

**Schedule 2  
FORM ECSRC – OR**

(Select One)

**QUARTERLY FINANCIAL REPORT** for the period ended **30<sup>th</sup> June 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 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>

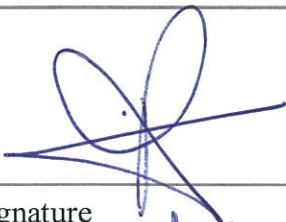
**SIGNATURES**

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**

\_\_\_\_\_  


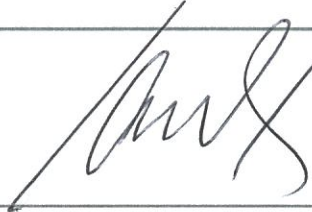
Signature

\_\_\_\_\_  
26 September 2017

Date

Name of Director:

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

\_\_\_\_\_  



Signature

\_\_\_\_\_  
October 01, 2017

Date

Name of Chief Financial Officer:

**Ms. Shanna Herbert**

\_\_\_\_\_  


Signature

\_\_\_\_\_  
Sept 26, 2017

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 (UNAUDITED)**  
**AS AT 30 JUNE 2017**

<b>Audited</b> <b>31-Mar-17</b>		<b>Unaudited</b> <b>30-Jun-17</b>
<b>\$</b>	<b>Assets</b>	<b>\$</b>
6,699,810	Cash and cash equivalents	18,294,839
1,675,943	Accounts receivable & prepayments	106,101
204,157,055	Investment securities	197,505,166
31,396,223	Mortgage backed securities	28,951,757
-	Intangible assets	-
243,863	Motor vehicle & equipment	234,315
<u>244,172,894</u>	<b>Total assets</b>	<u>245,092,177</u>
	<b>Liabilities</b>	
184,659,909	Borrowings	184,683,185
355,332	Other liabilities and accrued expenses	234,381
<u>185,015,241</u>	<b>Total liabilities</b>	<u>184,917,566</u>
	<b>Equity</b>	
36,999,940	Share capital	36,999,940
9,171,644	Reserves	9,171,643
12,986,069	Retained earnings	14,003,028
<u>59,157,653</u>	<b>Total equity</b>	<u>60,174,611</u>
<u>244,172,894</u>	<b>Total liabilities and equity</b>	<u>245,092,177</u>

# Eastern Caribbean Home Mortgage Bank

Unaudited Statement of Comprehensive Income  
Three months ended 30 June 2017  
(expressed in Eastern Caribbean dollars)

	UNAUDITED		AUDITED
	Three Months ended		Year ended
	30-Jun-17	30-Jun-16	31-Mar-17
Interest Income	2,690,147	2,778,514	11,141,929
Interest Expense	<u>(1,043,768)</u>	<u>(1,572,784)</u>	<u>(4,790,392)</u>
Net Interest Income	1,646,379	1,205,730	6,351,537
Other operating income	45,921	79,098	168,842
Operating income	<u>1,692,300</u>	<u>1,284,828</u>	<u>6,520,379</u>
Expenses			
General and administrative expenses	(494,040)	(475,147)	(2,016,163)
Other operating expenses	(120,702)	(135,805)	(1,194,252)
Mortgage administration fees	<u>(60,600)</u>	<u>(45,998)</u>	<u>(250,297)</u>
Total Operating Expenses	<u>(675,342)</u>	<u>(656,950)</u>	<u>(3,460,712)</u>
Total Comprehensive Income	<u>1,016,958</u>	<u>628,178</u>	<u>3,059,667</u>

**EASTERN CARIBBEAN HOME MORTGAGE BANK**  
**STATEMENT OF CASH FLOWS (UNAUDITED)**  
**FOR THE THREE MONTH ENDED 30 JUNE 2017**

Year Ended 31-Mar-17 Audited		3-Months Ended 30-Jun-17 Unaudited	3-Months Ended 30-Jun-16 Unaudited
\$	CASH FLOWS FROM OPERATING ACTIVITIES:	\$	\$
3,059,667	Net income for the period	1,016,958	628,178
	Adjustments for:		
81,034	Depreciation	21,062	17,508
651,976	Amortisation: Borrowing costs	109,170	165,429
6,281	Amortisation: Intangible assets	-	2,355
(36,905)	Loss/(Gain) on disposal of equipment & motor vehicle	-	(36,905)
193,738	Premium on bonds	70,504	-
(4,521)	Dividend income	(2,065)	-
(15,102)	Realised gain on disposal of equity instruments	(6,602)	-
(54,604)	Unrealised fair value gains on equity instruments	(16,833)	-
(11,141,929)	Interest Income	(2,690,147)	(2,777,745)
4,790,392	Interest expense	(1,043,768)	1,572,785
(2,469,973)	<b>Operating profit before changes in operating assets and liabilities</b>	(2,541,720)	(428,395)
	<b>Changes in operating assets &amp; liabilities</b>		
	(Increase)/decrease in accounts receivable & prepayments	146,778	(1,917,009)
639,415	Increase/(decrease) in other liabilities & payables	83,626	273,291
204,576			
(1,625,982)	<b>Cash used in/ provided by operations</b>	(2,311,316)	(2,072,113)
9,825,287	Interest received	2,409,384	5,603,520
(5,523,571)	Interest paid	(998,262)	(3,662,081)
2,675,734	<b>Net cash generated from operating activities</b>	(900,194)	(130,674)
	<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>		
(139,798,016)	Purchase of short term marketable securities	(13,707,803)	(30,668,182)
86,811,804	Proceeds from maturity of marketable securities	22,411,500	-
-	Purchase of mortgages	-	-
15,104,392	Proceeds from repurchases of mortgages	1,192,480	10,635,469
2,557,128	Proceeds from principal repayment on mortgages	549,205	1,194,854
2,749,076	Increase/ (decrease) in mortgage repurchased/ replaced	2,196,494	(68,429)
(260,765)	Purchase of motor vehicle and equipment	-	255,377
4,521	Dividend income received	2,065	-
105,000	Proceeds from disposal of equipment & motor vehicle	-	-
(32,726,860)	<b>Cash used in from investing activities</b>	12,643,941	(18,650,911)
	<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
184,096,700	Proceeds from bond issues	60,000,000	30,000,000
(184,096,700)	Repayment of bonds	(60,000,000)	(30,000,000)
(4,341,903)	Repayment of borrowings	-	(4,341,903)
(469,967)	Payment for bond issue costs	(148,719)	(105,000)
(1,865,618)	Dividend paid	-	-
(6,677,488)	<b>Cash generated (used in)/ from financing activities</b>	(148,719)	(4,446,903)
(36,728,614)	<b>NET INCREASE/ (DECREASE) IN CASH</b>	11,595,029	(23,228,488)
43,428,424	<b>CASH BALANCE AT BEGINNING OF PERIOD</b>	6,699,810	40,400,868
6,699,810	<b>CASH BALANCE AT END OF PERIOD</b>	18,294,839	17,172,380

## **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 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.

## 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.
- 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.

**Refer to appended General Discussion and Analysis.**

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## 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 a 30<sup>th</sup> June 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.

**Refer to appended General Discussion and Analysis.**

**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**

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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.

**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.**

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

- 2.1.1 Despite the challenging economic conditions, the ECHMB has recorded a Net Profit for the three (3) month period ended 30<sup>th</sup> June, 2017 of \$1.02M; which has surpassed the prior comparative period by \$0.39M or 61.89%. This improved performance is as a result of the revised strategy, aimed at revamping the business model and broadening the scope of operations to a more expanded role in developing the ECCU money and capital markets.
- 2.1.2 The ECHMB has reduced its reliance on its Mortgage Loans Portfolio by diversifying into fixed income instruments. Consequently, the ECHMB's new income model has resulted in a shift in the Bank's principal interest generating assets from Cash and Cash Equivalents and Mortgage Loans to Investments Securities.
- 2.1.3 Notwithstanding the change in focus, the Bank still actively seeks opportunities within the Secondary Mortgage Market in the ECCU, and has added two new mortgage products to our portfolio in the form of Mortgage Credit Facilities and Mortgage Pledged Loans. However, as observed over the last three (3) years, the high levels of liquidity in the market has precluded the need for financial intermediaries to access funding on the Secondary Mortgage Market. In light of increasing liquidity in the markets, the repurchase of pools of mortgages from the ECHMB is anticipated to continue.
- 2.1.4 As part of its mandate to expand the money and capital markets, the ECHMB's focus is on absorbing the increased liquidity through the issuance of additional short term instruments. During the 2018 financial year, it is the intent to introduce a new funding programme to the ECCU.
- 2.1.5 The new mandate for the ECHMB continues to focus on the following strategic priorities:
- Pursuing a growth agenda through expansion of the money & capital market and development of the secondary mortgage industry in the ECCU.

- Increasing the range of products and services offered by the Bank.
- Extending the Bank's target market to the wider Caribbean, USA and Europe.
- Strengthening the corporate governance structure, policies and functional structure of the Bank.
- Rebranding of the ECHMB.

2.1.6 In the 2018 financial year, the focus will be on diversifying our asset base internationally, due to the continued scarcity of investment grade long-term instruments, coupled with declining coupon on money markets. As such, the ECHMB's current focus would be:

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.

## *2.2 Discussion on Liquidity and Capital Resources*

2.2.1 For the three (3) month period ended 30<sup>th</sup> June 2017, the Bank reported \$18.29M in 'Cash and Cash Equivalents'. When compared to year ended 31<sup>st</sup> March 2017, the net cash flow position increased by \$11.60M from \$6.70M.

2.2.2 This increase in 'Cash and Cash Equivalents' is primarily on account of proceeds from the maturity of marketable securities, which were not reinvested at reporting date. Additionally, during the three (3) month review period, the Bank reported modest cash inflows from principal repayments and repurchases of mortgages (\$3.94M).

2.2.3 The Bank intends to reinvest these funds, which have accumulated from matured investments. Notwithstanding this intent, it is noted that the level of cash resources maintained are adequate to meet its operational requirements.

2.2.4 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.

2.2.5 Except for the above mentioned, there were no additional major trends, commitments, demands or events that materially affected the liquidity situation of ECHMB.

2.2.6 **Financial Results 2017/18: Statement of Financial Position (Unaudited as at three months ended 30<sup>th</sup> June 2017):**

2.2.6.1 Assets under Management totaled \$245.09M as at 30<sup>th</sup> June 2017. This value represents a slight increase of \$0.92M or 0.38%, when compared to the audited value at 31<sup>st</sup> March 2017. This increase in the Asset Base was primarily driven by the retention of the current period's profit (\$1.02M).

2.2.6.2 The ECHMB's Investment Securities Category represented 80.58% of its Assets under Management at 30<sup>th</sup> June 2017. This translated into total Investment Securities of \$197.51M.

2.2.6.3 The Bank's Debt to Equity ratio improved from 3.12:1 as at 31<sup>st</sup> March 2017 to 3.07:1 at 30<sup>th</sup> June 2017.

2.2.6.4 The Bank maintained adequate cash resources to meet its operational requirements. *(Additional detail were provided in Section 2.2).*

## 2.3 *Overview of Results of Operations*

2.3.1 **Financial Results 2017/18: Statement of Comprehensive Income (Unaudited for three months ended 30<sup>th</sup> June 2017):**

2.3.1.1 The illustration overleaf shows the profitability position for the three (3) months period ended 30<sup>th</sup> June 2017 versus the corresponding three (3) months period of the prior year:

For Three (3) Months -30th June	2017 \$' Millions	2016 \$' Millions
<b>Income Statement Extracts</b>		
Interest Income	2.69	2.78
Interest Expense	(1.04)	(1.57)
Net Interest Income	1.65	1.21
Other Income	0.05	0.08
Operating Income	1.70	1.29
Non-interest Expenses	(0.68)	(0.66)
Net Profit for the three (3) Months	1.02	0.63
<b>Key Performance Metrics</b>		
Net Interest Income Percentage	61.20%	43.39%
Return on Total Assets (Annualized)	1.66%	1.03%
Interest Cover ratio	1.97	1.40
Debt-to-equity ratio	3.07:1	3.16:1
Mortgage Loans Portfolio	\$28.95M	\$41.61M
Investment Securities	\$197.51M	\$184.19M
Assets under Management	\$245.09M	\$244.25M
Borrowings	\$184.68M	\$184.97M
Full time employees	8	6

2.3.1.2 When compared to the prior year's position, net profit for the three (3) months ended 30<sup>th</sup> June 2017 has increased by 61.89% (\$0.39M). The favourable profit position is attributed to the cost savings experienced by virtue of the Bank's lower cost of funds, which decreased by \$0.53M or 33.64% to \$1.04M.

2.3.1.3 All key performance metrics have improved when compared to one year prior.

### 2.3.2 Interest Income

2.3.2.1 Year-over-year, the ECHMB's Interest Income has declined slightly by \$0.09M (or 3.18%) to \$2.69M reported for the three (3) months ended 30<sup>th</sup> June 2017. The

year-over-year decline is attributed to reduced earnings from the Mortgage Loans Portfolio, which coincides with the reduced mortgage portfolio (2017: \$28.95M; 2016: \$41.61M).

2.3.2.2 The table below shows that in the current period, the highest contributor to the Bank's Interest Income is Bonds, which account for 40.86% of the Total Interest Income; followed by Term Deposits, which account for 31.56%. It is noted that in the prior year (2016), the Mortgage Loans Portfolio was the highest contributor at 35.75% of Total Interest Income as compared to 23.22% in the current period. This is primarily due to the change in strategy adopted by the ECHMB.

### Interest Income Analysis

	Jun-17		Jun-16	
	\$	%	\$	%
Mortgage Loans	624,544	23.22%	993,183	35.75%
Bonds	1,099,223	40.86%	716,884	25.80%
Term Deposit	848,945	31.56%	959,735	34.54%
Treasury bills	112,192	4.17%	103,246	3.72%
Other Interest	5,243	0.19%	5,466	0.20%
<b>Total Interest Income</b>	<b>2,690,147</b>	<b>100.00%</b>	<b>2,778,514</b>	<b>100.00%</b>

2.3.2.3 The strategy of diversifying earnings via the investment portfolio continues to insulate the ECHMB against the risk of repurchase by Primary Lenders. It also reduces the concentration risk to Primary Lenders, which adversely impacted income in prior financial years.

(EC\$ in millions, except as noted) For Three (3) Months -30 <sup>th</sup> June			Change from 2016 %
	2017	2016	
Mortgage Loans portfolio	0.62	0.99	-37.12%
Interest on bonds	1.10	0.72	53.33%
Term deposits	0.85	0.96	-11.54%
Treasury bills	0.11	0.10	8.66%
Other Interest	0.01	0.01	-4.08%
	<b>2.69</b>	<b>2.78</b>	<b>-3.18%</b>



### 2.3.3 Interest Expense (Finance Cost)

2.3.3.1 For the 2018 financial year to date, the ECHMB has issued two (2) corporate paper instruments via competitive uniform bid auctions via the Eastern Caribbean Securities Exchange (ECSE). The instruments have a cumulative face value of \$60.00M and the settlement rates are 1.85% and 2.00%, respectively. As a result, the weighted average cost of debt (WACD) declined from 2.97% at 30<sup>th</sup> June 2016 to 1.9957% as at 30<sup>th</sup> June 2017. As a result of the lower WACD, Finance Cost declined by \$0.53M (33.64%).

(EC\$ in millions, except as noted)			Change from
For Three (3) Months -30 <sup>th</sup> June			2016
	2017	2016	%
Bonds in issue	1.04	1.57	-33.64%
	<b>1.04</b>	<b>1.57</b>	<b>-33.64%</b>

### 2.3.4 Net Interest Income

2.3.4.1 The Net Interest Income of \$1.65M for three (3) months ended 30<sup>th</sup> June 2017 compared favourably to the corresponding period (\$1.21M). The improvement in Net Interest Income is principally due 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 Three (3) Months – 30 <sup>th</sup> June			2016
	2017	2016	%
Interest Income	2.69	2.78	-3.18%
Interest Expense	-1.04	-1.57	-33.64%
Net Interest Income	<b>1.65</b>	<b>1.21</b>	<b>36.50%</b>
Net Interest Income Percentage	<b>61.20%</b>	<b>43.39%</b>	<b>17.81%</b>

### 2.3.5 Non-Interest Expenses

2.3.5.1 Non-interest Expenses of \$0.68M was 2.85% lower than the 2016 outturn of \$0.66M. The savings were mainly achieved in ‘Excellence in Risk Management’ and ‘Excellence in Organization & Staffing’.

(EC\$ in millions, except as noted) For Three (3) Months -30 <sup>th</sup> June			Change from 2016 %
	<b>2017</b>	<b>2016</b>	
Mortgage Administration fees	0.06	0.05	32.60%
Excellent Customer Service	0.07	0.05	51.71%
Innovation Expenses	0.10	0.09	1.41%
Excellence in Risk Management	0.12	0.14	-11.12%
Excellence in Organization & Staffing	0.33	0.33	-0.02%
	<b>0.68</b>	<b>0.66</b>	<b>-2.85%</b>

### 2.3.6 Projected Outcome 2017/18

- 2.3.6.1 The current results show that the ECHMB has surpassed its prior year Net Profit position for the three (3) months ended 30<sup>th</sup> June 2016.
- 2.3.6.2 It is anticipated that once the Bank remains on its current trajectory, it will surpass the 2017 year end profit levels.