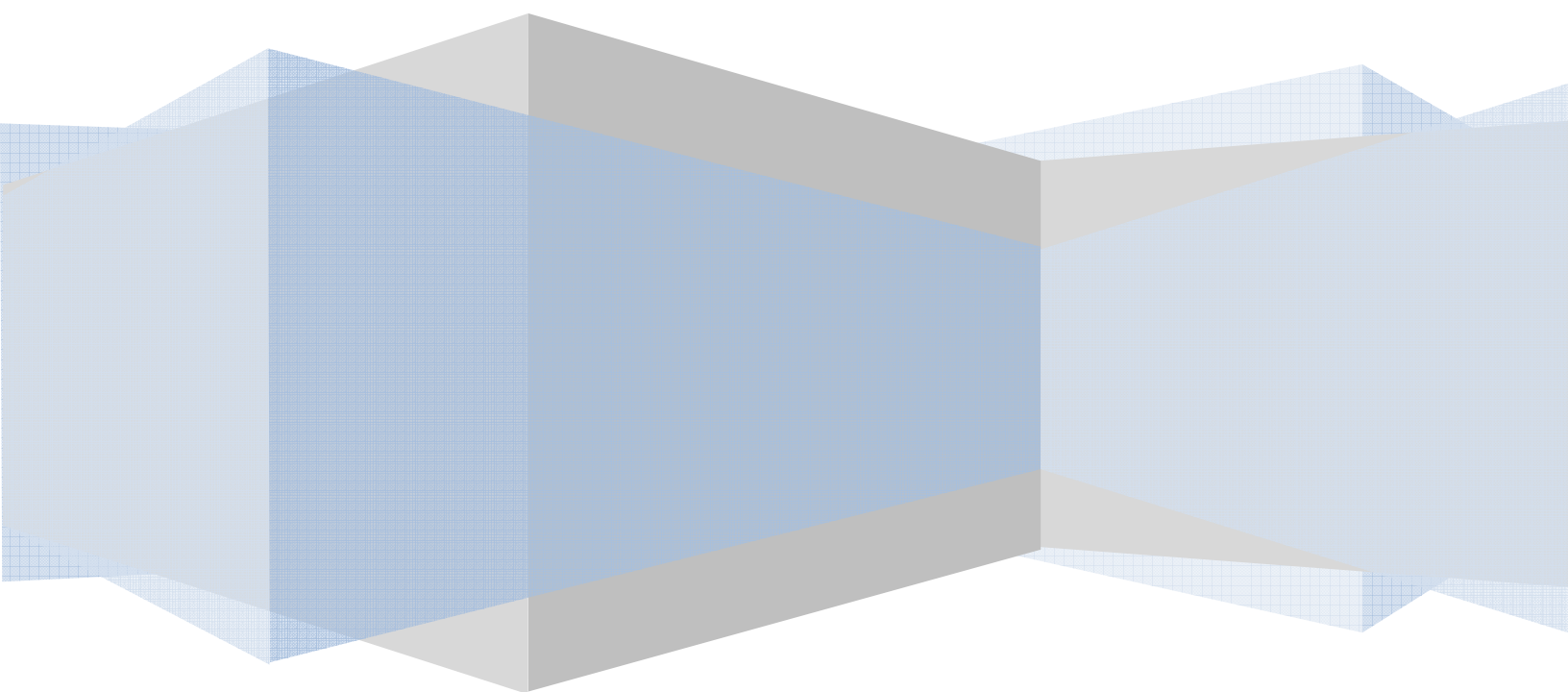


# EASTERN CARIBBEAN HOME MORTGAGE BANK

FORM ECSRC - Q

SEPTEMBER 30, 2012



**FORM ECSRC - Q**

Quarterly Report

For the quarterly period ended: **SEPTEMBER 30, 2012**

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Or

TRANSITION REPORT: **Not Applicable**

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

For the transition period from: NA to NA

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

Unaudited Statement of Financial Position

As at 30 September 2012

(expressed in Eastern Caribbean dollars)

	UNAUDITED Sept 2012 \$	UNAUDITED Sept 2011 \$	AUDITED March 2012 \$
<b>Assets</b>			
Cash and cash equivalents	84,940,012	83,196,122	74,515,047
Government securities purchased under resale agreement	20,581,644	20,627,945	20,030,137
Accounts receivable & prepayments	2,066,366	1,180,163	851,436
Mortgage portfolio	189,576,205	201,099,724	201,840,967
Short-term marketable securities	31,125,000	21,250,000	31,125,000
Other assets	643,434	820,147	740,806
Available for sale investment	100,000	100,000	100,000
Intangible assets	-	4,360	-
Motor vehicle and equipment	<u>188,587</u>	<u>186,138</u>	<u>184,549</u>
<b>Total assets</b>	<b><u>329,221,250</u></b>	<b><u>328,464,599</u></b>	<b><u>329,387,942</u></b>
<b>Liabilities</b>			
Borrowings	272,500,000	274,750,000	274,000,000
Interest payable	2,428,914	3,297,831	2,396,381
Other liabilities and accrued expenses	<u>1,751,815</u>	<u>1,086,880</u>	<u>884,001</u>
<b>Total liabilities</b>	<b><u>276,680,729</u></b>	<b><u>279,134,711</u></b>	<b><u>277,280,382</u></b>
<b>Shareholders' equity</b>			
Share Capital	36,999,940	36,999,940	36,999,940
Reserves	6,812,252	5,646,362	6,812,252
Retained Earnings	<u>8,728,329</u>	<u>6,683,586</u>	<u>8,295,368</u>
<b>Total shareholders' equity</b>	<b><u>52,540,521</u></b>	<b><u>49,329,888</u></b>	<b><u>52,107,560</u></b>
<b>Total liabilities and shareholders' equity</b>	<b><u>329,221,250</u></b>	<b><u>328,464,599</u></b>	<b><u>329,387,942</u></b>

# Eastern Caribbean Home Mortgage Bank

Unaudited Statement of comprehensive Income

Six months ended 30 September 2012

(expressed in Eastern Caribbean dollars)

	UNAUDITED		UNAUDITED		AUDITED
	Three Months ended		Six Months ended		Year ended
	30-Sep-12	30-Sep-11	30-Sep-12	30-Sep-11	31-Mar-12
<b>Interest Income</b>	6,214,408	6,416,979	12,503,648	12,865,024	25,547,822
<b>Interest expenses</b>	<u>(3,657,663)</u>	<u>(3,891,062)</u>	<u>(7,280,801)</u>	<u>(7,999,055)</u>	<u>(15,504,349)</u>
<b>Net interest income</b>	2,556,745	2,525,917	5,222,847	4,865,969	10,043,473
Other operating income	3,169	(722)	3,344	72,823	76,516
Mortgage administration fees	<u>(445,257)</u>	<u>(473,523)</u>	<u>(909,408)</u>	<u>(961,748)</u>	<u>(1,881,921)</u>
Operating income	<u>2,114,658</u>	<u>2,051,671</u>	<u>4,316,783</u>	<u>3,977,044</u>	<u>8,238,068</u>
<b>Expenses</b>					
Salaries and related costs	353,702	350,410	716,904	694,891	1,550,258
Ancillary services	25,746	43,134	68,245	78,096	254,221
promotional activities	49,786	64,851	161,121	146,998	235,298
General services and supplies	27,644	55,940	79,393	102,886	195,784
Depreciation/amortisation	17,404	16,922	34,940	35,540	80,033
Audit fees	14,451	9,300	29,451	18,600	39,750
Impairment loss	-	-	-	-	125,000
Directors fees and expenses	<u>68,824</u>	<u>35,436</u>	<u>106,278</u>	<u>75,490</u>	<u>155,509</u>
<b>Total operating expenses</b>	<u>557,558</u>	<u>575,993</u>	<u>1,196,332</u>	<u>1,152,501</u>	<u>2,635,853</u>
<b>Total comprehensive income</b>	<u>1,557,100</u>	<u>1,475,678</u>	<u>3,120,451</u>	<u>2,824,543</u>	<u>5,602,215</u>

# Eastern Caribbean Home Mortgage Bank

Statement of Changes in Equity

Period ended 30 September 2012

(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 2011	36,999,940	3,073,181	2,573,181	6,546,533	49,192,835
Changes in equity:					
Dividends	-	-	-	(2,687,490)	(2,687,490)
Total comprehensive income for the six months	-	-	-	2,824,543	2,824,543
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at 30 September 2011	<u>36,999,940</u>	<u>3,073,181</u>	<u>2,573,181</u>	<u>6,683,586</u>	<u>49,329,888</u>
<b>Balance at 31 March 2012</b>	<b>36,999,940</b>	<b>3,656,126</b>	<b>3,156,126</b>	<b>8,295,368</b>	<b>52,107,560</b>
Changes in equity for 2012:					
Dividends	-	-	-	(2,687,490)	(2,687,490)
Total comprehensive income for six months	-	-	-	3,120,451	3,120,451
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at 30 September 2012	<u>36,999,940</u>	<u>3,656,126</u>	<u>3,156,126</u>	<u>8,728,329</u>	<u>52,540,521</u>

# Eastern Caribbean Home Mortgage Bank

Unaudited Statement of Cash Flows

For the six months ended 30 September 2012

Expressed in Eastern Caribbean dollars

<b>AUDITED 31 Mar 2012</b>		<b>UNAUDITED Sept 2012</b>	<b>UNAUDITED Sept 2011</b>
	<b>Cash flows from operating activities:</b>		
5,602,215	Net Income for the Period	3,120,451	2,824,543
	Adjustments for:		
481,516	Depreciation/Amortisation	184,850	135,795
(45,200)	Gain on disposal of equipment & motor vehicle	(4,000)	(45,200)
125,000	Impairment loss on short-term marketable securities	-	-
(25,547,822)	Interest Income	(12,503,648)	(12,865,024)
<u>14,936,366</u>	Interest expense	<u>7,280,801</u>	<u>7,999,055</u>
(4,447,925)	<b>Operating profit before changes in operating assets and liabilities</b>	(1,921,546)	(1,950,831)
	<b>Changes In operating assets &amp; liabilities</b>		
715,953	(Increase)/Decrease in Accounts Receivable & Prepayments	(402,362)	1,015,034
(392,371)	Increase/(Decrease) in Other Liabilities & Payables	<u>660,678</u>	<u>(423,599)</u>
<b>(4,124,343)</b>	<b>Cash used in/ provided by operations</b>	<b>(1,663,230)</b>	<b>(1,359,396)</b>
27,175,240	Interest received	10,228,723	13,371,523
<u>(15,264,274)</u>	Interest paid	<u>(7,041,762)</u>	<u>(7,373,425)</u>
<b><u>7,786,623</u></b>	<b>Net cash generated from operating activities</b>	<b><u>1,523,731</u></b>	<b><u>4,638,702</u></b>
	<b>Cash flows from investing activities:</b>		
(10,000,000)	Purchase of short term marketable securities	-	-
(10,296,742)	Purchase of mortgages	-	-
23,706,742	Proceeds from repurchases or mortgages by primary lenders	3,861,884	20,168,017
9,436,523	Proceeds from principal repayment on mortgages	4,500,539	5,792,547
2,478,126	Increase/ (decrease) in mortgage repurchased/ replaced	4,813,186	-
(33,217)	Purchase of equipment and software	(38,977)	(6,541)
<u>47,000</u>	Proceeds from disposal of equipment & motor vehicle	<u>4,000</u>	<u>47,000</u>
<b><u>15,338,432</u></b>	<b>Cash generated from investing activities</b>	<b><u>13,140,632</u></b>	<b><u>26,001,023</u></b>
	<b>cash flows from financing activities:</b>		
(112,240,300)	Repayment of bonds	(18,770,000)	(84,603,300)
112,240,300	Proceeds from bond issues	18,770,000	84,603,300
(3,000,000)	Repayment of borrowings	(1,500,000)	(2,250,000)
(415,773)	Payment for bond issue costs	(52,400)	-
<u>(2,687,490)</u>	Dividend paid	<u>(2,687,490)</u>	<u>(2,687,490)</u>
<b><u>(6,103,263)</u></b>	<b>Cash generated from financing activities</b>	<b><u>(4,240,030)</u></b>	<b><u>(4,937,490)</u></b>
17,021,792	<b>Net increase in cash</b>	10,424,333	25,702,235
<u>57,493,887</u>	<b>Cash balance-beginning of period</b>	<u>74,515,679</u>	<u>57,493,887</u>
<b><u>74,515,679</u></b>	<b>CASH BALANCE AT END OF PERIOD</b>	<b><u>84,940,012</u></b>	<b><u>83,196,122</u></b>

# Eastern Caribbean Home Mortgage Bank

Notes to the Unaudited Financial Statements

As at 30 September 2012

(expressed in Eastern Caribbean dollars)

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## 1.0 Identification 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.

## 2.0 Basis of preparation

The condensed interim financial statements for the six months ended 30 September 2012 have been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2012, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Boards (IASB).

There have been no changes in accounting policies since the most recent audited accounts as at 31 March 2012. Any new Accounting Standards of interpretations which became effective in this financial year have had no material impact on the Bank.

# Eastern Caribbean Home Mortgage Bank

Management Discussion and Analysis

As at 30 September 2012

(expressed in Eastern Caribbean dollars)

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### 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 (Sub-Section (c) of ECHMB's Policy Statement governs the Bank's investment in capital expenditure, and under which 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 “material commitment” refers to capital expenditure in excess of 1% of the Bank’s Total Assets, which totalled \$329.2m at the end of September 2012. The Board of Directors did not approve capital expenditure in excess of \$3.3 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.

**There have been no matters to submit during the period of this report**

**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, is as follows.

<b>CLASS</b>	<b>NUMBER</b>
Class A	66,812
Class B	52,976
Class C	78,383
Class D	70,578
<b>TOTAL</b>	<b>268,749</b>

**SIGNATURES**

Name of Chief Executive Officer:

Name of Director:

**Duleep Cheddie**

**Henry Hazel**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date