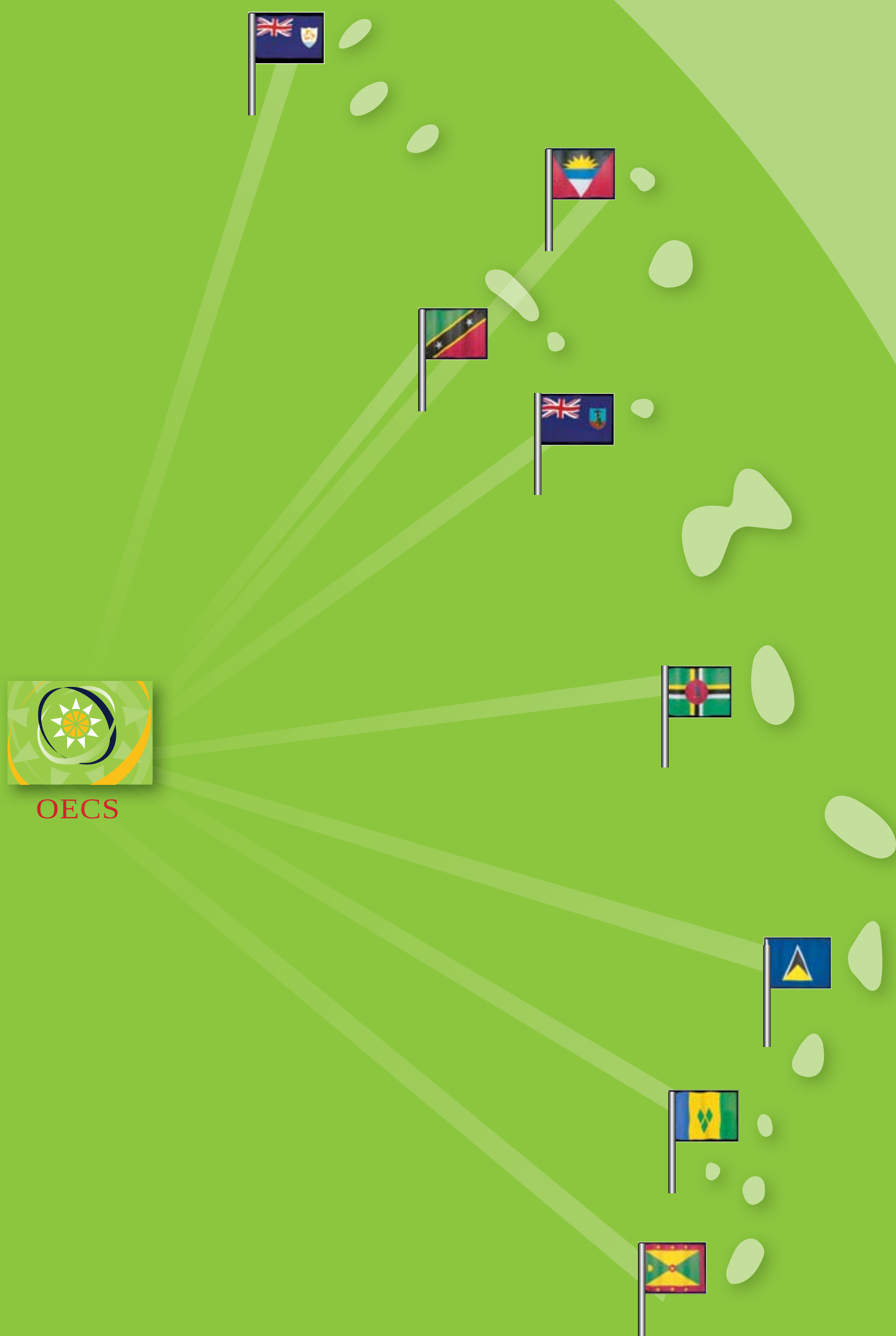
EASTERN CARIBBEAN HOME MORTGAGE BANK



ANNUAL REPORT 2009

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Board of Directors

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.

Sir K Dwight Venner
Chairman

Timothy A. Hodge
Deputy Chairman

Gordon Derrick
Director

Dexter Ducreay
Director

Ralph V. C. Hodge
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)
National Insurance Services (SVG)
Social Security Board (Montserrat)
St. Kitts & Nevis Social Security Board

GOVERNMENT OWNED OR CONTROLLED BANKS

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

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)
Community First Cooperative Credit Union Ltd (Antigua)
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)
Royal St. Lucia Police and Allied Services Cooperative Credit Union Ltd
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

INSURANCE COMPANIES

CLICO International Life Insurance Ltd.
Demerara Mutual Life Assurance Society Ltd.
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:-

	2009 $'000	2008 $'000	2007 $'000	2006 $'000	2005 $'000
Balance Sheet					
Total Assets	**217,045**	173,459	131,214	129,966	128,669
Mortgages Portfolio	**184,269**	129,664	74,513	78,361	74,224
Borrowings	**193,769**	152,582	111,930	111,480	111,480
Shareholders' Equity	**20,266**	18,890	18,001	16,971	15,719
Statement of Income					
Interest Income					
- Mortgages	**13,402**	9,021	7, 217	7,194	6,927
- Other	**2,603**	4,265	3,990	4,073	4,403
	16,005	13,286	11,207	11,267	11,330
Interest Expenses	**9,515**	8,126	6,367	6,352	6,671
Net Income for Year	**2,375**	1,890	2,030	2,252	2,387
Earnings per Share	**$23.75**	$18.90	$20.30	$22.52	$23.87

CORPORATE INFORMATION

BOARD OF DIRECTORS

	Sir K Dwight Venner Chairman	Governor, Eastern Caribbean Central Bank
	Timothy A. Hodge Deputy Chairman	Director, Anguilla Social Security Board
	Gordon Derrick	Managing Director, G.D.E.C. Ltd. (Antigua)
	Dexter Ducreay	General Manager, A. C. Shillingford & Co. Ltd. (Dominica)
	Ralph V.C. Hodge	Chief Financial Officer, Anguilla Health Authority
	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

PKF
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 2009.

During year the world economy experienced a global economic and financial crisis with the downturn in economic activity intensifying during the latter part of 2008.

The United States which is at the epicenter of the current financial and economic crisis estimates that economic growth will contract by 2.8% in 2009. Growth is projected to remain flat (0.00%) in 2010. The outlook for the US economy rests, to a large extent, on the normalisation of conditions in financial markets. Although recent indicators have improved somewhat, significant risks remain that credit and financial market conditions will continue to be fragile. Continued decline in the financial sector is likely to result in declines in real sector activity, exacerbating the downturn even further.

Within the Eastern Caribbean Currency Union (ECCU) growth slowed to 1.7% in 2008, down from 5.2% in 2007. Construction, which has been the main driver of economic activity in the region for the last few years, continued to slow in 2008. Contractions were also recorded in the manufacturing sector partly due to plant closures, and in the hotel and restaurant sector, as a result of a decline in stay over arrivals, associated with reduced airlift and high airfares.

International and domestic conditions point to a continued uncertainty in the economic prospects for the member countries of the ECCU. The indicators point to a deep recession and it is likely that the recovery would be slow.

The global economic and financial conditions pose an immediate threat to the ECCU financial system. The financial system is experiencing liquidity pressure, due in part to a reduction in inflows for financing projects, foreign direct investment and a fall in foreign exchange receipts from tourism and exports.

Within this context, the ECHMB serves as a useful mechanism for liquidity risk management for financial institutions. To this end, the philosophical underpinnings of the ECHMB are worth reiteration.

The ECHMB was conceived to:

a. *Promote and maintain the availability of affordable home financing and to assist primary lenders to promote and maintain the availability of affordable home financing in the territories of the participating Governments*

b. *Establish and maintain an organized regional secondary market for mortgages in the form of a Common Home Mortgage Bank to increase the availability of mortgage credit and provide liquidity and flexibility to primary lenders in the territories of the participating Governments*

c. *Promote and increase the efficient mobilization of long term savings for investment in housing and to further the economic development of the territories of the participaing Governments*

d. *Develop the housing and home finance industry and to promote services and benefits to the industry by improving the efficiency and effectiveness of the mortgage underwriting process; and*

e. *Promote the growth and development of the money and capital markets and to enhance the monetary integration of the territories of the participating Governments.*

The role of the ECHMB in the financial system particularly at this time is critical in serving as a mechanism that provides liquidity to the financial system through the purchase of mortgages from solvent, credible and well managed institutions.

Over the year the demand for the purchase of mortgages by the ECHMB increased significantly and at 31 March 2009 the ECHMB's mortgage portfolio increased by $54.6m or 42% from $129.7m as at 31 March 2008. This increase is attributable in part to market conditions and an expansion in the ECHMB's business to new markets and institutions. Accordingly, the ECHMB must ensure that it has the wherewithal to make timely interventions within financial institutions with strong underwriting standards and good corporate governance.

In this regard, the ECHMB's liquidity management must be structured to meet the demand. The ECHMB proposes to issue the 2nd and 3rd Tranches of its Initial Capital in an amount of $10.0m during the course of this financial year. In addition, ECHMB intends to continue the diversification of its long-term capital by sourcing debt from reputable international financial institutions.

On 14 April 2009, the Caribbean Information and Credit Rating Services Limited (CariCRIS) re-affirmed the ratings of *Cari***AA** (Foreign Currency Rating) and *Cari***AA** (Local Currency Rating) on its Caribbean regional rating scale to the US$30m notional debt issue of ECHMB. We anticipate that the ECHMB's sound business model and the *Cari***AA** rating should enable the institution to raise funds at preferential rates.

Improving mortgage underwriting standards in the ECCU is at the bedrock of the ECHMB's mandate. Accordingly, for the past 10 years ECHMB has been conducting seminars in conjunction with the Canada Mortgage and Housing Corporation, the Real Estate Institute of Canada and local and regional resource persons. To date approximately two hundred professionals from the ECCU, Barbados and Jamaica have attended the training modules with more than 50 attaining the Certified Residential Underwriter (CRU) designation.

The ECHMB's financial results for year ended 31 March 2009 shows steady improvement:

	2009 $	2008 $	2007 $
Retained Earnings at the beginning of the year	4,566,994	4,033,271	3,415,454
Net Income for the year	2,375,265	1,889,539	2,029,695
	6,942,209	5,922,810	5,445,149
Less: Dividends (10%)	(1,000,000)	(1,000,000)	(1,000,000)
Transfer to Reserves	(552,106)	(355,816)	(411,878)
Retained Earnings at the end of the year	5,390,153	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 2009.

As we celebrate our thirteenth year of operations, I would like to thank the shareholders for your support which enabled the ECHMB to achieve success. I also thank the Board of Directors, management and staff for their efforts during the course of the year.

While the crisis poses a threat to global and regional stability, it provides an opportunity for the region to take decisive and immediate action to implement policies that will stimulate our economies and stabilise our financial system.

K. Dwight Venner

Sir K Dwight Venner
Chairman

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

OVERVIEW

The 2008/2009 financial year was a very defining and challenging period in the history of the global economy. Most financial instabilities and economic crises of the past originated in developing countries, and industrialized nations were then called upon to assist victim economies by providing solutions. As such, effects on developed nations were not a major issue, or comparatively , not an issue at all. But in this instance the reverse has happened and both sides are affected, since the financial crisis which erupted in the United States in August 2007 has transformed into one of the longest and deepest recessions since World War II with appalling consequences for nations, both large and small. At the beginning of 2008, the United States economy had entered into its second year of recession, financial markets around the world attained historical lows or collapsed, investment banks lost billions, and large financial institutions were not too big to fail.

As liquidity tightened, banks were reluctant to lend due to increased uncertainty that they may not be able to recover their funds or may eventually need those resources to guarantee their own survival. As these problems continued to unfold, the United States government was forced to throw lifelines at major institutions such as American Insurance Group (AIG), Fannie Mae, Freddie Mac, and General Motors, among others, in an effort to avoid total collapse of the world's economy. Early in 2009, the House of Representatives passed one of history's largest financial stimulus/incentive packages of approximately US$780bn to bail out the ailing United States economy.

The Caribbean is not immune from international developments, although the effect to date has been relatively modest. However, the current crisis is impacting negatively on at least four of the five sectoral drivers of domestic economic activity: tourism which is a significant earner and employer has recorded declines in visitor arrivals; construction as development projects have slowed down or even came to a halt; and the interrelated sectors of industry and finance through reduced inflows in terms of volume of, and value from visitors, foreign direct investments, and migrants' remittances. These problems have been compounded by the price of oil rising on the global market at US$147 per barrel in July 2008, settling below US$50 per barrel at the end of the year, combined with the unprecedented rise in the price of basic commodities such as rice and wheat.

During the year the demand for ECHMB's funding facility soared, as primary mortgage lending institutions faced the challenges stemming from the global financial crisis. The business environment provided opportunities for funding, but ECHMB's resource-raising ability via public bond issues had been constrained by simultaneous placings by sovereigns in the ECCU region, and the limited pool of investors have tended to focus on those higher-yielding investments. Additionally, the unpredictability in timing of sovereign placements as well as the market distortions emanating from above average returns offered by some large regional institutions posed challenges for ECHMB. The funding risk was mitigated by full drawdown of the US$10.0m loan from the Caribbean Development Bank (CDB) which was negotiated in 2008. In addition, ECHMB issued its first ninety-day (90 day) Commercial Paper for US$11.0m as a bridging measure pending issue of the 18th Bond which was still being marketed at the end of the financial year.

Forging business partnerships is viewed as a complimentary approach to reaching the market, and in this regard, ECHMB has been able to demonstrate that partnerships can create positive new business values. This has been achieved by the direct interface marketing strategy employed from 2007 which has continued to pay dividends and during the financial year ECHMB was able to purchase $62.1m in mortgages from various Primary Lenders. ECHMB penetrated the secondary mortgage market in Anguilla and Nevis, also expanded in Grenada and Montserrat. In so doing , ECHMB has been able to increase the number of Primary Lenders with which it conducts business from eleven (11) to fifteen (15) and to reduce its concentration risk in St. Lucia from 33.1% to 23.7%.

FINANCIAL PERFORMANCE

ECHMB has reported strong results for the financial year ended 31 March 2009. Net Income amounted to $2.38m, an increase of $0.49m (25.9%) compared to the prior year results of $1.89m, largely resulting from growth in the Mortgage Portfolio, offset by lower Income from Investment Securities as more own resources were utilized to fund the purchase of mortgages.

The combination of increases in income and prudent management of expenses has resulted in the ECHMB's Earnings per Share increasing from $18.90 to $23.75. The Return on Average Assets, a key measure, remained unchanged at 1.2%.

Net Interest Income

Net Interest Income, the difference between Total Interest Income ($16.0m) and Borrowing Expenses ($9.5m), amounted to $6.5m (40.6%) compared to $5.5m (41.7%) last year. This ratio is affected by a combination of the lower yields on new pools of mortgages acquired despite borrowing costs remaining constant, a lower level of Income from Investment Securities directly attributable to a reduction in the portfolio from $26.1m to $13.1m on maturity of two investments, and increased transaction costs for new Borrowings.

Interest Income earned on Mortgage Loans contributed $13.4m of Total Interest Income, an increase of $4.4m or 48.5% over the prior year, although the average yield on the Mortgage Portfolio fell marginally from 8.27% to 8.21%. Investment Securities declined by $13.0m or 49.8% when compared to the prior year, with a corresponding decrease in Interest Income of $1.6m (37.9%). Borrowing Expenses increased from $7.8m to $9.5m in 2009, an increase of $1.7m or 21.8%, resulting from additional issues of Bonds and drawdown of the CDB Loan.

Operating Expenses

Operating Expenses, which comprises Non-Interest Expenses, increased by 3.0% over 2008. Salaries and Related Costs, the single largest cost centre, accounted for 50.8% of Total Operating Expenses in 2009, unchanged from 2008.

Assets & Liabilities

Total Assets increased by $43.5m or 25.1%, from $173.5m in March 2008 to $217.0m in March 2009. A record breaking performance was achieved during the year, whereby ECHMB acquired mortgages amounting to $62.1m, compared with the then previous highest of $59.4m in 2008. As a result of these acquisitions, the Mortgage Portfolio increased from $129.7m to $184.3m, financed by the CDB Loan $27.0m, Bonds in Issue $14.5m and own resources largely derived from the liquidation of Investment Securities of $13.0m on maturity. The ratio of Mortgage Portfolio to Total Assets improved from 74.8% at March 2008 to 84.9% at March 2009.

The amount invested by ECHMB in Investment Securities with regional institutions has been reduced to $13.1m or 6.0% of Total Assets, compared with $26.1m or 15.0% in the previous year.

Borrowings

Total Borrowings have increased from $152.6m in 2008 to $193.8m in 2009, of which Bonds in Issue accounted for $167.0m or 86.1% compared with 100% in 2008.

Shareholders' Equity

Shareholders' Equity of $20.3m increased by $1.4m or 7.3%, with no change in Share Capital. The Return on Equity increased to 12.3% in 2009 from 10.2% recorded in 2008.

THE HOUSING MORTGAGE MARKET

The residential mortgage market within the ECCU continues to be buoyant despite the global financial challenges. According to statistics from the ECCB, the size of this market in the ECCU commercial banking system at 31 March 2009 stood at $3.4bn compared with $3.1bn twelve months earlier. ECHMB's market share of $184.3m is equivalent to 13% of the mortgage assets held by the indigenous banks.

During the year ECHMB concluded the acquisition of ten (10) pools of mortgages as follows:-

Country	No. of Pools	Value $m
Anguilla	4	40.6
Grenada	1	5.2
Montserrat	1	3.4
St. Kitts & Nevis	3	9.2
St. Lucia	1	3.7
Total	10	62.1

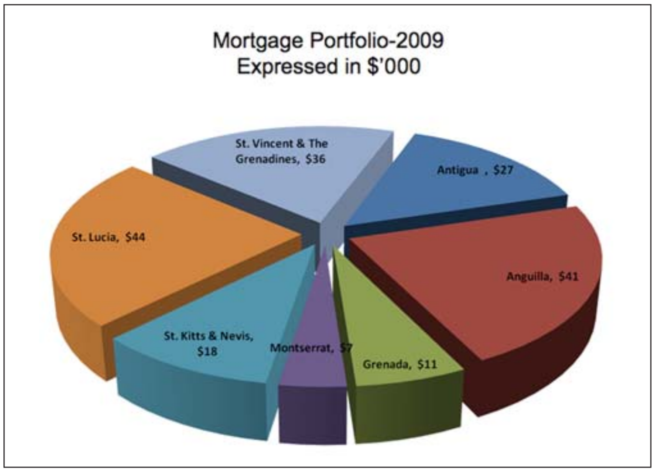
Distribution of Mortgages by Country as at March 31, 2009

	Mortgages in Portfolio	$m
Antigua & Barbuda	74	27.2
Anguilla	90	41.2
Grenada	43	11.4
Montserrat	44	6.8
St Kitts & Nevis	149	18.4
St Lucia	229	43.7
St Vincent & the Grenadines	227	35.6
Total	856	184.3

Figure 1. Distribution of Mortgages by Country as at March 31, 2009

The following are some key statistics on ECHMB's mortgage portfolio as at 31 March 2009, compared with the same period in 2008:-

		2009	2008
Number of Mortgages	:	856	689
Average Loan Size ($)	:	215,268	188,192
Yield on Mortgages (Net of Servicing and Administration fees)	:	8.21%	8.27%
Remaining Term to Maturity	:	14.08 years	11.01 years



PROMOTING HOME OWNERSHIP DAY

ECHMB is committed to providing world class quality service to its diverse customer base. In this regard, ECHMB hosts an annual "Home Ownership Day" in the form of a public information forum which allows stakeholders involved in the housing industry, for example the architects, building contractors, homeowners, insurance companies, lawyers, lenders, physical planners, policy-makers to come together to discuss matters pertinent to the housing sector. ECHMB has hosted two such events since the publication of its last Annual Report, in St. Vincent in July 2008 and in Montserrat in May 2009.

CAPACITY BUILDING IN THE RESIDENTIAL MORTGAGE MARKET

ECHMB ensures that international underwriting standards are maintained in the industry and for the past 10 years has been conducting Mortgage Underwriting Seminars in conjunction with the Canada Mortgage and Housing Corporation and the Real Estate Institute of Canada, supported by local and regional resource persons. These Seminars target all financial players in the mortgage industry and afford participants the opportunity to gain an internationally recognised qualification CRU.

During the year, ECHMB facilitated the hosting of 2 such Seminars in St. Lucia and Grenada respectively.

LOOKING AHEAD

The global economic and financial crisis has not altered the options and possibilities for Caribbean business strategy. Tourism should remain the principal sector of comparative advantage for the majority of countries, with minerals as an important export for those rich in such resources. If the effects of the crisis are properly managed, it could have a positive effect on agriculture, the fifth sectoral driver, if greater efforts are made at attaining food self-sufficiency to conserve foreign exchange and relieve unemployment. However, all indications are that economic performance in the Caribbean in general is expected to worsen in 2009. Economic output in most countries is expected to decline, compounded by a rise in unemployment rates. The projections are that demand for tourist services and manufactured and mineral exports is expected to continue to fall, foreign direct investment and foreign borrowing will be at lower levels and foreign reserve levels are expected to decline. On a note of caution, these outcomes could be worse than current projections indicate if recovery in the developed countries is delayed. In this regard, there is some suggestion that fiscal measures announced so far appear to be insufficient.

A major source of uncertainty for the Caribbean is the virtual absence of information on the quantum of financial linkages and transactions among regional conglomerates and associates. The risks of regional financial contagion are great, as illustrated by the extent of the losses resulting from the failure of a Trinidad-based conglomerate. To date, the full extent of the losses from this failure are unknown, with new information on interlinkages being revealed over time. While central banks collect comprehensive and up to date information on commercial banks, which is selectively disseminated to the public, information on non-bank financial institutions such as brokerage firms,insurance companies, mutual funds, and pension funds, is not readily available. It is even more urgent now that the Governments of the ECCU implement the initiative of the ECCB calling for the establishment of independent Single Regulatory Units which will be empowered to regulate such financial entities.

Several business opportunities are likely to emerge for ECHMB as finanacial institutions embark on strategies to manage liquidity. However, it is apparent that investors are still focusing on higher yielding instruments, but with shorter maturities, in effect a hedge which allows the flexibility of quick access to funds in the event that more attractive investments become available. This is posing a short term challenge to ECHMB, but it is anticipated that the market should settle down and pricing determined on a more rational commercial basis. The CariAA rating should also enable ECHMB to raise funds at preferential rates.

Under the terms of the Loan Agreement of 31 January 2008 with CDB, ECHMB is obliged to maintain a stipulated debt:equity ratio. ECHMB proposes to issue the 2nd and 3rd Tranches of its Initial Capital in an amount of $10.0m during the course of this financial year. In addition, ECHMB intends to continue the diversification of its long-term capital by sourcing debt from reputable international financial institutions.

Management wishes to thank all stakeholders for their continued support over the years and looks forward to strengthening this partnership.

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

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

We have audited the accompanying financial statements of Eastern Caribbean Home Mortgage Bank which comprise the Balance Sheet as at 31 March 2009, 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 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PKF

PKF
Chartered Accountants:

BASSETERRE - ST KITTS
27 April 2009

EASTERN CARIBBEAN HOME MORTGAGE BANK
BALANCE SHEET AS AT 31 MARCH 2009
(Expressed in Eastern Caribbean Dollars)

Assets	Notes	2009	2008
		$	$
Cash and Cash Equivalents	4	**17,995,939**	12,817,253
Interest Receivable	5	**725,683**	1,772,769
Accounts Receivable and Prepayments	6	**112,004**	2,063,167
Mortgage Portfolio	7	**184,269,250**	129,664,263
Intangible Assets	8	**136,657**	289,767
Other Assets	9	**609,156**	597,701
Investment Securities	10	**13,100,000**	26,100,000
Property and Equipment	2(g) (iii) & 13	**96,144**	154,397
Total Assets		**217,044,833**	173,459,317
Liabilities			
Interest Payable	11	**1,841,131**	1,660,142
Other Liabilities and Payables	12	**1,169,060**	326,845
Borrowings	13	**193,769,047**	152,582,000
Total Liabilities		**196,779,238**	154,568,987
Shareholders' Equity			
Share Capital	14	**10,000,000**	10,000,000
Retained Earnings		**5,390,153**	4,566,994
Reserves	15	**4,875,442**	4,323,336
Total Shareholders' Equity		**20,265,595**	18,890,330
Total Liabilities and Shareholders' Equity		**217,044,833**	173,459,317

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

Approved by the Board of Directors on

K. Dwight Venner

____
Sir K Dwight Venner - Chairman

____
Mr Ralph V C Hodge - Director

EASTERN CARIBBEAN HOME MORTGAGE BANK
STATEMENT OF INCOME
FOR THE YEAR ENDED 31 MARCH 2009
(Expressed in Eastern Caribbean Dollars)

	Notes	2009	2008
Interest Income			
		$	$
Cash and Investments		**2,562,664**	4,124,670
Mortgage Loans		**13,401,861**	9,021,097
Other Interest Income		**40,658**	140,415
Total Interest Income		**16,005,183**	13,286,182
Interest Expense			
Borrowings	17	**(9,515,066)**	(7,810,282)
Net Interest Income		**6,490,117**	5,475,900
Other Borrowing Expenses	18	**(74,653)**	(65,731)
Mortgage Administration Fees		**(1,568,360)**	(1,112,287)
Seminar Fees	19	**7,220**	(7,676)
Operating Income		**4,854,324**	4,290,206
General and Administrative Expenses			
Salaries and Related Costs		**1,256,934**	1,213,104
Ancillary Services		**156,134**	127,943
Promotional Activities		**211,659**	220,850
General Services and Supplies		**161,387**	165,775
Depreciation		**58,253**	52,297
Amortization - Intangible Assets		**153.110**	145,604
Amortization - Other		**302,093**	263,066
Audit Fees		**30,000**	25,000
Directors' Fees and Expenses		**130,510**	187,028
Foreign Exchange Loss		**18,979**	-
Total Operating Expenses		**2,479,059**	2,400,667
Net Income for Year Carried To Statement of Changes in Equity		**2,375,265**	1,889,539
Earnings per Share	20	**$23.75**	$18.90

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 2009
(Expressed in Eastern Caribbean Dollars)

	Share Capital	Building Reserve	Portfolio Risk Reserve	Retained Earnings	Total
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	1,889,589
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
Net Income for Year				2,375,265	2,375,265
Dividends Paid	-	-	-	(1,000,000)	(1,000,000)
Transfer to Reserves	-	276,053	276,053	(552,106)	-
Balance at 31 March 2009	10,000,000	2,687,721	2,187,721	5,390,153	20,265,595

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 2009
(Expressed in Eastern Caribbean Dollars)

	2009	2008
Cash flows from Operating Activities	$	$
Net Income for the Year	2,375,265	1,889,539
Adjustments for:		
Depreciation	58,253	52,297
Amortisation of Intangible Assets	165,723	158,217
Amortisation of Bonds Issue Costs	289,480	250,453
Interest Income	(16,005,183)	(13,286,182)
Interest Expense	9,515,066	7,810,282
Cash flows used in Operating Profits Before Changes in Operating Assets and Liabilities	(3,601,396)	(3,125,394)
Changes in operating assets and liabilities		
Decrease/(Increase) in Accounts Receivable and Prepayments	1,951,163	(19,364)
Increase in Other Liabilities and Payables	842,215	96,813
Cash used in operations before interest	(808,018)	(3,047,945)
Interest Received	17,052,269	12,819,735
Interest Paid	(9,334,077)	(7,203,510)
Net cash provided by operating activities	6,910,174	2,568,280
Cash flows from Investing Activities		
Decrease in Investments	13,000,000	18,000,000
Purchases of Mortgages	(62,122,390)	(59,461,846)
Principal Repayment on Mortgages	6,874,228	4,916,545
Net decrease/(increase) in Mortgages Repurchased/Replaced	643,175	(605,626)
Purchase of Intangible Assets	-	(28,082)
Purchase of Property and Equipment	-	(56,105)
Net cash used in Investing Activities	(41,604,987)	(37,235,114)
Cash flows from financing activities		
Proceeds from Issuance of Commercial Paper	29,700,000	-
Repayment of Commercial Paper	(29,700,000)	-
Net Proceeds from Long-term Borrowings	41,187,047	54,457,000
Repayment of Long-term Borrowings	-	(13,805,000)
Dividends Paid	(1,000,000)	(1,000,000)
Bond Issue Costs Incurred	(313,548)	(327,222)
Net cash provided by financing activities	39,873,499	39,324,778
Net increase in cash and cash equivalents	5,178,686	4,657,944
Cash and cash equivalents at beginning of year	12,817,253	8,159,309
Cash and cash equivalents at end of year	17,995,939	12,817,253

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 2009
(Expressed in Eastern Caribbean Dollars)

	Motor Vehicle $	Total Computer Equipment $	Furniture & Fixtures $	Machinery & Equipment $	**2009** $	2008 $
Cost						
Balance Brought Forward	108,000	282,282	41,982	36,943	**469,209**	413,102
Additions	-	-	-	-	-	56,105
Cost Carried Forward	108,000	282,282	41,982	36,943	**469,207**	469,207
Depreciation						
Balance Brought Forward	39,600	213,604	39,497	22,109	**314,810**	262,513
Charge for Year	21,600	30,848	774	5,031	**58,253**	52,297
Depreciation Carried Forward	61,200	244,452	40,271	27,140	**373,063**	314,810
Net Book Value	46,800	37,830	1,711	9,803	**96,144**	154,397

As explained in Note 13 to the Financial Statements, the Property and Equipment 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 2009
(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

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

These financial statements comply with International Financial Reporting Standards (IFRS) and are prepared under the historical cost convention, except for available-for-sale investment securities which are measured at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions or estimates are significant to the financial statements are disclosed in Note 3.

Changes in International Financial Reporting Standards

Amendments to published standards and interpretations effective in financial year 2009 and have not been early adopted by the Bank.

A number of new standards, amendments and interpretations to existing standards have been published and is mandatory for the Bank's accounting periods beginning on or after January 1, 2009 or later periods but the Bank has not early adopted them.

- IAS 1 (Revised) Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009). The main objective in revising IAS 1 was to aggregate information in the financial statements on the basis of shared characteristics. IAS 1 will affect the presentation of owner changes in equity and of comprehensive income. It will not change the recognition, measurement or disclosure of specific transactions and other events required by other IFRSs. IAS 1 (Revised) will require an entity to present, in a statement of changes in equity, all owner changes in equity. All non-owner changes in equity (i.e. comprehensive income) will be required to be presented in one statement of com prehensive income or in two statements (a separate income statement and a statement of comprehensive income).

2 Summary of Significant Accounting Policies (Continued)

a) Basis of preparation (Continued)

Components of comprehensive income will not be permitted to be presented in the statement of changes in equity. It is likely to result in some presentational changes. Management is currently assessing the impact of these changes. **Amendments to published standards and interpretations effective in financial year 2009 and have not been early adopted by the Bank (continued)**

IAS 39 (Amendment) - Financial instruments: Recognition and measurement. An amendment to IAS 39 came into effect October 2008, which permits an entity to reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of the fair value through profit or loss category in particular circumstances. The amendment also permits an entity to transfer from the available-for-sale category to the loans and receivables category a financial asset that would have met the definition of loans and receivables (if the financial asset had not been designated as available for sale), if the entity has the intention and ability to hold that financial asset for the foreseeable future. The amendment had no impact on these financial statements.

- There are a number of minor amendments to IFRS 7, 'Financial instruments: Disclosures', IAS 8, 'Accounting policies, changes in accounting estimates and errors', IAS 10, 'Events after the reporting period', IAS 18, 'Revenue' which are part of the IASB's annual improvements project published in May 2008 (not addressed above). These amendments are unlikely to have an impact on the Bank's accounts and have therefore not been analysed in detail.

Standards, interpretations and amendments to existing standards, which have been published but, are not relevant to the Bank's operations

Certain new standards, interpretations and amendments to existing standards have been published that are mandatory for accounting periods beginning on or after January 1, 2009 but are not relevant for the Bank's operations:

- IAS 16 (Amendment), Amendment) - Property, plant and equipment (and consequential amendment to IAS 7, Statement of cash flows') (effective from January 1, 2009).
- IAS 19 (Amendment), 'Employee benefits' (effective from 1 January 2009).
- IAS 20 (Amendment), 'Accounting for government grants and disclosure of government assistance' (effective from January 1, 2009).
- IAS 23 (Amendment), 'Borrowing costs' (effective from January 1, 2009)
- IAS 27 (Amendment), 'Consolidated and separate financial statements' (effective from January 1, 2009).
- IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation' and IFRS 7, 'Financial instruments: Disclosures') (effective from January 1, 2009).
- IAS 29 (Amendment), 'Financial reporting in hyperinflationary economies' (effective from January 1, 2009).
- IAS 31 (Amendment), 'Interests in joint ventures (and consequential amendments to IAS 32 and IFRS 7) (effective from January 1, 2009).
- IAS 32 (Amendment), 'Financial instruments: Presentation', and IAS 1 (Amendment), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation' (effective from January 1, 2009).
- IAS 36 (Amendment), Impairment of assets (effective from 1 January 2009).
- IAS 38 (Amendment), 'Intangible assets', (effective from January 1, 2009). The amendment is part of the IASB's annual improvements project publishe in May 2008. The amendment deletes the wording that states that there is 'rarely, if ever' support for use of a method that results in a lower rate of amortization than the straight line method.

2 Summary of Significant Accounting Policies (Continued)

a) Basis of preparation (Continued)

Standards, interpretations and amendments to existing standards, which have been published but, are not relevant to the Bank's operations (continued)

The amendment will not currently have an impact on the Bank's operations as all intangible assets are amortised using the straight line method.

- IAS 39 Financial Instruments: Recognition and Measurement — Amendments for eligible hedged items (effective from July 1, 2009).
- IAS 40 (Amendment), 'Investment property' (and consequential amendments to IAS 16) (effective from January 1, 2009).
- IAS 41 (Amendment), 'Agriculture' (effective from January 1, 2009).
- IFRS 1 (Amendment) 'First time adoption of IFRS' and IAS 27 'Consolidated and separate financial statements' (effective from January 1, 2009).
- IFRS 2 (Amendment), 'Share-based payments' (effective from January 1, 2009).
- IFRS 3 (Revised), 'Business combinations' (effective from July 1, 2009).
- IFRS 5 (Amendment), 'Non-current assets held for sale and discontinued operations' (and consequential amendment to IFRS 1, 'First-time adoption') (effective from July1, 2009).
- IFRS 8, Operating Segments (effective for annual periods beginning on or after 1 January 2009).
- IFRIC 12, 'Service concession arrangements' (effective from January 1, 2008).
- IFRIC 13, 'Customer loyalty programmes' (effective from July 1, 2008)
- IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from January 1, 2008)
- IFRIC 16, 'Hedges of a net investment in a foreign operation' (effective from October 1, 2008).
- IFRIC 15, 'Agreements for construction of real estate (effective from January 1, 2009).

b) Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances on hand, deposits with other banks and short term investments with maturities of less than three months.

c) Financial Assets and Liabilities

Financial instruments carried on the balance sheet include cash and cash equivalents, investments securities, mortgage loans and receivables, interest payable and borrowings.

Recognition and Measurement

Financial assets and financial liabilities are recognized on the balance sheet when the Bank assumes related contractual rights or obligations.

Derecognition

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.

2 Summary of Significant Accounting Policies (Continued)

c) Financial Assets and Liabilities (Continued)

Classification

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

i) Mortgage Loans and 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.

ii) Available-for-sale financial assets

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

Available-for-sale financial assets are subsequently carried at fair value. Mortgages receivable are carried at amortised cost using 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 a sets 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 (Continued)

c) Financial Assets and Liabilities (Continued)

Financial liabilities

Financial liabilities (Borrowings) are recognised initially at fair value, net of transaction costs incurred and subsequently stated at amortised cost using the effective interest rate method.

d) Offsetting financial Instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet 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.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

e) Impairment of Financial assets

(i) Assets carried at amortised cost

The Bank assesses at each balance sheet date 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 if, and 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.

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

(ii) Assets carried at fair value

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired.

If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the statement of income. Impairment losses recognised in the statement of income on equity instruments are not reversed through the statement of income.

2 Summary of Significant Accounting Policies (Continued)

f) 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.

g) Property and Equipment

i) All assets are carried at historical cost or revalued amount less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the items. The cost of self-constructed assets includes the cost of materials and direct labour, and other costs directly attributable to bringing the assets to a working condition for their 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

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 other operating expenses during the financial period in which they are incurred.

iii) Depreciation is calculated on the straight-line basis at rates estimated to write-off the cost of each asset over the period of its expected useful life. Land is not depreciated. 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 depreciation 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.

2 Summary of Significant Accounting Policies (Continued)

h) Leases

The leases entered into by the Bank are primarily operating leases. The total payments made under operating lease are charged to the income statement on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

i) Revenue Recognition

Interest Income and Interest Expense

Interest income and expense are recognized in the statement of income for all interest-bearing instruments on an accrual basis using the effective interest yield 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 l ability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

j) Foreign currency transaction

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
Monetary assets and liabilities denominated in foreign currencies are translated into Eastern Caribbean dollars at the closing rates of exchange prevailing at the balance sheet date. Foreign currency transactions are translated at the rates prevailing on the transaction dates. Foreign exchange gains or losses arising from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income.

k) Borrowings

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

2 Summary of Significant Accounting Policies (Continued)

l) Provisions

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

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value for money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as an expense.

m) Taxation

In accordance with 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.

n) Bond Issue Costs

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

o) Payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

p) Pension Costs

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.

q) Dividends

Dividends are recognized in the year in which they are paid. Dividends that are proposed and declared after the balance sheet date are not shown as a liability on the balance sheet.

r) Events after balance sheet date

Post year-end events that provide additional information about the Bank's financial position at balance sheet date (adjusting events) are reflected in the consolidated financial statements when material. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

3 Critical Accounting Estimates and Judgements in applying Accounting Policies

The Bank makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Management does not consider that there are estimates and assumptions that will have a significant risk, causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimates and judgements 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.

4 Cash and Cash Equivalents

	2009	2008
	$	$
Cash with Banks	**17,995,440**	12,816,753
Cash on Hand	**499**	500
	17,996,939	$12,817,253

Cash with Banks earned interest rates ranging from 1.5% to 7% (2008: 2% to 7%) during the year under review.

5 Interest Receivable

	2009	2008
	$	$
Investments Interest Receivable	**266,637**	449,767
Mortgage Payments Receivable	**459,046**	1,323,002
	725,683	1,772,769

6 Accounts Receivable and Prepayments

	2009	2008
	$	$
Prepaid Expenses	**31,265**	32,573
Mortgage Origination Advance	**-**	2,000,000
Other Receivables	**80,739**	30,594
	112,004	2,063,167

7 Mortgage Portfolio

	2009	2008
	$	$
Balance at the beginning of the year	**129,664,263**	74,513,336
Add: Purchases during the year	**62,122,390**	59.461,846
Less: Principal Repayments	**(6,874,228)**	(4,916,545)
Net Mortgages (Replaced)/Repurchase	**(643,175)**	605,626
Balance at the end of the year	**184,269,250**	129,664,263
Represented By:		
Mortgages with recourse	**184,269,250**	129,664,263
Mortgages without recourse	-	-
Balance at the end of the year	**184,269,250**	129,664,263

Territory Analysis	2009	2008
	$	$
Antigua and Barbuda	**27,192,806**	28,709,413
Anguilla	**41,155,880**	-
Grenada	**11,348,652**	5,925,148
Montserrat	**6,810,921**	3,779,345
St Kitts and Nevis	**18,394,519**	9,493,543
St Lucia	**43,740,407**	42,919,217
St Vincent and the Grenadines	**35,626,065**	38,837,597
	184,269,250	129,664,263

Terms and Condition of Purchased Mortgages

1 Purchase of Mortgages:

The Bank entered into a Sale and Administration Agreement 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 occurring 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.

8 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
At 31 March 2009	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

		Mortgage Interfacing System	Computer Software	Total
		$	$	$
8	**Intangible Assets (Continued)**			
	At 31 March 2008	157,794	1,855	159,649
	Amortisation	143,749	9,361	153,110
	At 31 March 2009	301,543	11,216	312,759
	Net Book Value:			
	At 31 March 2009	**119,791**	**16,866**	**136,657**
	At 31 March 2008	263,540	26,227	289,767

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

		2009	2008
9	**Other Assets**	$	$
a)	Capitalised Bond Issue Costs		
	Balance brought forward	**547,251**	470,482
	Additions	**313,548**	327,222
		860,799	797,704
	Less: Amortization for Year	**(289,480)**	(250,453)
	Balance Carried Forward	571,319	547,251
b)	Deferred Pension Cost		
	Past Service Contribution		
	Balance brought forward	**50,450**	63,063
	Less: Amortization for Year	**(12,613)**	(12,613)
	Balance Carried Forward	**37,837**	50,450
	Total Other Assets	**609,156**	597,701

a) Bond Issue Costs

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.

10	**Investment Securities**	**2009**	2008
	Available-for-sale securities		
	10,000 Class C Shares of $10 each	**100,000**	100,000
	Held-to-maturity		
	Term Deposits	**13,000,000**	26,000,000
		$13,100,000	$26,100,000

Term Deposits attracted interest rates varying between 7.25% to 8.5% (2008 = 7.25% to 8.5%) during the year under review.

ECHMB holds an interest bearing term deposit in the amount of $5M with one of C L Financial Limited Group entities – CLICO. The Board of Directors of ECHMB has been monitoring the developments in relation to the C L Financial Limited Group.

11	**Interest Payable**		
		2009	2008
		$	$
	Bonds Interest Payable	**1,723,546**	1,660,142
	Long-term Loan Interest Payable	**117,585**	-
	Total Interest Payable	**1,841,131**	1,660,142

12	**Other Liabilities and Payables**	**2009**	2008
	Sundry Creditors and Accruals	**1,153,844**	316,263
	Other Payables	**15,216**	10,582
	Total Other Liabilities	**$1,169,060**	$326,845

13 Borrowings

	2009 $	2008 $
Bonds in Issue		
Balance at the beginning of the year	**152,582,000**	111,930,000
Add: Issues during the year	**14,480,000**	54.457,000
Less: Redemptions during the year	**-**	(13,805,000)
Balance at the end of the yea	**167,062,000**	152,582,000
Loan		
Caribbean Development Bank	**27,000,000**	-
	194,062,000	152,582,000
Unamortised Transaction Fees	**(292,953)**	-
Total Borrowings	**193,769,047**	152,582,000

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% (2008: 5.5% to 6%).

b) The amounts outstanding on borrowings issued are repayable as follows:

	2009	2008
Within 1 year	**49,343,409**	-
1 to 2 years	**52,700,638**	44,402,000
2 to 3 years	**15,283,634**	43,455,000
3 to 4 years	**42,540,908**	13,150,000
4 to 5 years	**2,406,383**	40,275,000
Over 5 years	**31,494,075**	11,300,000
	193,769,047	152,582,000

c) The bonds are tax free.

Caribbean Development Bank (CDB) Loan	2009	2008
Maturity Analysis	**-**	-
Within 1 year	**27,000,000**	-
Over 1 year	**27,000,000**	-

Loan for US $10m (EC$27m) obtained during the year, for a period of 11 years with a two year moratorium on principal. ECHMB will repay the loan in 36 equal or approximately and consecutive installments commencing from the first due date after the expiry of the two (2) years moratorium.

13 Borrowings (Continued)

The loan agreement provides that interest shall be payable on the principal at the rate provided for in the agreement; however, the Caribbean Development Bank may from time to time increase or decrease the rate of interest. The interest rate on the loan stood at 6.03% during the financial year. The amount from this loan facility has been fully drawn as of March 31, 2009.

14 Share Capital

	2009 $	2008 $
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**	1,133,700
Class C	**2,853,800**	2,853,800
Class D	**3,512,500**	3,512,500
	10,000,000	10,000,000

There has been no change in ownership or reclassification of shares during the financial year.

Dividend of $10 per share (amounting to $1,000,000) in respect of 2008 was paid during the year.

A dividend in respect of 2009 amounting to $1,000,000 (EC$10 per share) is proposed. The financial statements for the year ended 31 March 2009 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 2010.

15 Reserve Funds

	2009	2008
Building Reserve Fund	2,687,721	2,411,668
Portfolio Risk Reserve Fund	2,187,721	1,911,668
Total Reserve Funds	4,875,442	4,323,336

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.

16 Contingent Liabilities And Capital Commitments

At 31 March 2009, the Board of Directors approved capital expenditure in the amount of $145,050 for the acquisition of new computer equipment (2008 = $93,950).

There were no outstanding contingent liabilities at 31 March 2009 (2008 = Nil).

17 Borrowing Expenses

	2009	2008
	$	$
Loan Interest	119,881	-
Interest on Bonds	8,987,989	7,810,282
Commercial Paper Interest	407,256	-
Total	9,515,066	7,810,282

18 Other Borrowing Expenses

	2009	2008
Trustee Fees	6,075	6,075
Sundry Bond Expenses	68,578	59,656
Total Other Borrowing Expenses	$74,653	$65,731

19 Seminar Fees, net

	2009	2008
Seminar Costs Recovered	120,000	117,000
Seminar Expenses	(112,780)	(124,676)
	7,220	(7,676)

20 Earnings per Share

Basic Earnings per Share (EPS) is calculated by dividing net income by the weighted average number of common shares outstanding during the year.

	2009	2008
Net Income for Year	2,375,265	1,889,539
Weighted Average Shares	100,000	100,000
Basic Earnings per Share	$23.75	$18.90

21 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 13. Interest rates on short-term deposits range from 7.25% to 8.5% per annum (2008 = 7.25% 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 management believes that no provision is required at 31 March 2009.

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.

22 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 liabilities is fundamental to the liquidity risk management process.

MATURITIES OF ASSETS AND LIABILITIES

22 Liquidity Risk (Continued)

	Up to 1 Year	1 to 5 Years	Over 5 Years	Total
Assets				
Cash and Short Term Funds	17,995,939	-	-	17,995,939
Investments	13,000,000	-	100,000	13,100,000
Interest Receivables	725,684	-	-	725,684
Accounts Receivables	112,004	-	-	112,004
Property and Equipment	58,253	37,891	-	96,144
Mortgage Portfolio	134,561	4,846,125	179,288,565	184,269,250
Intangible Assets	136,657	-	-	136,657
Other Assets	302,093	307,063	-	609,156
	32,465,190	5,191,079	179,388,565	217,044,834
Liabilities				
Interest Payable	1,841,131	-	-	1,841,131
Other Liabilities and Payables	1,169,060	-	-	1,169,060
Borrowings	49,343,409	112,931,564	31,494,074	193,769,047
	52,353,600	112,931,564	31,494,074	196,779,234
Net Liquidity Gap	**(19,883,412)**	**(107,740,485)**	**147,894,491**	**20,265,595**

As at 31 March 2008

	Up to 1 Year	1 to 5 Years	Over 5 Years	Total
Assets				
Cash and Short Term Funds	12,817,253	-	-	12,817,253
Investments	26,000,000	-	100,000	26,100,000
Interest Receivables	1,772,769	-	-	1,772,769
Accounts Receivables	2,063,167	-	-	2,063,167
Property and Equipment	52,298	102,099	-	154,397
Mortgage Portfolio	24,602	4,593,515	125,046,146	129,664,263
Intangible Assets	153,110	136,657	-	289,767
Other Assets	302,123	294,617	961	597,701
	43,185,322	5,126,888	125,147,107	173,459,317
Liabilities				
Interest Payable	1,660,142	-	-	1,660,142
Other Liabilities and Payables	326,845	-	-	326,845
Borrowings	-	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**

23 Related Party Transactions

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

The 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 $636,622 (2008 = $627,229).

24 Reclassifications

Certain figures in the Balance Sheet and Income Statement have been reclassified during the current financial year to improve the financial statement presentation. The previous year's figures have been reclassified to be consistent with this year's presentation. This reclassification has no effect on the results as reported for the current and previous years.

25 Subsequent Events

Subsequent to March 31, 2009 the following events occurred:

i) The interest rate on the Caribbean Development Bank loan reduced from 6.03% to 5.4%, effective April 1, 2009;

ii) The Eastern Caribbean Home Mortgage Bank received $9.5M additional funding for the 18th Bond issue on March 25, 2009. The bond closed at $25M during the month of June 2009.

NOTES:

NOTES:

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