

**FORM ECSRC - Q**

Quarterly Report

For the period ended: **September 30<sup>th</sup> 2008**

TRANSITION REPORT: **Not Applicable**

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

For the transition period from

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**

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

# 1. Financial Statements

## a). Balance Sheet

### EASTERN CARIBBEAN HOME MORTGAGE BANK UNAUDITED BALANCE SHEET AS AT SEPTEMBER 30<sup>th</sup>, 2008

<b>ASSETS</b>	<b>Notes</b>	<b>Sept. 30<sup>th</sup>, 2008</b>	<b>Sept. 30<sup>th</sup>, 2007</b>
		\$	\$
Cash and Short Term Funds	3	9,495,764	31,393,407
Accounts Receivable & Prepayments	4	2,379,333	3,627,647
Mortgages	5	139,880,895	102,965,321
Investments	6	26,100,000	26,100,000
Capitalised Costs	7	402,361	665,365
Deferred Assets	8	78,483	56,757
Intangible Assets	9	213,212	335,415
Property and Equipment	2(e)(iii)&11	125,271	122,410
<b>TOTAL ASSETS</b>		<b>\$178,675,319</b>	<b>\$165,266,322</b>
<b>LIABILITIES</b>			
Current Liabilities	10	2,111,151	2,188,246
Bonds in Issue	11	157,582,000	145,182,000
<b>TOTAL LIABILITIES</b>		<b>\$159,693,151</b>	<b>\$147,370,246</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share Capital	12	10,000,000	10,000,000
Reserve Funds	13	4,323,336	3,967,520
Retained Earnings		4,658,832	3,928,556
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>\$18,982,168</b>	<b>\$17,896,076</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$178,675,319</b>	<b>\$165,266,322</b>

The Notes on pages 5 to 14 form an integral part of these Financial Statements

b) **Statement of Income**

**EASTERN CARIBBEAN HOME MORTGAGE BANK  
UNAUDITED STATEMENT OF INCOME  
FOR THE SIX MONTHS ENDED SEPTEMBER 30<sup>TH</sup> 2008**

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	<u>Notes</u>	<u>April to Sept. 2008</u> \$	<u>April to Sept. 2007</u> \$
<b>Interest Income</b>			
Mortgage Interest Income		5,890,033	3,906,720
Interest on Short Term Deposits		1,552,849	2,177,537
Other Interest Income		40,658	70,223
		=====	=====
<b>Total Interest Income</b>		<b>7,483,540</b>	<b>6,154,480</b>
Bond Expenses	16	<b>(4,652,569)</b>	(3,727,197)
		=====	=====
<b>Net Interest Income</b>		<b>2,830,971</b>	<b>2,427,283</b>
<b>Other Income</b>			
Seminar Costs Recovered		63,000	66,000
Sundry Income	14	-	-
		=====	=====
<b>Total Net Income</b>		<b>2,893,971</b>	<b>2,493,283</b>
<b>Non-interest Expenses</b>			
Mortgage Administration Fees		1,044,716	486,363
Operating Expenses		701,362	1,056,418
Seminar Expenses		56,055	55,217
		=====	=====
<b>Total Non-interest Expenses</b>		<b>1,802,133</b>	<b>1,597,998</b>
		=====	=====
<b>Net Income</b>		<b>1,091,838</b>	<b>895,285</b>
		=====	=====

The Notes on pages 5 to 14 form an integral part of these Financial Statements.

c). **Statement of Cash Flow**

**EASTERN CARIBBEAN HOME MORTGAGE BANK  
UNAUDITED STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS ENDED SEPTEMBER 30<sup>TH</sup> 2008**

	<u>Sept. 30<sup>th</sup>, 2008</u>	<u>Sept. 30<sup>th</sup>, 2007</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>\$</b>	<b>\$</b>
Net income for the period	1,091,838	895,285
Adjustments for Items not affecting cash		
Depreciation	29,126	28,179
Bond Issue Costs Amortised	144,740	103,405
Amortisation of Pension Past Service Cost	6,306	6,306
Amortisation of Intangibles	76,555	71,875
	=====	=====
<b>Operating profit before changes in Operating Assets</b>	<b>1,348,565</b>	<b>1,105,050</b>
<b>Changes in Operating Assets and Liabilities</b>		
Decrease /(Increase) in Accounts Receivable	1,456,603	(277,522)
Increase/(Decrease) in Accounts Payable	124,164	904,844
	=====	=====
<b>Net cash generated from/(used in) Operating Activities</b>	<b>2,929,332</b>	<b>1,732,372</b>
	=====	=====
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Term Deposit Redeemed/(Placed)	-	18,000,000
Deferred Expenses	(34,339)	-
Purchase of Mortgages	(14,435,704)	(30,354,228)
Mortgages Repurchased and Replaced (net)	1,135,418	(302,612)
Mortgage Portfolio Principal Repayment	3,083,654	2,204,855
	=====	=====
<b>Net cash (used in) /generated from investing activities</b>	<b>(10,250,971)</b>	<b>(10,451,985)</b>
	=====	=====
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net Proceeds from Bond Issue	5,000,000	33,252,000
Bond Issue Costs Incurred	150	(298,289)
Dividends Paid	(1,000,000)	(1,000,000)
	=====	=====
<b>Net cash generated from/ (used in) financing activities</b>	<b>4,000,150</b>	<b>31,953,711</b>
	=====	=====
<b>NET (DECREASE)/INCREASE IN CASH</b>	<b>(3,321,489)</b>	<b>23,234,098</b>
<b>CASH BALANCE AT BEGINNING OF PERIOD</b>	<b>12,817,253</b>	<b>8,159,309</b>
	=====	=====
<b>CASH BALANCE AT END OF PERIOD</b>	<b>9,495,764</b>	<b>31,393,407</b>
	=====	=====

The Notes on pages 5 to 14 form an integral part of these Financial Statements

d). **Notes to Condensed Financial Statements**

**EASTERN CARIBBEAN HOME MORTGAGE BANK  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED SEPTEMBER 30<sup>TH</sup> 2008**

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1. **INCORPORATION**

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 May 27, 1994 to establish the Eastern Caribbean Home Mortgage Bank.

The Eastern Caribbean Home Mortgage Bank was formally established on August 19, 1994 in accordance with Article 40 of the Eastern Caribbean Home Mortgage Bank Agreement, which was incorporated in the Eastern Caribbean Home Mortgage Bank Agreement Act, and subsequently passed in the member territories.

The principal activity of the Eastern Caribbean Home Mortgage Bank is to buy and sell mortgage loans on residential properties, in order to maintain a secondary market in mortgages.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

(a) **Basis of Preparation**

These financial statements comply with International Financial Reporting Standards (IFRS) and are prepared under the historical cost convention.

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities as at the date of the financial statements and income and expenses during the reporting period. Actual results may differ from these estimates.

(b) **Financial Assets**

The Bank classifies its financial assets in the following categories: mortgages and receivables, available-for-sale and held to maturity securities. Management determines the classification of its investments at the time of purchase.

(i) **Mortgage Receivables**

Mortgage Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: (a) those that the entity intends to sell immediately or in the short term, which are Classified as held for trading, and those that the entity upon initial recognition designated as at fair value through profit and loss; (b) those that the entity upon initial recognition designates as available for sale; or (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

**EASTERN CARIBBEAN HOME MORTGAGE BANK  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED SEPTEMBER 30<sup>TH</sup> 2008**

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

(b) **Financial Assets**

(ii) **Available-for-sale**

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

Financial assets are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards or ownership. Financial liabilities are derecognized when they are extinguished – that is, when the obligation is discharged, cancelled or expires.

(iii) **Held to Maturity Investments**

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold to maturity, and which are not designated at fair value through profit or loss or available-for-sale.

Held-to-maturity investments are carried at amortised cost using the effective interest method. Any sale or reclassification of a significant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held to-maturity investments as available-for-sale, and prevent the Bank from classifying investment securities as held-to-maturity for the current and the following two financial years.

(c) **Impairment of Financial Assets**

The carrying amounts of the Bank's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

Impairment losses are recognized in the statement of income. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of other assets in the unit (group of units) on a pro rata basis.

**EASTERN CARIBBEAN HOME MORTGAGE BANK  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED SEPTEMBER 30<sup>TH</sup> 2008**

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

**(d) Intangible Assets**

Intangible assets are acquired computer software programmes. These are capitalized on the basis of the cost incurred to acquire and bring to use the specific software. These costs are amortised using the straight-line method on the basis of the expected useful life of three years. Costs associated with maintaining computers software programmes are recognized as an expense as incurred.

**(e) Property and Equipment**

All assets are carried at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the assets. The cost of self-constructed assets includes the cost of materials and direct labour, and other cost directly attributable to bringing the assets to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchasing software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

Depreciation is recognized in the statement of income on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The annual depreciation rates are as follows:

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

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

**(f) Revenue Recognition**

Interest income is recognized on loans on an accrual basis.

**(g) Foreign Currency Transaction**

The financial statements are presented in Eastern Caribbean Dollars, which is also the Bank's functional currency.

**EASTERN CARIBBEAN HOME MORTGAGE BANK  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED SEPTEMBER 30<sup>TH</sup> 2008**

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**2 STATEMENT OF ACCOUNTING POLICIES (Cont'd)**

**(g) Foreign Currency Transaction**

Assets and liabilities denominated in foreign currencies are translated to EC Dollars at the rates of exchange ruling at the end of the financial year. Transactions arising during the year involving foreign currencies have been converted at the rates prevailing on the dates the transactions occurred. Differences arising from fluctuations in exchange rates are included in the statement of income.

**(h) Taxation**

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

**(i) Bond Issue Costs**

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

**(j) Pension Plan**

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

**(k) Lease**

Lease entered into by the Bank is an operating lease. The monthly rentals are charged to income on a straight-line basis over the lease term.

**(l) Dividends**

Dividends are recognised in the year in which they are paid.

**EASTERN CARIBBEAN HOME MORTGAGE BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED SEPTEMBER 30<sup>TH</sup> 2008**

3	<b>Cash &amp; Short Term Funds</b>	<b><u>Unaudited</u></b> <b><u>Sept. 30<sup>th</sup>, 2008</u></b>	<b><u>Unaudited</u></b> <b><u>Sept. 30<sup>th</sup>, 2007</u></b>
	Cash with Banks	9,495,264	31,392,907
	Cash on Hand	500	500
		=====	=====
	<b>Total</b>	<b>\$9,495,764</b>	<b>\$31,393,407</b>
		=====	=====

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

4.	<b>Accounts Receivable &amp; Prepayments</b>	<b><u>Unaudited</u></b> <b><u>Sept. 30<sup>th</sup>, 2008</u></b>	<b><u>Unaudited</u></b> <b><u>Sept. 30<sup>th</sup>, 2007</u></b>
	Accrued Interest on Deposits	867,452	778,384
	Mortgage Payments Receivable	1,474,934	813,381
	Mortgage Origination Loan	-	2,000,000
	Other Receivables	1,657	1,657
	Sundry Debtors	3,733	2,483
	Prepaid Expenses	31,557	31,742
		=====	=====
	<b>Total</b>	<b>\$2,379,333</b>	<b>\$3,627,647</b>
		=====	=====

5.	<b>Mortgages</b>	<b><u>Unaudited</u></b> <b><u>Sept. 30<sup>th</sup>, 2008</u></b>	<b><u>Unaudited</u></b> <b><u>Sept. 30<sup>th</sup>, 2007</u></b>
	<b><u>Territory</u></b>		
	Antigua and Barbuda	28,296,966	23,678,004
	Grenada	11,132,010	1,014,779
	Montserrat	3,697,646	-
	St. Kitts and Nevis	18,637,894	9,558,988
	St. Lucia	41,398,206	28,301,665
	St. Vincent and the Grenadines	36,718,173	40,411,885
		=====	=====
	<b>Total</b>	<b>\$139,880,895</b>	<b>\$102,965,321</b>
		=====	=====

**EASTERN CARIBBEAN HOME MORTGAGE BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED SEPTEMBER 30<sup>TH</sup> 2008**

<b>6. Investments – At Cost</b>	<b><u>Unaudited</u></b> <b><u>Sept. 30<sup>th</sup>, 2008</u></b>	<b><u>Unaudited</u></b> <b><u>Sept. 30<sup>th</sup>, 2007</u></b>
<b>Available-for-Sale Securities:</b>		
Eastern Caribbean Securities Exchange (Equity) 10,000 Class D Shares of \$10 each	100,000	100,000
	=====	=====
<b>Held to Maturity:</b>		
Fixed Deposits – Commercial Banks (7.0% to 7.5%)	8,000,000	8,000,000
Other Deposits – (8.0% to 8.5%)	18,000,000	18,000,000
<b>Total Held-to-Maturity</b>	<u>26,000,000</u>	<u>26,000,000</u>
	=====	=====
<b>Total</b>	<b><u>26,100,000</u></b>	<b><u>26,100,000</u></b>
	=====	=====

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

<b>7. Capitalised Costs</b>	<b><u>Unaudited</u></b> <b><u>Sept. 30<sup>th</sup>, 2008</u></b>	<b><u>Unaudited</u></b> <b><u>Sept. 30<sup>th</sup>, 2007</u></b>
Bond Issue Costs		
Total Bond Issue Costs	1,404,253	1,375,470
Less: Cost Amortised	(1,001,892)	(710,105)
	=====	=====
<b>Total</b>	<b><u>\$402,361</u></b>	<b><u>\$665,365</u></b>
	=====	=====

(a) The bond Issue costs are being amortised over the duration of the life of the respective bonds.

<b>8. Deferred Expenses</b>	<b><u>Unaudited</u></b> <b><u>Sept. 30<sup>th</sup>, 2008</u></b>	<b><u>Unaudited</u></b> <b><u>Sept. 30<sup>th</sup>, 2007</u></b>
Defined Contribution Plan		
Past Service Contribution	114,037	114,037
Reversal of amount not vested in Plan	(25,749)	(25,749)
Less: Accumulated Amortisation	<u>(44,144)</u>	<u>(31,531)</u>
	<b><u>44,144</u></b>	<b><u>56,757</u></b>
Deferred Loan Commitment Fees	<u>34,339</u>	<u>-</u>
<b>Total</b>	<b><u>78,483</u></b>	<b><u>56,757</u></b>
	=====	=====

**EASTERN CARIBBEAN HOME MORTGAGE BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED SEPTEMBER 30<sup>TH</sup> 2008**

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**Deferred Expenses (Cont'd)**

**(a) Past Service Contribution**

The Bank established a defined contribution plan for its employees. The directors agreed for the Bank to make a one-off contribution to the plan on behalf of existing employees for past periods service. This amount is to be amortised over a period of seven (7) years.

<b>9. INTANGIBLE ASSETS</b>	<u>Mortgage Interfacing System</u>	<u>Computer Software</u>	<u>Total</u>
Cost			
At 31 March 2006	409,839	-	409,839
Additions	<u>11,495</u>	-	<u>11,495</u>
At 31 March 2007	421,334	-	421,334
Additions	-	<u>28,082</u>	<u>28,082</u>
At 31 March 2008	<u>421,334</u>	<u>28,082</u>	<u>449,416</u>
Amortisation and Impairment			
At 31 March 2006	-	-	-
Amortisation	<u>14,045</u>	-	<u>14,045</u>
At 31 March 2007	14,045	-	14,045
Amortisation	<u>143,749</u>	<u>1,855</u>	<u>145,604</u>
At 31 March 2008	<u>157,794</u>	<u>1,855</u>	<u>159,649</u>
Net Book Value:			
At 31 March 2007	<u>\$407,289</u>	-	<u>\$407,289</u>
At 31 March 2008	<u>\$263,540</u>	<u>\$26,227</u>	<u>\$289,767</u>
At September 30, 2008			
Cost	421,334	28,082	449,416
Accumulated Amortisation	<u>229,669</u>	<u>6,535</u>	<u>236,204</u>
Net Book Value	<u>191,665</u>	<u>21,547</u>	<u>213,212</u>

(a) Mortgage Interfacing System represents expenses incurred on the project to integrate the servicing systems of Primary Lenders with that of ECHMB. Implementation of the project was completed in January 2007. The costs are being amortised over three (3) years from February 2007.

(b) Computer software is amortised over three years.

**EASTERN CARIBBEAN HOME MORTGAGE BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED SEPTEMBER 30<sup>TH</sup> 2008**

<b>10. Accounts Payable and Accruals</b>	<b><u>Unaudited</u></b> <b><u>Sept. 30<sup>th</sup>, 2008</u></b>	<b><u>Unaudited</u></b> <b><u>Sept. 30<sup>th</sup>, 2007</u></b>
Interest Payable on Bonds	1,750,190	1,542,461
Sundry Creditors & Accruals	316,837	478,202
Other Liabilities	44,124	167,583
<b>Total</b>	<b>=====</b> <b>\$2,111,151</b> <b>=====</b>	<b>=====</b> <b>\$2,188,246</b> <b>=====</b>

<b>11 Bonds in Issue</b>	<b><u>Unaudited</u></b> <b><u>Sept. 30<sup>th</sup>, 2008</u></b>	<b><u>Unaudited</u></b> <b><u>Sept. 30<sup>th</sup>, 2007</u></b>
Balance at the Beginning of the Period	152,582,000	111,930,000
Add: Issues during the Period	5,000,000	33,252,000
Less: Redemption during the Period	-	-
<b>Balance at the end of the period</b>	<b>=====</b> <b>\$157,582,000</b> <b>=====</b>	<b>=====</b> <b>\$145,182,000</b> <b>=====</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% (2006= 5.0% to 6.0%).
- (b) The amounts outstanding on bonds issued are redeemable as follows:

	<b><u>Unaudited</u></b> <b><u>Sept. 30<sup>th</sup>, 2008</u></b>	<b><u>Unaudited</u></b> <b><u>Sept. 30<sup>th</sup>, 2007</u></b>
Within one (1) Year	-	13,805,000
1 to 2 Years	43,252,000	33,252,000
2 to 3 Years	6,150,000	6,150,000
3 to 4 years	43,455,000	43,455,000
4 to 5 Years	29,355,000	13,150,000
Over 5 Years	35,370,000	35,370,000
<b>Total</b>	<b>=====</b> <b>\$157,582,000</b> <b>=====</b>	<b>=====</b> <b>\$145,182,000</b> <b>=====</b>

- (c) The bonds are tax-free.

**EASTERN CARIBBEAN HOME MORTGAGE BANK  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED SEPTEMBER 30<sup>TH</sup> 2008**

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12. SHARE CAPITAL	<u>Unaudited</u> <u>Sept. 30<sup>th</sup>, 2008</u>	<u>Unaudited</u> <u>Sept. 30<sup>th</sup>, 2007</u>
Authorised:		
400,000 Shares of \$100 each	<b>\$40,000,000</b>	<b>\$40,000,000</b>
	=====	=====
Issued:		
100,000 Shares of \$100 each		
Class A	2,500,000	2,500,000
Class B	1,133,700	1,500,000
Class C	2,853,800	2,486,700
Class D	3,512,500	3,513,300
Class E	-	-
Class F	-	-
<b>Total</b>	<b>\$10,000,000</b>	<b>\$10,000,000</b>
	=====	=====

During the previous financial year, the Class F shares were sold to a shareholder in Class D.

13. Reserve Funds	<u>Unaudited</u> <u>Sept. 30<sup>th</sup>, 2008</u>	<u>Unaudited</u> <u>Sept. 30<sup>th</sup>, 2007</u>
Building Reserve Fund	2,411,668	2,233,760
Portfolio Risk Reserve Fund	1,911,668	1,733,760
<b>Total</b>	<b>\$4,323,336</b>	<b>\$3,967,520</b>
	=====	=====

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 payment of dividends, effective March 31<sup>st</sup> 2005.

In light of the emerging trend in refinancing, the Board considered it prudent to create a Portfolio Risk Reserve Fund to provide cover against general risks associated with the Secondary Mortgage Market.

**EASTERN CARIBBEAN HOME MORTGAGE BANK  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED SEPTEMBER 30<sup>TH</sup> 2008**

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	<u>Unaudited</u> <u>Sept. 30<sup>th</sup>, 2008</u>	<u>Unaudited</u> <u>Sept. 30<sup>th</sup>, 2007</u>
<b>14. Sundry Income</b>		
Sale of Booklets	-	-
Other	-	-
	=====	=====
<b>Total</b>	<b>-</b>	<b>-</b>
	=====	=====

**15. Staff Pension Plan**

The Bank instituted a Defined Contribution Pension Plan for its employees. The Bank's contributions to the Plan for the period ended September 2008 amounted to \$27,468.04 (2007: \$25,684.98). In addition, the Bank was initially committed to make a one-off contribution of \$114,037 on behalf of existing employees for past periods of service. During the previous financial year, this amount was reduced by \$25,749 because of a staff member resigning from the services of the Bank before the funds being vested in the plan. This amount is being amortised over seven (7) years.

Employees must have contributed to the Plan for a period of not less than five (5) years in order to be eligible for a deferred pension from their normal retirement date.

**16. Bond Expenses**

	<u>Unaudited</u> <u>April to</u> <u>Sept. 2008</u>	<u>Unaudited</u> <u>April to</u> <u>Sept. 2007</u>
<b>Bond Expenses</b>		
Interest on Bonds	4,472,841	3,592,706
Bond Issue Cost Amortised	144,740	103,405
Trustee Fees	3,038	3,038
Sundry Bond Expenses	31,950	28,048
	=====	=====
<b>Total</b>	<b>\$4,652,569</b>	<b>\$3,727,197</b>
	=====	=====

## 2. **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 \$1.8 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<sub>15</sub>

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.**

### **3. 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 of this review.**

### **4. 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.**

### **5. 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.**

## **6. 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.**

## **7. 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.**

## **8. 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.

<b>CLASS</b>	<b>NUMBER</b>
Class A	25,000
Class B	11,337
Class C	28,538
Class D	35,125
Class E	-
Class F	-
<b>TOTAL</b>	<b>100,000</b>

**SIGNATURES**

Name of Chief Executive Officer:

Name of Director:

**Duleep Cheddie**

**K Dwight Venner**

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Signature

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Signature

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Date

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Date