

## Schedule 1

### FORM ECSRC – K

#### ANNUAL REPORT PURSUANT TO SECTION 98 OF THE SECURITIES ACT OF 2001

For the Financial Year Ended 31 March 2009

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Issuer Registration Number  
HMB160990GR

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

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GRENADA  
(Territory of incorporation)

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

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Reporting issuer's:

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

Fax number: 1-(869) 466-7518

Email address: [info@echmb.com](mailto:info@echmb.com)

#### 1. Business

- (a) to 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 Anguilla, Antigua and Barbuda, Commonwealth of Dominica, Grenada, Montserrat, St. Christopher and Nevis, Saint Lucia, Saint Vincent and the Grenadines (collectively referred to as "the participating Governments");
- (b) to 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) to promote and increase the efficient mobilization and allocation of long-term savings for investment in housing and to further the economic development of the territories of the participating Governments;
- (d) to 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) to promote the growth and development of the money and capital markets and to enhance the monetary integration of the territories of the participating Governments.

## **2. Properties**

A schedule of ECHMB's assets is provided on page 20 of the appendage annual report.

## **3. Legal Proceedings**

There are no pending legal matters other than that which are required to carry on the business of the Bank.

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

On 25 July 2009 ECHMB held its 14<sup>th</sup> Annual General Meeting (AGM) in St. Kitts. The Minutes of the 13<sup>th</sup> AGM were confirmed and the following decisions were also taken:-

- The approval of dividends amounting to \$10.00 per share for the year ended 31st March, 2009, as recommended by the Board of Directors.
- The appointment of Messrs. P K F as Auditors for the ensuing year and to authorize the Board of Directors to fix their remuneration.

## **5. Market for Reporting issuers Common Equity and related Stockholders Matters**

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

## **6. Financial Statements and Selected Financial Data**

Please refer to pages 15-39 of ECHMB's Annual Report for the Year Ended 31 March 2009.

## **7. Disclosure about Risk Factors**

### **Interest Rate Risk**

The ongoing trend of reduced interest on mortgages has been encouraging prepayment by mortgagors resulting in reduced yields on the pools. ECHMB recognizes that it may not be easy to renegotiate the terms of the existing Sales and Administration Agreements, but for new primary lenders provision is being made for such an eventuality through the right for ECHMB to revisit the rate of Administration Fees paid to the primary lender.

### **Legal Risk**

This may arise due to lengthy foreclosure proceedings as well as the challenges posed by the absence of harmonized legislation in the territories of the participating Governments.

There is also the ever-present risk of the escalating cost and lengthy registration process of new pools of mortgages.

### **Operational Risk**

This is related to servicing and administration capabilities of primary lenders in a multi-island environment. ECHMB is helping its partners in the primary lending market to improve and build underwriting and loan administration capacity through its three-module Mortgage Underwriting Programme promoted in conjunction with the Real Estate Institute of Canada.

### **Exogenous Risk**

Hurricanes, earthquakes and volcanic eruptions are among the most prevalent disasters which could affect the countries in which ECHMB operates. Primary lenders and homeowners could be faced with major difficulties which could prevent them from servicing their mortgages and hence affect ECHMB's business. This risk is mitigated to some extent by ECHMB's insistence on adequate fire and peril insurance for qualifying mortgages.

## **8. Changes in Securities and use of Proceeds**

During the year, ECHMB raised financing of \$41.2 million through the placement of its 18<sup>th</sup> Bonds and a Long-term loan from the Caribbean Development Bank (CDB), the proceeds of which were used to acquire new pools of mortgages.

## **9. Defaults upon Senior Securities**

ECHMB has not defaulted on its payment obligations during the period under review.

## **10. Management's Discussion and Analysis of Financial Condition and results of Operations**

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.

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

As outlined in Note (4) above, the incumbent auditors were reappointed. There were no disagreements between ECHMB and the auditors.

**12. Directors and Executive Officers of the Reporting Issuer**

Directors are listed on page 4 of ECHMB's Annual Report for the Year Ended 31 March 2009. There were no changes in the constitution of the Board of Directors during the year under review.

**13. Security Ownership of certain Beneficial Owners and Management**

<b>CLASS</b>	<b>Percentage (%)</b>
Class A - (Eastern Caribbean Central Bank)	25%
Class D - (CLICO International Life Insurance Company, Barbados)	20%

**14. Other information**

None

**15. List of Exhibits**

The Annual Report for the Year Ended 31 March 2009 is attached.

Indicate whether the reporting issuer has filed all reports required to be filed by Sections 98 of Securities Act of 2001 during the preceding 12 months

Yes (X)

No ()

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

<b>CLASS</b>	<b>NUMBER</b>
Class A	25,000
Class B	11,337
Class C	28,538
Class D	35,125
<b>TOTAL</b>	<b>100,000</b>

**SIGNATURES**

Name of Chief Executive Officer

**Duleep Cheddie**

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Signature

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Name of Director

**Sir K Dwight Venner**

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Signature

\_\_\_\_\_

Date

Date