

**Schedule 2
FORM ECSRC – OR**

(Select One)

QUARTERLY FINANCIAL REPORT for the period ended 30th June 2018
Pursuant to Section 98(2) of the Securities Act, 2001

OR

TRANSITION REPORT
for the transition period from _____ to _____
Pursuant to Section 98(2) of the Securities Act, 2001
(Applicable where there is a change in reporting issuer's financial year)

Issuer Registration Number: _____ **HMB160990GR** _____

EASTERN CARIBBEAN HOME MORTGAGE BANK (ECHMB) _____

(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

(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

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

(Provide information stipulated in paragraphs 1 to 8 hereunder)

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

CLASS	NUMBER
Class A	66,812
Class B	51,178
Class C	80,181
Class D	70,578
TOTAL	268,749

SIGNATURES

A Director, the Chief Executive Officer and Chief Financial Officer of the company shall sign this Annual Report on behalf of the company. By so doing each certifies that he has made diligent efforts to verify the material accuracy and completeness of the information herein contained.

The Chief Financial Officer by signing this form is hereby certifying that the financial statements submitted fairly state the company's financial position and results of operations, or receipts and disbursements, as of the dates and period(s) indicated. The Chief Financial Officer further certifies that all financial statements submitted herewith are prepared in accordance with International Accounting Standards consistently applied (except as stated in the notes thereto) and (with respect to year-end figures) including all adjustments necessary for fair presentation under the circumstances.

Name of Chief Executive Officer:

Name of Director:

Mr. Randy Lewis

Mr. Timothy N.J. Antoine

SIGNED AND CERTIFIED

SIGNED AND CERTIFIED

Signature

06 September 2018

Date

Signature

September 20, 2018

Date

Name of Chief Financial Officer:

Mr. Brian James

SIGNED AND CERTIFIED

Signature

06 September 2018

Date

INFORMATION TO BE INCLUDED IN FORM ECSRC-OR

1. Financial Statements

Provide Financial Statements for the period being reported in accordance with International Accounting Standards. The format of the financial statements should be similar to those provided with the registration statement. Include the following:

- (a) Condensed Balance Sheet as of the end of the most recent financial year and just concluded reporting period.
- (b) Condensed Statement of Income for the just concluded reporting period and the corresponding period in the previous financial year along with interim three, six and nine months of the current financial year and corresponding period in the previous financial year.
- (c) Condensed Statement of Cash Flows for the just concluded reporting period and the corresponding period in the previous financial year along with the interim three, six and nine months of the current financial year and the corresponding period in the previous financial year.
- (d) By way of *Notes to Condensed Financial Statements*, provide explanation of items in the financial statements and indicate any deviations from generally accepted accounting practices.

Eastern Caribbean Home Mortgage Bank

Statement of Financial Position

As at 30th June, 2018

(expressed in Eastern Caribbean dollars)

	Unaudited As at 30/06/2018	Unaudited As at 30/06/2017	Audited As at 31/03/2018
Assets			
Cash and cash equivalents	6,873,652	18,294,839	8,981,323
Receivables and prepayments	1,496,313	106,100	5,578,573
Investment securities	211,916,051	197,505,166	204,270,832
Mortgage loans facilities	42,268,637	28,951,757	42,849,476
Motor vehicle and equipment	175,612	234,315	192,952
Intangible assets	26,193	-	28,648
Total assets	262,756,458	245,092,177	261,901,804
Liabilities			
Borrowings	199,807,985	184,683,185	199,828,256
Accrued expenses and other liabilities	446,016	234,381	715,677
Total liabilities	200,254,001	184,917,566	200,543,933
Equity			
Share capital	36,999,940	36,999,940	36,999,940
Portfolio risk reserve	9,612,452	9,171,643	9,612,452
Retained earnings	15,890,065	14,003,028	14,745,479
Total equity	62,502,457	60,174,611	61,357,871
Total liabilities and equity	262,756,458	245,092,177	261,901,804

Eastern Caribbean Home Mortgage Bank

Unaudited Statement of Financial Position
As at 30th June 2018

(expressed in Eastern Caribbean dollars)

	Share Capital \$	Portfolio Risk reserve \$	Retained earnings \$	Total \$
Balance as at 31st March 2017	36,999,940	9,171,644	12,986,069	59,157,653
Other comprehensive income				
Net profit for the year	-	-	4,215,836	4,215,836
transfer to reserves	-	440,808	(440,808)	-
Transactions with owners	-	-	(2,015,618)	(2,015,618)
Balance at 31/03/2018	36,999,940	9,612,452	14,745,479	61,357,871
Other comprehensive income				
Net profit for the period	-	-	1,144,586	1,144,586
transfer to reserves	-	-	-	-
Transactions with owners	-	-	-	-
Balance at 30/06/2018	36,999,940	9,612,452	15,890,065	62,502,457

Eastern Caribbean Home Mortgage Bank

Statement of Comprehensive Income
For the Three (3) Months Ended 30th June 2018

(expressed in Eastern Caribbean dollars)

	Unaudited 3 Months 2018 \$	Unaudited 3 Months 2017 \$	Audited 12 Months 2018 \$
Interest income	3,082,252	2,714,109	11,480,370
Interest expense	(1,123,655)	(917,907)	(3,962,620)
Net interest income	1,958,597	1,796,202	7,517,750
Other income	8,573	15,067	228,173
Operating income	1,967,170	1,811,269	7,745,923
Expenses			
General and administrative expenses	528,978	503,158	(2,276,976)
Other operating expenses	252,182	232,091	(1,022,696)
Mortgage administrative fees	41,423	60,600	(230,415)
Total expenses	822,583	795,849	(3,530,087)
Net profit for the year	1,144,587	1,015,420	4,215,836
Other comprehensive income	-	-	-
Total comprehensive income	1,144,587	1,015,420	4,215,836

Eastern Caribbean Home Mortgage Bank

Statement of Cash Flows

For the Three (3) Months Ended 30th June 2018

	Unaudited 3 Months 2018 \$	Unaudited 3 Months 2017 \$
(expressed in Eastern Caribbean dollars)		
Audited		
12 Months		
2018		
\$		
Cash flows from operating activities		
Net income for the period	1,144,587	1,015,420
Items not affecting cash:		
Interest expense	1,123,655	917,907
Amortization of corporate paper issue and transact costs	128,167	109,170
Amortisation of bond premium	129,178	70,504
Depreciation of motor vehicles and equipment	17,339	21,062
Amortization of intangible assets	2,456	-
Impairment credit on investment securities	-	-
Dividend income	-	(2,065)
Interest Income	(3,082,252)	(2,714,109)
Operating loss before working capital changes	(536,870)	(582,111)
Changes in operating assets & liabilities		
(Increase)/decrease in accounts receivable & prepayments	4,082,260	146,778
Increase/(decrease) in other liabilities & payables	(269,661)	83,626
Cash used in operating activities	3,275,729	(351,707)
Interest received	3,529,023	2,409,384
Interest paid	(1,157,213)	(998,262)
Net cash generated from operating activities	5,647,539	1,059,415

Eastern Caribbean Home Mortgage Bank

Statement of Comprehensive Income
For the Three (3) Months Ended 30th June 2018

	Audited 12 Months 2018	UnAudited 3 Months 2018	UnAudited 3 Months 2017
(expressed in Eastern Caribbean dollars)			
		\$	\$
Cash flows from investing activities			
61,747,292	Proceeds from sales/maturity of investment securities	7,222,949	20,451,892
10,320,614	Proceeds from pool of mortgages repurchased by PL	-	1,192,480
2,295,171	Proceeds from principal repayment on mortgages	-	549,205
836,688	Increase in mortgages repurchased/ replaced	(70,317)	-
290,460	Principal redemptions	651,156	2,196,494
(18,905,726)	Purchase of mortgages	-	-
23,932	Dividend income received	-	2,065
(28,517)	Purchase of motor vehicle and equipment	-	-
(29,467)	Purchase of intangible assets	-	-
(69,722,496)	Purchase of investment securities	(15,444,117)	(13,707,803)
(13,172,049)	Net cash used in investing activities	(7,640,329)	10,684,333
Cash flows from financing activities			
199,096,700	Proceeds from corporate paper	60,000,000	60,000,000
(533,481)	Payment of corporate paper issue costs and transact	(114,882)	(148,719)
(1,865,618)	Dividend paid	-	-
(184,096,700)	Repayment of corporate papers	(60,000,000)	(60,000,000)
12,600,901	Cash generated (used in)/ from financing activities	(114,882)	(148,719)
2,281,513	Net increase/(decrease) in cash and cash	(2,107,671)	11,595,029
6,699,810	Cash flow at beginning of period	8,981,323	6,699,810
8,981,323	Cash and cash equivalents at end of year	6,873,652	18,294,839

Notes to Condensed Financial Statements

Identification and Principal Activity

The Governments of Anguilla, Antigua and Barbuda, The Commonwealth of Dominica, Grenada, Montserrat, St. Kitts-Nevis, Saint 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.

Basis of Preparation

The condensed interim financial statements for the three months ended 30 June 2018 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 2018, 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 2018. Any new Accounting Standards of interpretations which became effective in this financial year have had no material impact on the Bank.

2. Management's Discussion and Analysis of Financial Condition and Results of Operation.

Discuss the reporting issuer's financial condition covering aspects such as liquidity, capital resources, changes in financial condition and results of operations during the reporting period. Discussions of liquidity and capital resources may be combined whenever the two topics are interrelated. Discussion of material changes should be from the end of the preceding financial year to the date of the most recent interim report.

The Management's Discussion and Analysis should disclose sufficient information to enable investors to judge:

1. The quality of earnings;
2. The likelihood that past performance is indicative of future performance; and
3. The issuer's general financial condition and outlook.

It should disclose information over and above that which is provided in the management accounts and should not be merely a description of the movements in the financial statements in narrative form or an otherwise uninformative series of technical responses. It should provide management's perspective of the company that enables investors to view the business from the vantage point of management.

The discussion should focus on aspects such as liquidity; capital resources; changes in financial condition; results of operations; material trends and uncertainties and measures taken or to be taken to address unfavourable trends; key performance indicators; and non-financial indicators.

General Discussion and Analysis of Financial Condition

See appended General Discussion and Analysis.

Liquidity and Capital Resources

Provide a narrative explanation of the following (but not limited to):

- i) The reporting issuer's financial condition covering aspects such as liquidity, capital resources, changes in financial condition and results of operations.
- ii) Any known trends, demands, commitments, events or uncertainties that will result in, or that are reasonably likely to result in, the 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.
- iii) The issuer's internal and external sources of liquidity and any material unused sources of liquid assets.
- iv) Provisions contained in financial guarantees or commitments, debt or lease agreements or other arrangements that could trigger a requirement for an early payment, additional collateral support, changes in terms, acceleration of maturity, or the creation of an additional financial obligation such as adverse changes in the issuer's financial ratios, earnings, cash flows or stock price or changes in the value of underlying, linked or indexed assets.

3. Disclosure about 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. 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.

There were no events occurring during the period under review which meet the stated criteria.

4. Legal Proceedings.

A legal proceeding need only be reported in the ECSRC – OR filed for the period in which it first became a reportable event and in subsequent interim reports in which there have been material developments. Subsequent Form ECSRC – OR 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 were no pending legal proceedings during the period under review.

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.

There were no changes in registered securities and use of proceeds during the period under review.

(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)

Not applicable

- Offer closing date (provide explanation if different from date disclosed in the registration statement)

Not applicable

- Name and address of underwriter(s)

Not applicable

- Amount of expenses incurred in connection with the offer **Not applicable**

- Net proceeds of the issue and a schedule of its use

Not applicable

- Payments to associated persons and the purpose for such payments

Not applicable

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

There were no restrictions during the period under review.

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 per cent of the total assets of the reporting issuer and its consolidated subsidiaries, identify the 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.

The ECHMB has not defaulted on any of its payment obligations.

- (b) If any material arrears in the payment of dividends have 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.

There are no material arrears.

7. Submission of Matters to a Vote of Security Holders.

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

- (a) The date of the meeting and whether it was an annual or special meeting.

Not applicable

- (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.

Not applicable

- (c) A brief description of each other matter voted upon at the meeting and a statement of 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.

Not applicable

- (d) A description of the terms of any settlement between the registrant and any other participant.

Not applicable

- (e) Relevant details of any matter where a decision was taken otherwise than at a meeting of such security holders.

Not applicable

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 (used to report material changes), with respect to which information is not otherwise called for by this form, provided that the material change occurred within seven days of the due date of the Form ECSRC-OR report. 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 – OR report

There were none during the review period.

Appendix-1

General Discussion and Analysis

Summary of Significant Changes

- Cash and Cash Equivalents declined from \$18.29m as at 30th June 2017 to \$6.87m as at 30th June 2018.
- Investment Securities increased from \$197.51m as at 30th June 2017 to \$211.92m as at 30th June 2018.
- Mortgage Loans Facilities increased from \$28.95m as at 30th June 2017 to \$42.27m as at 30th June 2018.
- Interest Income increased by \$0.37m (13.65%) from \$2.71 for the three (3) months ended 30th June 2017 to \$3.08m for the comparative period of 2018.
- Borrowings increased from \$184.68m as at 30th June 2017 to \$199.81m as at 30th June 2018.
- Rolled over corporate papers totaling \$60.0m at a weighted average interest rate of 2.00%.
- Interest Expense increased by \$0.20m (21.74%) from \$0.92m reported for the quarter ended 30th June 2017 to \$1.12m for the quarter ended 30th June 2018
- Expenses increased by \$0.03m (3.80%) from \$0.79m reported for the quarter ended 30th June 2017 to \$0.82m for the quarter ended 30th June 2018
- Net Profit was reported at \$1.14m, representing an increase of \$0.14m (14.0%) when compared to the \$1.00m reported for the comparative period of 2017.
- Return on Assets under Management increased from 0.41% for the quarter ended 30th June 2017 to 0.43% for the comparative period of 2018.

1.0 Interest Income

- 1.1 As showed in Table-1, Interest Income increased by \$0.37m (13.65%) from \$2.71m for the three (3) months ended 30th June 2017 to \$3.08m for the comparative period of 2018. The reasons for the increase in Interest Income are explained in Sections (1.2) to (1.4).
- 1.2 Investment Securities, the Bank's principal income generating assets increased from \$197.51m as at 30th June 2017 to \$211.92m as at 30th June 2018. As a result, income from Investment Securities increased by \$0.39m (19.12%) from the \$2.04m reported for the quarter ended 30th June 2017 to \$2.43m for the quarter ended 30th June 2018.

1.3 Interest Income generated from Investment Securities accounted for 78.90% of Total Interest Income for the quarter ended June 2018 compared with 75.28% reported for the comparative period of 2017.

1.4 The Bank's Mortgage Loans Facilities increased from \$28.95m as at 30th June 2017 to \$42.27m as at 30th June 2018; however, income from same declined by \$0.02m (2.99%) from the \$0.67m reported for the quarter ended 30th June 2017 to \$0.65m for the quarter ended 30th June 2018. It is to be noted that new mortgages are generally acquired at lower coupon rates.

Table -1: Interest Income

	2018	2017	Change from 2017 (Increase)/Decrease	
			\$	%
Mortgage loan facility	0.65	0.67	0.02	2.99%
Investment securities	2.43	2.04	(0.39)	-19.12%
	3.08	2.71	(0.37)	

2.0 Interest Expense

2.1 The ECHMB continued its strategy of issuing short-term instruments via competitive bid auction utilizing the platform of the Eastern Caribbean Securities Exchange. Borrowings increased by \$15.13m (8.19%) from \$184.68m as at 30th June 2017 to \$199.81m by the comparative period of 30th June 2018.

2.2 As highlighted in Table-2, Interest Expense increased by \$0.20m (21.74%) for the quarter ended 30th June 2018; this is principally attributed to the 8.19% increase in Borrowings and the fact that the Bank paid higher coupons to roll-over its debt stock.

Table-2: Interest Expense

	2018	2017	Change from 2017 (Increase)/Decrease	
			\$	%
Interest expense	1.12	0.92	(0.20)	-21.74%
	1.12	0.92	(0.20)	

3.0 Net Interest Income

3.1 Net Interest Income or the difference between Interest Income (\$3.08m) and Interest Expense (\$1.12m) was reported at \$1.96m (63.64%) for the quarter ended 30th June 2018, compared to \$1.79m (66.05%) of 2017. The lower Net Interest Income Percentage was attributed to the higher costs of funding the Bank's operations and the simultaneous decline in higher interest yielding Mortgage Loans Facilities.

Table-3: Net Interest Income

	2018	2017	Change from 2017 (Increase)/Decrease	
			\$	%
Interest income	3.08	2.71	(0.37)	-13.65%
Interest expense	(1.12)	(0.92)	(0.20)	-21.74%
Net Interest Income	1.96	1.79	(0.17)	

Net Interest Income percentage **63.64%** **66.05%**

4.0 Expenses

4.1 Table-4, highlights that Expenses increased from \$0.79m for the three (3) months ended 30th June 2017 to \$0.82m for the comparative period of 2018. The increase was mainly attributed to the \$0.03m (5.37%) growth in General and Administrative Expenses.

4.2 Cost savings were achieved in Mortgage Administration Fees which declined from \$0.06m for the three (3) months ended 30th June 2017 to \$0.04m for the comparative period of 2018

Table-4: Expenses

	2018	2017	Change from 2017 (Increase)/Decrease	
			\$	%
General and administrative	0.53	0.50	(0.03)	-6.0%
Other operating	0.25	0.23	(0.02)	-8.70%
Mortgage administrative fees	0.04	0.06	0.02	33.33%
	0.82	0.79	(0.03)	

5.0 Net Profit for the Year

- 5.1 Net Profit for the period was reported at \$1.14m, representing an increase of \$0.14m (14.0%) when compared to the \$1.0m reported for the comparative period of 2017. The increase in Net Profit for the period was attributed to growth in Interest Income.

Table-5: Net Profit for the Period

	2018	2017	Change from 2017 (Increase)/Decrease	
			\$	%
Interest income	3.08	2.71	(0.37)	-13.65%
Interest expense	(1.12)	(0.92)	(0.20)	(21.74%)
Expenses	(0.82)	(0.79)	(0.03)	(3.80%)
Net profit for the period	1.14	1.00	(0.14)	

6.0 Significant changes in the Statement of Financial Position

- 6.1 Assets under Management increased by \$17.67m (7.21%) from the \$245.09m reported at 30th June 2017 to \$262.76m as at 30th June 2018. As alluded to in Section 2.0 above, the growth was funded by additional Borrowings of \$15.13m (8.19%) with \$2.54m generated from Retained Earnings.

- 6.2 The increase capital of the Bank was used to fund the grow of the Investment Securities portfolio.

7.0 Capital Adequacy

- 7.1 Total Equity was reported at \$62.50m for the quarter ended 30th June 2018, resulting in a Debt-to-Equity ratio of 3.20:1. It is to be noted that The Board of Directors has stipulated that the Bank's Debt-to-Equity ratio should not exceed 8.0:1.

- 7.2 The ECHMB continues to maintain two (2) external lines of credit totaling \$60.0m in additional to internal cash reserves of \$4.0m