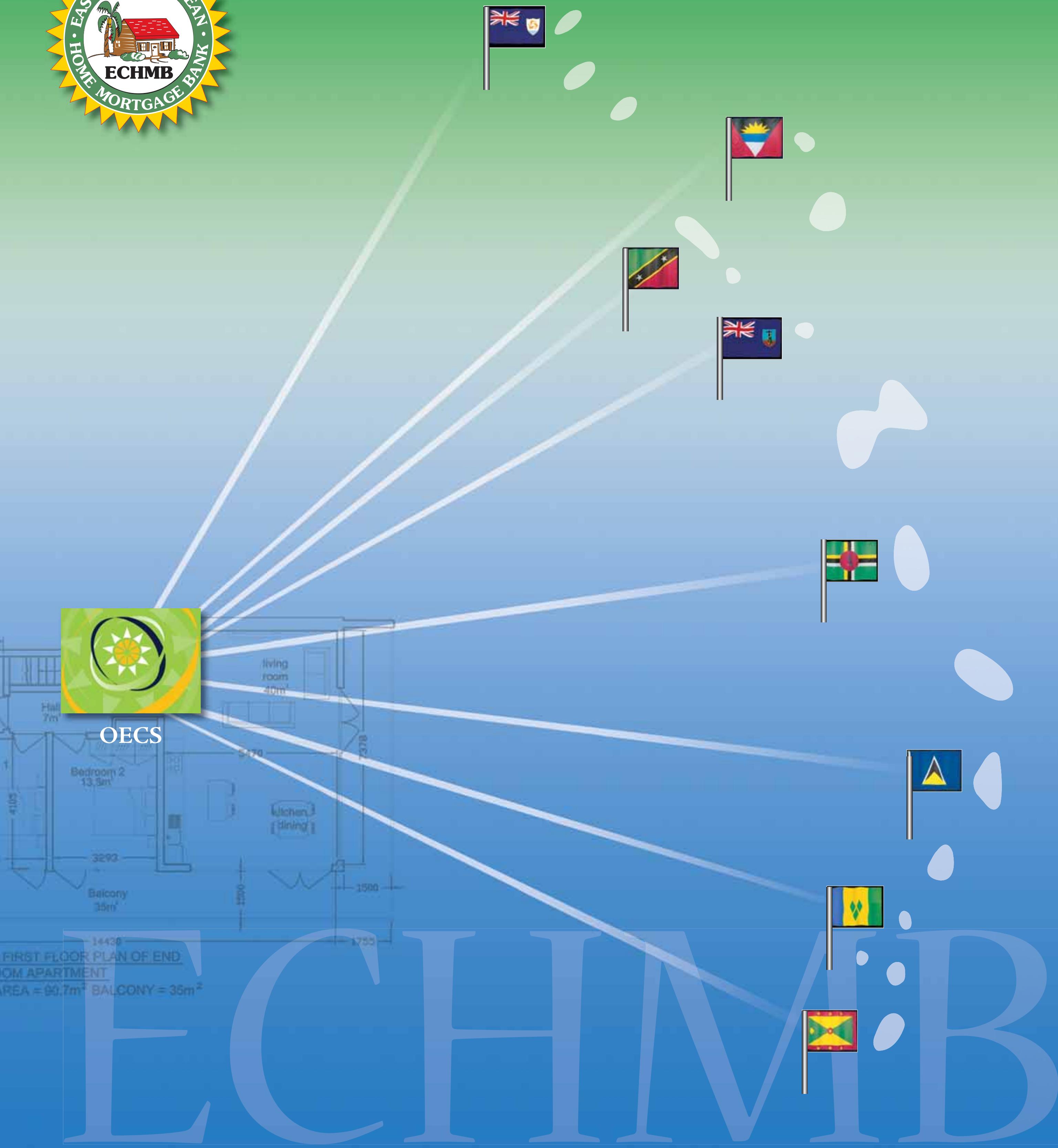
EASTERN CARIBBEAN HOME MORTGAGE BANK

ECHMB



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2008

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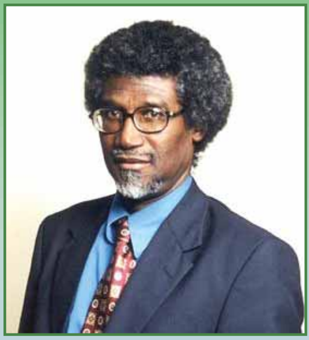
MISSION STATEMENT

To promote the development of the secondary mortgage market in the member states and bring additional benefits, by facilitating the development of the money and capital market, improving liquidity management in the financial system and promoting home ownership throughout the member states.

Board of Directors


Sir K Dwight Venner
Chairman


Angus Smith
Deputy Chairman


Ralph V. C. Hodge
Director


Timothy A. Hodge
Director


Yves R. Ephraim
Director


Maria Barthelmy
Corporate Secretary

MANAGEMENT TEAM

Duleep Cheddie
Chief Executive Officer

Randy R. R. Lewis
Manager, Corporate Finance

Dennis S. M. Cornwall
Manager, Research and Marketing

Cynthia M. E. Joseph
Manager, Mortgage Underwriting

LIST OF SHAREHOLDERS

CLASS A (25%)

Eastern Caribbean Central Bank

CLASS B (11.4%)

SOCIAL SECURITY BOARDS

Anguilla Social Security Board
Dominica Social Security Board
National Insurance Corporation (St. Lucia)
National Insurance Scheme (Grenada)
Social Security Board (Montserrat)
St. Kitts & Nevis Social Security Board
National Insurance Services (SVG)

GOVERNMENT OWNED OR CONTROLLED BANKS

National Commercial Bank (St. Vincent) Ltd
St. Kitts-Nevis-Anguilla National Bank

CLASS C (28.5%)

PRIVATE SECTOR BANKS

ABI Bank Ltd
ACB Mortgage and Trust Company Ltd
Anguilla Mortgage Company Ltd
Antigua Commercial Bank
Bank of Antigua Ltd
Bank of Nevis Ltd
Bank of Nova Scotia (St. Kitts & Nevis) Ltd
Caribbean Commercial Bank (Anguilla) Ltd
East Caribbean Financial Holding Company Ltd
Finance and Development Company Ltd (Antigua)
1st National Bank St. Lucia Ltd
First Caribbean International Bank (Antigua)
First Caribbean International Bank (St. Lucia)
First Caribbean International Bank (St. Vincent)
First St. Vincent Bank Ltd
Grenada Cooperative Bank Ltd
National Bank of Anguilla Ltd
National Bank of Dominica Ltd
National Investment Company of Anguilla Ltd
National Mortgage Finance Company of Dominica Ltd
RBTT Bank Caribbean Ltd (Antigua & Barbuda)
RBTT Bank (Grenada) Ltd
RBTT Bank (SKN) Ltd
RBTT Bank Caribbean Ltd (St. Lucia)
RBTT Bank Caribbean Ltd (St. Vincent)
Republic Bank (Grenada) Ltd

CLASS D (35.1%)

CREDIT UNIONS AND OTHER FINANCIAL INSTITUTIONS

Central Co-operative Credit Union Ltd.(Dominica)
Dominica Cooperative Societies Leagues Ltd
General Employees' Cooperative Credit Union Ltd - St. Vincent
Grenada Building and Loan Association
Grenada Public Service Cooperative Credit Union Ltd
Kingstown Cooperative Credit Union Ltd (St. Vincent)
Montserrat Building Society Ltd
Nevis Cooperative Credit Union Ltd
River Sallee Cooperative Credit Union Ltd (Grenada)
Roseau Cooperative Credit Union Ltd (Dominica)
St. John's Cooperative Credit Union Ltd (Antigua)
St. Kitts Cooperative Credit Union Ltd
St. Kitts Nevis Finance Company
St. Lucia Civil Service Cooperative Credit Union Ltd
St. Lucia Teachers Cooperative Credit Union Ltd
St. Patrick's Cooperative Credit Union Ltd (Montserrat)
St. Vincent Building and Loan Association
St. Vincent Union of Teachers Cooperative Credit Union Ltd
Community First Cooperative Credit Union Ltd (Antigua)
Royal St. Lucia Police and Allied Services Cooperative Credit Union Ltd

INSURANCE COMPANIES

CLICO International Life Insurance
Demerara Mutual Life Assurance Society
Metrocinct General Insurance Company Ltd (St. Vincent)
National Caribbean Insurance Company Ltd (St. Kitts)
Sagicor Life Inc.
St. Kitts & Nevis Insurance Company
St. Vincent Insurances Ltd

FINANCIAL HIGHLIGHTS

The highlights of the Bank's Balance Sheet and Statement of Income for each of the last five (5) years are as follows:-

	2008 $'000	2007 $'000	2006 $'000	2005 $'000	2004 $'000
Balance Sheet					
Total Assets	173,459	131,214	129,966	128,669	125,183
Mortgages Receivable	129,664	74,513	78,361	74,224	65,454
Bonds in Issue	152,582	111,930	111,480	111,480	109,365
Shareholders' Equity	18,890	18,001	16,971	15,719	14,332
Statement of Income					
Interest Income	13,286	11,207	11,267	11,330	10,385
Bond Expenses	8,126	6,367	6,352	6,671	6,320
Net Income for Year	1,890	2,030	2,252	2,387	1,900
Earnings per Share	$18.90	$20.30	$22.52	$23.87	$19.00

CORPORATE INFORMATION

BOARD OF DIRECTORS

Sir K Dwight Venner Chairman	Governor, Eastern Caribbean Central Bank
Angus Smith Deputy Chairman	Executive Director, Grenada Authority for the Regulation of Financial Institutions
Timothy A. Hodge	Director, Anguilla Social Security Board
Yves R. Ephraim	Managing Director, Pegasus Technologies, Antigua & Barbuda
Ralph V.C. Hodge	Director, National Bank of Anguilla Ltd
Maria Barthelmy Corporate Secretary	Adviser, Governor's Immediate Office Eastern Caribbean Central Bank

MANAGEMENT

Duleep Cheddie	Chief Executive Officer
Randy R. R. Lewis	Manager, Corporate Finance
Cynthia M. E. Joseph	Manager, Mortgage Underwriting
Dennis S. M. Cornwall	Manager, Research and Marketing

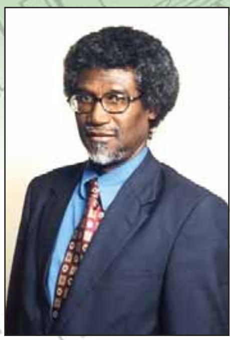
AUDITORS

Pannell Kerr Forster
Chartered Accountants
North Independence Square
Basseterre
St. Kitts

SOLICITORS

Wilkinson, Wilkinson & Wilkinson
Chambers
Lucas Street
St George's
Grenada

CHAIRMAN'S REPORT



On behalf of the Board of Directors of the Eastern Caribbean Home Mortgage Bank (ECHMB), I am pleased to present the Annual Report of the ECHMB with the Audited Financial Statements for the year ended 31 March 2008.

Over the year, the global economic conditions deteriorated having a negative impact on the economic and financial landscape within which the ECHMB operates. The World Economic Outlook released on 09 April 2008, reflects a weaker outlook for GDP growth in all the major industrialised economies, with the slowdown being led by the United States.

Inflationary pressures continue to build around the world, driven by sustained increases in food and energy prices.

Growing demand from emerging markets, continued depreciation of the US dollar, natural phenomena such as droughts and strong demand from the bio-fuel industry have contributed to the rising prices of food commodities. Wheat, corn and rice are some of the commodities that have experienced a dramatic rise in prices.

Crude oil prices are expected to trade at over US$110 throughout 2008. The commodity's high prices are driven in part by robust global demand.

The sub prime mortgage crisis has had a global impact and its rippling effects have led to financial loss, decline in the value of homes, delinquencies, defaults and loss of homes due to increases in foreclosures. This experience provides lessons for the ECHMB. It points to the importance of mortgage underwriting practices, sound assessments of credit risk and regulation.

Despite these conditions, the OECS member countries continue to advance towards transforming their economies through an Economic Union as a collective response to these challenges.

As a regional institution, the ECHMB will have to operate within an uncertain environment. The challenge for the ECHMB will be to become more creative in managing risks, as well as adjusting its business model to maintain its position as the main catalyst for secondary mortgage business in the region in order for the institution to remain competitive in the market.

Over the year the institution experienced some changes. In June 2007, Mr Duleep Cheddie was appointed to the post of Chief Executive Officer of the ECHMB, following a three and a half year stint as Financial Controller of Saint Lucia Electricity Services Limited (LUCELEC).

Mr Cheddie brings a wealth of experience to the ECHMB and the region and has contributed significantly during his first year. We welcome his contribution to the ECHMB.

The financial results and Statement of Retained Earnings for the year ended 31 March 2008 are as follows:

	2008 EC$	2007 EC$
Retained Earnings at the beginning of the year	4,033,271	3,415,454
Net Income for the year	1,889,539	2,029,695
	5,922,810	5,445,149
Less: Dividends (10%)	(1,000,000)	(1,000,000)
Transfer to Reserves	(355,816)	(411,878)
Retained Earnings at the end of the year	4,566,994	4,033,271

In light of these results, a final dividend of $10.00 per $100.00 share has been proposed for the financial year ended 31 March 2008.

The 2007/2008 financial year was a watershed year for the ECHMB with regard to the purchase of mortgages. At 31 March 2008, the value of the ECHMB's mortgage portfolio stood at $129,664,263. This compares favourably with $74, 513,336 at 31 March 2007.

The ECHMB continues to conduct business with non bank financial institutions, namely credit unions. In this regard, we are pleased to report that the ECHMB has purchased a pool of mortgages from the St Patrick's Cooperative Credit Union in Montserrat and the Grenada Public Service Cooperative Credit Union. In addition to the tremendous growth in the mortgage portfolio, the ECHMB is also broadening its scope with regard to its primary lenders.

The ECHMB is currently doing business in the islands of Antigua and Barbuda, Grenada, Montserrat, St Kitts and Nevis, Saint Lucia and St Vincent and the Grenadines. We expect the institution to make inroads in the remaining OECS member states.

During the year, the ECHMB was successful in raising bonds on the capital markets. At the end of the financial year the total value of bonds issued amounted to $152,582,000, which represented a 36.3 % increase over the 2007 financial year.

Also, during the year the work of the Committee assigned to develop a strategic plan for the institution accelerated. Already the work of the Committee has begun to bear fruit, with a number of initiatives being successfully implemented.

In keeping with its governance ethos, the ECHMB has obtained a public credit rating which we hope will send a signal to market participants and economic agents on the need to follow suit as we work together as a region to strengthen transparency practices within the capital markets.

The financial performance of the institution and its credibility within the market has resulted in the assignment of a rating of CariAA (Foreign Currency Rating) and CariAA (Local Currency Rating) from the Caribbean Information and Credit Rating Services Limited (CariCRIS).

According to CariCRIS, "The ratings on ECHMB reflect the Bank's low credit risk business model, excellent asset quality and its status as a regional financial institution with support from the Eastern Caribbean Central Bank (ECCB), the premier financial institution in the Eastern Caribbean Currency Union (ECCU). Also supporting the rating is the highly experienced and qualified management team that is well supported by a reputable Board of Directors. Additionally, ECHMB's operational and underwriting systems are strong, underpinned by its legislative and operational framework."

In repositioning the ECHMB to maintain its competitiveness, I am pleased to report the successful collaboration with the Caribbean Development Bank for funding of $10 million US dollars which will be used to provide additional finance to the ECHMB for the purchase of mortgages from primary lenders.

In terms of marketing, I am pleased to announce the launch of the ECHMB's website: *www.echmb.com*.

Looking ahead the ECHMB will continue to monitor the escalating price of land in the region and work towards obtaining quantitative data on this very important sector.

From a public policy viewpoint, we operate on the assumption that the purchase of a house is the highest single investment that most individuals will make and so the environment and mechanisms must be put in place to ensure that there are efficient mortgage financing systems and high production facilities for the delivery of reasonably priced homes.

Accordingly, to finance the purchase of mortgages, we will continue to tap into external sources for funding at a reduced cost and work towards developing financial instruments that would suit a wide range of investors.

The amplification of our research efforts will ensue in the coming year so that we remain on the vanguard of the secondary mortgage market, and offer appropriate products to meet the needs of our clients and enhance our profitability.

As we celebrate our twelfth year of operations, I would like to thank the shareholders for your support which enabled the ECHMB to achieve success.

The leadership of the Board of Directors and the hard work of Management and Staff have led an indelible mark on the institution.

I thank you all on a job well done and look forward to your continued efforts at propelling the institution in the coming years.

Sir K Dwight Venner
Chairman

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

OVERVIEW

The 2007/2008 financial year was characterized by internal reorganization and repositioning of the Eastern Caribbean Home Mortgage Bank (ECHMB) to meet the challenges of the regional environment. In particular, Management focused on a cohesive and shared vision, where it is well poised to provide superior quality service to the member territories in the ECCU region. Notwithstanding the challenges, ECHMB concluded another successful year of operations which was marked by some major achievements, strategic changes and new challenges.

The most significant achievement was the 32.2% increase in Total Assets due to the rapid growth in the mortgage portfolio. In keeping with its mission to promote the development of the secondary mortgage market, ECHMB made its first ever investment in Montserrat and added a new Primary Lender in Grenada. Another huge success was the award of an "AA" credit rating by CariCRIS. ECHMB also made maximum use of technology, in keeping with its strategic vision, which saw the development and implementation of its website. This cost effective medium will assist in disseminating information about ECHMB's services and activities to a wider target audience.

The concerns of Primary Lenders and Investors have and will continue to be a major priority for ECHMB as customer satisfaction is a key to loyalty. Towards this end, ECHMB commenced a process of rebranding itself by taking a more aggressive stance in growing its business using a direct face-to-face marketing approach. However, success in the future can be predicated on the existence of a highly motivated and skilled staff. To achieve this, greater emphasis is being placed on enhancing the human resource capacity, through ongoing training.

In keeping with the objectives of the 2008-2010 Strategic Plan, ECHMB has embarked on a strategy to diversify its sources of funding. During the year, ECHMB successfully negotiated a loan of US$10.0m with the Caribbean Development Bank (CDB) to continue growth in its mortgage portfolio.

Optimizing the balance between creating shareholder wealth and meeting the needs of Primary Lenders and Investors has become increasingly challenging. While the refinancing phenomenon has resulted in unexpected depletion on some of the pools of mortgages held by ECHMB, other factors have impacted unfavorably on the growth of ECHMB's business. The excess liquidity in the banking system and the relatively high costs of issuing public bonds has been exceptionally challenging. ECHMB's core business is carried out in eight (8) member territories of the ECCU, with each having its own peculiarities in the operation and legislative requirements for mortgages. Accordingly, ECHMB has deemed it more practical to assign the preparation of legal documents by solicitors within the country where the mortgages are originated and are being serviced.

FINANCIAL PERFORMANCE

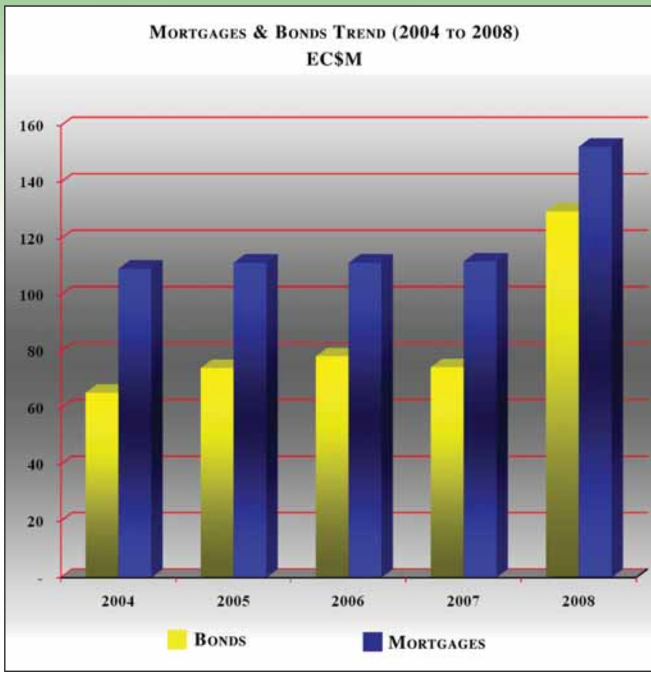
KEY TRANSACTIONS

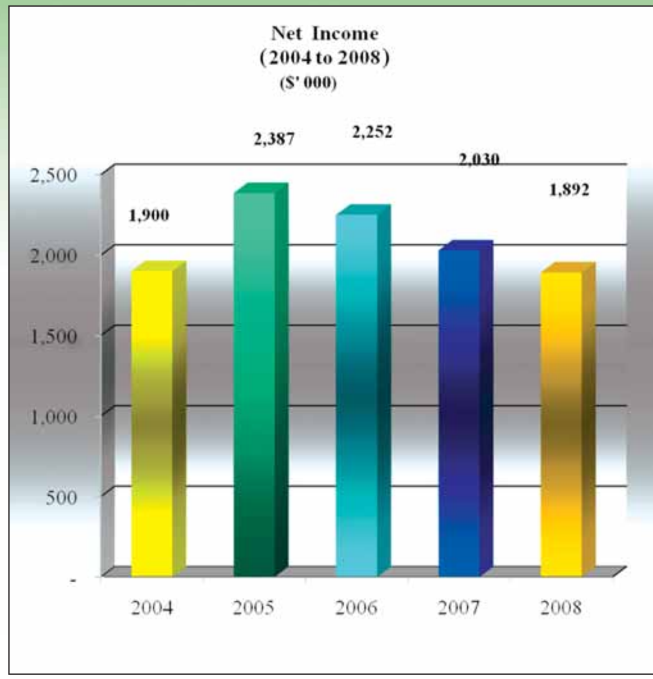
A record breaking performance was achieved where, during the year, ECHMB acquired mortgages amounting to $59.4m, representing an increase of 79.7% in the mortgage portfolio. By comparison, the largest mortgage acquisition was attained in 2003, when ECHMB acquired $20.0m in mortgages.

Additionally, ECHMB successfully raised financing of $54.5m through the placements of its 16th and 17th Bonds, as well as redeemed its 10th Bond amounting to $13.8m. The net proceeds of $40.7m represent the largest amount of bond financing raised in any given financial year in ECHMB's twelve (12) years of operations.

Total Bond Expenses increased by $1.8 m (27.6%) to $8.1m as a direct result of the significantly greater amount of Bonds in Issue, from $111.9m to $152.6m. In addition, the 16th Bond was issued by public offering attracting applicable Broker's fees, compared to prior years, when bonds were generally issued by private placements at notional costs. Further, the coupon rate on new bonds was increased from 5.5% to 6.0% in line with market expectations.

Significant resources were also devoted to transforming ECHMB's technology platform by upgrading the accounting and





other management information systems to allow for accurate and timely decision making. Also, in keeping with the new strategic vision, ECHMB has embarked on a new paradigm of operations, which is geared at creating business opportunities, improving risk management, enhancing the attractiveness of its bonds and significantly improving internal controls. Whilst these measures are imperative for the furtherance of the ECHMB's viability, it should be noted that these initiatives may result in increases in non-interest expenses. However, these are costs which should result in greater efficiencies, higher visibility in the market and ultimately an increase in the volume of business.

NET INCOME

Net Income for the Year amounted to $1.9m, a decrease of $0.14m (6.9%) compared to prior year's results of $2.0m, despite the significant growth in the mortgage portfolio. Notwithstanding the decline in Net Income, the following should be noted:-

(a) Total Income increased by $2.1m (18.6%), from $11.2m to $13.3m partly reflecting the 79.8% increase in mortgages acquired during the year. The full benefits of these new pools of mortgages will be derived from 2009 onwards; however, the continued decline in mortgage interest rates will adversely impact the yield on the existing and future pools.

(b) Bond Expenses increased by $1.8m (27.6%) in direct proportion to the increase in Bonds in issue from $111.9m to $152.6m.

(c) Net Interest Income, the difference between total Interest Income ($13.3m) and Bond Expenses ($8.1), amounted to $5.2, equivalent to 39.0%, compared with 43% last year. This ratio is adversely impacted by declining yields on new pools of mortgages acquired and increased cost of issuing new bonds.

GENERAL AND ADMINISTRATIVE EXPENSES

General and Administrative Expenses, which comprise non-interest expenses, increased by 18.1% over the prior year. Salaries and Related Costs which accounted for 35.8% of Total Operating Expenses, increased by 2.2% over last year. The increase was largely due to annual inflation adjustments to salaries.

ECHMB received its first ever credit rating during the year and the charges associated therewith, were charged to Ancillary

Services. In addition, the $59.4M acquisition of new mortgages necessitated additional amounts being expended on legal fees.

During the year new and revised International Financial Reporting Standards (IFRS) were adopted, which resulted in changes to some of ECHMB's accounting policies. In particular, ECHMB adopted IAS 38 - Intangible Assets, and the change in the amortisation of computer software on a straight-line basis over the expected useful life of three (3) years instead of five (5) years has resulted in Depreciation/Amortization of 156.2% higher than the previous year.

Mortgage Administration Fees are a direct function of the level of the mortgage portfolio and an increase in Fees of 20.7% is due entirely to the increase in the portfolio by 79.8%.

BALANCE SHEET

Total Assets increased by $42.2m (32.2%) to $173.5m, largely on account of the growth in mortgages by $59.3m which was funded by the 16th and 17th Bonds. During the year, ECHMB made a dividend payment amounting to $1.0m or $10.00 per share. The net result of the year's operations increased Shareholders' Equity by 4.9% to $18.9m after the annual allocation to the two (2) special accounts in the Reserve Funds.

THE HOUSING MORTGAGE MARKET

ECHMB's primary objective remains the development of the secondary mortgage market within the eight (8) participating member countries of the ECCU. Residential mortgages in the ECCU commercial banking system reached $ 3.1 bn at 31st March, 2008.

ECHMB's mortgage portfolio increased significantly during the financial year, moving from $74.5m in March 2007 to $129.7m in March 2008. During the year ECHMB concluded the acquisition of seven (7) pools of mortgages as follows:-

Country	No. of Pools	Value - $m
Antigua	2	20.2
Grenada	1	5.1
Montserrat	1	3.8
St. Lucia	2	25.1
St. Vincent	1	5.2
Total	7	59.4

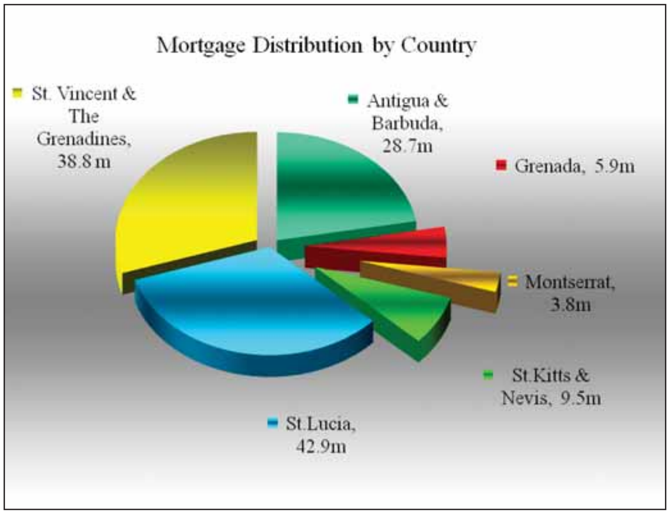
This is an important milestone particularly as it was achieved amidst the challenges of increased refinancing and circumstances of excess liquidity in the banking system. ECHMB is continuing to foster growth in its portfolio by expanding its network of Primary Lenders especially among the Credit Unions.

DISTRIBUTION OF MORTGAGES BY COUNTRY

The following are some key statistics on the ECHMB's mortgage portfolio as at 31 March 2008:-

Number of Mortgages	:	689
Average Loan Size ($)	:	188,192
Yield on Mortgages (Net of Mortgage Administration Fees)	:	8.27%
Average Term to Maturity	:	11.01 years

The following chart shows a breakdown of ECHMB's mortgage portfolio as at March 31, 2008. As illustrated, ECHMB's exposure in the mortgage market is not tied to any single jurisdiction, but there is some element of diversification across six (6) territories.



THE IMPACT OF THE SUBPRIME MORTGAGE CRISIS ON COUNTRIES IN THE ECCU

So far, the mortgage meltdown in the United States has affected not only the housing markets, but also the financial markets and the economies of developed countries in other regions of the world. There is little evidence as yet to suggest that financial institutions in Latin America and the Caribbean would suffer a similar fate as the investment banks in developed nations. However, most economists believe that the verdict on the impact on Caribbean countries is still out or could have a lag effect on our open economies.

This subprime mortgage crisis in the United States has the potential to indirectly affect the OECS economies because of the direct trading links and the openness of those economies. The areas most likely to be affected are tourism, foreign direct investments, and overseas remittances. There is no evidence to suggest that the local commercial banks had invested in those securitised instruments to any substantial extent, as no losses relating to subprime exposure have as yet been reported by the banking system.

Additionally, the ECCU banking system, remains sound and is well capitalised. Non-performing loans appear to be relatively low in some institutions, although to some extent there may be indirect implications for the financial system in some countries. Ongoing increases in food prices, energy and other commodities could affect the relatively low inflationary environment in the OECS, ultimately impacting negatively on the growth projections averaging around 3.5% for the sub region.

CAPACITY BUILDING IN THE RESIDENTIAL MORTGAGE MARKET

Over the last twelve (12) years ECHMB has been collaborating with Real Estate Institute of Canada (REIC) in extending knowledge, information and international best practice in the business of housing finance. In this regard, ECHMB has placed great emphasis on training, which is necessary to develop a pool of personnel with the technical and managerial skills in mortgage underwriting. The skill set attained from the Mortgage Underwriting Programme is validated by the attainment of the professional designation - Certified Residential Underwriter (CRU). Lending institutions throughout the region have increasingly embraced the opportunity provided by ECHMB in training their employees as a means of enhancing their lending skills, improving the efficiency of operations, and generating a higher volume of quality mortgages.

Participants attending Mortgage Underwriting Seminar in Antigua.

During the year, ECHMB facilitated two (2) such Programmes, in Antigua and in St. Kitts, attended by lending officers from commercial banks, mortgage finance companies, credit unions, development banks, building and loan societies and insurance companies. The Seminars were successful from the standpoint that they attracted participants from the OECS and Barbados.

PROMOTING HOME OWNERSHIP DAY

ECHMB is committed to providing world class quality service to its diverse customer base. In this regard, ECHMB hosts its annual "Home Ownership Day" in the form of a public education forum, aimed at disseminating information on all aspects relating to building/buying a home, to citizens of the ECCU member territories. The next "Home Ownership Day" Event is scheduled for St. Vincent in July 2008.

ECHMB's CREDITWORTHINESS

CariCRIS has assigned ratings of CariAA (Foreign Currency Rating) and CariAA (Local Currency Rating) on its regional rating scale to the debt issue (notional) of the size of US$30.0m of ECHMB. These ratings indicate that the level of credit worthiness of this obligation, adjudged in relation to other obligations in the Caribbean, is high.

According to CariCRIS "ECHMB's credit risk profile is not constrained by any one sovereign as its operating domain is the eight (8) participating member countries of the Organization of Eastern Caribbean States (OECS) region. Its shareholding is spread throughout the wider Caribbean region with its largest shareholder, the ECCB, holding 25%. This affiliation with the ECCB has enabled the Bank to enjoy synergistic benefits including drawing on the expertise and experience of the ECCB Governor who has held the position of Chairman since its inception in 1996".

CariCRIS also noted that both the management team and the Board are well respected, highly qualified and posses vast experience in the financial and business community within the OECS and wider Caribbean region. However, the ratings are tempered by the challenging market conditions and consistently high liquidity in some key markets contributing to a fair degree of geographic asset concentration. In addition, ECHMB's resource–raising ability via public issues has been constrained by the simultaneous placements of both corporates and sovereigns in the OECS.

Management expects that such a high credit rating for ECHMB should translate into greater investor confidence and position ECHMB to influence lower borrowing costs on the capital market. This CariAA rating now ranks ECHMB among the better-managed and run corporate bodies and sovereigns in the ECCU and the wider Caribbean such as the Republic Bank Limited in Trinidad, Goddard Enterprises Limited of Barbados, and the Governments of Anguilla and Barbados.

LOOKING AHEAD

Looking ahead, ECHMB intends to capitalize on many of the gains achieved over the 2007/08 financial year. In particular, emphasis will be placed on penetrating the untapped markets of Dominica and Anguilla. It is Management's intention to continue to utilize face-to-face marketing, which was one of the catalysts which enabled ECHMB to achieve the $59.4m growth in its mortgage portfolio over the financial year.

However, it should be noted that the quality of ECHMB's human resources is critical to its future success; in particular, the ability of staff to engage the market not only in the purchase of mortgages, but the successful placement of ECHMB's tax free bonds. It is therefore imperative that the program of staff development and training which was instituted during 2007/08 is enhanced and expanded to include ECHMB's entire staff complement.

In keeping with its new strategic thrust, ECHMB intends to strengthen its capital structure by issuing its Second Tranche of equity. The $10.0m rights issue is scheduled for the third quarter of the year. In addition, ECHMB intends to continue the diversification of its long-term capital by sourcing debt from reputable international financing institutions. It is the hoped that these initiatives will lead to improved performances and hence an improvement in ECHMB's credit rating.

In closing, Management wishes to thank all stakeholders for their unwavering support and patronage during the year under review and looks forward to forging a closer partnership in the following years.

Pannell Kerr Foster
Chartered Accountants
ST. KITTS-NEVIS-ANGUILLA
Tel: (869) 465-2746/2215

REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF EASTERN CARIBBEAN HOME MORTGAGE BANK

We have audited the accompanying financial statements of Eastern Caribbean Home Mortgage Bank which comprise the Balance Sheet as at 31 March 2008, and the Income Statement, Statement of Changes in Equity and Cash Flow Statement 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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for 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 give a true and fair view of the financial position of the bank as of 31 March 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Pannell Kerr Forster

PANNELL KERR FORSTER
Chartered Accountants:

BASSETERRE - ST KITTS
6 May 2008

EASTERN CARIBBEAN HOME MORTGAGE BANK
BALANCE SHEET AS AT 31 MARCH 2008
(Expressed in Eastern Caribbean Dollars)

ASSETS	Notes	2008	2007
Cash and Short Term Funds	3	12,817,253	8,159,309
Accounts Receivable and Prepayments	4	3,835,936	3,350,125
Mortgages Receivable	5	129,664,263	74,513,336
Intangible Assets	6	289,767	407,289
Deferred Expenses	7	597,701	533,545
Investments	8	26,100,000	44,100,000
Property and Equipment	2(e) (iii) & 10	154,397	150,589
TOTAL ASSETS		173,459,317	131,214,193
LIABILITIES			
Accounts Payable and Accruals	9	1,986,987	1,283,402
Bonds in Issue	10	152,582,000	111,930,000
TOTAL LIABILITIES		154,568,987	113,213,402
SHAREHOLDERS' EQUITY			
Share Capital	11	10,000,000	10,000,000
Retained Earnings		4,566,994	4,033,271
Reserve Funds	12	4,323,336	3,967,520
TOTAL SHAREHOLDERS' EQUITY		18,890,330	18,000,791
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		173,459,317	131,214,193

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

Approved by the Board of Directors on: 19th June, 2008

K. Dwight Venner

Sir K Dwight Venner - Chairman

Angus Smith

Mr Angus Smith - Director

EASTERN CARIBBEAN HOME MORTGAGE BANK
STATEMENT OF INCOME
FOR THE YEAR ENDED 31 MARCH 2008
(Expressed in Eastern Caribbean Dollars)

INTEREST INCOME	Notes	2008	2007
Deposits with Banks		4,124,670	3,849,801
Mortgages		9,021,097	7,217,347
Other		140,415	140,000
		13,286,182	11,207,148
Bond Expenses	14	(8,126,466)	(6,367,414)
		5,159,716	4,839,734
Seminar Costs Recovered		117,000	46,182
Sundry		-	12,240
OPERATING INCOME		5,276,716	4,898,156
GENERAL AND ADMINISTRATIVE EXPENSES			
Salaries and Related Costs		1,213,104	1,187,045
Ancillary Services		127,943	24,758
Promotional Activities		345,526	315,809
General Services and Supplies		165,775	147,963
Depreciation/Amortization		210,514	82,158
Mortgage Administration Fees		1,112,287	921,849
Audit Fees		25,000	25,000
Directors' Fees and Expenses		187,028	163,879
		3,387,177	2,868,461
NET INCOME FOR YEAR CARRIED TO STATEMENT OF CHANGES IN EQUITY		1,889,539	2,029,695
EARNINGS PER SHARE	15	18.90	20.30

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

EASTERN CARIBBEAN HOME MORTGAGE BANK
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2008
(Expressed in Eastern Caribbean Dollars)

	Share Capital	Building Reserve	Portfolio Risk Reserve	Retained Earnings	Total
Balance at 31 March 2006	10,000,000	2,027,821	1,527,821	3,415,454	16,971,096
Net Income for Year	-	-	-	2,029,695	2,029,695
Dividends Paid	-	-	-	(1,000,000)	(1,000,000)
Transfer to Reserves	-	205,939	205,939	(411,878)	-
Balance at 31 March 2007	10,000,000	2,233,760	1,733,760	4,033,271	18,000,791
Net Income for Year	-	-	-	1,889,539	1,889,539
Dividends Paid	-	-	-	(1,000,000)	(1,000,000)
Transfer to Reserves	-	177,908	177,908	(355,816)	-
Balance at 31 March 2008	10,000,000	2,411,668	1,911,668	4,566,994	18,890,330

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

EASTERN CARIBBEAN HOME MORTGAGE BANK
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2008
(Expressed in Eastern Caribbean Dollars)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Income for the Year	1,889,539	2,029,695
Adjustment for Depreciation/Amortisation	460,967	221,282
Gain on Disposal of Property and Equipment	-	(300)
	2,350,506	2,250,677
NON-CASH WORKING CAPITAL CHANGE		
Increase in Accounts Receivable	(485,811)	(378,566)
Increase/(Decrease) in Accounts Payable	703,585	(231,708)
Dividends Paid	(1,000,000)	(1,000,000)
CASH INFLOW FROM OPERATING ACTIVITIES	1,568,280	640,403
CASH FLOWS FROM INVESTING ACTIVITIES		
Capitalised Costs	-	25,749
Decrease /(Increase) in Investments	18,000,000	(2,000,000)
Intangible Assets	(28,082)	(11,495)
(Purchase)/Redemption of Mortgages (Net)	(55,150,927)	3,847,676
Purchase of Property and Equipment	(56,105)	(150,038)
Proceeds from Disposal of Property and Equipment	-	11,004
CASH (OUTFLOW)/ INFLOW FROM INVESTING ACTIVITIES	(37,235,114)	1,722,896
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Bond Issue	54,457,000	6,450,000
Bonds Redeemed	(13,805,000)	(6,000,000)
Bond Issue Costs	(327,222)	(12,350)
CASH INFLOW FROM FINANCING ACTIVITIES	40,324,778	437,650
NET INCREASE IN CASH AND SHORT TERM FUNDS	4,657,944	2,800,949
CASH AND SHORT TERM FUNDS AT THE BEGINNING OF THE YEAR	8,159,309	5,358,360
CASH AND SHORT TERM FUNDS AT THE END OF THE YEAR	12,817,253	8,159,309

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

EASTERN CARIBBEAN HOME MORTGAGE BANK
PROPERTY AND EQUIPMENT SCHEDULE
FOR THE YEAR ENDED 31 MARCH 2008
(Expressed in Eastern Caribbean Dollars)

	Motor Vehicle	Computer Equipment	Furniture & Fixtures	Machinery & Equipment	TOTAL 2008	TOTAL 2007
Cost						
Balance Brought Forward	108,000	229,592	41,982	33,528	413,102	441,450
Additions	-	52,690	-	3,415	56,105	150,038
Disposals	-	-	-	-	-	(178,386)
Cost Carried Forward	108,000	282,282	41,982	36,943	469,207	413,102
Depreciation						
Balance Brought Forward	18,000	188,289	38,723	17,501	262,513	362,082
Charge for Year	21,600	25,315	774	4,608	52,297	68,113
Disposals	-	-	-	-	-	(167,682)
Depreciation Carried Forward	39,600	213,604	39,497	22,109	314,810	262,513
Net Book Value	68,400	68,678	2,485	14,834	154,397	150,589

As explained in Note 10 to the Financial Statements, the fixed and floating assets are pledged to secure the Bonds in Issue.

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

EASTERN CARIBBEAN HOME MORTGAGE BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2008
(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 27 May 1994, to establish the Eastern Caribbean Home Mortgage Bank ("the Bank").

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

These financial statements comply with International Financial Reporting Standards (IFRS) and are prepared under the historical cost convention.

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities as at the date of the financial statements and income and expenses during the reporting period. Actual results may differ from these estimates.

b) Financial assets

The Bank classifies its financial assets in the following categories: mortgages and receivables, available-for-sale and held to maturity securities. Management determines the classification of its investments at the time of purchase.

i) Mortgage Receivables

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

b) Financial assets (cont'd)

ii) Financial assets available-for-sale

Available-for-sale investments are those intended-to-be-held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. Regular-way purchases and sales of financial assets available for sale are recognized on trade-date, the date on which the Bank commits to purchase or sell the assets.

Financial assets are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when they are extinguished – that is, when the obligation is discharged, cancelled or expires.

Available-for-sale financial assets are subsequently carried at fair value. Mortgages receivable are carried at amortised costusing the effective interest method. Gains and losses arising in the fair value of available-for-sale financial assets are recognized directly in equity, until the financial asset is derecognized or impaired. At this time, the cumulative gain or loss previously recognized in equity is recognized in profit and loss. However, interest calculated using the effective interest method and foreign currency gains and losses on monetary assets classified as available for sale are recognized in the income statement. Dividends on available-for-sale equity instruments are recognized in the income statement when the entity's right to receive payment is established.

The fair values of quoted investments in active markets are based on current bid price. If there is no active market for a financial asset, the Bank establishes fair value using valuation techniques, which include the use of recent arms length transactions.

iii) Held-to-maturity

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold to maturity, and which are not designated at fair value through profit or loss or available-for-sale.

Held-to-maturity investments are carried at amortised cost using the effective interest method. Any sale or reclassification of a significant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held to-maturity investments as available-for-sale, and prevent the Bank from classifying investment securities as held-to-maturity for the current and the following two financial years.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

c) Impairment of Financial assets

The carrying amounts of the Bank's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exist then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

Impairment losses are recognized in the statement of income. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of the value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are expressed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss has been recognized.

d) Intangible assets

Intangible assets are acquired computer software programmes. These are capitalized on the basis of the cost incurred to acquire and bring to use the specific software. These costs are amortised using the straight-line method on the basis of the expected useful life of three years. Costs associated with maintaining computers software programmes are recognized as an expense as incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

e) Property and Equipment

i) All assets are carried at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the assets. The cost of self-constructed assets includes the cost of materials and direct labour, and other cost directly attributable to bringing the assets to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchasing software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property or equipment have different useful lives, they are accounted for as a separate item (major components) of property and equipment.

ii) Subsequent expenditure

The cost of replacing part of an item of property or equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Bank and its cost can be measured reliability. The cost of the day-to-day servicing of property are recognized in income statement and statement of recognized gain and losses as incurred.

iii) Depreciation is recognized in the statement of income on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The annual depreciation rates are as follows:

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

The cost or valuation of property and equipment replaced, retired or otherwise disposed of and the accumulated depreciated thereon is eliminated from the accounts and the resulting gains or losses reflected in the statement of income.

Gains and losses on disposal are determined by comparing proceeds with the carrying amount and are included in the income statement.

Leasehold improvements are amortised over the term of the lease.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

f) Revenue Recognition

Interest income is recognized on loans on an accrual basis.

g) Foreign currency transaction

The financial statements are presented in Eastern Caribbean Dollars, which is also the Bank's functional currency.

Assets and liabilities denominated in foreign currencies are translated to EC Dollars at the rates of exchange ruling at the end of the financial year. Transactions arising during the year involving foreign currencies have been converted at the rates prevailing on the dates the transactions occurred. Differences arising from fluctuations in exchange rates are included in the statement of income.

g) Taxation

Under Section 5 sub-sections (1) and (2) of the Eastern Caribbean Home Mortgage Bank Agreement Act, 1994 the Bank is exempt from stamp duty and corporation tax.

h) Bond Issue Costs

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

i) Pension Plan

The Bank's contributions to the defined contribution pension plan are charged to the statement of income in the period to which the contributions relate.

j) Lease

Lease entered into by the Bank is an operating lease. The monthly rentals are charged to income on a straight-line basis over the lease term.

k) Dividends

Dividends are recognized in the year in which they are paid.

EASTERN CARIBBEAN HOME MORTGAGE BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2008
(Expressed in Eastern Caribbean Dollars)

3 CASH AND SHORT TERMS FUNDS

	2008	2007
Cash with Banks	12,816,753	8,158,809
Cash on Hand	500	500
TOTAL	12,817,253	8,159,309

Cash with Banks attracted interest rates varying between 2% and 7% (2007 = 2% and 7%) during the year under review.

4 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2008	2007
Accrued Interest on Deposits/Loan	449,767	547,578
Mortgage Payments Receivable	1,323,002	758,744
Sundry Debtors	63,167	43,803
Mortgage Origination Loan	2,000,000	2,000,000
TOTAL	3,835,936	3,350,125

5 MORTGAGES RECEIVABLE

	2008	2007
Territory		
Antigua and Barbuda	28,709,413	8,770,293
St Lucia	42,919,217	18,840,987
Grenada	5,925,148	1,089,798
St Kitts and Nevis	9,493,543	9,724,070
Montserrat	3,779,345	-
St Vincent and the Grenadines	38,837,597	36,088,188
TOTAL	129,664,263	74,513,336

5 MORTGAGES RECEIVABLE (cont'd)

Terms and Condition of Purchased Mortgages

1 Purchase of Mortgages:

The Bank entered into Sale and Administration Agreements with certain Commercial Banks and Primary Lending Institutions in the OECS territories for the purchase of mortgages. The mortgages were purchased at the outstanding principal on the settlement date.

2 Recourse to Commercial Banks and Other Primary Lending Institutions:

Under the terms of the Sale and Administration Agreement, the Administrator (Primary Lending Institutions) warrants that any default, loss or title deficiency occuring during the life of the loans secured by the Purchased Mortgages will be remedied and the Purchaser (The Bank) protected against resulting loss.

3 Administration Fees:

Under the terms of the Sale and Administration Agreement between the Bank and each Primary Lending Institution, the Primary Lending Institution is responsible for administering the mortgages on behalf of the Bank at an agreed fee on the aggregate principal amount, excluding any accrued interest, penalties or bonuses, outstanding at the beginning of the month in reference.

6 INTANGIBLE ASSETS

	Mortgage Interfacing System	Computer Software	Total
Cost			
At 31 March 2006	409,839	-	409,839
Additions	11,495	-	11,495
At 31 March 2007	421,334	-	421,334
Additions	-	28,082	28,082
At 31 March 2008	421,334	28,082	449,416
Amortisation and Impairment			
At 31 March 2006	-	-	-
Amortisation	14,045	-	14,045
At 31 March 2007	14,045	-	14,045
Amortisation	143,749	1,855	145,604
At 31 March 2008	157,794	1,855	159,649
Net Book Value:			
At 31 March 2008	263,540	26,227	289,767
At 31 March 2007	407,289	-	407,289

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

7 DEFERRED EXPENSES

	2008	2007
a) Bond Issue Costs		
Balance brought forward	470,482	588,322
Additions	327,222	12,350
	797,704	600,672
Less: Amortization for Year	(250,453)	(130,190)
Balance Carried Forward	547,251	470,482
b) Defined Contribution Plan		
Past Service Contribution		
Balance brought forward	63,063	97,746
Reversal of amount not vested in Plan	-	(25,749)
Less: Amortization for Year	(12,613)	(8,934)
Balance Carried Forward	50,450	63,063
TOTAL	597,701	533,545

a) The bond issue costs are being amortised over the duration of the life of the respective bonds.

b) Past Service Contribution:

The Bank established a defined contribution plan for its employees. The directors agreed for the Bank to make a one-off contribution to the plan on the behalf of existing employees to cover past services. The amount is to be amortized over a period of seven (7) years.

8 INVESTMENTS

	2008	2007
Available-for-sale securities		
Eastern Caribbean Securities Exchange		
10,000 Class D Shares of $10 each	100,000	100,000
Held-to-maturity		
Term Deposits	26,000,000	44,000,000
TOTAL	26,100,000	44,100,000

Term Deposits attracted interest rates varying between 7.25% to 8.5% (2007 = 7% to 8.5%) during the year under review.

9 ACCOUNTS PAYABLE AND ACCRUALS 2008 2007

Accrued Interest on Bonds	1,660,142	1, 053,370
Sundry Creditors and Accruals	326,845	230,032
TOTAL	1,986,987	1,283,402

10 BONDS IN ISSUE

	2008	2007
Balance at the beginning of the year	111,930,000	111,480,000
Add: Issues during the year	54,457,000	6.450,000
Less: Redemptions during the year	(13,805,000)	(6,000,000)
Balance at the end of the year	152,582,000	111,930,000

a) The bonds are secured by debentures over the fixed and floating assets of the Bank. Interest is payable semi-annually in arrears at rates varying between 5.50% to 6% (2007 = 5.5% to 6%).

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

10 BONDS IN ISSUE (cont'd.)

	2008	2007
Within 1 year	-	13,805,000
1 to 2 years	44,402,000	-
2 to 3 years	43,455,000	6,150,000
3 to 4 years	13,150,000	43,455,000
4 to 5 years	40,275,000	13,150,000
Over 5 years	11,300,000	35,370,000
	152,582,000	111,930,000

c) The bonds are tax free.

11 SHARE CAPITAL

	2008	2007
Authorised:		
400,000 Shares of $100 each	40,000,000	40,000,000
Application and Allotment		
100,000 Shares of $100 each		
Class A	2,500,000	2,500,000
Class B	1,133,700	1,780,200
Class C	2,853,800	2,226,700
Class D	3,512,500	3,493,100
TOTAL	10,000,000	10,000,000

Change in the ownership of banks previously owned by governments has led to these shares being reclassified from Class "B" to Class "C". Additionally, building and loan associations shares were reclassified from Class "C" to Class "D".

Dividend of $10 per share (amounting to $1,000,000) in respect of 2007 was paid during the year.

A dividend in respect of 2008 amounting to $1,000,000 (EC $10 per share) is proposed. The financial statements for the year ended 31 March 2008 do not reflect this proposed dividend which, if ratified, will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ending 31 March 2009.

12 RESERVE FUNDS

	2008	2007
Building Reserve Fund	2,411,668	2,233,760
Portfolio Risk Reserve Fund	1,911,668	1,733,760
TOTAL	4,323,336	3,967,520

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

The Board of Directors considered it prudent, in light of the emerging trend in refinancing, to create a Portfolio Risk Reserve Fund to provide cover against general risks associated with the Secondary Mortgage Market.

13 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

At 31 March 2008, the Board of Directors approved capital expenditure in the amount of $93,950 for the acquisition of new computer equipment (2007 = $182,795).

There were no outstanding contingent liabilities at 31 March 2008 (2007 = Nil).

14 BOND EXPENSES

	2008	2007
Interest on Bonds	7,810,282	6,183,073
Bond Issue Costs Amortised	250,453	130,190
Trustee Fees	6,075	6,075
Sundry Bond Expenses	59,656	48,076
TOTAL	8,126,466	6,367,414

15 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net income by the number of shares in issue during the year.

	2008	2007
Net Income for Year	1,889,539	2,029,695
Number of Shares in issue	100,000	100,000
Basic Earnings per Share	18.90	20.30

16 FINANCIAL INSTRUMENTS

a) Interest rate risk:

Differences in maturities of financial instruments create rate gap and may expose the Bank to interest rate risk. Interest rates and terms of borrowing are disclosed in Note 10. Interest rates on short-term deposits range from 7.25% to 8.5% per annum (2007 = 7% to 8.5% per annum).

b) Credit risk:

Credit risk arises from the possibility that counterparties may default on their obligation to the Bank. The amount of the Bank's maximum exposure to credit risk is indicated by the carrying amount of its financial assets. Financial instruments which potentially expose the Bank to concentration of credit risk consist primarily of fixed deposits and mortgages receivable. The Bank performs ongoing credit evaluations of its counterparties financial condition and ma agement believes that no provision is required at 31 March 2008.

16 FINANCIAL INSTRUMENTS cont'd.

c) Currency risk:

Substantially all the Bank's transactions and assets and liabilities are denominated in Eastern Caribbean Dollars or United States Dollars. Therefore, the Bank has no significant exposure to currency risk.

d) Fair Value:

The carrying amounts of the following financial assets and liabilities approximate their fair value: Cash and Bank Balances, Short Term Deposits, Accounts Receivable, Investments, Mortgages Receivable, Accounts Payable and Bonds in Issue.

17 LIQUIDITY RISKS

Liquidity risks arise from fluctuations of cash flows. The liquidity risk management process ensures that the Bank is able to honour all its financial commitments as they fall due. The matching of the maturities and interest rates of assets and labilities is fundamental to the liquidity risk management process.

Maturities of assets and liabilities:

	Up to 1 Year	1 to 5 Years	Over 5 Years	Total
As at 31 March 2008				
Assets:				
Cash and Short Term Funds	12,817,253	-	-	12,817,253
Investments	26,000,000	-	100,000	26,100,000
Accounts Receivable and Prepayments	3,835,936	-	-	3,835,936
Mortgages Receivable	24,602	4,593,515	125,046,146	129,664,263
Property and Equipment	52,298	102,099	-	154,397
Intangible Assets	153,110	136,657	-	289,767
Deferred Expenses	302,123	294,617	961	597,701
	43,185,322	5,126,888	125,147,107	173,459,317
Liabilities:				
Accounts Payable and Accruals	1,986,987	-	-	1,986,987
Bonds in Issue	-	141,282,000	11,300,000	152,582,000
	1,986,987	141,282,000	11,300,000	154,568,987
Net Liquidity Gap	41,198,335	(136,155,112)	113,847,107	18,890,330

17 LIQUIDITY RISKS (cont'd)

Assets:				
Cash and Short Term Funds	8,159,309	-	-	8,159,309
Investments	34,000,000	10,000,000	100,000	44,100,000
Accounts Receivable and Prepayments	3,350,125	-	-	3,350,125
Mortgages Receivable	219,432	3,636,706	70,657,198	74,513,336
Property and Equipment	49,746	100,230	613	150,589
Capitalised Costs	216,275	645,052	16,444	877,771
Deferred Expenses	12,613	50,450	-	63,063
	46,007,500	14,432,438	70,774,255	131,214,193
Liabilities:				
Accounts Payable and Accruals	1,283,402	-	-	1,283,402
Bonds in Issue	13,805,000	62,755,000	35,370,000	111,930,000
	15,088,402	62,755,000	35,370,000	113,213,402
Net Liquidity Gap	30,919,098	(48,322,562)	35,404,255	18,000,791

18 RELATED PARTY TRANSACTIONS

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

The Eastern Caribbean Central Bank, which provided material support to the bank in its formative years, holds 25% of its share capital and controls the chairmanship of the board of directors.

Additionally, the bank is housed in the complex of the Eastern Caribbean Central Bank at an annual rent of $51,386.

Key Management Compensation

The salaries and other benefits paid to key management personnel of the bank during the year amounted to $627,229 (2007 = $669,050).

19 COMPARATIVE FIGURES

An amount of $263,540 has been reclassified as intangible assets from capitalized costs; and an amount of $547,251 has been reclassified as deferred expenses from capitalised costs in order to achieve a clearer or more appropriate presentation. The comparative figures have been similarly reclassified in order to achieve comparability with the current period.

EASTERN CARIBBEAN HOME MORTGAGE BANK (ECHMB)
ECCB Complex, Bird Rock Road
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