

Schedule 1
FORM ECSRC – K

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

For the financial year ended March 31, 2007

Issuer Registration Number
HMB160990GR

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

GRENADA
(Territory of incorporation)

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

Reporting issuer's:

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

Fax number: 1-(869) 466-7518

Email address: theechmb@caribsurf.com

1. Business

- (a) to promote and maintain the availability of affordable home financing and to assist primary lenders to promote and maintain the availability of affordable home financing in the territories of the participating Government;
- (b) to establish and maintain an organised regional secondary market for mortgages in the form of a Common Home Mortgage Bank to increase the availability of mortgage credit and provide liquidity and flexibility to primary lenders in the territories of the participating Governments;
- (c) to promote and increase the efficient mobilisation and allocation of long-term savings for investment in housing and to further the economic development of the territories of the participating Governments;
- (d) to develop the housing and home finance industry and to promote services and benefits to industry by improving the efficiency and effectiveness of the mortgage underwriting process; and

- (e) to promote the growth and development of the money and capital markets and to enhance the monetary integration of the territories of the participating Governments.

As at 31 March 2007, ECHMB had seven (7) outstanding Bond Issues, amounting to EC\$111.93 million and an outstanding mortgage portfolio consisting of nineteen (19) pools of mortgages amounting to approximately EC\$74.5 million. The Bank has been profitable from its inception and for the past seven financial years has paid dividends of 7.5%, 10%, 10%, 10%, 10%, 10% and 10 % respectively to its shareholders.

ECHMB hope to undertake the following activities in the future: -

- Improve on its data collection capacity to assist with the research on the housing sector;
- Create the necessary technology capability or infrastructure to improve the servicing capacity of primary lenders with whom it does business.
- Improve the flow of data on mortgages purchased between primary lenders and ECHMB.

2. Properties

ECHMB does not own any physical property. It is housed within the compound of the Eastern Caribbean Central Bank. ECHMB pays a monthly rent to ECCB. The physical assets of the institution are shown on page 20 of its Annual Report for the period ended March 31, 2007 with a net book value amounting to EC\$150,589. These assets include:

- Motor Vehicle;
- Computer Equipment;
- Furniture & Fixtures;
- Machinery & Equipment

No new properties were acquired during the reporting period. However, ECHMB has set aside a **Building Reserve Fund** geared towards acquiring its own offices.

3. Legal Proceedings

ECHMB has never had any legal proceedings instituted against it. There are no pending legal matters.

4. Submission of Matters to a Vote of Security Holders

On July 14, 2007 ECHMB held its Annual General Meeting (AGM) in St. Lucia. The Minutes of the Meeting of the previous year was confirmed at that AGM. The decisions taken at the last AGM include: -

- Acceptance of the Reports of the Chairman and the Auditors for the year ended March 2007;
- Appointment of Auditors - Pannell Kerr Forster were re-appointed as Auditors;
- Declaration of 10% dividends.
- Reclassification of some Shareholders to reflect their correct Class.

In March 2007, the Home Mortgage Bank of Trinidad and Tobago (HMB) former holder of Class F Shares, divested its Shares and is no longer a Shareholder of ECHMB. HMB shares were sold to CLICO International Life Insurance Company based in Barbados.

Please refer to page 5 of ECHMB's Annual Report and Financial Statements for the period ended March 31, 2007 for the current list of Directors.

5. Market for Reporting Issuers Common Equity and related Stockholders Matters

During the period under review, the Bank has maintained its common equity shares at its original levels. There was no issuance of common equity shares for the period under review.

6. Financial Statements and Selected Financial Data

Please refer to ECHMB's Annual Report and Financial Statements for the year ended 31 March 2007. (Pages 15 – 31)

7. Disclosure about Risk Factors

- (1) Interest Rate Risk - In recent times the interest rate fluctuations have posed new challenges for the Company. The recent trend in reduced interest rates on mortgages may foster prepayment by borrowers resulting in reduced yields for the Bank. Currently measures are being taken to mitigate interest rate risk.
- (2) Legal Risk may arise due to lengthy foreclosure proceedings as well as the challenges posed by the differences in legislation pertaining to mortgage administration. Currently a research paper is being done to identify those issues and to mitigate such risk.
- (3) Operational Risk related to servicing and administration capabilities of primary lenders in a multi-island environment. ECHMB is helping its partners in the primary lending market to improve and build capacity through its Mortgage Underwriting Seminars mounted in conjunction with the Real Estate Institute of Canada (REIC).

- (4) Exogenous factors such as major hurricanes, earthquakes, and volcanic eruptions that could affect the countries in which ECHMB conduct business. Primary lenders and homeowners could be faced with major difficulties, which preclude them from servicing their mortgages and hence affect ECHMB's business.

8. Changes in Securities and Use of Proceeds

There were no changes in securities.

9. Defaults upon Senior Securities

ECHMB has never defaulted on its payment obligations on its debt. In its eleven (11) years of commercial operations, the Bank has been adequately capitalised, and was able to meet all its obligations on a timely basis.

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

Profit Attributable to Shareholders

The ECHMB achieved a net income of \$2.029 million for the financial year ended 31 March 2007, representing a decline of \$221 thousand or 9.85% when compared to 2006. The main contributors to the decline were a reduction in interest earned on investments held as term deposits and an increase in general and administrative expenses. Earnings per share fell by 9.8% from \$22.52 to \$20.30. During the year the Bank paid a dividend of \$1 million and after transfers to reserves of \$411 thousand, retained earnings at year end stood at \$4.03 million an increase of 18.08% over prior year.

Interest Income

Total interest income which comprises interest earned on outstanding mortgages and investments fell marginally in 2006/2007 by some \$59 thousand or \$0.5% due largely to the fall in interest earned on investments of \$165 thousand as available rates on term deposits declined.

Interest Expense

Interest expense which comprises Bond expenses remained relatively flat at \$6.3 million as Bonds in Issue increased only marginally at year end to \$111.9 million from \$111.4 million.

General and Administrative Expenses

General and Administrative Expenses amounted to \$2.868 million an increase of \$121 thousand or 4.43% over prior year. The main contributor to this increase was salaries and related costs as the Bank increased its staff compliment in 2006/2007 and a number of changes at the senior level necessitated expenditure on recruitment of replacement staff. Also in

2006 the Bank celebrated its tenth anniversary. An additional amount of \$47 thousand was incurred on promotional activities over prior year.

Funding

The ECHMB's main source of funding for its operations continues to be through the issue of Bonds. During the year there was one Bond redemption and one new issue resulting in total Bonds in Issue of \$111.9 million at year-end, a net increase of \$450 thousand over the previous year.

Mortgages

As at year-end mortgages outstanding stood at \$74.5 million a decline of some \$3.8 million or 4.91% over 2006. Current projections indicate that this decline will be reversed in 2007/2008. The largest concentration of mortgages outstanding amounting to some \$36 million or 48.3% came from institutions in St Vincent and the Grenadines. At year end, mortgages represented 56.78% of total assets, a reduction from the 60% in 2006.

Balance Sheet

Despite the reduction in earnings in 2006/2007 the Balance Sheet of the Bank remained strong at year-end. Total assets stood at \$131.214 million an increase of 1% over prior year while shareholders equity increased by some 6% to \$18 million. The Bank is projecting an improved performance in 2007/2008, which is expected to further strengthen the Balance Sheet.

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

ECHMB's Auditor is Pannell Kerr Forster. The Auditor's Report for the year ended March 31, 2007 for ECHMB is shown on page 15 of the Annual Report and Financial Statements for the same period. There were no disagreements.

12. Directors and Executive Officers of the Reporting Issuer

A copy of the Annual Report and Financial Statements is attached herewith. The Report includes the names and designations of Directors and Officers.

ECHMB's Directors are senior executives, with several years of experience at very senior levels in the Insurance, Banking and Finance Industries.

ECHMB has a very well trained and experienced staff with expertise in the fields of Banking including Mortgage Underwriting, Commercial and Consumer Credit, Bank Management and Supervision, Finance, Economics, Accounting, Government Services, Telecommunications and Computer Science.

13. Security Ownership of certain Beneficial Owners and Management

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

(Share Ownership not applicable in the case of Management/Staff)

14. Other information

None

15. List of Exhibits

The Annual Report and Financial Statements for the year ended March 31, 2007 are attached.

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

Yes (X)

No ()

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

CLASS	NUMBER
Class A	25,000
Class B	11,337
Class C	28,732
Class D	34,931
TOTAL	100,000

*** Note: The Home Mortgage Bank of Trinidad and Tobago (HMB) former holder of Class F Shares, divested its Shares and is no longer a Shareholder of ECHMB. HMB shares were sold to CLICO International Life Insurance Company based in Barbados.**

The breakdown of Classes B, C and D is different to Note 12 of the Annual Report and Financial Statements, but reflects the true position endorsed by the shareholders on July 14, 2007.

Name of Chief Executive Officer:

VACANT

Signature

Date

Name of Manager, Corporate Finance:

Randy Lewis

Signature

14 September 2007

Date

Name of Director:

Sir K Dwight Venner

Signature

Date

Note: The New Chief Executive Officer commenced the employment with ECHMB on June 1, 2007.