

Schedule 1

FORM ECSRC – K

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

For the Financial Year Ended 31 March 2010

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: info@echmb.com

1. Business

- (a) to promote and maintain the availability of affordable home financing and to assist primary lenders to promote and maintain the availability of affordable home financing in the territories of Anguilla, Antigua and Barbuda, Commonwealth of Dominica, Grenada, Montserrat, St. Christopher and Nevis, Saint Lucia, Saint Vincent and the Grenadines (collectively referred to as “the participating Governments”);
- (b) to establish and maintain an organized regional secondary market for mortgages in the form of a Common Home Mortgage Bank to increase the availability of mortgage credit and provide liquidity and flexibility to primary lenders in the territories of the participating Governments;
- (c) to promote and increase the efficient mobilization and allocation of long-term savings for investment in housing and to further the economic development of the territories of the participating Governments;
- (d) to develop the housing and home finance industry and to promote services and benefits to the industry by improving the efficiency and effectiveness of the mortgage underwriting process; and

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

2. Properties

ECHMB does not own any physical properties; the Bank is housed within the compound of the Eastern Caribbean Central Bank under an Operating Lease Agreement. However, ECHMB has set aside a Building Reserve Fund geared towards acquiring its own premises. The balance on this Fund stood at EC\$2.7m as at 31 March 2010.

A schedule of ECHMB's assets is provided on page 24 of the attached 2010 Annual Report.

3. Legal Proceedings

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

4. Submission of Matters to a Vote of Security Holders

On 23 July 2010, ECHMB held its 15th Annual General Meeting (AGM) in St. Vincent and the Grenadines. The Minutes of the 14th AGM were confirmed and the following decisions were also taken:-

- Acceptance of the Reports of the Chairman, Board of Directors and Auditors and the audited Financial Statements for the year ended 31 March 2010;
- Appointment of Directors for Classes A, B, C, and D for the ensuing two (2) years in accordance with Article 15(1) of the ECHMB Agreement Act;
- The appointment of Messrs. P K F Chartered Accountants as Auditors for the ensuing year;
- The approval of dividends amounting to \$10.00 per share for the year ended 31st March 2010, as recommended by the Board of Directors.

Directors are listed on pages 5 and 6 of ECHMB's 2010 Annual Report. Two new appointments were since made at the 15th AGM. Mr. Timothy Hodge was replaced by Mr. Louis A Williams in Class B, and Mr. Ralph Hodge was replaced by Mrs. P. Bernadette Knight-Roberts in Class C.

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

During the financial year, the Board of Directors of ECHMB in accordance with the terms of Article 29(2) (b) of the “Eastern Caribbean Home Mortgage Bank Agreement Act No. 8 of 1995” (“the Agreement”) invited existing shareholders’ to subscribe to an Additional Private Offer (APO) of \$10.0m made up of 62,500 ordinary shares at \$160 each. Shareholders’ subscribed to a total of 60,363 shares fully paid with the former Class E shareholder (IFC) and Class F shareholder (Home Mortgage Bank of Trinidad and Tobago) declining a total of 1875 shares. However, since the year ended 31 March 2010, subscriptions have been received for 3,639 shares. Meanwhile, the Board has authorized the remaining equity of \$16.8m, which is carded for the third quarter of 2010.

6. Financial Statements and Selected Financial Data

Please refer to pages 19-59 of ECHMB’s Annual Report for the Year Ended 31 March 2010.

7. Disclosure about Risk Factors

Credit Risk

ECHMB is exposed to mortgage credit risk within our its mortgage portfolio, which is the risk of financial loss if a customer (Primary Lender) or counter party fails to meet contractual obligations. ECHMB manages and controls credit risk in the mortgage portfolio by limiting concentration exposure to any one Primary Lender. Management places limits on the amount of risk it is willing to accept for individual Primary Lender by monitoring exposures in relation to such limits. In addition, management monitors concentrations of credit risk by geographic location.

Liquidity Risk

ECHMB’s approach to managing liquidity is to ensure, as far as possible, that the Bank will always have sufficient liquid funds to meet its obligations as they fall due, under both normal and stressed conditions. The Bank maintains a portfolio of short-term liquid assets, largely made up of cash and other short-term instruments, to ensure that sufficient liquidity is maintained.

Interest Rate Risk

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

Legal Risk

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

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

Operational Risk

Operational risk is embedded in the Bank's principal activity and failure to manage it can result in direct or indirect financial loss, business disruption and reputational impact. This is particularly related to servicing and administration capabilities of primary lenders in a multi-state environment. ECHMB is helping its partners in the primary lending market to improve and build underwriting and loan administration capacity through its three-module Mortgage Underwriting Programme promoted in conjunction with the Real Estate Institute of Canada. ECHMB is fully committed to reducing its operating risk thus ensuring that it adds value for its external and internal stakeholders.

Exogenous Risk

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

8. Changes in Securities and use of Proceeds

During the year, ECHMB raised financing of \$99.1m through the placement of its 18th Bond Series 2, 19th and 20th Bonds (Debt Securities), and \$9.7 million in equity through an APO of ordinary shares. The proceeds were used to acquire new pools of mortgages. In addition, ECHMB successfully redeemed its 11th Bond – Series 2 of \$6.2m through the issuance of its 20th Bond, for which principal investments of \$21.2m were received.

9. Defaults upon Senior Securities

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

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

ECHMB generated commendable results for the financial year ended March 31, 2010, with Total Comprehensive Income before Impairment Loss on Investment

Securities of \$3.7m, up \$1.3m (54.6%) over 2009 outturn of \$2.4m. The results of operations were tempered by Impairment Losses on Investment Securities amounting to \$2.5m. On October 9, 2009, ECHMB's Term Deposit with CLICO International Life Insurance Limited amounting to \$5.0m matured. ECHMB was informed that due to liquidity constraints of CLICO, the redemption of the \$5.0m Term Deposit had to be deferred. Although, the Bank is in discussions with CLICO to recoup the proceeds from the Term Deposit, the Board of Directors has considered it prudent to impair the investment by \$2.5m (50.0%) for the 2010 financial year. Total Comprehensive Income after Impairment Loss on Investment Securities was reduced to \$1.2m, representing a decline of \$1.2m (50.0%) when compared with the 2008 outturn of \$2.4m.

Total Income

Interest Income for the 2010 financial year was \$21.6m, up \$5.6m (34.9%) over the 2009 outturn of \$16.0m and represents the third (3) consecutive year of growth, following stagnation of \$11.2m over the 2007 and 2006 financial years. Interest Income generated from the Mortgage Portfolio increased by \$5.2m (38.7%) over 2009 and reflects the Bank's strategy of growth in its core business of mortgage acquisition. In 2010, mortgages amounting to \$49.8m were acquired, culminating in net growth in the Mortgage Portfolio of \$40.6m (22.0%) over the 2009 balance of \$184.3m. Notwithstanding the excellent growth in the Mortgage Portfolio, the Bank has restricted concentration risk to any one country at 30.0%. Interest from mortgages expressed as a percentage of the average Mortgage Portfolio increased from 8.5% in 2009 to 9.1% in 2010 and reflects the contribution of the \$62.1m acquired during the 2009 financial year. To date, ECHMB has not been required to provide for impairments in its Mortgage Portfolio, although, out of prudence from 2004, the Directors have agreed to an allocation to a Portfolio Risk Reserve Fund of 20% of profits after the appropriation for dividends.

Interest Expenses

Interest Expenses increased to \$13.1m in 2010 from \$9.5m in 2009, reflective of the greater amount of Borrowings which increased from \$193.8m in 2009 to \$259.0m in 2010. Interest Expenses expressed as a percentage of Average Borrowings increased from 5.5% in 2009 to 5.8% in 2010 and is indicative of the higher cost of recent refinancing of Bonds at maturity from 5.5% to 6.0%. Bond funding accounted for 89.6% of Borrowings in 2010, compared with 86.1% of 2009. The increase in the coupon rates of Bonds were tempered by a reduction in the interest rate on the Caribbean Development Bank (CDB) Borrowing which decreased from 5.4% in 2009 to 4.8% in January 2010.

Net Interest Income

Net Interest Income, the difference between Total Interest Income (\$21.6m) and Interest Expenses (\$13.1m), amounted to \$8.5m, equivalent to 39.4%, compared

with 40.6% in the previous year. This is a reflection of current market conditions, in which mortgages are acquired from primary mortgage lending institutions at interest rates approximating 8.0% and borrowings secured at rates approximating 6.0%. The growth in Net Interest Income has been achieved through growth in volume of Pools of mortgages.

Operating Expenses

Operating Expenses before Impairment Loss on Investment Securities increased to \$2.7m in 2010 compared with \$2.5m in previous year. The \$0.2m increase was directly commensurate with the Bank's increased volume of business. General and Administrative Expenses increased by \$0.1m (5.5%) and generally reflects inflation in costs.

Statement of Financial Position

ECHMB's Statement of Financial Position has continued its growth trend in 2010 with an increase of \$78.16m (36.0%) over 2009 outturn of \$217.04m. Total Interest Earning Assets were reported at \$287.82m (98.2%) and compares favorably to \$215.37m (99.2%) of the 2009 financial year. The decline in terms of percentage was mainly attributable to the residual balance of the impaired investment with CLICO. Most importantly, the Statement of Financial Position is appropriately structured to enable the Bank to discharge its liabilities on a timely basis while providing the flexibility to respond to customers' requests promptly.

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

The Report of the Auditors is available on page 19 of the 2010 Annual Report which expressed an unqualified opinion. As outlined in Section 4 above, the incumbent auditors were reappointed. There were no disagreements between ECHMB and the auditors.

12. Directors and Executive Officers of the Reporting Issuer

Please refer to pages 5-7 of the Annual Report for the ended March 31, 2010 for names and designations of Directors and Officers. The changes in the composition of the Board of Directors are outlined in Section 4 above.

13. Security Ownership of certain Beneficial Owners and Management

CLASS	Percentage (%)
Class A - (Eastern Caribbean Central Bank)	25.3%
Class D - (CLICO International Life Insurance Company, Barbados)	12.5%

14. Other information

None

15. List of Exhibits

The Annual Report for the Year Ended 31 March 2010 is attached.

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

Yes (X)

No ()

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

CLASS	NUMBER
Class A	40,625
Class B	22,094
Class C	50,542
Class D	47,102
TOTAL	160,363

SIGNATURES

Name of Chief Executive Officer

Duleep Cheddie

Signature

Date

Name of Director

Sir K Dwight Venner

Signature

Date