

**Schedule 2
FORM ECSRC – OR**

(Select One)

QUARTERLY FINANCIAL REPORT for the period ended 30th September 2017
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, Basseterre, St. Kitts
(Address of principal executive Offices)

(Reporting issuer's:

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

Fax number: 1-869-466-7518

Email address: info@echmb.com

n/a

(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. Total 268,749

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

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:

Mr. Randy Lewis

SIGNED AND CERTIFIED

Date

23/10/2017

Name of Director:

SIGNED AND CERTIFIED

Signature

23.10.17

Date

Name of Chief Financial Officer:

Ms. Shanna Herbert

SIGNED AND CERTIFIED

Signature

23rd Oct 2017

Date

1.0 General Discussion and Analysis of Financial Condition

Summary of Six (6) Months ended 30th September 2017

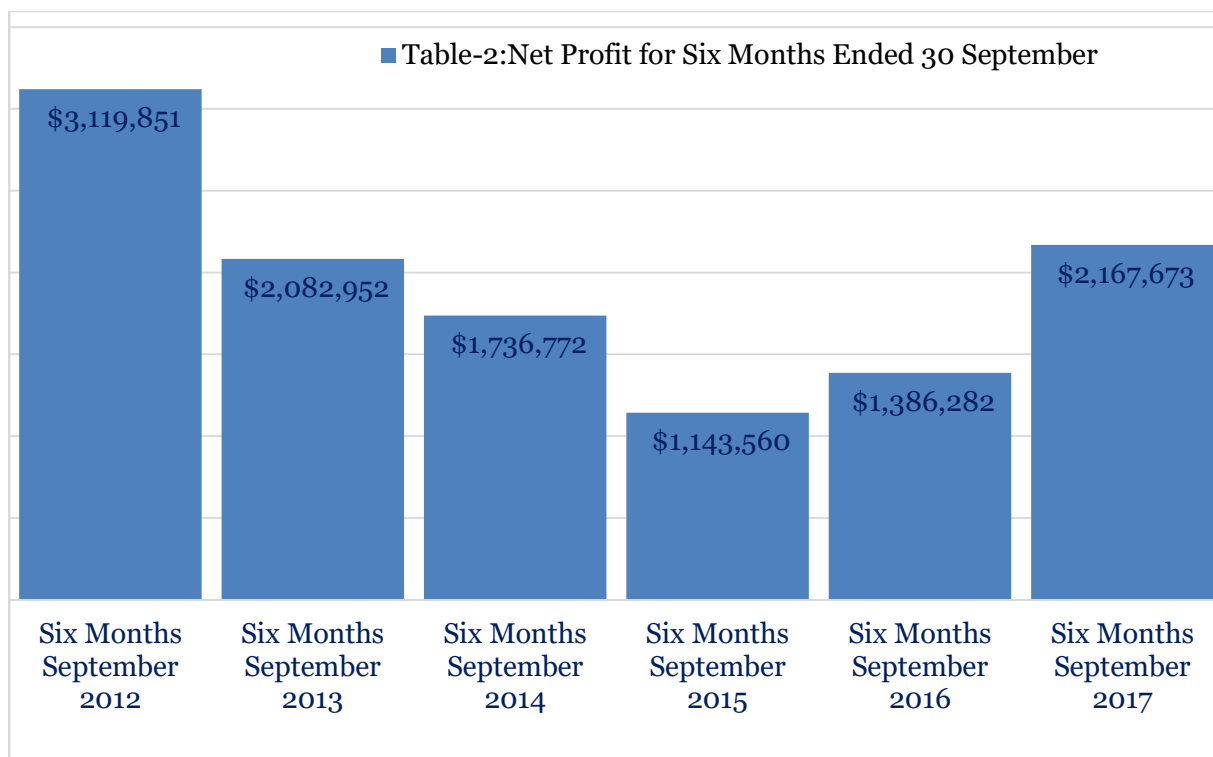
- Cash and Cash Equivalents increased from \$0.70m at 30th September 2016 to \$2.74m at 30th September 2017.
- Investment Securities increased from \$201.51m at 30th September 2016 to \$206.16m at 30th September 2017.
- Interest Income of \$5.55m for six months ended 30th September 2017 was lower than the \$5.60m for the comparative period of 2016 by \$0.05m (0.89%). This was mainly attributed to the \$0.53m (30.46%) decline in income from the Mortgage Loans Portfolio.
- Borrowings declined by \$0.31m (0.17%) from \$184.96m reported for the six (6) months 30th September 2016 to \$184.65m for the comparative period of 2017.
- Rolled over four (4) corporate papers totaling \$109.97m at a weighted average interest rate of 1.91%.
- Interest Expense declined by \$0.88 (29.14%) from \$3.02m reported for the six (6) months 30th September 2016 to \$2.14m for the comparative period of 2017.
- Operating Expenses increased marginally by \$0.05m (3.91%) from \$1.28m for the six (6) months 30th September 2016 to \$1.33m for the comparative period of 2017.
- Net Profit for the six months ended 30th September 2017 was reported at \$2.17m, representing an increase of \$0.78m (56.12%) when compared to the \$1.39m reported the six (6) months 30th September 2016.

Net Profit for the Six (6) Months ended 30th September 2017

Table-1: The abridged financial statements shows, Net Profit for six months ended 30th September 2017 was reported at \$2.17m, representing an increase of \$0.78m (56.12%) when compared to the \$1.39m reported the six (6) months 30th September 2016.

Table-1: Abridged Financial Statements			
For Six (6) Months - 30 September	2017 \$' Millions	2016 \$' Millions	
Interest Income	5.55	5.61	
Interest Expense	(2.14)	(3.02)	
Net Interest Income	3.41	2.59	
Other Income	0.08	0.08	
Operating Income	3.50	2.67	
Non-interest Expenses	(1.33)	(1.28)	
Net Profit for the six (6) Months	2.17	1.39	
Key Performance Metrics			
Net Interest Income Percentage	61.49%	46.17%	
Return on Total Assets (Annualized)	1.76%	1.13%	
Interest Cover ratio	2.04	1.46	
Debt-to-equity ratio	3.02:1	3.11:1	
Mortgage Loans Portfolio	\$37.09m	\$41.25m	
Investment Securities	\$206.16m	\$201.41m	
Assets under Management	\$246.28m	\$244.67m	
Borrowings	\$184.65m	\$184.96m	
Full time employees	8	6	

As showed in graph styled Table 2, the Net Profit for the six (6) months ended 30th September 2017 of \$2.17m is the highest reported by the ECHMB over the preceding four (4) years. For the purpose of comparison, it is to be noted that Assets under Management for the six (6) months ended 30th September 2012 exceeded Assets under Management for the six (6) months ended 30th September 2017 by \$85.53m.



Interest Income

The analysis in Table-3 shows Interest Income of \$5.55m for six (6) months ended 30th September 2017 was lower than the \$5.60m for the comparative period of 2016 by \$0.05m (0.89%).

Table-3: Analysis of Interest Income

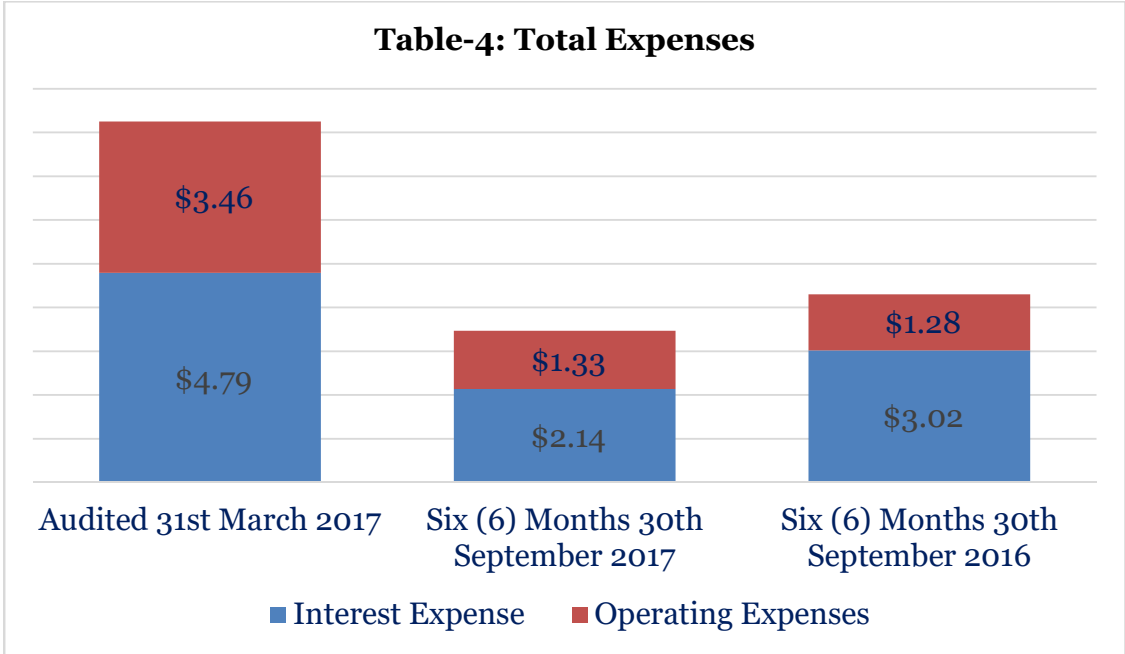
	Six Months Sep-17		Six Months Sep-16	
	\$	%	\$	%
Mortgage Loans	1.21	21.72%	1.74	31.10%
Bonds	2.51	45.20%	1.60	28.58%
Term Deposit	1.62	29.19%	2.04	36.36%
Treasury Bills	0.21	3.74%	0.21	3.82%
Other Interest	0.01	0.16%	0.01	0.14%
Total Interest Income	5.55	100.00%	5.60	100.00%

This was mainly attributed to the \$0.53m (30.46%) decline in income from the Mortgage Loans Portfolio; however, the decline was mitigated by the \$0.48m (12.44%) increase in

income from investments. This is consistent with the Bank’s strategy of focusing on investments.

Total Expenses

Based on the decline in Interest Income by \$0.05m (0.89%), it therefore follows that the increase in Net Profit for six (6) months ended 30th September 2017 was principally attributed to prudent management of our expenses. Total Expenses declined by \$0.83m (19.30%) from \$4.30m for the six (6) months ended 30th September 2016 to \$3.47m for the six (6) months ended 30th September 2017.



Interest Expense

An analysis of Total Expenses revealed Interest Expenses declined from \$3.02m for the six (6) months ended 30th September 2016 to \$2.14m for the comparative period of 2017; representing savings of \$0.88m (29.14%). This was attributed to the fact that the ECHMB issued four (4) Corporate Paper with a face value of \$109.97m at in a weighted average cost of 1.91%. As a result, ECHMB’s weighted average cost of debt (WACD) for outstanding instruments declined from 2.46% at 30 September 2016 to 2.05% for the comparative period of 2017.

Table-5: Interest Expense			
(EC\$ in millions, except as noted)			Change from 2016
For Six (6) Months -30 September	2017	2016	%
Interest Expense	2.14	3.02	-29.00%
	2.14	3.02	-29.00%

Net Interest Income

Net Interest Income of \$3.41m exceeded the outturn for the six (6) months ended 30th September 2016 of \$2.59m by \$0.82m (32.0%). Net Interest Income Percentage improved from 46.17% for the six months ended 30th September 2016 to 61.49% for the comparative period of 2017. The improvement in Net Interest Income is principally due to the stabilization on Interest Income coupled with the reduction in Interest Expense.

Table-6: Net Interest Income			
(EC\$ in millions, except as noted)			Change from 2016
For Six (6) Months – 30 September	2017	2016	%
Interest Income	5.55	5.61	-0.88%
Interest Expense	(2.14)	(3.02)	-29.09%
Net Interest Income	3.41	2.59	32.00%
Net Interest Income Percentage	61.49%	46.17%	15.32%

Non-Interest Expenses

Non-interest Expenses increased marginally from the \$1.28m reported for the six (6) months ended 30th September 2016 to \$1.33m for the comparative period of 2017.

Performance Indicators

As a result of \$0.78m (56.12%) increase in Net Profit for the six (6) months ended 30th September 2017, the Bank's principal performance indicators improved marginally from the comparative period of 2016. Return on Assets under Management increased from 1.13% in 2016 to 1.76% in 2017. Interest Cover Ratio improved from 1.46 times in 2016 to

2.04 times in 2017 and the Debt-to-Equity Ratio continued its downward trajectory from 3.11:1 in 2016 to 3.02:1 in 2017.

Outlook FY 2018

Looking forward to our 2018 financial year, it appears that key factors which have impacted markets in 2016 have filtered through in 2017; in particular - volatile oil prices; China's deceleration in growth; Brexit; political risk in Europe; and geopolitical risks. In addition, the victory of Donald Trump adds to indecision as skepticism over the timing and his ability to follow through with election promises remain debatable. In the ECCU, we anticipate continued scarcity of investment grade long-term instruments, coupled with declining coupon on money market instruments. Notwithstanding the foregoing, it is evident that our restructured business model is better able to adopt to the cyclical trends of our external environment.

EASTERN CARIBBEAN HOME MORTGAGE BANK
Statement of Comprehensive Income
(expressed in Eastern Caribbean dollars)

Audited Year ended		Unaudited Three Months ended		Unaudited Six Months ended	
31-Mar-17		30-Jun-17	30-Jun-16	30-Sep-17	Restated 30-Sep-16
\$		\$	\$	\$	\$
11,141,929	Interest income	2,690,147	2,778,514	5,552,474	5,601,995
<u>(4,790,392)</u>	Interest expense	<u>(1,043,768)</u>	<u>(1,572,784)</u>	<u>(2,138,494)</u>	<u>(3,015,771)</u>
6,351,537	Net Interest income	1,646,379	1,205,730	3,413,980	2,586,224
168,842	Other operating income	45,921	79,098	81,377	78,916
<u>6,520,379</u>	Operating income	<u>1,692,300</u>	<u>1,284,828</u>	<u>3,495,357</u>	<u>2,665,140</u>
	Non-Interest expenses				
(2,016,163)	General and administrative expenses	(494,040)	(475,147)	(998,008)	(930,807)
(1,194,252)	Other operating expenses	(120,702)	(135,805)	(211,537)	(231,472)
<u>(250,297)</u>	Mortgage administration fees	<u>(60,600)</u>	<u>(45,698)</u>	<u>(118,139)</u>	<u>(116,579)</u>
<u>(3,460,712)</u>	Total operating expenses	<u>(675,342)</u>	<u>(656,650)</u>	<u>(1,327,684)</u>	<u>(1,278,858)</u>
3,059,667	Total comprehensive income	1,016,958	628,178	2,167,673	1,386,282

Appendix-1**EASTERN CARIBBEAN HOME MORTGAGE BANK**

Statement of financial position
(expressed in Eastern Caribbean dollars)

Audited 31-Mar-17		Unaudited 30-Sep-17	Unaudited 30-Sep-16
\$	Assets	\$	\$
6,699,810	Cash and cash equivalents	2,738,935	704,769
1,675,943	Accounts receivable & prepayments	58,798	919,989
204,157,055	Investment securities	206,164,539	201,510,356
31,396,223	Mortgage backed securities	37,091,102	41,253,030
-	Intangible assets	-	1,570
<u>243,863</u>	Motor vehicle & equipment	<u>225,352</u>	<u>280,590</u>
<u>244,172,894</u>	Total assets	<u>246,278,726</u>	<u>244,670,304</u>
	Liabilities		
184,659,909	Borrowings	184,645,763	184,963,023
<u>355,332</u>	Other liabilities and accrued expenses	<u>307,514</u>	<u>203,873</u>
<u>185,015,241</u>	Total liabilities	<u>184,953,277</u>	<u>185,166,896</u>
	Equity		
36,999,940	Share capital	36,999,940	36,999,940
9,171,644	Reserves	9,171,644	8,962,834
<u>12,986,069</u>	Retained earnings	<u>15,153,865</u>	<u>13,540,634</u>
<u>59,157,653</u>	Total equity	<u>61,325,449</u>	<u>59,503,408</u>
<u>244,172,894</u>	Total liabilities and equity	<u>246,278,726</u>	<u>244,670,304</u>

EASTERN CARIBBEAN HOME MORTGAGE BANK

Statement of Cash Flows
(expressed in Eastern Caribbean dollars)

Audited		Unaudited	Unaudited	Unaudited	Unaudited
Year ended		3-Months ended	3-Months ended	6-Months ended	Restated 6-Months ended
31-Mar-17	CASH FLOWS FROM OPERATING ACTIVITIES:	30-Jun-17	30-Jun-16	30-Sep-17	30-Sep-16
\$		\$	\$	\$	\$
3,059,667	Net income for the period	1,016,958	628,178	2,167,673	1,386,282
	Adjustments for:				
81,034	Depreciation	21,062	17,508	42,965	33,148
651,976	Amortisation: Borrowing costs	109,170	165,429	225,484	496,651
6,281	Amortisation: Intangible assets	-	2,355	-	3,872
(36,905)	Loss/(Gain) on disposal of equipment & motor vehicle	-	(36,905)	-	(36,905)
193,738	Premium on bonds	70,504	-	163,486	-
(4,521)	Dividend income	(2,065)	-	3,820	-
(15,102)	Realised gain on disposal of equity instruments	(6,602)	-	(65,878)	-
(54,604)	Unrealised fair value gains on equity instruments	(16,833)	-	3,306	-
11,141,929)	Interest Income	(2,690,147)	(2,777,745)	(5,552,474)	(5,605,512)
<u>4,790,392</u>	Interest expense	<u>(1,043,768)</u>	<u>1,572,785</u>	<u>(2,138,493)</u>	<u>3,015,767</u>
	Operating profit before changes in operating assets and liabilities				
2,469,973)		(2,541,720)	(428,395)	(5,150,112)	(706,697)
	Changes in operating assets & liabilities				
639,415	(Increase)/decrease in accounts receivable & prepayments	146,778	(1,917,009)	146,779	(1,885,465)
<u>204,576</u>	Increase/(decrease) in other liabilities & payables	<u>83,626</u>	<u>273,291</u>	<u>156,759</u>	<u>406,968</u>
<u>1,625,982)</u>	Cash used in/ provided by operations	<u>(2,311,316)</u>	<u>(2,072,113)</u>	<u>(4,846,574)</u>	<u>(2,095,194)</u>
9,825,287	Interest received	2,409,384	5,603,520	5,066,990	3,085,526

(5,523,571)	Interest paid	(998,262)	(3,662,081)	(2,114,387)	(2,330,526)
2,675,734	Net cash generated from operating activities	(900,194)	(130,674)	(1,893,970)	(1,340,194)
	CASH FLOW FROM INVESTING ACTIVITIES:				
39,798,016)	Purchase of short term marketable securities	(13,707,803)	(30,668,182)	(38,510,775)	(101,337,676)
86,811,804	Proceeds from maturity of marketable securities	22,411,500	-	41,145,858	46,572,183
-	Purchase of mortgages	-	-	-	-
15,104,392	Proceeds from repurchases of mortgages	1,192,480	10,635,469	1,192,478	15,073,466
2,557,128	Proceeds from principal repayment on mortgages	549,205	1,194,854	1,096,318	1,405,835
2,749,076	Increase/ (decrease) in mortgage repurchased/ replaced	2,196,494	(68,429)	(6,655,486)	1,629,600
(260,765)	Purchase of motor vehicle and equipment	-	255,377	(24,454)	(255,377)
4,521	Dividend income received	2,065	-	(3,820)	-
105,000	Proceeds from disposal of equipment & motor vehicle	-	-	-	105,000
2,726,860)	Cash used in from investing activities	12,643,941	(18,650,911)	(1,759,882)	(36,806,969)
	CASH FLOWS FROM FINANCING ACTIVITIES:				
84,096,700	Proceeds from bond issues	60,000,000	30,000,000	109,970,000	30,000,000
84,096,700)	Repayment of bonds	(60,000,000)	(30,000,000)	(109,970,000)	(30,000,000)
(4,341,903)	Repayment of borrowings	-	(4,341,903)	-	(4,341,903)
(469,967)	Payment for bond issue costs	(148,719)	(105,000)	(307,023)	(234,589)
865,618)	Dividend paid	=	=	=	=
677,488)	Cash generated (used in)/ from financing activities	(148,719)	(4,446,903)	(307,023)	(4,576,492)
5,728,614)	NET INCREASE/ (DECREASE) IN CASH	11,595,029	(23,228,488)	(3,960,875)	(42,723,655)
428,424	CASH BALANCE AT BEGINNING OF PERIOD	6,699,810	40,400,868	6,699,810	43,428,424
699,810	CASH BALANCE AT END OF PERIOD	18,294,839	17,172,380	2,738,935	704,769

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 six months ended 30 September 2017 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 2017, 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 2017. Any new Accounting Standards of interpretations which became effective in this financial year have had no material impact on the Bank.

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.

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

The Bank maintains a reserve of unencumbered liquid assets in its Call Account that are readily available to face contingencies and which constitutes its liquidity buffer. As at 30 September 2017, the Bank reported \$2.74M in 'Cash and Cash Equivalents'. The 30 September 2017 position declined by \$3.96M from \$6.70M reported at the end of the last financial year (31 March 2017), due mainly to the utilisation of free cash flow for investment offerings. The Bank monitors its cash resources on a daily basis to ensure that liquidity indicators are within established limited. At reporting date, the Bank's 'Cash and Cash Equivalents' position was deemed adequate to meet operational requirements.

The ECHMB places considerable focus on both its Mortgage and Investment Portfolios, which are important factors in the liquidity management process. Monthly repayments from the former provide steady cash flows, while regular cash flows can also be obtained from the Investment Portfolio via interest repayments, maturing securities and the sale of securities.

The Insert on 'General Discussion and Analysis of Financial Conditions' provides additional financial information.

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.

- v) Circumstances that could impair the issuer's ability to continue to engage in transactions that have been integral to historical operations or are financially or operationally essential or that could render that activity commercially impracticable such as the inability to maintain a specified level of earnings, earnings per share, financial ratios or collateral.
- vi) Factors specific to the issuer and its markets that the issuer expects will affect its ability to raise short-term and long-term financing, guarantees of debt or other commitment to third parties, and written options on non-financial assets.
- vii) The relevant maturity grouping of assets and liabilities based on the remaining period at the balance sheet date to the contractual maturity date. Commentary should provide information about effective periods and the way the risks associated with different maturity and interest profiles are managed and controlled.
- viii) The 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.
- ix) Any known material trends, favorable or unfavorable, in the issuer's capital resources, including any expected material changes in the mix and relative cost of capital resources, considering changes between debt, equity and any off-balance sheet financing arrangements.

Discussion of Liquidity and Capital Resources

i) See General Discussion and Analysis Section above.

ii) The liquidity levels within the Primary Mortgage Market may impact the ECHMB's results of operations or financial conditions. Although the current excess liquidity environment has a depressing effect on mortgage acquisitions; conversely, this excess liquidity has stimulated the resale of mortgages to Primary Lenders. The Bank's results of operations, specifically its investment yields, are also impacted by the declining interest rates on Assets under Management; and the limited availability of investment grade instruments originating from within the Eastern Caribbean Currency Union (ECCU) constrains adequate asset diversification. Notwithstanding the foregoing conditions, the ECHMB has preserved its profitability through the containment of expenses, in addition to an overall reassessment of its mission, vision, and raison d'être to determine their relevance in the operating environment. As a result, the Board of Directors has articulated a new strategy aimed at achieving its objectives via infusing new business lines and markets in the ECHMB's operations. This new strategy focuses on:

1. Restructuring the operations of the ECHMB;
2. Placing greater emphasis on the Bank's corporate social responsibility;
3. Filling the gaps in the money and capital market in the ECCU; and
4. Promoting strategic partnerships.

iii) In addition to the internal liquidity sources mentioned within the foregoing General Discussions and Analysis Section, the Bank also maintains a \$30.00M Revolving Credit Line with a Regional Commercial Bank for liquidity support.

iv) There are no events or circumstances meeting the specified criteria.

v) There are no events or circumstances meeting the specified criteria.

vi) The ECHMB's ability to raise financing is predicated on its ability to preserve its investment grade rating. In June 2017, Caricris reaffirmed the Bank's investment grade credit ratings as CaribBBB+ Foreign Currency Ratings and Local Currency Ratings on issue size of US\$30.00M. The Bank's credit ratings are deemed as "adequate" by Caricris.

vii) Negative liquidity gaps arise as a result of the Bank's strategy of funding its operations from Corporate Papers with maximum tenures of 365 days, while investment placements are in excess of three (3) years in order to secure higher interest rates. The negative gap is however mitigated via the availability of the Bank's Revolving Credit Line.

viii) As at reporting date, there are no material commitments for capital expenditures.

ix) During the 2018 financial year, the Bank proposes to increase its capital base through the issuance of new debt instruments.

Off Balance Sheet Arrangements

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

- i) Disclosures concerning transactions, arrangements and other relationships with unconsolidated entities or other persons that are reasonably likely to materially affect liquidity or the availability of, or requirements for capital resources.
- ii) The extent of the issuer's reliance on off-balance sheet arrangements should be described fully and clearly where those entities provide financing, liquidity, market or credit risk support, or expose the issuer to liability that is not reflected on the face of the financial statements.
- iii) Off-balance sheet arrangements such as their business purposes and activities, their economic substance, the key terms and conditions of any commitments, the initial on-going relationship with the issuer and its affiliates and the potential risk exposures resulting from its contractual or other commitments involving the off-balance sheet arrangements.
- iv) The effects on the issuer's business and financial condition of the entity's termination if it has a finite life or it is reasonably likely that the issuer's arrangements with the entity may be discontinued in the foreseeable future.

As at 30 September 2017, there were no Off Balance Sheet Arrangements.

Results of Operations

In discussing results of operations, issuers should highlight the company's products and services, facilities and future direction. There should be a discussion of operating considerations and unusual events, which have influenced results for the reporting period. Additionally, any trends or uncertainties that might materially affect operating results in the future should be discussed.

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

- i) 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, the extent to which income was so affected.
- ii) Significant components of revenues or expenses that should, in the company's judgment, be described in order to understand the issuer's results of operations.
- iii) Known trends or uncertainties that have had or that the issuer reasonably expects will have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.
- iv) Known events that will cause a material change in the relationship between costs and revenues (such as price increases, costs of labour or materials), and changes in relationships should be disclosed.
- v) The extent to which material increases in net sales or revenues are attributable to increases in prices or to increases in the volume or amount of goods or services being sold or to the introduction of new products or services.
- vi) Matters that will have an impact on future operations and have not had an impact in the past.
- vii) Matters that have had an impact on reported operations and are not expected to have an impact upon future operations
- viii) Off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships that have or are reasonably likely to have a current or future effect on the registrant's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.
- ix) Performance goals, systems and, controls.

Overview of Results of Operations

- i) There are no events meeting the specified criteria.
- ii) See Insert on 'General Discussion and Analysis of Financial Conditions'.
- iii) As regional liquidity continues to increase, it is anticipated that there would be limited opportunities for the ECHMB to purchase mortgages on the Secondary Market, while Primary Lenders continue to repurchase their mortgage pools. However, the adoption of the Bank's new strategy with respect to investing on regional and international markets would serve to insulate the Bank from significant adverse effects on income.
- vi) There are no known events meeting the specified criteria.
- v) Not applicable.
- vi) There are no matters meeting the specified criteria.
- vii) There are no matters meeting the specified criteria.
- viii) There are no matters meeting the specified criteria.
- ix) The ECHMB's Business Plan is implemented through Work Programmes, which outline team and individual performance goals. The Work Programmes are integral towards the preparation of the Operating Budget, with controls being monitored through Monthly Management reporting.

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.

(a) 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 working capital restrictions or other limitations upon the payment of dividends 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 were no matters meeting the stated criteria during the review period.

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.