Grenadines		
Maturing on October 7, 2019 bearing interest at a rate of 6.00%	**10,000,000**	–
Government of St. Lucia		
Maturing on October 14, 2019 bearing interest at a rate of 5.50%	**10,000,000**	–
Government of the Commonwealth of Dominica		
Maturing on October 28, 2019 bearing interest at a rate of 5.00%	**10,000,000**	–
Maturing on October 28, 2019 bearing interest at a rate of 7.00%	**2,000,000**	–
	32,000,000	–
Treasury bills		
Government of St. Vincent and the Grenadines		
Maturing on June 30, 2015 bearing interest at a rate of 2.30%	**2,986,697**	–
Maturing on June 4,2015 bearing interest at a rate of 4.00%	**1,485,041**	–
Government of the Commonwealth of Dominica		
Maturing on June 26, 2015 bearing interest at a rate of 1.995%	**2,985,078**	–
	7,456,816	–
Total	**145,302,795**	127,804,706
Interest receivable	**3,484,125**	2,281,695
Less provision for impairment – CLICO	**(225,000)**	(225,000)
Total investment securities	**148,561,920**	129,861,401
Current	**68,402,394**	108,816,333
Non–current	**80,159,526**	21,045,068
	148,561,920	129,861,401

(expressed in Eastern Caribbean dollars)

8 Investment securities *...continued*

The movement of the investment securities is shown below:

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

Term deposits held with CLICO International Life Insurance Limited

The Bank holds an Executive Flexible Premium Annuity (EFPA) with CLICO International Life Insurance Limited (CLICO Barbados), a member of the CL Financial Group. The EFPA matured in October 2009. During the 2011 financial year, the Bank was informed that CLICO had been placed under judicial management. On July 28, 2011 the Judicial Manager submitted its final report to the High Court in Barbados setting out its findings and recommendations. As at March 31, 2014, the Bank's management have adopted a prudent approach to this matter and have established an impairment provision of 90% (2014: 75%) of the deposit balance and 100% (2014: 100%) of the accrued interest.

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

(expressed in Eastern Caribbean dollars)

9 Mortgage loans portfolio

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

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

	2015	**2014**
	$	**$**
Movement in the balance is as follows:		
Balance at beginning of the year – principal	**148,198,952**	199,404,029
Add: Loans purchased	–	14,893,872
Less: Principal repayments	**(6,095,349)**	(9,322,782)
Mortgages that were repurchased and replaced	**(8,544,768)**	(31,401,127)
Mortgages pools repurchased	**(54,917,153)**	(25,375,040)
Balance at the end of the year – principal	**78,641,682**	148,198,952
Interest receivable	**117,336**	284,877
	78,759,018	148,483,829

(expressed in Eastern Caribbean dollars)

9 Mortgage loans portfolio…*continued*

Terms and Conditions of Purchased Mortgages

a) *Purchase of Mortgages*

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

b) *Recourse to Primary Lending Institutions*

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

c) *Administration Fees*

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

d) *Rates of Interest*

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

10 Available-for-sale investment

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

(expressed in Eastern Caribbean dollars)

11 Motor vehicles and equipment

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

(expressed in Eastern Caribbean dollars)

12 Intangible assets

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

(expressed in Eastern Caribbean dollars)

13 Borrowings

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

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

(expressed in Eastern Caribbean dollars)

13 Borrowings *...continued*

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

Bonds issued by the Bank are secured by debentures over the fixed and floating assets of the Bank. Interest is payable semi–annually in arrears at rates varying between 2.75% to 4% (2014: 3.75% to 5.9%).

CDB Loan

On January 31, 2008, the Bank obtained a loan from CDB in the amount of US$10,000,000 (EC$27,000,000) for a period of 11 years with a two–year moratorium. The loan is payable in 36 equal or approximately equal and consecutive quarterly instalments from the first due date after the expiry of the two (2) year moratorium. Under the terms of the loan agreement between CDB and the Bank, CDB has the right to increase or decrease the rate of interest payable on the loan. The loan is secured by first fixed and floating charges over the Bank's assets. The interest rate on the loan was decreased from 4.10% to 3.90% (2014: increased from 3.83% to 4.10%) during the financial year. The interest incurred for the year ended March 31, 2015 amounted to $641,531 (2014: $756,112) and is payable quarterly.

(expressed in Eastern Caribbean dollars)

13 Borrowings...*continued*

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

Maturity analysis

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

The breakdown of interest payable is as follows:

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

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

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

(expressed in Eastern Caribbean dollars)

13 Borrowings*...continued*

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

Capitalised bond issue costs
The bond issue costs are being amortised over the duration of the life of the respective bonds ranging from one (1) to four (4) years (2014: three (3) to twelve (12) years) which carry an interest rate ranging from 2.75% to 4% (2014: 3.749% to 5.9%).

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

14 Accrued expenses and other liabilities

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

(expressed in Eastern Caribbean dollars)

15 Dividends

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

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

16 Share capital

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

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

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

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

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

(expressed in Eastern Caribbean dollars)

17 Reserves

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

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

18 Interest income

	2015 $	2014 $
Mortgage loans portfolio	**8,648,317**	14,775,276
Term deposits	**5,453,247**	5,064,364
Government bonds	**768,959**	–
Bank deposits	**584,625**	850,424
Treasury bills	**5,997**	–
	15,461,145	20,690,064

19 Interest expense

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

(expressed in Eastern Caribbean dollars)

20 Other income

	2015 $	2014 $
Mortgage underwriting seminar income	**153,000**	169,260
Mortgage underwriting seminar expenses	**(121,807)**	(127,636)
	31,193	41,624
Other income	**75**	–
Gain/(loss) on disposal of equipment	**2,400**	(632)
	33,668	40,992

21 General and administrative expenses

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

(expressed in Eastern Caribbean dollars)

22 Other operating expenses

	2015 $	2014 $
Amortisation (note 13)	**390,771**	338,763
Directors fees	**378,190**	337,631
Sundry expenses	**107,960**	131,302
Depreciation (note 11)	**89,741**	84,082
Professional fees	**54,138**	53,417
Foreign currency losses	**35,437**	3,634
Trustee fee	**21,000**	(21,999)
Intangible amortisation (note 12)	**9,422**	3,141
Over provision of bond related legal fees	**–**	(40,900)
	1,086,659	889,071

23 Earnings per share (EPS)

Basic and diluted EPS are computed as follows:

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

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

24 Contingent liabilities and capital commitments

The budget as approved by the Board of Directors does not include capital expenditure for the year ended March 31, 2016 (2015: 74,960). There were no outstanding contingent liabilities as of March 31, 2015 (2014: Nil).

(expressed in Eastern Caribbean dollars)

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

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

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

Compensation of key management personnel

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

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