



PROSPECTUS

FOR 19th BOND ISSUE OF \$43,252,000 BY THE EASTERN CARIBBEAN HOME MORTGAGE BANK (ECHMB)

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The Prospectus has been drawn up in accordance with the rules of the Eastern Caribbean Securities Market. The Eastern Caribbean Securities Regulatory Commission and Eastern Caribbean Central Bank accept no responsibility for the contents of this Prospectus, make no representations as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss whatsoever arising from or reliance upon the whole or any part of the contents of this Prospectus. If you are in doubt about the contents of this document or need financial or investment advice you should consult a person licensed under the Securities Act or any other duly qualified person who specializes in advising on the acquisition of corporate instruments or other securities.

May 2009

NOTICE TO INVESTORS

This Prospectus is issued for the purpose of giving information to the public.

Statements contained in this Prospectus describing documents are provided in summary form only and such documents are qualified in their entirety by reference to such documents. The ultimate decision and responsibility to proceed with any transaction with respect to this offering rests solely with the investor. Therefore, prior to entering into the proposed investment, the investor should determine the economic risks and merits, as well as the legal, and accounting characteristics and consequences of this Bond offering, and the ability to assume those risks.

This Prospectus and its contents are issued for the specific Bond issue described herein. Should you need advice, consult an intermediary licensed under the Securities Act or any other duly qualified person who specializes in advising on the acquisition of corporate instruments or other securities.

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1.0 GENERAL INFORMATION ON THE BOND ISSUE

Issuer: **Eastern Caribbean Home Mortgage Bank (ECHMB)**

Address: ECCB Complex, Bird Rock Road
P.O. Box 753, Basseterre, St. Kitts

Email: info@echmb.com

Telephone No. : 1-869-466-7869

Facsimile No. : 1-869-466-7518

Contact persons: Duleep Cheddie, Chief Executive Officer
Randy Lewis, Manager Corporate Finance

**Arranger
& Lead Broker:** Caribbean Money Market Brokers Limited (CMMB)

Address: # 9 Brazil Street
Castries
Saint Lucia

Email: stlucia@mycmmmb.com

Telephone No. : 1-758-450-2662

Facsimile No. : 1-758-451-7984

Contact Persons: Mrs. Carole Eleuthere-Jn Marie, Country Manager
Mrs. Sharmaine Francois, Business Dev. Manager
Mr. Anderson Soomer, Business Dev. Officer

Date of Publication: May 2009

Purpose of Issue: To finance the purchase of additional mortgages from primary lenders and to redeem the 16th Bond amounting to \$43,252,000, issued in July 2007.

Amount of Issue: Forty Three Million two hundred and fifty two thousand Eastern Caribbean Dollars - EC\$43,252,000

ECHMB STATEMENT

- 2.1 The ECHMB accepts responsibility for all information provided with regards to the Nineteenth (19th) Bond Issue of \$43,252,000.00 Secured Fixed Rate (Tax Free) Bonds (the Bonds). ECHMB has taken all reasonable care to ensure that the facts stated herein in relation to ECHMB are true and accurate in all material respects and that there are no other facts the omission of which makes misleading any statement herein in relation as aforesaid whether of fact or opinion. ECHMB accepts responsibility accordingly. The Prospectus has been delivered to the Eastern Caribbean Regulatory Commission for approval in accordance with the Regulations.

The information in the prospectus was compiled by ECHMB, the Team as follows:

Financial Information Randy Lewis - Manager, Corporate Finance
Basseterre
St. Kitts

General Information Mr. Dennis Cornwall - Manager, Research and Marketing
Basseterre
St. Kitts

- 2.2 In connection with the issue and sale of the Nineteenth Bond Issue of \$43,252,000.00 Secured Fixed Rate (Tax Free) Bonds due 2011 ("2 year Bonds"), no person is authorized to give any information or to make any representations not contained in this document, and ECHMB accepts no responsibility for any such information or representation.
- 2.3 In the event of any over-subscription, ECHMB reserves the right without the consent of the applicants of the Bonds to increase the aggregate value of up to an additional \$6,748,000 of this Issue of Bonds making the total issue a maximum of \$50.0 million. The additional Bonds will rank *pari passu* in all respects with the Nineteenth Bond. Should ECHMB exercise this right, consequential amendments required to the Debenture will be effected as from the Settlement Date and all Bondholders will be notified accordingly.
- 2.4 In this document all references to "dollars" or "\$" are to Eastern Caribbean Dollars, and all references to "Member Territories" refer to Member Territories encompassed by the Eastern Caribbean Home Mortgage Bank Act of 1994.

3.0 BOND TERMS AND CONDITIONS

<u>Issuer</u>	: Eastern Caribbean Home Mortgage Bank (“ECHMB”)
<u>Instrument Type</u>	: Secured Fixed Rate (Tax-free) Bonds (“The Bonds”).
<u>Currency</u>	Eastern Caribbean Dollars (\$)
<u>Issue Amount</u>	: Forty three million two hundred and fifty two thousand Eastern Caribbean Dollars (\$43,252,000.00)
<u>Over-allotment Option</u>	: In the event of any over-subscription, ECHMB reserves the right without the consent of the applicants of the Bonds to increase the aggregate value of up to an additional \$6,748,000 of this Issue of Bonds making the total issue a maximum of \$50.0 million. The additional Bonds will rank <i>pari passu</i> in all respects with the Nineteenth Bond. Should ECHMB exercise this right, consequential amendments required to the Debenture will be effected as from the Settlement Date and all Bondholders will be notified accordingly.
<u>Coupon rate</u>	: 6.0% per annum
<u>Tenor</u>	: Two (2) Years
<u>Registrar, Transfer and Paying Agent</u>	Eastern Caribbean Central Securities Registry (ECCSR) ECCB Complex, P.O. Box 94, Bird Rock, Basseterre, St. Kitts.
<u>Use of Proceeds</u>	: To finance the purchase of additional mortgages from primary lenders and to redeem the 16 th Bond amounting to \$43,252,000.00 issued in July 2007.
<u>Interest Payment</u>	: Semi-annually in arrears commencing six (6) months after the Issue Date, for the duration of the Bond. Should the due dates fall on a public holiday or a weekend, the payments shall be made on the last working day before the holiday or weekend.
<u>Principal Repayment</u>	: Bullet at maturity
<u>Security</u>	: Fixed and floating charge on the assets of ECHMB, ranked <i>pari passu</i> with ECHMB’s existing Bonds and the Long-Term Loan issued by the Caribbean Development Bank (CDB) amounting to US\$10.0 million.
<u>Issuer Rating</u>	: 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\$30.0 million
<u>Issue Date</u>	: Target date: July 2 nd 2009
<u>Maturity date</u>	: Target date: July 2 nd 2011
<u>Minimum Bid and Bid Multiplier</u>	: The bonds will be issued in multiples of \$5,000 and the minimum bid amount is \$5,000.

- Governing Law** : The issue will be governed according to the laws of Grenada.
- Legislative Authority** : The issue of the Bonds was authorized by Resolution of ECHMB passed on May 5th 2009 in conformity with the provisions of the Eastern Caribbean Home Mortgage Bank Agreement Act 1994.
- Auction dates** : Bond will be traded on the Eastern Caribbean Securities Exchange (ECSE) on:
- | | | |
|--------------|--------------|--------------------|
| Auction Date | 30 June 2009 | 9 am to 2 pm |
| | 1 July 2009 | 9 am to 12:00 noon |
- Settlement date: 2 July 2009
- Trading Platform** : Bond will be issued on the Eastern Caribbean Securities Market (ECSM).
- Method of Issue** : Fixed price bond auction
- Trading Symbol** : The trading symbol for the Bond will be HMB020711
- Bidding Parameter** : Each investor is allowed one bid with the option to increase the amount of the bid at any time during the bidding period.
- Broker fees** : Investors can participate in the issue through the services of any of the Licensed Intermediaries for a fee.
- List of licensed intermediaries who are members of the ECSE** :
- ABI Bank Limited
 - Antigua Commercial Bank
 - Bank of Nevis Limited
 - ECFH Global Investment Solutions Limited
 - National Commercial Bank (SVG)
 - National Mortgage Finance Company of Dominica
 - St. Kitts Nevis Anguilla National Bank
 - Republic Finance and Merchant Bank Ltd
 - Caribbean Money Market Brokers Limited
 - National Bank of Anguilla Limited

4.0 BOND ADMINISTRATION AND MANAGEMENT

- 4.1 The Bonds will be in registered transferable form without interest coupons. The issue of the Bonds was authorized by Resolution of the Eastern Caribbean Home Mortgage Bank passed on May 5th 2009 in conformity with the provisions of the Eastern Caribbean Home Mortgage Bank Agreement Act 1994.
- (i) Eastern Caribbean Home Mortgage Bank Agreement Act 8 of 1995;
 - (iii) The Registrar, Transfer and Paying Agency Agreement;
 - (iv) Corporate Resolution dated May 5th 2009, authorizing The 19th Bond Issue.
- 4.2 The foregoing documents will be available for inspection during usual business hours on any weekday (public holidays excepted) for a period of thirty (30) days. The foregoing documents will also be available prior to the Settlement Date at the office of the Eastern Caribbean Home Mortgage Bank, ECCB Complex, Bird Rock Road, Basseterre, St. Kitts and will also be available for inspection at the intermediaries' offices.
- 4.3 The Bondholders will be entitled to the benefit of, and be deemed to have notice of all the provisions of the Registrar, Transfer and Paying Agency Agreement, which will be binding on them.

5.0 TITLE AND DENOMINATIONS

5.1 The Bonds shall be transferable as personal property, and title will pass upon registration of a proper instrument of transfer. The Bonds will be held in a dematerialized form and the instrument of transfer will be accompanied by Certification of ownership delivered to the Bondholder by the ECCSR. ECHMB and the Eastern Caribbean Central Securities Registry may treat the registered holder of any Bond as the absolute owner thereof (whether or not such Bond shall be overdue and notwithstanding any notice of ownership or writing thereon or any notice of previous loss or theft or of trust or other interest therein) and the Register of Bondholders shall (in the absence of willful default, bad faith or manifest error) at all times be conclusive evidence of the amount of Bonds held for each Bondholder for the purpose of making payment and for all other purposes. The Bonds will be issued in multiples of \$5,000 and the minimum bid amount is \$5,000. Each Bondholder will be notified by the ECCSR of the amount of the investment and provide Certification of ownership and investor identification account information.

5.2. Status

The principal monies and interest represented by the Bonds will be direct, unconditional and secured obligations of ECHMB and will rank *pari passu*, without any preference among themselves.

5.3 Debenture

The due payment of the principal and interest in respect of the Bonds (and all monies payable by ECHMB) will be secured by a Debenture over the fixed and floating assets of ECHMB.

5.4 Interest

(5.4.1) Accrual of Interest

The Bonds will bear interest from and including the "Issue Date" (which expression means July 2nd 2009). Interest in respect of the amount of Bonds represented by each registered Bond will accrue from day to day and will cease to accrue from the due date for repayment thereof. A year represents 365 days.

(5.4.2) Interest Payment Dates, Interest Periods and Arrears of Interest.

Interest in respect of the Bonds shall be payable on each Interest Payment Date, in respect of the Interest Period ending, on the day immediately preceding such date. Any interest in respect of the Bonds not paid on an Interest Payment Date, together with any other interest in respect thereof not paid on any other Interest Payment Date shall, so long as the same remains unpaid constitute "Arrears of Interest". Arrears of Interest may at the option of ECHMB be paid in whole or in part at any time upon the expiration of not less than seven days' notice to such effect given to the Bondholders, but all Arrears of Interest in respect of all Bonds for the time being outstanding shall become due in full on the date fixed for any repayment pursuant to paragraph 5.7 below or on maturity of the Bonds whichever is the earlier. If notice is given by ECHMB of its intention to pay the whole or any part of Arrears of Interest, ECHMB shall be obliged to do so upon the expiration of such notice. Arrears of Interest shall not themselves bear interest.

As used herein:

“Interest Payment Date” means the date falling six calendar months after the Issue Date and thereafter each date which falls six calendar months after the immediately preceding Interest Payment Date i.e 2nd January and 2nd July. If the applicable Interest Payment Date would otherwise fall on a day which is not a Business Day (as defined below) it shall be postponed to the next day which is a Business Day unless it would thereby fall in the next calendar month. In the latter event the Interest Payment Date shall be the date immediately preceding day which is a Business Day. If for any reason an Interest Payment Date is so determined by the Paying Agent (as defined in sub-paragraph (c) below) to be, or to be deemed to be, the last Business Day of any calendar month all subsequent Interest Payment Dates shall (subject as provided below) be the last Business Day of each January and July. If, however, after the determination of an Interest Payment Date the same is declared or determined not to be a Business Day then that Interest Payment Date will be re-determined on the above basis (mutatis mutandis) except that if such re-determination fails to be made 14 days or less before that Interest Payment Date as originally determined then that Interest Payment Date as re-determined will be postponed to the next day which is a Business Day even though such Business Day falls in the next calendar month. Subsequent Interest Payment Dates will in such event, nevertheless be determined as if that re-determined Interest Payment Date had fallen on the last Business Day of the calendar month in which it was originally determined to fall.

“Interest Period” means the period from and including one Interest Payment Date (or, as the case may be, the Issue Date) up to but excluding the next (or first) Interest Payment Date.

“Business Day” means a day on which Commercial Banks are open for business in the Federation of St Kitts and Nevis.

(5.4.3) Rate of Interest

The Rate of Interest is fixed for the entire duration of the Bond as follows:

2-Year Tax Free Bond

6.0 % per annum

(5.4.5) Notifications to be final

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this paragraph 4, by the Paying Agent, shall (in the absence of willful default, bad faith or manifest error) be binding on ECHMB, the Paying Agent in connection with the exercise or non-exercise by them of their powers, duties and discretion.

5.5. Redemption and Purchase

(5.5.1) Redemption

The two (2) year Bonds will be redeemed by ECHMB at par on July 2nd, 2011.

(5.5.2) Services of Registrar, Transfer and Paying Agent

Upon purchase of the bonds by investors, the ECCSR will provide the services of Registrar, Transfer and Paying Agent to ECHMB's 19th Bond Issue. Accordingly, the register of bondholders will be transferred and maintained electronically by the ECCSR. The ECCSR is a subsidiary of the Eastern Caribbean Securities Exchange (ECSE). The ECCSR operates in a dematerialized environment.

The ECCSR will send to the bondholder a notification regarding the Bondholders' investments in ECHMB Bonds and provide them with an update of their ownership every six months. Furthermore, every time there is a movement in the respective Accounts, the ECCSR will send the Bondholders an activity statement confirming the transactions, which will represent certification of ownership.

Bondholders will be given an Investor ID and Registry Account Number. The Investor ID is a nine-digit number followed by a two (2) alpha character country code. All joint holders are required to designate one of the joint holders who have responsibility for operating the Account, or the Account will have to be operated jointly.

5.6 Payments

Payments in respect of the Principal and Interest will be made by cheque drawn on a bank in any of the Eastern Caribbean Territories and by direct deposit to designated accounts. Cheques in respect of interest payments only will be mailed to Bondholders at the addresses appearing in the register of Bondholders.

5.7 Prescription

Any Principal and Interest payable that remains outstanding after the maturity date of the Bond shall be held by ECHMB in trust for the benefit of the Bondholder, for a period not exceeding seven (7) years after which all such amounts will be transferred to the Eastern Caribbean Central Bank, for the benefit of the Bondholder.

5.8 Replacement of Bonds

Confirmation of ownership of Bonds to be replaced or otherwise shall be obtained directly from the Registrar, Transfer and Paying Agent at all times, on payment of such costs as may be incurred in connection therewith.

5.9 Further Issues

ECHMB will be at liberty from time to time without the consent of the Bondholders to create and issue further Bonds either ranking *pari passu* in all respects (or in all respects save for the first payment of interest thereon) with the Bonds or upon such terms as to interest, conversion, repayment and otherwise as ECHMB may at the time of the issue thereof determine.

5.10 Notices

All notices to the Bondholders will be valid if published in a newspaper in each of the member territories of the Eastern Caribbean Currency Union (ECCU).

Such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the date of the first such publication.

5.11 Use of Proceeds

The net proceeds of this issue will be used to assist ECHMB in investing in homeowner residential mortgages originated and administered by primary mortgage lenders based in the Member Territories and partly to redeem the 16th Bond issued on July 2nd 2007.

5.12 Security Issuance Procedures and Settlement and Secondary Market Activities

The 19th Bond will be issued on the ECSM. This will operate on the Eastern Caribbean Securities Exchange trading platform for both primary issuance and secondary trading. The pricing methodology to be used for selling the securities will be that of a fixed price bond auction. The ECSE and its subsidiaries are responsible for processing, clearance and settlement of securities and providing the Intermediaries with access to their settlement projections report, which indicates the obligations of the Intermediary.

Intermediaries are responsible for interfacing with prospective creditors, collecting applications for subscription and processing bids on the ECSE platform. A list of licensed Intermediaries is provided in **Appendix I**. Successful investors will be informed of their payment obligations and funds deducted from their respective accounts with the Intermediaries. Refunds in respect of Bonds applied for but not allotted will be made to all of the applicants concerned through their brokers within ten (10) days of the close of the issue.

6.0 RISK FACTORS

Before embarking on a decision to invest in ECHMB Bonds, prospective investors should carefully consider all the information contained in the Prospectus. Prospective bondholders should consult their financial and legal advisors to determine whether the Bonds are suitable investment for them. In light of their own financial circumstances and investment objectives, investors should consider among other things the following risk factors.

6.1 Operating Results

Operating results have been relatively stable over the last twelve (12) years. In the last eight (8) years ECHMB has paid annual dividends equivalent to 10%, while maintaining consistency in servicing its debt in respect of nine (9) outstanding Bonds Issues and a Long-Term Loan. The results of ECHMB reflect on the performance of the primary lending institutions, from which it has purchased mortgages, and their capacity to meet the monthly payments on the mortgages. The following are some of the risks associated with investing in ECHMB Bonds:

(6.1.1) Currency Exchange Risk

Foreign exchange risk primarily reflects the impact of fluctuating exchange rates on the net difference between total foreign currency revenues and foreign currency expenses. The business operations of ECHMB i.e. mortgage loans in its assets and bonds in its liabilities, are denominated in EC dollars. Salaries and other sources of

income that mortgagors use to make payments on mortgage loans are denominated in E C dollars. In the current circumstances it is not expected that the ECHMB will be subjected to foreign exchange risk. ECHMB will continue to institute measures and procedures to manage any risks that may arise.

(6.1.2) Liquidity Considerations

Liquidity risk is the risk that an investor may not be able to find a buyer within a reasonable time, and any resale may occur on adverse terms. Liquidity may be an important consideration if ECHMB Bonds are bought with the intention of selling them before maturity. It is less important if investors intend to hold the bonds until maturity. The said ECHMB Bonds will have the services of the Eastern Caribbean Central Securities Registry as Registrar, Transfer and Paying Agent. In that regard, ECCSR will provide information/name of investors within the group that desirous of buying/selling securities. ECHMB cannot be sure that the market for resale of the Bonds will develop, and become sustainable with sufficient liquidity to allow Bondholders to sell the Bonds. Moreover, even if Bondholders are able to sell the Bonds, the sale price may not be comparable to similar investments that have a developed market. Broker/dealers have agreed with ECSE to use their best efforts to facilitate secondary market transactions in ECHMB Bonds, but the ECSE may discontinue this secondary market support. Consequently there is no guarantee of liquidity.

ECHMB has from time to time facilitated the transfer/repurchase of certain of its Bonds or portions of them. But ECHMB provides no assurances of its willingness or ability to repurchase Bonds upon request by an investor. Each Bond Issue has a role in the management of the mortgage portfolio.

Accordingly, ECHMB must carefully evaluate possible repurchases prior to maturity, and the impact it would have on portfolio management. In the event that a transfer through ECHMB is feasible ECHMB would give due consideration to facilitate the process.

(6.1.3) Market Risk

Market Risk refers to the risk that a security will lose value because of changes in market conditions. The evaluation of market risk depends on an understanding of how an investment will respond to a variety of changes in the level of interest rate, currency values, and other market factors. The realized value for debt securities that are sold prior to maturity may be more or less than their principal due upon maturity, depending on market conditions at the time of sale. Neither ECHMB nor the Board of Directors can warrant the performance of ECHMB in the future, or the price at which the Bonds will be transferred.

(6.1.4) Credit Risk

Credit Risk is the risk that because of default by the issuer, the investor will not receive all or part of the scheduled interest and principal that the issuer is obligated to pay. Payments on the Bonds are to be made indirectly from collections on the mortgage loans that are secured by properties in the member countries. These payments may be adversely affected by, among other things, a failure by primary lending institutions to perform their servicing duties and their obligations to repurchase the mortgage loans that are in arrears. This could materially impair the servicing of the mortgage loans, resulting in losses on the mortgage loans and indirectly resulting in losses on the Bond.

The primary lending institutions, from which mortgages are purchased, have generally been making monthly payments on time. Moreover, there is provision in the Sale and Administration Agreement, which requires primary lenders to replace mortgages that are in arrears in excess of three (3) months, thus ensuring that the high quality of ECHMB's mortgage portfolio is sustained. However, the performance of ECHMB is contingent on the ability of the lending institutions to meet their financial obligations to ECHMB. In that regard, the Board has put in place extensive measures for conducting due diligence of primary lenders, and reporting systems on mortgages to ensure that the portfolio is always sound. In addition, ECHMB is embarking on a project that will allow direct interface with the mortgage servicing system of primary lenders so that information on the status and performance of the mortgages can be generated in real time.

To mitigate the possibility of credit risk ECHMB maintains a liquid reserve account sufficient to cover up to one year of interest payments on the Bonds.

(6.1.5) Economic Risks

The mortgage lending business that ECHMB is engaged in is affected by general economic conditions prevailing in the region and internationally. Movements in interest rates and especially the higher yields offered on Government Bonds, and a weakening of the economies of the region may have adverse effects on the business of ECHMB.

From time to time the economies of the region have shown signs of weakness in the fiscal and balance of payment positions. The rates of delinquencies, foreclosures and losses on mortgage loans could increase as a result of adverse changes in general economic conditions. Neither ECHMB nor its Board of Directors could provide assurances that future economic developments, over which ECHMB has no control, will not adversely affect payments on the Bonds.

(6.1.6) Natural Disasters

Hurricanes and other natural disasters could have a significant negative impact on the housing sector in the region. While every effort is made to ensure that the mortgages which ECHMB purchases are fully covered with life insurance, as well as insurance for fire and other perils, hurricanes could also affect the sources of employment of home owners, thus affecting their loan servicing ability. Hurricanes could have destabilizing effects on the economies of the region with consequential adverse results on the earnings of ECHMB.

6.2 Combating Financial Crimes

ECHMB has undertaken initiatives and implemented prudent principles to ensure the organization operates in compliance with initiatives and principles established for financial institutions. By so doing ECHMB is ensuring protection for itself and its clients against the dangers of money laundering and other globalized criminal financial activities.

6.3 Suitability

ECHMB Bonds may not be a suitable investment for every prospective Bondholders/investor. Before making the investment prospective Bondholders should do the following:

- (6.3.1) Review the Financial Statements of ECHMB.

- (6.3.2) Should have sufficient knowledge and experience to evaluate the merits and performance of the Bond market and the information contained in the Prospectus.
- (6.3.3) Should thoroughly understand the terms and conditions and features of the Bonds.
- (6.3.4) Should be able to evaluate the general economic conditions, interest rate movements, trading environment and other factors that may affect the investment.
- (6.3.5) Should have sufficient financial resources and liquidity to bear all risks associated with the Bonds.

The Corporate Bond or Debt Securities market is still at the fledgling stage of its development in the region. Generally institutional investors and individuals who purchase Debt Securities do so as a way to diversify risk or enhance yield. Investment in Debt Securities should be informed by an evaluation to determine how they will perform under changing conditions and the resulting impact on the overall investment portfolio.

7.0 COMPANY BACKGROUND INFORMATION

- (7.1) The financial system in the ECCU is dominated by commercial banks, which account for more than 70% of total assets. The majority of the banks function as branch operations of large international banks. Most of the countries also have similar indigenous banks, for which domestic deposits comprise the major source of funds. During the decade of the 1990's the indigenous commercial banks emerged as formidable participants in the banking sector. They have invested large amounts of their funds in residential mortgages for new home construction, existing home and land acquisition, as well as major home improvements. As a result, more commercial banks witnessed an increase in the percentage of their assets invested in mortgages.
- (7.2) Residential mortgage loans are originated in transactions between home buyers and mortgage lenders in the primary mortgage market. Historically, commercial banks, development banks and mortgage companies have been the primary providers of mortgage capital. On average the commercial banks hold about 25% of their loan portfolios invested in the housing sector, with funding provided mainly from short-term customers' deposits. The average term to maturity of these mortgages is 15 to 25 years. The asset-liability mismatch between borrowing and lending presents tremendous risk for the liquidity of commercial banks. The secondary market presents an alternative source of funding for mortgages originated by commercial banks.
- (7.3) ECHMB was established as an independent shareholder owned and privately managed institution. Its mandate is to operate the secondary mortgage market by mobilizing resources for housing finance and providing support to primary lenders. The secondary mortgage market helps to accomplish the following important housing objectives:
 - (7.3.1) Correcting cross country imbalances of mortgage credit within ECCU by making funds available to capital deficient areas to finance new mortgage origination;
 - (7.3.2) Allowing primary lenders to originate mortgages for sale rather than to be kept on their books as portfolio investment;

- (7.3.3) Standardizing mortgage loans thereby attracting investors who traditionally have not invested in the primary market, thus strengthening the market.
- (7.4) The underlying premise of ECHMB's business is to serve as a source of liquidity for commercial banks. But equally important, is the responsibility to serve as an avenue for facilitating home ownership. In that regard, ECHMB has established partnerships with some institutions that have a similar vision of making mortgages more affordable to the consuming public.
- (7.5) For the year ended March 31, 2009 ECHMB's Un-Audited Financial Statements revealed Net Income amounted to \$2.4 million, representing an increase of 26.3% when compared with the previous year outturn of \$1.9 million. Total Assets stood at \$217.0 million, consisting mainly of Mortgage Receivables amounting to \$184.3 million and Liquid Investments of \$30.9 million. Earnings per Share reached \$23.80 compared with \$18.90 at the end of the previous year.
- (7.6) Recently, ECHMB has been faced with a surge in demand for its services by institutions involved in mortgage lending, especially by credit unions. For the year ended March 31, 2009, ECHMB purchased pools of Mortgages amounting to \$62.1 million.
- (7.7) During the last ten (10) years ECHMB has carried out pioneering work aimed at providing information on the benefits of home ownership. Public information Seminars have been held for prospective homeowners in Anguilla, Antigua and Barbuda, Dominica, Grenada, Montserrat, St Lucia and St Vincent and the Grenadines to sensitize homeowners on the responsibilities of home ownership, and especially to ensure structural integrity of housing. These Seminars have contributed to the emerging opportunities for new business in these islands. ECHMB is therefore positioning itself to meet the increasing demand for its services and to provide a prudent means for funding mortgages by primary lenders.
- (7.8) ECHMB has issued a total of 18 Bonds, a Commercial Paper and a Long-term Loan amounting to \$356.3 million. As at March 31, 2009, ECHMB has nine (9) outstanding Bonds and a Long-Term Loan amounting to \$200.9 million. ECHMB is expected to maintain its presence in the capital market, and thereby replenish its capacity to generate new funding for mortgages. So far most of the Bonds issued have been fully subscribed, and were taken up by institutional investors such as commercial banks, insurance companies and pension funds, including regional institutions operating outside the jurisdiction of the ECCU. Individuals have also shown interest in the Bonds offered by ECHMB. The steady expansion of the investor base reflects the favorable disposition of investors to holding ECHMB Bonds. The tax-free nature of the Bonds presents an added advantage for investors. In accordance with the Eastern Caribbean Home Mortgage Bank Agreement Act 8 of 1995, the interest payment on the Bonds is exempt from income tax, and other taxes including unemployment levy, in all the member countries of the OECS.
- (7.9) On a broader level, the ECSE and its subsidiary, the ECSR has started operating a highly automated regional stock exchange, with supporting infrastructure to facilitate secondary market trading in equity and debt instruments. This initiative provides a platform for creating a secondary market in its Bonds for the benefit of investors.

8.0 INCORPORATION

- (8.1) The Eastern Caribbean Home Mortgage Bank was established by the Eastern Caribbean Home Mortgage Agreement Act 1994, assented to on 27 May, 1994 by the governments

of Anguilla, Antigua and Barbuda, Commonwealth of Dominica, Grenada, Montserrat, St. Christopher and Nevis, St. Lucia and St. Vincent and the Grenadines.

- (8.2) ECHMB began commercial operations in April 1996. The Bank has been involved in raising funds on the capital market through the issuance of Bonds. The proceeds are used to purchase mortgages and to provide a facility to primary lenders for originating mortgages.

The purposes of the Eastern Caribbean Home Mortgage Bank are: -

- (8.2.1) to develop and maintain a secondary mortgage market for residential mortgages in member territories;
- (8.2.2) to contribute to the mobilization and allocation of long term savings for investment in housing;
- (8.2.3) to support the development of a system of housing finance and provide leadership in the housing and home finance industry;
- (8.2.4) to promote the growth and development of the money and capital market;(8.2.5) to improve underwriting practices and to promote services and benefits related to such mortgages.

- (8.3) ECHMB was incorporated in Grenada on 16th September 1997, under the Companies Act of Grenada. The registered office address of the ECHMB is:

ECCB Agency Office
Mockton Street
St. George's
GRENADA.

9.0 PARTICULARS OF LISTED AND UNLISTED SECURITIES ISSUED

THE EASTERN CARIBBEAN HOME MORTGAGE BANK					
BORROWINGS LEAD SCHEDULE					
AS AT APRIL 30, 2009					
		Interest	Maturity	Issue	Maturity
Bondholder	Amount	Rate	Period	Date	Date
Fifth (5 th) Bond Issue	11,300,000	5.90%	15 years	June 1 1999	June 1 2014
Eleventh (11 th) Bond Issue					
Series -2	6,150,000	5.50%	6 years	Jan 30 2004	Jan 30 2010
Series -3	5,300,000	6.00%	9 years	Jan 30 2004	Jan 30 2013
Twelfth (12 th) Bond Issue	43,455,000	5.50%	6 years	July 01 2004	July 01 2010
Thirteenth (13 th) Bond Issue	6,700,000	5.50%	7 years	Sept 01 2004	Sept 01 2011
Fourteenth (14 th) Bond Issue	18,770,000	5.50%	8 years	Sept 30 2004	Sept 30 2012
Fifteenth (15 th) Bond Issue	6,450,000	5.50%	5 years	Jan 30 2007	Jan 30 2012
Sixteenth (16 th) Bond Issue	43,252,000	6.00%	2 years	July 2, 2007	July 2, 2009
Seventeenth (17 th) Bond Issue	16,205,000	6.00%	5 years	Feb 20 2008	Feb 20 2013
Eighteenth (18 th)	21,615,000	6.00%	2 Years	March 25, 2009	March 25, 2011
Caribbean Development Bank (CDB) Long-Term Loan	27,000,000	6.03%	12 Years	March 5, 2009	March 5, 2021
Total	206,197,000				

10.0 BOARD OF DIRECTORS

10.1 Business Experience of Directors

Name: **Sir K Dwight Venner KBE CBE** Position: Governor, ECCB (1989- Present)
Age: Sixty-two (62) years

Mailing Address:

Eastern Caribbean Central Bank, ECCB Complex, Bird Rock Road, Basseterre, St. Kitts

Telephone No.: (869) 465-2139

Positions held during the past five years.

Governor, Eastern Caribbean Central Bank
Chairman- Eastern Caribbean Securities Exchange
Director-Caribbean Knowledge and Learning Network
Director-Institute of Connectivity
Member- of the Commission on Growth and Development (World Bank)

Education:

B Sc. Economics (Hons), UWI, Mona Campus, Jamaica 1969

M Sc. Economics (Hons), UWI, Mona Campus, Jamaica 1970

Name: **Timothy Augustine Hodge** Position: Director of Social Security (1981- Present)
Age: Forty-Six (46) Years

Mailing Address: P.O. Box 243, The Valley, Anguilla

Telephone No.: (264) 497 2201(W), (264) 497 4310 (H), (264) 235 6014 (Cell)

Positions held during past five years.

Director of Social Security, Anguilla

Education:

MBA, UWI, Cave Hill, Barbados 1996 –1998

BA (Summa Cum Laude) Business Administration with concentration in Finance, 1989 – 1992.

Name: **Ralph V. C. Hodge** Position: Chief Financial Officer- Anguilla Health Authority (2008-Present)
Age: Sixty one (61) years

Mailing Address: P O Box 1184, The Valley, Anguilla

Telephone No.: (264) 497 2101

Positions held during past five years.

Permanent Secretary, Health, Social Development and Sports

Director-Anguilla National Bank

Education:

BSc. (Honours) Management Studies, UWI Mona Jamaica.

Name: **Dexter Ducreay**

Position: General Manager-A.C. Shillingford & Co.
Ltd, Dominica (2000- Present)
Age: Forty Five (45) years

Mailing Address: P O Box 1870, Roseau, Dominica
Telephone No.: (767) 235 7788

Education:

BSc. (Honours) St. Johns University –New York

Positions held during past five years

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

Name: **Gordon Derrick**

Position: Managing Director, G.D.E.C. Ltd
Age: Forty Eight (48) years (2004- Present)

Mailing Address: P.O. Box 359 Lower Fort Road St. John's Antigua
Telephone No.: (268) 462 0471

Positions held during past five years.

Education:

MBA/Social Sciences, UWI Cave Hill, Barbados

B.Sc./Mechanical Engineering, Florida Institute of Technology

10.2 Other Directorship held by Directors

Sir K Dwight Venner KBE CBE

- Eastern Caribbean Securities Exchange
- Caribbean Knowledge and Learning Network
- Institute of Connectivity
- OECS Economic Union Task Force
- Member of the Commission on Growth and Development (World Bank)

Timothy Augustine Hodge

- National Bank of Anguilla

Ralph V. C. Hodge

- National Bank of Anguilla

Dexter Ducreay

- Roseau Co-operative Credit Union

Gordon Derrick

- Antigua Commercial Bank
- ACB Mortgage & Trust
- DSC Promotions Ltd.

10.3 Summary of Bylaws relevant to Directors

In accordance with Article 27 of ECHMB Agreement Act 1994, the following applies:

- (10.3.1) A Director who is any way interested, whether directly or indirectly in a contract or proposed contract with the Bank or whose material interest in a company partnership, undertaking or other business is likely to be affected by a decision of the Board shall disclose the nature of his interest at the first meeting of the Board at which he is present after the relevant facts come to his knowledge;
- (10.3.4) A disclosure under paragraph (1) of this article shall be recorded in the minutes of the meeting and after the disclosure the director making it shall not vote on the matter, unless the Board otherwise directs, shall not be present or take part in the proceedings of any meeting at which the matter is being discussed or decided by the Board;
- (10.3.5) A Director shall not be treated as having an indirect interest in a contract or proposed contract with the Bank in any matter with which the Bank is concerned if he is director, shareholder, agent or employee of the company or undertaking that is a party to the contract or proposed contract with the Bank or where his spouse, parent, child, brother, or sister or the parent, child, brother or sister of his spouse holds an interest in the company or undertaking;
- (10.3.6) For the purpose of this article, a general notice given to the Board by a director to the effect that he is a member of or otherwise associated with a specific company or undertaking and is to be regarded as interested in any contract which may after the date of the notice, be made with that company or undertaking shall be deemed to be a sufficient declaration of interest in relation to any contract so made

THE RULES OF ECHMB PROHIBITS DIRECTORS FROM TRADING WITH THE COMPANY.

10.4 Internal Relationships

There is no Family Relationship between any Director and member of Staff of the ECHMB.

10.5 Directors Remuneration

For the year ended March 31, 2009 an amount of \$ 78,000 was paid to the Directors.

10.6 Legal Proceedings

There are no pending legal matters.

11.0 SHAREHOLDING

The present shareholders of the Eastern Caribbean Home Mortgage Bank fall into four (4) categories in accordance with the Eastern Caribbean Home Mortgage Bank Agreement Act, 1994. The authorized share capital of the Eastern Caribbean Home Mortgage Bank is \$40,000,000 divided into 400,000 shares of \$100.00 each.

SHAREHOLDINGS AS AT MARCH 31, 2009

CLASS	INSTITUTION	AMOUNT (\$)	PERCENTAGE (%)
A	Eastern Caribbean Central Bank	2,500,000	25
B	Social Security Schemes and Government Controlled Commercial Banks	1,133,700	11
C	Commercial Banks	2,853,800	29
D	Insurance Companies and Credit Institutions	<u>3,512,500</u>	<u>35</u>
TOTAL		<u>\$10,000,000</u>	<u>100</u>

The structure of the ECHMB's shareholding fulfils the recommendation that each shareholder has a reasonable chance in participating in the financial and operating policies of the Bank. ECCB is the largest single shareholder and holds 25% of the equity of ECHMB.

12.0 MANAGEMENT

The Board of Directors is chaired by Sir K. Dwight Venner, Governor of the ECCB. The Board is responsible for the strategic direction of the Bank. An Executive Committee has been appointed by the Board, also chaired by Sir K. Dwight Venner. The Committee meets regularly for the purpose of supervising asset and liability management and for the examination and approval of financial commitments, in accordance with the regulations and the policies established by the Board. An Internal Audit Committee has also been established to periodically review the financial results.

(12.2) ECHMB is currently headed by a Chief Executive Officer, Mr. Duleep Cheddie who is a Fellow of the Association of Chartered Certified Accountants (FCCA) of the UK.

Mr. Cheddie has chaired and served on several boards and committees, both regionally and in South East Asia and the Pacific Islands.

(12.3) The business of the ECHMB is managed through the services of three Departments, each headed by a Manager as follows:

- (i) Corporate Finance – **Mr. Randy R. R. Lewis FCCA; ACMA; MBA**
- (ii) Mortgage Underwriting – **Ms Cynthia M. E. Joseph MBA**
- (iii) Research and Marketing – **Mr. Dennis S. M. Cornwall Msc Econ.**

ECHMB has the capacity to provide technology services to primary lenders that are involved in originating and underwriting mortgages loans. As the technology continues

to develop investors can expect to see a closer integration of the respective national markets.

ECHMB is well positioned with qualified professionals to operate successfully in an integrated regional market place, and particularly well equipped to meet investors' needs and interests.

13.0 OPERATIONAL POLICIES

ECHMB has concentrated on purchasing mortgages in the lower middle to upper income category (i.e. homes costing in the region of \$75,000 to \$1,000,000). The limits will be reviewed annually to reflect changes in house prices.

- (13.2) In conformity with ECHMB's primary function of buying residential mortgage loans, ECHMB established standards which financial institutions must meet in order to sell and service loans for ECHMB. These standards are designed to provide assurance that the financial institution will be qualified to originate mortgages of good quality and to service them and be able to carry out the obligations of an eligible lender.
- (13.3) Eligible lenders are permitted to sell mortgage loans without ECHMB becoming involved in detailed reviews of each borrower's credit-worthiness.
- (13.4) ECHMB also gives commitments to purchase mortgages in order to help builders and developers who may require a firm advance commitment from the primary mortgage lenders.
- (13.5) ECHMB supervises servicing by the mortgage lenders of all the mortgage loans, which it purchases and is obligated to perform annual audit checks to ensure that mortgage loans offered for sale are maintained on its underwriting standards.

14.0 FUNDING, PROJECTIONS AND FINANCIAL POSITIONS

Under the Eastern Caribbean Home Mortgage Bank Agreement Act the Bank is authorized to issue tax-exempt bonds (interest only) up to a maximum aggregate capital value of \$250.0million which amount may be increased by the Board on the advice of the Monetary Council, which comprises the Ministers of Finance of the Member Governments.

- (14.2) The major expenses of ECHMB are its cost of borrowing and the fees paid to primary lenders for servicing and administration of the mortgages. The latter has generally been low, given the wholesale nature of ECHMB's operations.
- (14.3) Financial Statements appearing on pages 29 to 49 are the audited Financial Statements of ECHMB for the years ended March 31, 2006, 2007 and 2008.

15.0 OVERSUBSCRIPTION

In the event of any over-subscription, ECHMB reserves the right without the consent of the applicants of the Bonds to increase the aggregate value of up to an additional EC\$6,748,000 of this Issue of Bonds making the total issue a maximum of \$50.0 million. The additional Bonds will rank *pari passu* in all respects with the Nineteenth Bonds. Should ECHMB exercise this right, consequential amendments required to the Trust Deed and Debenture will be effected as from the Settlement Date and all Bondholders will be notified accordingly.

16.0 SECURITY ISSUANCE PROCEDURES, CLEARING AND SETTLEMENT, REGISTRATION OF OWNERSHIP AND SECONDARY MARKET ACTIVITY

The Bond will be issued on the primary market of the ECSM and listed on the secondary market of the ECSE utilizing a fixed price auction methodology. The ECSE is responsible for dissemination of market information, providing intermediaries with market access, administering the bidding process and monitoring and surveillance of the auction.

The ECSE, through the Eastern Caribbean Central Securities Depository (ECCSD), is responsible for facilitating clearance and settlement for securities allotted. The ECCSD ensures that funds are deposited to the issuing corporate's account. The ECSE, through the ECCSR, records and maintains ownership of corporate securities in electronic book-entry form. The ECCSR mails confirmation of proof of ownership letters to all investors who were successful in the auction. The ECCSR will also process corporate action on behalf of issuers.

The Licensed Intermediaries are responsible for interfacing with prospective investors, collecting applications for subscription and processing the same for bidding on the ECSE auction platform. Investors must provide the intermediaries with funds to cover the cost of the transaction.

For this particular offering, all commissions and brokerage fees are to be borne by investors. ECHMB is not responsible for any commissions charged by Intermediaries, the cost of which is the responsibility of the investors. A list of licensed Intermediaries is provided in Appendix I. Clients that are successful will be informed of their payment obligations and funds deducted from their respective accounts held with the Intermediary. In the case where all or part of an investor's bid is not successful, the Intermediary will inform the investor and the Intermediary will reimburse the funds to the investor by cheque or direct deposit. The ECHMB will receive the full proceeds of the issue on the settlement date of the transaction. There will be no fees deducted from the issue amount.

As an issuer in the ECSM, ECHMB is also subject to the rules, guidelines and procedures of the ECSRC and the ECSE.

17.0 GENERAL INFORMATION

- (17.1) The process of application for the Bonds will open at 9:00 a.m. on Tuesday, June 30th 2009 and close at 12: 00 noon on Wednesday 1st July 2009. The Bonds will be dated July 2nd 2009. The full purchase price is payable on application.
- (17.2) Application must be for \$5,000 face value or a multiple thereof and will be irrevocable. No allotment will be made for any amount less than \$5000 face value.
- (17.3) Cheques should be made payable to Eastern Caribbean Home Mortgage Bank and will be represented for payment immediately upon receipt. In the case of partial allotment, the surplus will be refunded.
- (17.4) In the event of an oversubscription, ECHMB reserves the right without the consent of the applicants for the Bonds, to increase the aggregate value of this issue of Bonds to a maximum amount of \$6,748,000 by the immediate creation on the Settlement Date of additional Bonds ranking pari passu with the schedule of Bonds and CDB Long-Term Loan as the case may be in all respects. Should ECHMB exercise the right, consequential amendments required to the Debenture will be effected no later than a month after the closing date and all Bondholders will be notified accordingly.

(17.5) A letter confirming proof of ownership of Bonds will be made in registered Bonds in multiples of \$5,000 to each Bondholder within eight (8) weeks of the issue date. Thereafter, transfers may be in multiples of \$5,000.

APPENDIX I - LIST OF LICENSED INTERMEDIARIES WHO ARE MEMBERS OF THE ECSE

INSTITUTION	CONTACT INFORMATION	ASSOCIATED PERSONS
Anguilla		
National Bank of Anguilla Ltd	P O Box 44 The Valley Tel: 264-497-2101 Fax: 264-497-3310 Email: nbabankl@anguillanet.com	Principal Selwyn Horsford Representative Idona Reid
Antigua and Barbuda		
ABI Bank Ltd.	ABI Financial Centre Redcliffe Street St John's Tel: 268 480 2824 Fax: 268 480 2765 Email: abibsec@candw.ag	Principals Casroy James Carolyn Philip Representative Laura Abraham
Antigua Commercial Bank Ltd.	ACB Financial Centre P O Box 3089 St John's Tel: 268 481 4200 Fax: 268 481 4158/ 268 481 4313 Email: acb@candw.ag	Principal Peter N Ashe Representative Sharon Nathaniel
Dominica		
National Mortgage Finance Company of Dominica Ltd. (NMFC)	64 Hillsborough Street Roseau Tel: 767 448 4401/4405 Fax: 767 448 3982 Email: ncbdom@cwdom.dm	Principal Caryl Phillip-Williams Linda Toussaint-Peter Curtis Clarendon Representatives Debra Gordon-Peters Joel Denis
Grenada		
Republic Finance and Merchant Bank Ltd. (FINCOR)	Melvin Street St George's Tel: 473 444 1875 Fax: 473 444 1879 Email: fincorec@spiceisle.com	Principal Wilma Williams Representative Mark Salina Sharlene Thomas

INSTITUTION	CONTACT INFORMATION	ASSOCIATED PERSONS
St Kitts and Nevis		
St Kitts Nevis Anguilla National Bank Ltd.	P O Box 343 Central Street Basseterre Tel: 869 465 2204 Fax: 869 465 1050 Email: national_bank@sknanb.com	Principals Winston Hutchinson Anthony Galloway Representatives Marlene Nisbett Petronella Edmeade-Crooke
The Bank of Nevis Ltd.	P O Box 450 Charlestown Tel: 869 469 5564 Fax: 869 469 5798 E mail: bon@caribsurf.com	Principal Hanzel Manners Kevin Huggins Representatives Lisa Jones Vernesia Walters
St Lucia		
ECFH Global Investment Solutions Limited	1 Bridge Street Castries Tel: 758 456 6826 Fax: 758 456 6733 E-mail : capitalmarkets@ecfhglobalinvestments.com	Principals Carla Morton-Campbell Beverley Henry Donna Matthew Representatives Dianne Augustin Lawrence Jean
Caribbean Money Market Brokers Ltd. (CMMB St Lucia)	9 Brazil Street Castries Tel: 758 450 2662 Fax: 758 451 7984	Principals Carole Eleuthere-Jn Marie Sharmaine Rosemond Representative Anderson Soomer
St Vincent and The Grenadines		
National Commercial Bank (SVG) Ltd.	P O Box 880 Cnr. Bedford and Grenville Streets Kingstown Tel: 784 457 1844 Fax: 784 456 2612/ 784 451 2589 Email: natbank@svgnbc.com	Principals Keith Inniss Jeffrey Ledger Representatives Patricia John Rashida Stephens
Trinidad and Tobago		
Caribbean Money Market Brokers Ltd. (CMMB)	No. 1 Richmond Street, Ground Floor Furness Court, Independence Square Port of Spain Tel: 868 623 7815/5153 Fax: 868 624 4544/9833; 627 2930 Email: info@mycmmmb.com	Principals Brent Salvary Representative Vishwatee Jagroop

APPENDIX 2: FINANCIAL STATEMENTS MARCH 2006 TO MARCH 2008

a) STATEMENT BY DIRECTORS OF ECHMB

We declare in the best of our knowledge the information contained in the Prospectus is in accordance with the facts and the Prospectus makes, no omission likely to affect the import of the information. The Financial Statements for the three (3) years ended 31 March 2006, 31 March 2007 and 31 March 2008, have been prepared in accordance with the Securities Act of 2001 and the Regulations issued by the Eastern Caribbean Securities Regulatory Commission, and accordingly we accept responsibility for them.

By Order of the Board



K Dwight Venner
Chairman, ECHMB

(May 5, 2009)

b) STATEMENT BY AUDITORS

We confirm that we carried out the audit of the operations of Eastern Caribbean Home Mortgage Bank (ECHMB) for the three (3) years ended 31 March 2006, 31 March 2007 and 31 March 2008. We hereby give consent to ECHMB to include the Auditors' reports on the Financial Statements for the years ended 31 March 2006, 31 March 2007 and 31 March 2008, in the Prospectus and accept responsibility for them. Since the date of the said reports we have not become aware of any matter affecting the validity of the reports at the said dates.



PANNELL KERR FORSTER

Chartered Accountants:

BASSETERRE - ST KITTS

(May 5, 2009)

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 Sheets as at 31 March 2006, 2007 and 2008, and the Income Statements, Statements of Changes in Equity and Cash Flow Statements for the years 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' judgment, 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 2006, 2007 and 2008, and of its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.



PANNELL KERR FORSTER
Chartered Accountants:

BASSETERRE - ST KITTS
6th May 2008

EASTERN CARIBBEAN HOME MORTGAGE BANK
BALANCE SHEET
AS AT 31 MARCH 2006, 2007 AND 2008
(Expressed in Eastern Caribbean Dollars)

ASSETS	Notes	2008	2007	2006
Cash and Short Term Funds	3	12,817,253	8,159,309	5,358,360
Accounts Receivable & Prepayments	4	3,835,936	3,350,125	2,971,559
Mortgages Receivable	5	129,664,263	74,513,336	78,361,012
Intangible Assets	6	289,767	407,289	409,839
Deferred Expenses	7	597,701	533,545	686,068
Investments	8	26,100,000	44,100,000	42,100,000
Property and Equipment	2(e) (iii) & 10	154,397	150,589	79,368
TOTAL ASSETS		173,459,317	131,214,193	129,966,206
LIABILITIES				
Accounts Payable and Accruals	9	1,986,987	1,283,402	1,515,110
Bonds in Issue	10	152,582,000	111,930,000	111,480,000
TOTAL LIABILITIES		154,568,987	113,213,402	112,995,110
SHAREHOLDERS' EQUITY				
Share Capital	11	10,000,000	10,000,000	10,000,000
Retained Earnings		4,566,994	4,033,271	3,415,454
Reserved Funds	12	4,323,336	3,967,520	3,555,642
TOTAL SHAREHOLDERS' EQUITY		18,890,330	18,000,791	16,971,096
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$173,459,317	\$131,214,193	\$129,966,206

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

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

K D Venner

K Dwight Venner – Chairman

Angus Smith

Mr. Angus Smith – Deputy Chairman

EASTERN CARIBBEAN HOME MORTGAGE BANK
STATEMENT OF INCOME
FOR THE YEARS ENDED 31 MARCH 2006, 2007 AND 2008
(Expressed in Eastern Caribbean Dollars)

INTEREST INCOME	<u>Notes</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Deposits with Banks		4,124,670	3,849,801	4,015,275
Mortgages		9,021,097	7,217,347	7,193,646
Other		<u>140,415</u>	<u>140,000</u>	<u>57,918</u>
		13,286,182	11,207,148	11,266,839
Bond Expenses	14	(8,126,466)	(6,367,414)	(6,352,198)
		5,159,716	4,839,734	4,914,641
Seminar Costs Recovered		117,000	46,182	83,000
Sundry		<u>-</u>	<u>12,240</u>	<u>620</u>
OPERATING INCOME		<u>5,276,716</u>	<u>4,898,156</u>	<u>4,998,261</u>
GENERAL AND ADMINISTRATIVE EXPENSES				
Salaries and Related Costs		1,213,104	1,187,045	1,114,779
Ancillary Services		127,943	24,758	58,000
Promotional Activities		345,526	315,809	268,125
General Services and Supplies		165,775	147,963	145,966
Depreciation/Amortization		210,514	82,158	71,894
Mortgage Administration Fees		1,112,287	921,849	910,482
Audit Fees		25,000	25,000	25,000
Directors' Fees and Expenses		<u>187,028</u>	<u>163,879</u>	<u>152,343</u>
		<u>3,387,177</u>	<u>2,868,461</u>	<u>2,746,589</u>
NET INCOME FOR YEAR CARRIED TO STATEMENT OF CHANGES IN EQUITY		<u>\$1,889,539</u>	<u>\$2,029,695</u>	<u>\$2,251,672</u>
EARNINGS PER SHARE	15	<u>\$18.90</u>	<u>\$20.30</u>	<u>\$22.52</u>

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

EASTERN CARIBBEAN HOME MORTGAGE BANK
STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 MARCH 2006, 2007 AND 2008
(Expressed in Eastern Caribbean Dollars)

	<u>Share Capital</u>	<u>Building Reserve</u>	<u>Portfolio Risk Reserve</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance at 31 March 2005	10,000,000	1,777,487	1,277,487	2,664,450	15,719,424
Net Income for Year	-	-	-	2,251,672	2,251,672
Dividends Paid	-	-	-	(1,000,000)	(1,000,000)
Transfer to Reserves	-	250,334	250,334	(500,668)	-
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	<u>\$10,000,000</u>	<u>\$2,411,668</u>	<u>\$1,911,668</u>	<u>\$4,566,994</u>	<u>\$18,890,330</u>

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

EASTERN CARIBBEAN HOME MORTGAGE BANK
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED 31 MARCH 2006, 2007 AND 2008
(Expressed in Eastern Caribbean Dollars)

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2008</u>	<u>2007</u>	<u>2006</u>
Income for the Year	1,889,539	2,029,695	2,251,672
Adjustment for Depreciation/Amortisation	460,967	221,282	201,673
Gain on Disposal of Property and Equipment	<u>-</u>	<u>(300)</u>	<u>-</u>
	2,350,506	2,250,677	2,453,345
NON-CASH WORKING CAPITAL CHANGE			
Increase in Accounts Receivable	(485,811)	(378,566)	(2,176,940)
Increase/(Decrease) in Accounts Payable	703,585	(231,708)	44,577
Dividends Paid	<u>(1,000,000)</u>	<u>(1,000,000)</u>	<u>(1,000,000)</u>
CASH INFLOW FROM OPERATING ACTIVITIES	<u>1,568,280</u>	<u>640,403</u>	<u>(679,018)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Capitalised Costs	-	25,749	(27,302)
Decrease/(Increase) in Investments	18,000,000	(2,000,000)	1,000,000
Intangible Assets	(28,082)	(11,495)	(10,085)
(Purchase)/Redemption of Mortgages (Net)	(55,150,927)	3,847,676	(4,136,180)
Purchase of Property and Equipment	(56,105)	(150,038)	(2,585)
Proceeds From Disposal of Property and Equipment	<u>-</u>	<u>11,004</u>	<u>-</u>
CASH (OUTFLOW)/INFLOW FROM INVESTING ACTIVITIES	<u>(37,235,114)</u>	<u>1,722,896</u>	<u>(3,176,152)</u>
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	<u>(327,222)</u>	<u>(12,350)</u>	<u>-</u>
CASH INFLOW FROM FINANCIAL ACTIVITIES	<u>40,324,778</u>	<u>437,650</u>	<u>-</u>
NET INCREASE/(DECREASE) IN CASH AND SHORT TERM FUNDS	4,657,944	2,800,949	(3,855,170)
CASH AND SHORT TERM FUNDS AT THE BEGINNING OF THE YEAR	<u>8,159,309</u>	<u>5,358,360</u>	<u>9,213,530</u>
CASH AND SHORT TERM FUNDS AT THE END OF THE YEAR	<u>\$12,817,253</u>	<u>\$8,159,309</u>	<u>\$5,358,360</u>

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

EASTERN CARIBBEAN HOME MORTGAGE BANK
PROPERTY AND EQUIPMENT SCHEDULE
FOR THE YEARS ENDED 31 MARCH 2006, 2007 AND 2008
(Expressed in Eastern Caribbean Dollars)

	Motor Vehicle	Computer Equipment	Furniture & Fixtures	Machinery & Equipment	TOTAL		
					2008	2007	2006
Cost							
Balance Brought Forward	108,000	229,592	41,982	33,528	413,102	441,450	482,676
Additions	-	52,690	-	3,415	56,105	150,038	2,585
Disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	(178,386)	(43,811)
Cost Carried Forward	<u>108,000</u>	<u>282,282</u>	<u>41,982</u>	<u>36,943</u>	469,207	413,102	441,450
Depreciation							
Balance Brought Forward	18,000	188,289	38,723	17,501	262,513	362,082	335,020
Change for Year	21,600	25,315	774	4,608	52,297	68,113	70,873
Disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	(167,682)	(43,811)
Depreciation Carried Forward	<u>39,600</u>	<u>213,604</u>	<u>39,497</u>	<u>22,109</u>	314,810	262,513	362,082
Book Value	<u>68,400</u>	<u>68,678</u>	<u>2,485</u>	<u>14,834</u>	154,397	150,589	79,368

As explained in Note 10 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 YEARS ENDED 31 MARCH 2006, 2007 AND 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.

EASTERN CARIBBEAN HOME MORTGAGE BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 MARCH 2006, 2007 AND 2008
(Expressed in Eastern Caribbean Dollars)

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 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 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.

EASTERN CARIBBEAN HOME MORTGAGE BANK
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(Expressed in Eastern Caribbean Dollars)

2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

b) 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 exists 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.

c) 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.

EASTERN CARIBBEAN HOME MORTGAGE BANK
NOTES TO THE FINANCIAL STATEMENTS
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(Expressed in Eastern Caribbean Dollars)

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.

EASTERN CARIBBEAN HOME MORTGAGE BANK
NOTES TO THE FINANCIAL STATEMENTS
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(Expressed in Eastern Caribbean Dollars)

2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

c) Revenue Recognition

Interest income is recognized on loans on an accrual basis.

d) 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
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3 CASH AND SHORT TERMS FUNDS	<u>2008</u>	<u>2007</u>	<u>2006</u>
Cash with Banks	12,816,753	8,158,809	5,357,860
Cash on Hand	<u>500</u>	<u>500</u>	<u>500</u>
TOTAL	<u>12,817,253</u>	<u>8,159,309</u>	<u>5,358,360</u>

Cash with Banks attracted interest rates varying between 2% and 7% (2007 & 2006 = 2% and 7%) during the year under review.

4 ACCOUNTS RECEIVABLE AND REPAYMENTS	<u>2008</u>	<u>2007</u>	<u>2006</u>
Accrued Interest on Deposits/Loan	449,767	547,578	445,012
Mortgage Payment Receivable	1,323,002	758,744	443,793
Sundry Debtors	63,167	43,803	82,754
Mortgage Origination Loan	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>
TOTAL	<u>3,835,936</u>	<u>3,350,125</u>	<u>2,971,559</u>

5 MORTGAGES RECEIVABLE	<u>2008</u>	<u>2007</u>	<u>2006</u>
<u>Territory</u>			
Antigua and Barbuda	28,709,413	8,770,293	9,055,100
St Lucia	42,919,217	18,840,987	19,934,120
Grenada	5,925,148	1,089,798	1,651,627
St Kitts and Nevis	9,493,543	9,724,070	9,984,926
Montserrat	3,779,345	-	-
St Vincent & the Grenadines	<u>38,837,597</u>	<u>36,088,188</u>	<u>37,735,239</u>
TOTAL	<u>\$129,664,263</u>	<u>\$74,513,336</u>	<u>\$78,361,012</u>

EASTERN CARIBBEAN HOME MORTGAGE BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 MARCH 2006, 2007 AND 2008
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5 MORTGAGE RECEIVABLE (cont'd)

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.

EASTERN CARIBBEAN HOME MORTGAGE BANK
NOTES TO THE FINANCIAL STATEMENTS
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6 INTANGIBLE ASSETS	Mortgage Interfacing System	Computer Software	Total
Cost			
At 31 March 2005	399,754	-	399,754
Additions	<u>10,085</u>	<u>-</u>	<u>10,085</u>
At 31 March 2006	409,839	-	409,839
Additions	<u>11,495</u>	<u>-</u>	<u>11,495</u>
At 31 March 2007	421,334	-	421,334
Additions	<u>-</u>	<u>28,082</u>	<u>28,082</u>
At 31 March 2008	<u>421,334</u>	<u>28,082</u>	<u>449,416</u>
Amortisation and Impairment			
At 31 March 2006	-	-	-
Amortisation	<u>-</u>	<u>-</u>	<u>-</u>
At 31 March 2007	14,045	-	14,045
Amortisation	<u>143,749</u>	<u>1,855</u>	<u>145,604</u>
At 31 March 2008	<u>157,794</u>	<u>1,855</u>	<u>159,649</u>
Net Book Value:			
At 31 March 2008	<u>\$263,540</u>	<u>\$26,227</u>	<u>\$289,767</u>
At 31 March 2007	<u>\$407,289</u>	<u>-</u>	<u>\$407,289</u>
At 31 March 2006	<u>\$409,839</u>	<u>-</u>	<u>\$409,839</u>

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

EASTERN CARIBBEAN HOME MORTGAGE BANK
NOTES TO THE FINANCIAL STATEMENTS
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7	DEFERRED EXPENSES			
		<u>2008</u>	<u>2007</u>	<u>2006</u>
a)	Bond Issue Costs			
	Balance brought forward	470,482	588,322	718,101
	Additions	<u>327,222</u>	<u>12,350</u>	--
		797,704	600,672	718,101
	Less: Amortization for Year	<u>(250,453)</u>	<u>(130,190)</u>	<u>(129,779)</u>
	Balance Carried Forward	<u>547,251</u>	<u>470,482</u>	<u>588,322</u>
b)	Defined Contribution Plan			
	Past Service Contribution			
	Balance brought forward	63,063	97,746	114,037
	Reversal of amount not vested in Plan	-	<u>(25,749)</u>	-
	Less: Amortization for Year	<u>(12,613)</u>	<u>(8,934)</u>	<u>(16,291)</u>
	Balance Carried Forward	<u>50,450</u>	<u>63,063</u>	<u>97,746</u>
	TOTAL	<u>597,701</u>	<u>533,545</u>	<u>686,068</u>

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			
		<u>2008</u>	<u>2007</u>	<u>2006</u>
	Available-for-sale securities			
	Eastern Caribbean Securities Exchange			
	10,000 Class C Shares of \$10 each	100,000	100,000	100,000
	Held-to-maturity			
	Term Deposits	<u>26,000,000</u>	<u>44,000,000</u>	<u>42,000,000</u>
	TOTAL	<u>\$26,100,000</u>	<u>\$44,100,000</u>	<u>42,100,000</u>

Term Deposits attracted interest rates varying between 7.25% to 8.5% (2007 & 2006= 7% to 8.5%) during the year under review.

EASTERN CARIBBEAN HOME MORTGAGE BANK
NOTES TO THE FINANCIAL STATEMENTS
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9	ACCOUNTS PAYABLE AND ACCRUALS	<u>2008</u>	<u>2007</u>	<u>2006</u>
	Accrued Interest on Bonds	1,660,142	1,053,370	1,043,397
	Sundry Creditors and Accruals	<u>326,845</u>	<u>230,032</u>	<u>471,713</u>
	TOTAL	<u>\$1,986,987</u>	<u>\$1,283,402</u>	<u>1,515,110</u>

10	BONDS IN ISSUE	<u>2008</u>	<u>2007</u>	<u>2006</u>
	Balance at the beginning of the year	111,930,000	111,480,000	111,480,000
	Add: Issues during the year	54,457,000	6,450,000	--
	Less: Redemptions during the year	<u>(13,805,000)</u>	<u>(6,000,000)</u>	<u> --</u>
	Balance at the end of the year	<u>\$152,582,000</u>	<u>\$111,930,000</u>	<u>111,480,000</u>

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% (2006 & 2007 = 5.5% to 6%).

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

10	BONDS IN ISSUE	<u>2008</u>	<u>2007</u>	<u>2006</u>
	Within 1 year	-	13,805,000	6,000,000
	1 to 2 years	44,402,000	-	13,805,000
	2 to 3 years	43,455,000	6,150,000	--
	3 to 4 years	13,150,000	43,455,000	6,150,000
	4 to 5 years	40,275,000	13,150,000	43,455,000
	Over 5 years	<u>11,300,000</u>	<u>35,370,000</u>	<u>42,070,000</u>
		<u>\$152,582,000</u>	<u>\$111,930,000</u>	<u>111,480,000</u>

c) The bonds are tax free.

EASTERN CARIBBEAN HOME MORTGAGE BANK
NOTES TO THE FINANCIAL STATEMENTS
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11	SHARE CAPITAL	<u>2008</u>	<u>2007</u>	<u>2006</u>
	Authorised:			
	400,000 Shares of \$100 each	<u>\$40,000,000</u>	<u>\$40,000,000</u>	<u>\$40,000,000</u>
	Application and Allotment			
	100,000 Shares of \$100 each			
	Class A	2,500,000	2,500,000	2,500,000
	Class B	1,133,700	1,780,200	1,500,000
	Class C	2,853,800	2,226,700	2,486,700
	Class D	3,512,500	3,493,100	2,000,000
	Class F	--	--	<u>1,513,300</u>
	TOTAL)	<u>\$10,000,000</u>	<u>\$10,000,000</u>	<u>10,000,000</u>

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 2006 and 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	<u>2008</u>	<u>2007</u>	<u>2006</u>
	Building Reserve Fund	<u>2,411,668</u>	<u>2,233,760</u>	<u>2,027,821</u>
	Portfolio Risk Reserve Fund	<u>1,911,668</u>	<u>1,733,760</u>	<u>1,527,821</u>
	TOTAL	<u>\$4,323,336</u>	<u>\$3,967,520</u>	<u>3,555,642</u>

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.

EASTERN CARIBBEAN HOME MORTGAGE BANK
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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). (2006 = \$226,525)

There were no outstanding contingent liabilities at 31 March 2008 (2007 & 2006 = Nil)

14 **BONDS EXPENSES**

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Interest on Bonds	7,810,282	6,183,073	6,173,100
Bond Issue Costs Amortised	250,453	130,190	129,779
Trustee Fees	6,075	6,075	4,969
Sundry Bond Expenses	<u>59,656</u>	<u>48,076</u>	<u>44,350</u>
TOTAL	<u>\$8,126,466</u>	<u>\$6,367,414</u>	<u>6,352,198</u>

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.

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Net Income for Year	<u>\$1,889,539</u>	<u>\$2,029,695</u>	<u>2,251,672</u>
Number of Shares in issue	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
Basic Earnings per Share	<u>\$18.90</u>	<u>\$20.30</u>	<u>\$22.52</u>

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 and 2006 = 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 management believes that no provision is required at 31 March 2008.

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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 liabilities is fundamental to the liquidity risk management process.

Maturities of assets and liabilities:

	<u>Up to 1 Year</u>	<u>1 to 5 Years</u>	<u>Over 5 Years</u>	<u>Total</u>
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	<u>302,123</u>	<u>294,617</u>	<u>961</u>	<u>597,701</u>
	<u>43,185,322</u>	<u>5,126,888</u>	<u>125,147,107</u>	<u>173,459,317</u>

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17 **LIQUIDITY RISKS (cont'd)**

Liabilities:

Accounts Payable and Accruals	1,986,987	-	-	1,986,987
Bonds in Issue	<u>-</u>	<u>141,282,000</u>	<u>11,300,000</u>	<u>152,582,000</u>
	<u>1,986,987</u>	<u>141,282,000</u>	<u>11,300,000</u>	<u>154,568,987</u>
Net Liquidity Gap As at 31, March 2007	<u>41,198,335</u>	<u>(136,155,112)</u>	<u>113,847,107</u>	<u>18,890,330</u>

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	<u>12,613</u>	<u>50,450</u>	<u>-</u>	<u>63,063</u>
	<u>46,007,500</u>	<u>14,432,438</u>	<u>70,774,255</u>	<u>131,214,193</u>

Liabilities:

Accounts Payable and Accruals	1,283,402	-	-	1,283,402
Bonds in Issue	<u>13,805,000</u>	<u>62,755,000</u>	<u>35,370,000</u>	<u>111,930,000</u>
	<u>15,088,402</u>	<u>62,755,000</u>	<u>35,370,000</u>	<u>113,213,402</u>
Net Liquidity Gap	<u>30,919,098</u>	<u>(48,322,562)</u>	<u>35,404,255</u>	<u>18,000,791</u>

EASTERN CARIBBEAN HOME MORTGAGE BANK
NOTES TO THE FINANCIAL STATEMENTS
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17 **LIQUIDITY RISKS (cont'd)**

Assets:

Cash and Short Term Funds	5,358,360	-	-	5,358,360
Investments	27,000,000	15,000,000	100,000	42,100,000
Accounts Receivable and Prepayments	2,971,559	-	-	2,971,559
Mortgages Receivable	9,480,579	42,231,667	26,648,766	78,361,012
Property and Equipment	62,140	17,228	-	79,368
Capitalised Costs	144,158	771,597	82,406	998,161
Deferred Expenses	<u>34,683</u>	<u>50,450</u>	<u>12,613</u>	<u>97,746</u>
	<u>45,051,479</u>	<u>58,070,942</u>	<u>26,843,785</u>	<u>129,966,206</u>

Liabilities:

Accounts Payable and Accruals	1,505,025	-	-	1,505,025
Bonds in Issue	<u>6,000,000</u>	<u>63,410,000</u>	<u>42,070,000</u>	<u>111,480,000</u>
	<u>7,505,025</u>	<u>63,410,000</u>	<u>42,070,000</u>	<u>112,985,025</u>
Net Liquidity Gap	<u>37,546,454</u>	<u>(5,339,058)</u>	<u>(15,226,215)</u>	<u>16,981,181</u>

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) (2006 = 705,386).

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.

**APPENDIX 2: UN-AUDITED FINANCIAL STATEMENTS DECEMBER
31, 2008**

a) STATEMENT BY EASTERN CARIBBEAN HOME MORTGAGE BANK

The information provided in Appendix -3, un-audited statement of income for the twelve (12) months ended March 31, 2009; un-audited balance sheet as at March 31, 2009; and un-audited statement of cash flows for the twelve (12) months ended March 31, 2009, is the sole responsibility of the Eastern Caribbean Home Mortgage Bank. The audit firm of Pannell Kerr Forster (PKF) has not been asked to comment on these un-audited financial statements.

EASTERN CARIBBEAN HOME MORTGAGE BANK
BALANCE SHEET
AS AT MARCH 31, 2009

(Expressed in Eastern Caribbean Dollars)

Assets	<u>Notes</u>	<u>2009</u>	<u>2008</u>
		\$	\$
Cash and Cash Equivalents	4	17,995,939	12,817,253
Investment Securities	5	13,100,000	26,100,000
Interest Receivables	6	725,684	1,772,769
Accounts Receivable and Prepayments	7	112,004	2,063,167
Mortgage Portfolio	8	184,269,250	129,664,263
Intangible Assets	9	136,657	289,767
Other Assets	10	609,156	597,701
Property and Equipment	2(g) & 11	<u>96,144</u>	<u>154,397</u>
Total Assets		<u>217,044,834</u>	<u>173,459,317</u>
Liabilities			
Interest Payable	12	1,841,131	1,660,142
Other Liabilities and Payables	13	1,164,062	326,845
Borrowings	14	<u>193,769,047</u>	<u>152,582,000</u>
Total Liabilities		<u>196,774,240</u>	<u>154,568,987</u>
Shareholders' Equity			
Share Capital	15	10,000,000	10,000,000
Retained Earnings		5,395,152	4,566,994
Reserves	16	<u>4,875,442</u>	<u>4,323,336</u>
Total Shareholders' Equity		<u>20,270,594</u>	<u>18,890,330</u>
Total Liabilities and Shareholders' Equity		<u>217,044,834</u>	<u>173,459,317</u>

EASTERN CARIBBEAN HOME MORTGAGE BANK
STATEMENT OF INCOME
FOR THE YEAR ENDED 31 MARCH 2009

(Expressed in Eastern Caribbean Dollars)

Interest Income	<u>Notes</u>	<u>2009</u>	<u>2008</u>
		\$	\$
Mortgage Loans		13,401,861	9,021,097
Cash and Investments		2,562,664	4,124,670
Other Interest Income		<u>40,657</u>	<u>140,415</u>
Total Interest Income		16,005,182	13,286,182
Interest Expense			
Borrowings		(9,515,066)	(7,810,282)
Net Interest Income		6,490,116	5,475,900
Other Borrowing Expenses	17	(74,653)	(65,731)
Mortgage Administration Fees		(1,568,360)	(1,112,287)
Seminar Fees	18	<u>7,220</u>	<u>(7,676)</u>
		<u>4,854,323</u>	<u>4,290,206</u>
Operating 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		455,203	408,670
Audit Fees		25,000	25,000
Foreign Exchange Loss		18,979	-
Directors' Fees and Expenses		<u>130,510</u>	<u>187,028</u>
Total Operating Expenses		<u>2,474,059</u>	<u>2,400,667</u>
Net Income		<u>2,380,264</u>	<u>1,889,539</u>
Earnings per Share	19	<u>\$23.80</u>	<u>\$18.90</u>

EASTERN CARIBBEAN HOME MORTGAGE BANK
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2009

(Expressed in Eastern Caribbean Dollars)

	<u>Share Capital</u> \$	<u>Building Reserve</u> \$	<u>Risk Reserve</u> \$	PPortfolio	<u>Retained Earnings</u> \$
Balance at 31 March 2007	10,000,000	2,233,760		1,733,760	4,033,27
Net Income for Year	-	-	-		1,889,53
Dividends Paid	-	-	-		(1,000,000)
Transfer to Reserves	-	<u>205,939</u>		<u>205,939</u>	<u>(355,816)</u>
Balance at 31 March 2008	10,000,000	2,411,668		1,911,668	4,566,99
Net Income for Year					2,380,26
Dividends Paid	-	-	-		(1,000,000)
Transfer to Reserves	-	<u>276,053</u>		<u>276,053</u>	<u>(552,106)</u>
Balance at 31 March 2009	<u>10,000,000</u>	<u>2,687,721</u>		<u>2,187,721</u>	<u>5,395,15</u>

EASTERN CARIBBEAN HOME MORTGAGE BANK
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2009

(Expressed in Eastern Caribbean Dollars)

	<u>2009</u>	<u>2008</u>
	\$	\$
Cash flows from Operating Activities		
Net Income for the year	2,380,264	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	(16,005,182)	(13,286,182)
Interest Expense	<u>9,515,066</u>	<u>7,810,282</u>
Cash flows used in operating profits before changes in operating assets and liabilities	(3,596,396)	(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	<u>837,217</u>	<u>96,813</u>
Cash used in operations before interest	(808,016)	(3,047,945)
Interest Received	17,052,267	12,819,735
Interest Paid	<u>(9,334,077)</u>	<u>(7,203,510)</u>
Net cash provided by operating activities	<u>6,910,174</u>	<u>2,568,280</u>
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	<u>-</u>	<u>(56,105)</u>
Net cash used in Investing Activities	<u>(41,604,987)</u>	<u>(37,235,114)</u>
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	<u>(313,548)</u>	<u>(327,222)</u>
Net cash provided by financing activities	<u>39,873,499</u>	<u>39,324,778</u>
Net increase in cash and cash equivalents	5,178,686	4,657,944
Cash and cash equivalents at beginning of year	<u>12,817,253</u>	<u>8,159,309</u>
Cash and cash equivalents at end of year	<u>17,995,939</u>	<u>12,817,253</u>