

**Schedule 2  
FORM ECSRC – OR**

(Select One)

**QUARTERLY FINANCIAL REPORT** for the period ended December 31, 2016  
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
<b>TOTAL</b>	<b>268,749</b>

**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

Signature \_\_\_\_\_  
Date 31 January 2017

Name of Director:

**Mr. Timothy N.J. Antoine**

\_\_\_\_\_  
SIGNED AND CERTIFIED

Signature \_\_\_\_\_  
Date February 02, 2017

Name of Chief Financial Officer:

**Ms. Shanna Herbert**

\_\_\_\_\_  
SIGNED AND CERTIFIED

Signature \_\_\_\_\_  
Date 31/1/2017

## **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 (UNAUDITED)  
AS AT 31 DECEMBER 2016**

<b>Audited 31-Mar-16</b>		<b>Unaudited 31-Dec-16</b>	<b>Unaudited 31-Dec-15</b>
\$		\$	\$
	<b>Assets</b>		
43,428,424	Cash and cash equivalents	2,281,969	3,582,192
3,066,391	Accounts receivable & prepayments	924,944	86,786
149,277,200	Investment securities	207,454,387	191,091,640
51,806,819	Mortgage loans portfolio	34,341,398	55,624,953
100,000	Available-for-sale investment	100,000	100,000
6,281	Intangible assets	-	8,637
<u>132,227</u>	Motor vehicle & equipment	<u>259,325</u>	<u>147,881</u>
<b><u>247,817,342</u></b>	<b>Total assets</b>	<b><u>245,362,023</u></b>	<b><u>250,642,089</u></b>
	<b>Liabilities</b>		
189,552,982	Borrowings	184,705,474	190,697,145
150,756	Other liabilities and accrued expenses	364,667	416,033
<u>-</u>	Dividends payable	<u>2,015,618</u>	<u>2,015,618</u>
<b><u>189,703,738</u></b>	<b>Total liabilities</b>	<b><u>187,085,759</u></b>	<b><u>193,128,796</u></b>
	<b>Equity</b>		
36,999,940	Share capital	36,999,940	36,999,940
8,962,834	Reserves	8,962,834	8,865,029
<u>12,150,830</u>	Retained earnings	<u>12,313,490</u>	<u>11,648,324</u>
<b><u>58,113,604</u></b>	<b>Total equity</b>	<b><u>58,276,264</u></b>	<b><u>57,513,293</u></b>
<b><u>247,817,342</u></b>	<b>Total liabilities and equity</b>	<b><u>245,362,023</u></b>	<b><u>250,642,089</u></b>

# Eastern Caribbean Home Mortgage Bank

Unaudited Statement of comprehensive Income  
Nine months ended 31 December 2016  
(expressed in Eastern Caribbean dollars)

	UNAUDITED			UNAUDITED			UNAUDITED		AUDITED
	Three Months ended	Six Months ended	Nine Months ended	30-Jun-15	30-Sep-16	30-Sep-15	31-Dec-16	31-Dec-15	Year ended 31-Mar-16
<b>Interest Income</b>	2,777,745	5,605,512	6,267,587	3,177,049	5,605,512	6,267,587	8,420,672	9,474,492	12,423,570
<b>Interest Expense</b>	(1,572,785)	(3,015,766)	(3,829,290)	(1,982,506)	(3,015,766)	(3,829,290)	(4,355,297)	(5,572,962)	(6,523,972)
<b>Net Interest Income</b>	1,204,960	2,589,746	2,438,297	1,194,543	2,589,746	2,438,297	4,065,375	3,901,530	5,899,598
Other operating income	79,098	79,098	24,871	24,872	79,098	24,871	85,134	27,236	40,439
Mortgage administration fees	(45,698)	(116,579)	(278,680)	(147,467)	(116,579)	(278,680)	(184,205)	(407,939)	(532,044)
Operating income	1,238,360	2,552,265	2,184,488	1,071,948	2,552,265	2,184,488	3,966,304	3,520,827	5,407,993
<b>Expenses</b>									
General and administrative expenses	(468,826)	(924,486)	(854,148)	(410,798)	(924,486)	(854,148)	(1,431,970)	(1,271,700)	(1,685,089)
Other operating expenses	(142,125)	(237,975)	(242,182)	(120,786)	(237,975)	(242,182)	(356,056)	(344,796)	(1,218,262)
<b>Total Operating Expenses</b>	(610,951)	(1,162,461)	(1,096,330)	(531,584)	(1,162,461)	(1,096,330)	(1,788,026)	(1,616,496)	(2,903,351)
<b>Total Comprehensive Income</b>	<b>627,409</b>	<b>1,389,804</b>	<b>1,088,158</b>	<b>540,362</b>	<b>1,389,804</b>	<b>1,088,158</b>	<b>2,178,278</b>	<b>1,904,331</b>	<b>2,504,642</b>

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**EASTERN CARIBBEAN HOME MORTGAGE BANK**  
**STATEMENT OF CASH FLOWS (UNAUDITED)**  
**FOR THE NINE MONTHS ENDED 31 DECEMBER 2016**

3-Months Ended 30-Jun-16 Unaudited \$	6-months Ended 30-Sep-16 Unaudited \$	9-months Ended 31-Dec-16 Unaudited \$		9-months Ended 31-Dec-15 Unaudited \$	Year Ended 31-Mar-16 Audited \$
			<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
627,408	1,389,804	2,178,278	Net income for the period	1,904,331	2,504,642
			Adjustments for:		
17,508	33,148	159,189	Depreciation	70,677	86,331
165,429	496,651	1,187,210	Amortisation: Borrowing costs	526,976	643,294
2,355	3,872	-	Amortisation: Intangible assets	7,066	9,422
(36,905)	(36,905)	(36,905)	Loss/ (Gain) on disposal of equipment & motor vehicle	-	-
(2,777,745)	(5,605,512)	(8,420,672)	Interest Income	(9,322,527)	(12,423,570)
1,572,785	3,015,767	4,355,297	Interest expense	5,649,723	6,523,972
			<b>Operating profit before changes in operating assets and liabilities</b>	<b>(1,163,754)</b>	<b>(2,655,909)</b>
			<b>Changes in operating assets &amp; liabilities</b>		
(1,916,242)	(1,888,987)	(1,838,823)	(Increase)/decrease in accounts receivable & prepayments	533,005	(2,822,178)
273,291	496,968	213,963	Increase/(decrease) in other liabilities & payables	1,929,857	(122,311)
<b>(2,072,116)</b>	<b>(2,095,194)</b>	<b>(2,202,463)</b>	<b>Cash used in/ provided by operations</b>	<b>1,299,108</b>	<b>(5,600,398)</b>
5,603,520	3,085,527	8,096,285	Interest received	6,608,697	12,271,720
(3,662,081)	(2,330,526)	(5,011,658)	Interest paid	(4,944,627)	(6,214,463)
<b>(130,677)</b>	<b>(1,340,193)</b>	<b>882,164</b>	<b>Net cash generated from operating activities</b>	<b>2,963,178</b>	<b>456,859</b>
			<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>		
(33,800,738)	(101,337,676)	(88,431,846)	Purchase of investment securities	(54,143,374)	(43,908,515)
-	-	(14,310,124)	Purchase of quoted bonds	-	-
-	46,572,183	46,572,183	Proceeds from maturity of investment securities	32,600,000	43,683,370
-	-	-	Proceeds from principal repayment on securities purchased under agreements to resell	-	21,374,726
-	-	-	Purchase of mortgages	(3,256,555)	(3,256,555)
10,635,469	15,073,466	15,073,466	Proceeds from repurchases of mortgages by primary lenders	17,401,482	17,401,482
(68,429)	1,405,835	1,405,835	Proceeds from principal repayment on mortgages	3,038,961	3,949,392
1,194,854	1,629,600	2,447,617	Increase/ (decrease) in mortgage repurchased/ replaced	6,843,690	8,679,162
255,377	(255,377)	(255,377)	Purchase of motor vehicle and equipment	-	-
-	-	-	Purchase of intangible assets	-	-
105,000	105,000	105,000	Proceeds from disposal of equipment & motor vehicle	-	-
<b>(21,678,467)</b>	<b>(36,806,969)</b>	<b>(37,393,246)</b>	<b>Cash generated/ (used in) from investing activities</b>	<b>2,484,204</b>	<b>47,923,062</b>
			<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
60,000,000	109,970,000	137,607,000	Proceeds from bond issues	60,000,000	87,637,700
(60,000,000)	(4,341,903)	(137,607,000)	Repayment of bonds	(60,000,000)	(87,637,700)
(4,341,903)	(109,970,000)	(4,341,903)	Repayment of borrowings	(9,600,000)	(10,658,097)
(105,000)	(234,589)	(293,471)	Payment for bond issue costs	(496,327)	(658,919)
-	-	-	Dividend paid	-	(1,865,618)
<b>(4,446,903)</b>	<b>(4,576,492)</b>	<b>(4,635,373)</b>	<b>Cash generated (used in)/ from financing activities</b>	<b>(10,096,327)</b>	<b>(13,182,634)</b>
(26,256,047)	(42,723,654)	(41,146,455)	<b>NET INCREASE/ (DECREASE) IN CASH</b>	<b>(4,648,945)</b>	<b>35,197,287</b>
43,428,424	43,428,424	43,428,424	<b>CASH BALANCE AT BEGINNING OF PERIOD</b>	<b>8,231,137</b>	<b>8,231,137</b>
<b>17,172,377</b>	<b>704,770</b>	<b>2,281,969</b>	<b>CASH BALANCE AT END OF PERIOD</b>	<b>3,582,192</b>	<b>43,428,424</b>

## 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 nine months ended 31 December 2016 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 2016, 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 2016. 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 insert for 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.
- 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*

Refer to insert for General Discussion and Analysis.

## 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.

2.3.1 As a 31<sup>st</sup> December 2016, 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*

Refer to insert for General Discussion and Analysis.

## *2.1 General Discussion and Analysis of Financial Condition*

- 2.1.1 The ECHMB's principal remit is the development of the secondary market for residential mortgages in member territories of the Eastern Caribbean Currency Union (ECCU). Consistent with FY 2014 and FY 2015, financial intermediaries reported low growth in their loans portfolio in FY 2016. This contributed to the retention of high liquidity in the banking system and hence, precluded the need for financial intermediaries to access funding on the secondary mortgage market to bankroll growth in their mortgage portfolio. Faced with excess liquidity and limited bankable loans, financial intermediaries augmented their interest income by repurchasing their pools of mortgages from the ECHMB.
- 2.1.2 The ECHMB had to manage significant cash inflows in an environment characterized by high liquidity and declining yields on cash and investments. The mortgage market in the ECCU is likely to remain "soft" for the foreseeable future. Hence, high liquidity is likely to remain a feature of the banking system. It is therefore conceivable that financial intermediaries will not be required to access the secondary mortgage market to fund growth in their mortgage loans portfolio. As long as these conditions persist on the primary market, the secondary market is likely to remain fragile. The high liquidity in the banking system will also induce financial intermediaries to lower the coupon rate offered on customers' deposits. The aforementioned factors have combined to trigger the diminution in ECHMB's financial outturn.
- 2.1.3 Challenged by these adverse headwinds, the Board of Directors and Management focused on those factors which the ECHMB could influence. In response to these adverse trends in the market, the ECHMB introduced a new Strategic Plan for the period 2017-2020 ("the Strategic Plan"). The focus of the Strategic Plan is to create a better bank for the people we serve and our employees. The Strategic Plan is designed to:-
- Reposition the Bank to securing best fit in the changing financial landscape of the ECCU

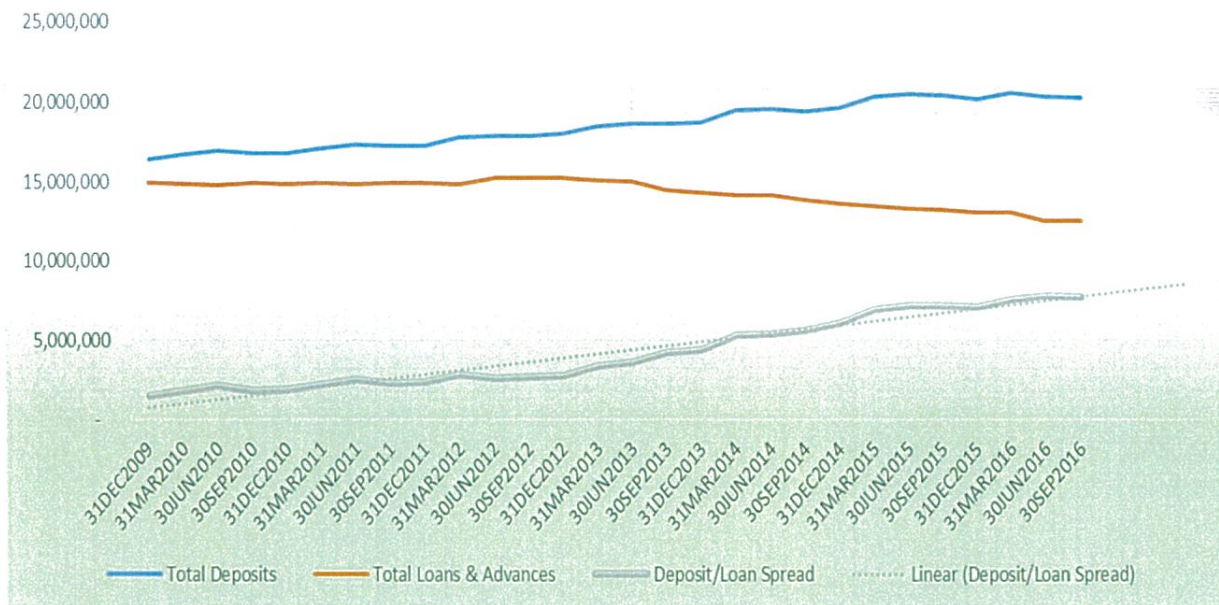
- Place emphasis on growth, efficiency improvement and building shareholders' wealth
- Diversify the Bank's assets and capital
- Focus on achieving our critical success factors
- Build the Bank's reputation as the employer of choice

2.1.4 To date (as at 31 December 2016), Management's implementation of the Plan has yielded positive results for the nine (9) month period. The ECHMB generated a Net Profit of \$2.18M for the nine months ended 31 December 2016; an increase of \$0.27M (14.30%) over the comparative nine months period of the prior year. Based on its current trajectory, the Bank is expected to continue to outperform the prior year's financial results.

2.1.5 It is noted that the success of the ECHMB's business model is predicated on analyzing local, regional and international capital and money markets to identify market trends. One primary indicator used by the Bank is the trend in regional liquidity, which is measured by comparing the growth in total loans and advances versus that of total deposits (Figure 1 overleaf):



Figure 1: ECCU Deposit Versus Loans & Advances Trend (EC\$'000):  
Dec 2009 to Sept 2016



## 2.2 Discussion on Liquidity and Capital Resources

- 2.2.1 As a result of the increasing liquidity environment, the Bank reported sizeable repurchases of mortgages (\$17.40M) by Primary Lenders during the year ended 31 March 2016. There were also significant cash inflows reported from principal repayment on securities purchased under agreements to resell (\$21.37M). As at the close of that financial year, the Bank maintained \$43.43M in cash.
- 2.2.2 During the nine months ending 31 December 2016, the Bank sought to reallocate these cash resources to income generating avenues, thereby resulting in a reduction in the cash position to a reported cash balance of \$2.28M as at nine months ended 31 December 2016.
- 2.2.3 Notwithstanding the above movements, the Bank maintains adequate cash resources to meet its operational requirements.

2.2.4 Except for the above mentioned, there were no additional major trends, commitments, demands or events that materially affected the liquidity situation of ECHMB. Section 2.4.1 of this report provides additional notes on the Bank performance, including ratio analysis.

2.2.5 Financial Results 2016/17: Statement of Financial Position (Unaudited as at nine months ended 31 December 2016):

2.2.5.1 As at 31 December 2016, Assets under Management totaled \$245.36M. When compared to the same period in 2015, this value represents a decline of \$5.28M or 2.11% from the reported \$250.64M. This decline in the Asset Base was primarily driven by the repayment of funds due to the Caribbean Development Bank (CDB); this transaction reduced the Bank's total borrowings by \$4.28M or 2.26%.

2.2.5.2 The ECHMB's Investment Securities Category was reported at \$207.45M and represents 84.55% of its Assets under Management at 31 December 2016.

2.2.5.3 The Bank's Debt to Equity ratio improved from 3.32:1 in 2015 to 3.17:1 in 2016.

2.2.5.4 The Bank maintains adequate cash resources to meet its operational requirements. *(Additional detail are provided in Section 2.2).*

### 2.3 Off Balance Sheet Arrangements

2.3.1 As a 31 December 2016, there were no Off Balance Sheet Arrangements.

### 2.4 Overview of Results of Operations

2.4.1 Financial Results 2016/17: Statement of Comprehensive Income (Unaudited for nine months ended 31 December 2016):

2.4.1.1 The illustration below reflects the positive impact of the new strategies implemented by the ECHMB; the reported profitability position has increased by 14.3% (\$0.27M) over the comparative nine months ending 31 December 2016:

For Nine (9) Months -31 December	2016 \$' Millions	2015 \$' Millions
<b>Income Statement Extracts</b>		
Interest Income	8.42	9.47
Interest Expense	(4.36)	(5.57)
Net Interest Income	4.07	3.90
Other Income	0.09	0.03
Operating Income	4.16	3.93
Non-interest Expenses	(1.98)	(2.03)
Net Profit for the nine (9) Months	2.18	1.90
<b>Key Performance Metrics</b>		
Net Interest Income Percentage	48.33%	41.18%
Return on Total Assets (Annualized)	1.17%	1.00%
Interest Cover ratio	1.34	1.50
Debt-to-equity ratio	3.17:1	3.32:1
Mortgage Loans Portfolio	\$34.34M	\$55.62M
Investment Securities	\$207.45M	\$191.09M
Assets under Management	\$245.36M	\$250.67M
Borrowings	\$184.99M	\$191.14M
Full time employees	8	8

#### 2.4.2 Interest Income

2.4.2.1 Year-over-year, the ECHMB's Interest Income has declined by \$1.05M (or 11.10%) to \$8.42M reported for year ended 31 December 2016. This decline is attributed to reduced earnings from the Mortgage Loans Portfolio, which was reduced by \$21.28M over the year, mainly as a result of the repurchase of mortgage facilities by Primary Lenders in light of the previously noted increasing regional liquidity.

2.4.2.2 The table below shows that the Mortgage Loan Portfolio contributes 30.76% to Interest Income as compared to 39.99% in the prior year. The primary contributor to Interest Income is the Cash and Investments Category, contributing 69.17% to the current year's interest income, primarily due to the change in strategy adopted by the ECHMB.

Interest Income Analysis	Dec-16		Dec-15	
	\$	%	\$	%
Mortgage Loans	2,431,703	28.88%	3,742,686	39.50%
Interest on bonds	2,550,130	30.28%	1,729,911	18.26%
Term Deposit	2,941,409	34.93%	3,863,102	40.77%
Call accounts	5,493	0.07%	10,164	0.11%
Treasury bills	327,661	3.89%	82,405	0.87%
Mortgage credit facility	158,219	1.88%	46,027	0.49%
Other Interest	4,346	0.05%	197	0.00%
Dividend Income	1,710	0.02%	-	0.00%
<b>Total Interest Income</b>	<b>8,420,671</b>	<b>100.00%</b>	<b>9,474,492</b>	<b>100.00%</b>

2.4.2.3 The impact of the new strategy is reflected in the increased level of contribution to income from the Cash & Investments Category; the level of income contributed increased by 9.17% or \$0.14M. This strategy of diversifying earnings via the investment portfolio would serve to insulate the ECHMB against the risk of repurchase by Primary Lenders. It would also reduce concentration risk to Primary Lenders, which adversely impacted income over the last three (3) financial years.

(EC\$ in millions, except as noted) For Nine (9) Months -31 December			Change from 2015 %
	2016	2015	
Mortgage Loans portfolio	2.43	3.74	-35.03%
Interest on bonds	2.55	1.74	46.55%
Term deposits	2.94	3.86	-23.83%
Call account	0.01	0.01	0%
Treasury bills	0.33	0.08	312.50%
Mortgage credit facility	0.16	0.04	300.00%
	<b>8.42</b>	<b>9.47</b>	<b>-11.10%</b>

### 2.4.3 Interest Expense (Finance Cost)

2.4.3.1 During the 2016/17 financial year, the ECHMB issued five (5) corporate paper instruments via competitive uniform bid auctions via the Eastern Caribbean Securities Exchange (ECSE). The instruments have a cumulated face value of \$137.61M and the settlement rates range from 1.50% to 2.00%. As a result, the weighted average cost of debt (WACD) declined from 3.33% in December 2015 to 2.39% as at 31 December 2016. As a result of the lower WACD, Finance Cost declined by \$1.22M (21.80%).

(EC\$ in millions, except as noted)			Change from
For Nine (9) Months -31 December	2016	2015	2015
			%
Bonds in issue	4.36	5.31	-17.90%
CDB loan	0.00	0.26	-100.00%
	<b>4.36</b>	<b>5.57</b>	<b>-21.80%</b>

### 2.4.4 Net Interest Income

2.4.4.1 For the nine months ended 31 December 2016, the Interest Income or the difference between Interest Income (\$8.42M) and Interest Expense (\$4.36M) was reported at \$4.07M (48.33%) compared with \$3.90M (41.18%) in 2015. The improvement in Net Interest Income was attributed to the reduced finance costs due to the settlement of corporate paper issues at lower interest rates.

(EC\$ in millions, except as noted)			Change from
For Nine (9) Months -31 December	2016	2015	2015
			%
Interest Income	8.42	9.47	-11.00%
Interest Expense	-4.36	-5.57	-21.70%
Net Interest Income	<b>4.07</b>	<b>3.90</b>	<b>4.30%</b>
Net Interest Income Percentage	<b>48.33%</b>	<b>41.18%</b>	<b>7.15%</b>

#### 2.4.5 Non-Interest Expenses

2.4.5.1 Non-interest Expenses of \$1.98M was 2.46% lower than the 2015 outturn of \$2.03M. The savings were mainly achieved in Mortgage Administration Fees and Foreign Exchange losses.

(EC\$ in millions, except as noted)			Change from 2015 %
For Nine (9) Months -31 December	<b>2016</b>	<b>2015</b>	
Salaries and related costs	0.96	0.90	6.67%
Mortgage Administration fees	0.18	0.41	-56.10%
Foreign exchange loss	0.00	0.01	-100.00%
Promotion	0.17	0.07	0%
Administrative	0.31	0.30	3.33%
Corporate governance	0.36	0.34	5.88%
	<b>1.98</b>	<b>2.03</b>	<b>-2.46%</b>

#### 2.4.6 Projected Outcome 2016/17

2.4.6.1 The current results show that the ECHMB has exceed both its prior year and budgeted Net Profit positions for the nine months ended 31 December 2016.

2.4.6.2 It is anticipated that at year ended 31 March 2017, the Bank's profitability position will reflect an improvement over the prior year.

**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.

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

4.1 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.

5.1 (a) 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**



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

**Not applicable**

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Name and address of underwriter(s)

**Not applicable**

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

Net proceeds of the issue and a schedule of its use

**Not applicable**

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Payments to associated persons and the purpose for such payments

**Not applicable**

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

5.1 (c) 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.

6.1 (a) 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.

6.1 (b) A dividend of \$7.50 per share was approved at Annual General Meeting held 7<sup>th</sup> November 2016. The ECHMB is in the process of making dividend payments totaling \$2.02M for the financial year ended 31<sup>st</sup> March 2016.

**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.

7.1 (a) ECHMB's 21<sup>st</sup> Annual General Meeting (AGM) held in Saint Lucia on 7<sup>th</sup> November 2016.

- (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.

7.1 (b) The following directors were elected at the ECHMB's 21<sup>st</sup> AGM, held in Saint Lucia on 7<sup>th</sup> November 2016:

- Mr. Timothy N. J. Antoine – Class A;
- Mrs. Missi P. Hendrickson – Class B;
- Mr. Peter Blanchard – Class C;
- Ms. Sharmaine Francois – Class C;
- Mr. Dexter Ducreay – Class D.

The following directors retired at the ECHMB's 21<sup>st</sup> AGM, held in Saint Lucia on 7<sup>th</sup> November 2016:

- Hon. Sir. K. Dwight Venner – Class A;
- Mrs. Missi P. Hendrickson – Class B;
- Mr. Gordon Derrick – Class C.
- Ms. Sharmaine Francois – Class C;
- Mr. Dexter Ducreay – Class D.

- (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.

7.1 (c) The following matters were voted upon at the AGM held 7th November 2016:

- The directors listed in Section 7.1(b) were elected to the Board of the ECHMB;
- A dividend of \$7.50 per share was declared;
- The Auditors, Grant Thornton, retire and being eligible for re-election were re-elected to the Board of the ECHMB.

All matters approved were done via majority vote.

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

7.1 (d) There were none during the review period.

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

7.1 (e) There were none during the review period.

**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

8.1 There were none during the review period.