

**FORM ECSRC - Q**

Quarterly Report

For the quarterly period ended: **SEPTEMBER 30, 2010**

Or

TRANSITION REPORT: **Not Applicable**

**(Applicable where there is a change in reporting issuer's financial year)**

For the transition period from                    to

Issuer Registration Number: **HMB160990GR**

**EASTERN CARIBBEAN HOME MORTGAGE BANK (ECHMB)**

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(Exact name of reporting issuer as specified in its charter)

**GRENADA**

(Territory or jurisdiction of incorporation)

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

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(Address of principal executive Offices)

(Reporting issuer's): **EASTERN CARIBBEAN HOME MORTGAGE BANK (ECHMB)**

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

Fax number: **1-869-466-7518**

Email address: **info@echmb.com**

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(Former name, former address and former financial year, if changed since last report)

## 1. Financial Statements

### a) Statement of Financial Position

**EASTERN CARIBBEAN HOME MORTGAGE BANK**  
**STATEMENT OF FINANCIAL POSITION (UNAUDITED)**  
**AS AT SEPTEMBER 30, 2010**

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<b>ASSETS</b>	<b>Notes</b>	<b>Sept 30, 2010</b>	<b>Sept 30 2009</b>
		\$	\$
Cash and Cash Equivalents	5	48,540,327	44,494,937
Interest Receivable	6	2,721,848	2,132,011
Accounts Receivable & Prepayments	7	111,150	65,412
Investment Securities	8	2,600,000	13,100,000
Mortgage Portfolio	9	245,525,307	208,811,264
Intangible Assets	10	2,825	12,186
Other Assets	11	650,594	755,119
Property and Equipment	2(g)&12	<u>82,332</u>	<u>67,018</u>
<b>TOTAL ASSETS</b>		<b><u>300,234,383</u></b>	<b><u>269,437,947</u></b>
<b>LIABILITIES</b>			
Interest Payable	13	2,646,712	2,908,854
Other Liabilities and Payables	14	830,184	1,982,962
Borrowings	15	<u>265,586,282</u>	<u>234,853,764</u>
<b>TOTAL LIABILITIES</b>		<b><u>269,063,178</u></b>	<b><u>239,745,580</u></b>
<b>SHAREHOLDERS' EQUITY</b>			
Share Capital	16	20,240,420	18,737,340
Reserve Funds	17	4,946,938	4,875,442
Retained Earnings		<u>5,983,847</u>	<u>6,079,585</u>
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b><u>31,171,205</u></b>	<b><u>29,692,367</u></b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b><u>300,234,383</u></b>	<b><u>269,437,947</u></b>

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

b) Statement of Comprehensive Income

**EASTERN CARIBBEAN HOME MORTGAGE BANK  
STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)  
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2010**

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		<u>Sept 30, 2010</u>	<u>Sept 30, 2009</u>
<b>Interest Income</b>	<u>Notes</u>	\$	\$
Mortgage Loans		10,319,737	9,004,389
Cash and Investments		1,851,187	1,079,274
Other Interest Income		<u>3,880</u>	<u>5,720</u>
Total Interest Income		<b>12,174,804</b>	<b>10,089,383</b>
<b>Interest Expense</b>			
Borrowings	18	(7,574,078)	(6,030,825)
<b>Net Interest Income</b>		<b>4,600,726</b>	<b>4,058,558</b>
Other Borrowing Expenses	19	(63,326)	(39,190)
Mortgage Administration Fees		(1,067,625)	(999,841)
Foreign Exchange Gain/(Loss)		1,212	(9,285)
Seminar Fees		<u>75,000</u>	<u>63,000</u>
<b>Operating Income</b>		<b><u>3,545,987</u></b>	<b><u>3,073,242</u></b>
<b>Non-interest Expenses</b>			
Operating Expenses		1,377,842	1,320,682
Seminar Expenses		<u>78,075</u>	<u>63,128</u>
		<u>1,455,917</u>	<u>1,383,810</u>
<b>Net Income</b>		<b>2,090,070</b>	<b>1,689,432</b>
<b>Other Comprehensive income:</b>			
Total Other Comprehensive Income		<u>-</u>	<u>-</u>
<b>Total Comprehensive Income</b>		<b><u>2,090,070</u></b>	<b><u>1,689,432</u></b>

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

c) Statement of Cash Flow

**EASTERN CARIBBEAN HOME MORTGAGE BANK**  
**STATEMENT OF CASH FLOWS (UNAUDITED)**  
**FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2010**

	<u>Sept 30, 2010</u>	<u>Sept 30, 2009</u>
	\$	\$
<b>Cash flows from Operating Activities</b>		
Net Income for the year	2,090,070	1,689,432
Adjustments for:		
Depreciation	29,808	29,126
Amortisation of Intangible asset (Software Costs)	4,680	73,665
Amortisation of Debt Issuance Costs	284,028	235,490
Amortisation of Pension Past Service Cost	6,306	6,306
Interest Income	(12,174,804)	(10,089,383)
Interest Expense	<u>7,574,078</u>	<u>6,030,825</u>
Cash used in operating profits before changes in operating assets liabilities	(2,185,834)	(2,024,539)
<b>Changes in operating assets and liabilities</b>		
(Increase)/Decrease in Accounts Receivable and Prepayments	(4,054)	46,592
Increase in Other Liabilities and Payables	<u>(782,807)</u>	<u>813,902</u>
<b>Cash used in operations before interest</b>	(2,972,695)	(1,164,045)
Interest Received	11,376,378	8,683,054
Interest Paid	<u>(7,388,957)</u>	<u>(4,963,102)</u>
<b>Net cash (used in) provided by operating activities</b>	<u>1,014,726</u>	<u>2,555,907</u>
<b>Cash flows from Investing Activities</b>		
Purchases of Mortgages	(24,889,962)	(30,472,545)
Principal Repayment on Mortgages	4,914,828	4,264,469
Net Increase in Mortgages Repurchased/Replaced	(667,109)	49,028
Proceeds from Resale of Mortgages	-	1,617,034
Net Decrease in Mortgage Interfacing System Cost	-	50,806
Purchase of Property and Equipment	<u>(24,397)</u>	<u>-</u>
<b>Net cash used in investing activities</b>	<u>(20,666,640)</u>	<u>(24,491,208)</u>
<b>Cash flows from financing activities</b>		
Proceeds from Bonds Issued	11,990,000	49,461,300
Repayment of Principal on maturing Bonds	(5,445,000)	(8,390,000)
Proceeds from Issuance of Shares	582,400	8,737,340
Payment for Debt Issue Costs	(275,048)	(374,341)
Dividends Paid	<u>(1,603,620)</u>	<u>(1,000,000)</u>
<b>Net cash provided by financing activities</b>	<u>5,248,732</u>	<u>48,434,299</u>
<b>Net Decrease in cash and cash equivalents</b>	(14,403,182)	26,498,998
<b>Cash and cash equivalents at beginning of period</b>	<u>62,943,509</u>	<u>17,995,939</u>
<b>Cash and cash equivalents at end of period</b>	<u>48,540,327</u>	<u>44,494,937</u>

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

## 2) Notes to Financial Statements

### **EASTERN CARIBBEAN HOME MORTGAGE BANK NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2010**

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#### **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 (hereinafter referred to as the “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 primary office of the Bank is located at Bird Rock, Basseterre, St Kitts and Nevis.

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 SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### **a) Basis of preparation**

###### Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

###### Basis of measurement

These financial statements have been prepared under the historical cost convention, except for available-for-sale Investment securities which are measured at fair value.

###### Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Bank operates (the “functional currency”). The financial statements are presented in Eastern Caribbean dollars, which is the Bank’s functional and presentation currency.

###### Judgement and estimates

The preparation of financial statements in conformity with IFRS requires management to make judgement, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Information about significant areas of estimation and critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are disclosed in Note 4.

**EASTERN CARIBBEAN HOME MORTGAGE BANK  
NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2010**

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**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**a) Basis of preparation (continued)**

**Adoption of published International Financial Reporting Standards (IFRSs) during the financial year**

A number of new standards, amendments and interpretations to standards have been issued for accounting periods beginning on or after 1 January 2010 but have not been early adopted by the Bank.

**b) Cash and cash equivalents**

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

**c) Financial assets and liabilities**

Financial instruments carried on the statement of financial position include cash resources, investment securities, mortgage loans, accounts receivables, borrowings (debt security in issue and long-term loan), and interest payable and accounts payable. The standard treatment for recognition, derecognition, classification and measurement of the Bank's financial instruments are noted below.

Recognition

Financial assets and financial liabilities are recognised in the statement of financial position when the Bank assumes related contractual rights or obligations.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership. Financial liabilities (or part of a financial liability) are derecognised when they are extinguished – that is, when the obligation is discharged, cancelled or expires.

Classification

The Bank classifies its financial assets according to the following IAS 39 categories: loans and receivables, held-to-maturity investments and available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

**i) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments (including loan assets, accounts receivables) that are not quoted in an active market, other than those held for trading or designated on initial recognition as assets at fair value through profit or loss or as available-for-sale. Loans and receivables, for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, should be classified as available-for-sale.

Loans and receivables are initially recognised at fair value – which is the cash consideration to originate or purchase the loan including any transaction costs – and measured subsequently at amortised cost using the effective interest rate method. Loans and receivables are reported in the statement of financial position as mortgage portfolio, cash and cash equivalents and receivables.

**EASTERN CARIBBEAN HOME MORTGAGE BANK  
NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2010**

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**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**c) Financial assets and liabilities (continued)**

Interest on loans is included in the statement of comprehensive income and is reported as ‘Interest Income.’

ii) Held-to-maturity financial assets

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturities that the Bank’s management has the positive intention and ability to hold to maturity and do not meet the definition of loans and receivable and are not designated upon initial recognition as fair value through profit or loss or available-for-sale. 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.

Held-to-maturity investments are initially recognised at fair value including direct and incremental transaction costs and measured subsequently at amortised cost, using the effective interest method. Interest on held-to-maturity investments is included in the statement of comprehensive income and reported under ‘Interest Income’. In the case of an impairment, the impairment loss is reported as a deduction from the carrying value of the investment. Held-to-maturity investments are term deposits.

iii) Available-for-sale financial assets

Available-for-sale investments are those intended-to-be-held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. Purchases and sales of financial assets available for sale are recognized on trade-date, the date on which the Bank commits to purchase or sell the assets.

Available-for-sale financial assets are subsequently carried at fair value. 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 statement of comprehensive income. Dividends on available-for-sale equity instruments are recognized in the statement of comprehensive income 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.

Financial liabilities

The Bank classifies its financial liabilities as other financial liabilities measured at amortised cost using the effective interest method.

*Other financial liabilities measured at amortised cost*

Financial liabilities that are not classified as at fair value through profit or loss fall into this category and are measured at amortised cost. Financial liabilities measured at amortised cost are borrowings which includes bonds in issue and long-term loan.

**EASTERN CARIBBEAN HOME MORTGAGE BANK  
NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2010**

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**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**c) Financial assets and liabilities (continued)**

*Transaction costs on financial assets and liabilities*

Transaction cost or fees should be included in the initial measurement of financial assets and financial liabilities other than those at fair value through profit or loss. For financial liabilities, directly related transaction costs of issuing debt are deducted from the amount of debt originally recognized. Transaction costs that are directly attributable to financial liabilities are included in the calculation of amortised cost using the effective interest method and, in effect, amortised through profit or loss over the life of the instrument.

**d) Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

**e) Impairment of financial assets**

(i) Financial assets carried at amortised cost

The Bank assesses at each statement of financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of financial assets is impaired includes observable data that comes to the attention of the Bank about the following loss events:

- i. significant financial difficulty of the issuer or obligor;
- ii. a breach of contract, such as a default or delinquency in interest or principal payments;
- iii. the Bank granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
- iv. it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- v. the disappearance of an active market for that financial asset because of financial difficulties; or
- vi. observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
  - a. adverse changes in the payment status of borrowers in the group; or
  - b. national or local economic conditions that correlate with defaults on the assets in the group.

**EASTERN CARIBBEAN HOME MORTGAGE BANK  
NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2010**

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**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**e) Impairment of financial assets (continued)**

(i) Financial assets carried at amortised cost (continued)

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Bank may measure impairment on the basis of an instrument's fair value using an observable market price.

(ii) Assets classified as available-for-sale

The Bank assesses at statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the statement of comprehensive income.

**f) Intangible assets**

Computer software

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 (UNAUDITED)  
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2010**

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**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**g) Property and equipment**

Property and equipment are stated at historical cost or revalued amount less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. The cost of self-constructed assets includes the cost of materials and direct labour, and other 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.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to other operating expenses during the financial period in which they are incurred.

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

Furniture and Fixtures	15%
Machinery and Equipment	15%
Motor Vehicles	20%
Computer Equipment	33 1/3%

The cost or valuation of property and equipment replaced, retired or otherwise disposed of and the accumulated depreciated thereon is eliminated from the accounts and the resulting gains or losses reflected in the statement of comprehensive income. Gains and losses on disposal are determined by comparing proceeds with the carrying amount and are included in the statement of comprehensive income.

**h) Leases**

**Operating leases**

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

**i) Revenue recognition**

Interest income and interest expense

Interest income and expense are recognized in the statement of comprehensive income for all interest-bearing instruments on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period.

**EASTERN CARIBBEAN HOME MORTGAGE BANK  
NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2010**

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**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**i) Revenue recognition (continued)**

Interest income and interest expense (continued)

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

**j) Foreign currency transaction**

Transactions and balances

Foreign currency transactions that are transactions denominated, or that require settlement, in a foreign currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions. At the statement of financial position date, monetary assets and liabilities denominated in foreign currencies are translated into Eastern Caribbean dollars at the closing rates of exchange. Foreign currency transactions are translated at the rates prevailing on the transaction dates. Foreign exchange gains or losses arising from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income. Exchange differences resulting from the settlement of transactions at rates different from those at the dates of the transactions, and unrealised foreign exchange differences on unsettled foreign currency monetary assets and liabilities are recognised in the comprehensive income statement.

**k) Borrowings**

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

**l) Provisions**

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligation may be small.

**EASTERN CARIBBEAN HOME MORTGAGE BANK  
NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2010**

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**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**m) Taxation**

In accordance with Section 5 sub-sections (1) and (2) of the Eastern Caribbean Home Mortgage Bank Agreement Act, 1994 the Bank is exempt from stamp duty and corporation tax.

**n) Bond issue costs**

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

**o) Payables**

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

**p) Pension costs**

The Bank's contributions to the defined contribution pension plan are charged to the statement of comprehensive income in the period to which the contributions relate.

**q) Dividends**

Dividends are recognized in the year in which they are paid. Dividends that are proposed and declared after the statement of financial position date are not shown as a liability on the statement of financial position.

**r) Earnings per share**

Data on basic earnings per share has been computed by dividing the net profit attributable to equity holders of the parent, by the weighted average number of ordinary shares in issue during the year.

**s) Comparatives**

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

**t) Events after statement of financial position date**

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

**EASTERN CARIBBEAN HOME MORTGAGE BANK  
NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2010**

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**3 FINANCIAL RISK MANAGEMENT**

**Introduction and overview**

The Bank takes on a wide approach to the identification, measurement, monitoring, reporting and management of all its risk. By its very nature, the Bank's activities are principally related to the use of financial instruments.

The Bank has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk

**Risk management framework**

The Bank's risk management framework guides its risk-taking activities and ensures that it is in conformity with the Bank's risk tolerance, stockholders expectations and standards of best practice. The framework incorporates a comprehensive risk governance structure and appropriate policies and procedures for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board of Directors has established various sub-committees, which are responsible for developing and monitoring the Bank's risk management policies in their specified areas. All committees have non-executive members and report regularly to the Board of Directors on their activities.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management

policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered.

The Bank's Audit Committee is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank.

**(a) Credit risk**

The Bank takes on exposure to credit Risk, which is the risk of financial loss to the Bank if a customer (Primary Lender) or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's normal trading activity in mortgages. The amount of the Bank's exposure to credit risk is indicated by the carrying amount of its financial assets. Financial instruments which potentially expose the Bank to credit risk consist primarily of mortgages loans and term deposits.

**EASTERN CARIBBEAN HOME MORTGAGE BANK  
NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2010**

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**3 FINANCIAL RISK MANAGEMENT**

**(a) Credit risk (continued)**

Management of credit risk

The Bank manages and controls credit risk by limiting concentration exposure to any one Organisation of Eastern Caribbean States (OECS) member state or primary lending institution (for mortgages). It places limits on the amount of risk it is willing to accept for individual counter-parties and for geographical and industry concentrations by monitoring exposures in relation to such limits.

*Allowances for impairment*

The Bank establishes an allowance for impairment losses on assets at amortised cost or classified as available-for-sale that represents its estimate of incurred losses in its investment security portfolio. The main components of this allowance are a specific loss component that relates to individual exposure.

**b) Liquidity risk**

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by cash or another financial asset.

Management of liquidity risk

The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation.

The Bank maintains a portfolio of short-term liquid assets, largely made up of cash and short-term investment securities, to ensure that sufficient liquidity is maintained by the Bank. The daily liquidity position is monitored and regular liquidity testing is conducted under a variety of scenarios covering both normal and more severe market conditions. Liquidity policies and procedures are subject to review and approval by the Board of Directors. A summary report, including any exceptions and remedial action taken, is submitted regularly to the Board.

The Bank has access to a diverse funding base. Funds are raised using a broad range of instruments including corporate bonds, long-term loans, share capital and other funding instruments. This enhances funding flexibility, limits dependence on any one source of funds and generally lowers the cost of funds. The Bank strives to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturities.

#### Funding approach

Sources of liquidity are regularly reviewed by the management and the Board of Directors to maintain a wide diversification by currency, geography, provider, product and term.

**EASTERN CARIBBEAN HOME MORTGAGE BANK  
NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2010**

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### **3 FINANCIAL RISK MANAGEMENT (Continued)**

#### **(c) Market risk**

The Bank takes on exposure to market risk, which is defined as the potential for loss arising from changes in the market value of the Bank's financial instruments due to changes in certain market variables, such as interest rates, foreign exchange rates, equity prices, market liquidity and credit spreads.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

#### **(i) Foreign currency risk**

Foreign exchange (or currency) risk is the risk that the fair value of future cash flow of a financial instrument will fluctuate as a result of changes in foreign exchange rates.

The Bank incurs foreign currency risk on transactions that are denominated in a currency other than the functional currency, the EC Dollar. The main currency giving rise to this risk is the US Dollar. The EC Dollar is fixed to the US Dollar at the rate of 2.70.

#### **(ii) Interest rate risk**

Interest sensitivity of assets and liabilities

The Bank is exposed to various risks associated with the effect of fluctuations in prevailing levels of market interest rates (particularly on mortgage loans) on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event of unexpected movements. Management sets limits on the level of interest rate repricing.

**(c) Operational risk**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank's operations and are faced by all business entities.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

**EASTERN CARIBBEAN HOME MORTGAGE BANK  
NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2010**

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**3 FINANCIAL RISK MANAGEMENT (Continued)**

**Fair value of financial assets and liabilities**

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Market price is used to determine fair value where an active market (such as a recognised stock exchange) exists as it is the best evidence of the fair value of a financial instrument. However, market prices are not available for a number of the financial assets and liabilities held and issued by the Bank. Therefore, for financial instruments where no market price is available, the fair values presented have been estimated using present value or other estimation and valuation techniques based on market conditions existing at statement of financial position dates.

Due to their short-term maturity, the carrying value of certain financial assets and liabilities is assumed to approximate their fair values.

**4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

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

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management has made the following judgements in its application of the Bank's accounting policies which have the most significant effect on the amounts reported in the financial statements:

*Impairment of financial assets*

Management makes judgements at each statement of financial position date to determine whether financial assets are impaired. Financial assets are impaired when the carrying value is greater than the recoverable amount and there is objective evidence of impairment. The recoverable amount is the present value of the future cash flows.

*Valuation of investments securities*

The Bank has applied IAS 39 in its classification of investment securities which requires measurement of securities at fair value. For unquoted equity instruments and unlisted securities, fair values are estimated using price/earnings or price/cash flow ratios which have been refined to accommodate the specific circumstances of the issuer.

**5 CASH AND CASH EQUIVALENTS**

	<b><u>Sept 30, 2010</u></b>	<b><u>Sept 30, 2009</u></b>
Cash with banks	48,539,827	44,494,437
Cash on hand	<u>500</u>	<u>500</u>
	<b><u>48,540,327</u></b>	<b><u>44,494,937</u></b>

Cash with banks earned interest rates ranging from 1.5% to 7% (2009: 1.5% to 7%) during the year.

**EASTERN CARIBBEAN HOME MORTGAGE BANK**  
**NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2010**

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<b>6</b>	<b>INTEREST RECEIVABLE</b>	<b><u>Sept 30, 2010</u></b>	<b><u>Sept 30, 2009</u></b>
	Investments Interest Receivable	371,857	574,404
	Mortgage Payments Receivable	<u>2,349,991</u>	<u>1,557,607</u>
		<b><u>2,721,848</u></b>	<b><u>2,132,011</u></b>
<b>7</b>	<b>ACCOUNTS RECEIVABLE &amp; PREPAYMENTS</b>	<b><u>Sept 30, 2010</u></b>	<b><u>Sept 30, 2009</u></b>
	Prepaid Expenses	83,923	61,388
	Sundry Debtors	21,719	3,964
	Other Receivables	<u>5,508</u>	<u>60</u>
		<b><u>111,150</u></b>	<b><u>65,412</u></b>
<b>8</b>	<b>INVESTMENT SECURITIES</b>	<b><u>Sept 30, 2010</u></b>	<b><u>Sept 30, 2009</u></b>
	<b>Available-for-Sale Securities:</b>		
	Eastern Caribbean Securities Exchange 10,000 Class C Shares of \$10 each – unquoted at cost	<u>100,000</u>	<u>100,000</u>
	<b>Held-to-Maturity:</b>		
	Term Deposits	5,000,000	13,000,000
	Provision for Impairment	<u>(2,500,000)</u>	<u>-</u>
		<b><u>2,500,000</u></b>	<b><u>13,000,000</u></b>
		<b><u>2,600,000</u></b>	<b><u>13,100,000</u></b>

**EASTERN CARIBBEAN HOME MORTGAGE BANK  
NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2010**

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**9 MORTGAGE PORTFOLIO**

	<u>Sept 30, 2010</u>	<u>Sept 30, 2009</u>
Balance at the beginning of the year	224,883,064	184,269,250
Add: Purchases during the year	24,889,962	30,472,545
Less: Principal repayments	(4,914,828)	(4,264,469)
Net mortgages (replaced)/repurchase	667,109	(49,028)
Resale of Mortgages	<u>-</u>	<u>(1,617,034)</u>
Balance at the end of the year	<b><u>245,525,307</u></b>	<b><u>208,811,264</u></b>
<b>Represented By:</b>		
Mortgages with recourse	245,525,307	208,811,264
Mortgages without recourse	<u>-</u>	<u>-</u>
Balance at the end of the year	<b><u>245,525,307</u></b>	<b><u>208,811,264</u></b>

**Territory Analysis**

Antigua and Barbuda	32,843,884	26,416,534
Anguilla	41,751,316	41,639,982
Grenada	15,848,779	16,198,752
Montserrat	5,938,671	6,689,628
St Kitts and Nevis	17,400,074	18,017,464
St Lucia	66,725,845	42,964,691
St Vincent and the Grenadines	<u>65,016,738</u>	<u>56,884,213</u>
	<b><u>245,525,307</u></b>	<b><u>208,811,264</u></b>

**Terms and Conditions of Purchased Mortgages**

1 Purchase of Mortgages:

The Bank entered into a Sale and Administration Agreement with 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 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.

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 (UNAUDITED)**  
**FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2010**

<b>10 INTANGIBLE ASSETS</b>	Mortgage Interfacing System	Computer Software	Total
Cost			
At 31 March 2009	421,334	28,082	449,416
Additions (Deduction/Cost Write down)	<u>(50,806)</u>	<u>-</u>	<u>(50,806)</u>
At 30 Sept 2009	<u>370,528</u>	<u>28,082</u>	<u>398,610</u>
At 31 March 2010	370,528	28,082	398,610
Additions	<u>-</u>	<u>-</u>	<u>-</u>
At 30 Sept. 2010	<u>370,528</u>	<u>28,082</u>	<u>398,610</u>
Amortisation and Impairment			
At 31 March, 2009	301,543	11,216	312,759
Amortisation	<u>68,985</u>	<u>4,680</u>	<u>73,665</u>
At 30 Sept. 2009	<u>370,528</u>	<u>15,896</u>	<u>386,424</u>
At 31 March, 2010	370,528	20,576	391,104
Amortization	<u>-</u>	<u>4,681</u>	<u>4,681</u>
At 30 Sept. 2010	<u>370,528</u>	<u>25,257</u>	<u>395,785</u>
Net Book Value:			
At 30 Sept. 2009	<u>-</u>	<u>12,186</u>	<u>12,386</u>
<b>At 30 Sept. 2010</b>	<u>-</u>	<u><b>2,825</b></u>	<u><b>2,825</b></u>

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

<b>11 OTHER ASSETS</b>	<u><b>Sept 30, 2010</b></u>	<u><b>Sept 30, 2009</b></u>
a. Capitalised Bond Issue Costs		
Balance at the beginning of the financial year	628,495	571,319
Additions	275,048	374,341
Less: Amortisation for year	<u>(271,868)</u>	<u>(222,072)</u>
	<u><b>631,675</b></u>	<u><b>723,588</b></u>
b. Deferred Pension Costs		
Balance at the beginning of the year	25,225	37,837
Less: Amortisation for year	<u>(6,306)</u>	<u>(6,306)</u>
	<u><b>18,919</b></u>	<u><b>31,531</b></u>
	<u><b>650,594</b></u>	<u><b>755,119</b></u>

**EASTERN CARIBBEAN HOME MORTGAGE BANK**  
**NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2010**

**12 PROPERTY AND EQUIPMENT**

	<u>Motor Vehicle</u>	<u>Computer Equipment</u>	<u>Furniture &amp; Fixtures</u>	<u>Machinery &amp; Equipment</u>	<b>Total</b>	
					<u>Sep. 2010</u>	<u>Sep. 2009</u>
	\$	\$	\$	\$	\$	\$
<b>Cost</b>						
At beginning of year	108,000	320,781	41,982	42,763	<b>513,526</b>	<b>469,209</b>
Additions	-	16,403	-	7,994	<b>24,397</b>	-
Disposals	-	-	-	-	-	-
At end of year	<u>108,000</u>	<u>337,184</u>	<u>41,982</u>	<u>50,757</u>	<b><u>537,923</u></b>	<b><u>469,207</u></b>
<b>Accumulated Depreciation</b>						
At beginning of year	82,800	269,727	41,013	32,243	<b>425,783</b>	<b>373,063</b>
Charge for Year	10,800	16,484	194	2,330	<b>29,808</b>	<b>29,126</b>
Disposals	-	-	-	-	-	-
	<u>93,600</u>	<u>286,211</u>	<u>41,207</u>	<u>34,573</u>	<b><u>455,591</u></b>	<b><u>402,189</u></b>
<b>Net Book Value</b>	<u>14,400</u>	<u>50,973</u>	<u>775</u>	<u>16,184</u>	<b><u>82,332</u></b>	<b><u>67,018</u></b>

As explained in Note 15 to the financial statements, the Property and Equipment are pledged to secure the Bonds in Issue.

<b>13 INTEREST PAYABLE</b>	<u>Sept 30, 2010</u>	<u>Sept 30, 2009</u>
Bond Interest Payable	2,342,962	2,549,754
Long-term Loan Interest Payable	<u>303,750</u>	<u>359,100</u>
	<b><u>2,646,712</u></b>	<b><u>2,908,854</u></b>

<b>14 OTHER LIABILITIES AND PAYABLES</b>	<u>Sept 30, 2010</u>	<u>Sept 30, 2009</u>
Sundry Creditors & Accruals	595,602	1,929,337
Other Liabilities	<u>234,582</u>	<u>53,625</u>
	<b><u>830,184</u></b>	<b><u>1,982,962</u></b>

**EASTERN CARIBBEAN HOME MORTGAGE BANK  
NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2010**

<b>15 BORROWINGS</b>	<b><u>Sept 30, 2010</u></b>	<b><u>Sept 30, 2009</u></b>
Debt Securities		
Bonds in Issue		
Balance at the beginning of the year	232,270,300	167,062,000
Add: Issues during the year	50,000,000	84,323,300
Less: Redemptions during the year	<u>(43,455,000)</u>	<u>(43,252,000)</u>
Balance at the end of the year	238,815,300	208,133,300
<b>Other Borrowed Funds</b>		
Caribbean Development Bank Loan	<u>27,000,000</u>	<u>27,000,000</u>
	265,815,300	235,133,300
Unamortised Transaction Fees	<u>(229,018)</u>	<u>(279,536)</u>
<b>Total Borrowings</b>	<b><u>265,586,282</u></b>	<b><u>234,853,764</u></b>

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% (2009: 5.5% to 6%).

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

	<b><u>Sept 30, 2010</u></b>	<b><u>Sept 30, 2009</u></b>
<b>Maturity analysis</b>		
Within 1 year	25,000,000	49,605,000
1 to 2 years	112,240,300	100,503,300
2 to 3 years	90,275,000	25,220,000
3 to 4 years	-	21,505,000
4 to 5 years	11,300,000	11,300,000
Over 5 years	<u>-</u>	<u>-</u>
	<b><u>238,815,300</u></b>	<b><u>208,133,300</u></b>

c) The bonds are tax free.

<b>Caribbean Development Bank (CDB) Loan</b>	<b><u>Sept 30, 2010</u></b>	<b><u>Sept 30, 2009</u></b>
<b>Maturity analysis</b>		
Within 1 year	-	-
Over 1 year	<u>27,000,000</u>	<u>27,000,000</u>
	<b><u>27,000,000</u></b>	<b><u>27,000,000</u></b>

Loan for USD\$10M (EC\$27M) obtained in March 2009, for a period of 11 years with a two year moratorium on principal. ECHMB will repay the loan in 36 equal or approximately equal and consecutive quarterly installments commencing from the first due date after the expiry of the two (2) years moratorium.

The interest rate on the loan reduced from 5.42% to 4.80% during the current year.

**EASTERN CARIBBEAN HOME MORTGAGE BANK**  
**NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2010**

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**16 SHARE CAPITAL** **Sept 30 2010** **Sept 30 2009**

Authorised:

400,000 (2009: 400,000) ordinary shares of no par value

Issued and fully paid up

160,363 ordinary shares of no par value

Class A	5,000,000	2,500,000
Class B	2,854,820	1,133,700
Class C	6,956,780	2,853,800
Class D	<u>5,428,820</u>	<u>3,512,500</u>
	20,240,420	10,000,000
Shares Issue during the financial year – Unallotted	<u>-</u>	<u>8,737,340</u>
Issued and outstanding	<u>20,240,420</u>	<u>18,737,340</u>

The Bank has adopted the provisions of the Grenada Companies Act No. 35 of 1994, which requires companies to issue shares without nominal or par value.

During the previous financial year, 60,363 shares were issued for cash which pertained to an Additional Private Offering (APO) of ordinary shares representing the 2nd and 3rd Tranches of the initial capital. These shares were sold for \$160 each. The shares are not traded in an open market or organized exchange. As of September 30, 2009, subscriptions amounting to \$8,737,340 were paid in full.

**17 RESERVE FUNDS** **Sept 30 2010** **Sept 30 2009**

Building Reserve Fund	<u>2,723,469</u>	<u>2,687,721</u>
Portfolio Risk Reserve Fund	<u>2,223,469</u>	<u>2,187,721</u>
Total reserve funds	<u>4,946,938</u>	<u>4,875,442</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.

**18 INTEREST EXPENSE** **Sept 30 2010** **Sept 30 2009**

**Borrowings**

Bonds in Issue	6,946,328	5,327,520
Long-term loan	<u>627,750</u>	<u>703,305</u>

7,574,078      6,030,825

**EASTERN CARIBBEAN HOME MORTGAGE BANK**  
**NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2010**

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<b>19 OTHER BORROWING EXPENSES</b>	<b><u>Sept 30 2010</u></b>	<b><u>Sept 30 2009</u></b>
Trustee Fees	6,000	10,000
Sundry Bond Expenses	<u>57,326</u>	<u>29,190</u>
	<u>63,326</u>	<u>39,190</u>

**20 Reclassification**

Certain amounts in financial statements have been reclassified during the period to improve the financial statements presentation. The previous year's figures have been reclassified to be consistent with this year's presentation. This reclassification has no effect on the results as reported for the current and previous periods.

### 3. **Management's Discussion and Analysis of Financial Condition and Results of Operations**

Discuss reporting issuer's financial condition, changes in financial condition and results of operations during the reporting period. Discussion of material changes should be from the end of the preceding financial year to the date of the most recent interim quarterly report. The broad areas of discussions should centre around liquidity, capital resources and results of operations. Discussions of liquidity and capital resources may be combined whenever the two topics are interrelated.

#### (a) **Liquidity**

Identify any known trends or commitments, demands, events that will result in or that are reasonably likely to result in the reporting issuer's liquidity increasing or decreasing in any material way. If a deficiency is identified, indicate the course of action that the reporting issuer has taken or proposes to take to remedy the deficiency.

**There are no major trends, commitment, demands or events that will materially affect the liquidity situation of ECHMB.**

#### (b) **Capital Resources**

Describe the reporting issuer's material commitments for capital expenditures as of the end of the latest fiscal period, and indicate the general purposes of such commitments and the anticipated source of funds needed to fulfil such commitments. Describe any material trends, favourable or unfavourable in the reporting issuer's capital resources and any expected change in mix. The discussion should consider changes between equity, debt and any off-balance sheet financing arrangements.

**Section III (point C) of ECHMB's Policy Statements governs the Bank's investment in capital expenditure. The Bank is mandated to comply with the following: "the Company will limit its investments to residential mortgages. The Company will invest in real estate for its account only in the case of premises for its business operations and property acquired as a default and foreclosure on the mortgage loans. In accordance with prescribed legal procedures, property acquired through default will be sold, as soon as practicable after acquisition."**

**An assumption is made, that the term "materiality commitment" refers to capital expenditure in excess of 1% of the Bank's Total Assets.**

**The Board of Directors did not approve capital expenditure in excess of \$2.4 million during the period of this review.**

**(c) Results of Operation.**

Describe any unusual or infrequent events or transactions or any significant economic changes that materially affected the amount of reported income from continuing operations and in each case indicate the extent the income was so affected. Describe any known trends or uncertainties that have had or that the reporting issuer reasonably expects will have a material favourable or unfavourable impact on net sales or revenues or income from continuing operations. If the reporting issuer knows of events that will cause a material change in the relationship between costs and revenues (such as price increases, costs of labour or materials), the changes in relationship should be disclosed.

**No events which meet the criteria stated above occurred during the period of this review.**

**4. Disclosure of Risk Factors.**

Provide a discussion of the risk factors that may have an impact on the results from operations or on the financial conditions. Avoid generalised statements and only include factors that are unique to the company. Typical risk factors include untested products, cash flow and liquidity problems, dependence on a key supplier or customer, management inexperience, nature of business, absence of a trading market (specific to the securities of the reporting issuer), etc. Indicate if any risk factors have increased or decreased in the time interval between the previous and current filing.

**No events which meet the criteria stated above occurred during the period under review.**

**5. Legal Proceedings.**

A legal proceeding need only be reported in the ECSRC - Q filed for the quarter in which it first became a reportable event and in subsequent quarterly reports in which there have been material developments. Subsequent Form ECSRC - Q filings in the same financial year in which a legal proceeding or a material development is reported should reference any previous reports in that year. Where proceedings have been terminated during the period covered by the report, provide similar information, including the date of termination and a description of the disposition thereof with respect to the reporting issuer and its subsidiaries.

**There are no pending legal matters.**

**6. Changes in Securities and Use of Proceeds.**

- (a) Where the rights of the holders of any class of registered securities have been materially modified, give the title of the class of securities involved. State briefly the general effect of such modification upon the rights of holders of such securities.
- (b) Where the use of proceeds of a security issue is different from that which is stated in the registration statement, provide the following:
  - Offer opening date (provide explanation if different from date disclosed in the registration statement)
  - Offer closing date (provide explanation if different from date disclosed in the registration statement)
  - Name and address of underwriter(s)
  - Amount of expenses incurred in connection with the offer
  - Net proceeds of the issue and a schedule of its use
  - Payments to associated persons and the purpose for such payments

**The Bank was not affected by the aforementioned during this period of the review.**

- (b) Report any working capital restrictions and other limitations upon the payment of dividends.

**There were no working capital restrictions or limitations on payments on dividends.**

## **7. Defaults Upon Senior Securities.**

- (a) If there has been any material default in the payment of principal, interest, a sinking or purchase fund instalment, or any other material default not satisfied within 30 days, with respect to any indebtedness of the reporting issuer or any of its significant subsidiaries exceeding 5 percent of the total assets of the reporting issuer and its consolidated subsidiaries, identify the
- (b) indebtedness. Indicate the nature of the default. In the case of default in the payment of principal, interest, or a sinking or purchase fund instalment, state the amount of the default and the total arrears on the date of filing this report.
- (c) If any material arrears in the payment of dividends has occurred or if there has been any other material delinquency not satisfied within 30 days, give the title of the class and state the amount and nature of the arrears or delinquency.

**ECHMB has not defaulted on its payment obligations on its debts.**

**8. Submission of Matters to a Vote of Security Holders.**

If any matter was submitted during the period covered by this report to a vote of security holders, through the solicitation of proxies or otherwise, furnish the following information:

- (a) The date of the meeting and whether it was an annual or special meeting.
- (b) If the meeting involved the election of directors, the name of each director elected at the meeting and the name of each other director whose term of office as a director continued after the meeting.
- (c) A brief description of each other matter voted upon at the meeting and state the number of votes cast for or against as well as the number of abstentions as to each such matter, including a separate tabulation with respect to each nominee for office.
- (d) A description of the terms of any settlement between the registrant and any other participant.
- (e) Relevant details of any matter where decision was taken otherwise than at a meeting of such security holders.

**ECHMB has not submitted any matters with regard to a Vote of Security Holders during the period covered by this report.**

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**9. Other Information.**

The reporting issuer may, at its option, report under this item any information, not previously reported in a Form ECSRC - MC report (related to disclosure of material information), with respect to which information is not otherwise called for by this form. If disclosure of such information is made under this item, it need not be repeated in a Form ECSRC - MC report which would otherwise be required to be filed with respect to such information or in a subsequent Form ECSRC - Q report.

**No additional information to report on.**

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. \_\_\_\_\_

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 are as follows.

<u>CLASS</u>	<u>NUMBER</u>
Class A	40,625
Class B	22,094

Class C	54,182
Class D	47,102
<b>TOTAL</b>	<b>164,003</b>

### **SIGNATURES**

Name of Chief Executive Officer:

Name of Director:

**Duleep Cheddie**

**K Dwight Venner**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date