

**Schedule 1**  
**FORM ECSRC – K**  
**ANNUAL REPORT**  
**PURSUANT TO SECTION 98(1) OF THE SECURITIES ACT, 2001**

For the financial year ended 31st March 2019

Issuer Registration number  
HMB160990GR

EASTERN CARIBBEAN HOME MORTGAGE BANK (ECHMB)

(Exact name of reporting issuer as specified in its charter)

GRENADA

(Territory of incorporation)

ECCB COMPLEX, BIRD ROCK, BASSETERRE, ST. KITTS

(Address of principal office)

**REPORTING ISSUER'S:**

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

Fax number: 1-869-466-7518

Email address: info@ECHMB.com

(Provide information stipulated in paragraphs 1 to 14 hereunder)

Indicate whether the reporting issuer has filed all reports required to be filed by section 98 of the Securities Act, 2001 during the preceding 12 months

Yes

No

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 |

**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:

RANDY LEWIS

Signature

Date

19 August 2019

Name of Director:

TIMOTHY ANTOINE

Signature

Date

July 25, 2019

Name of Chief Financial Officer:

HEIDI HYPOLITE

Signature

Date

25 July 2019

**INFORMATION TO BE INCLUDED IN FORM ECSRC-K**

**1. Business.**

Provide a description of the developments in the main line of business including accomplishments and future plans. The discussion of the development of the reporting issuer's business need only include developments since the beginning of the financial year for which this report is filed.

There are no new developments in the main line of business to report at 1 April 2018.

**2. Properties.**

Provide a list of properties owned by the reporting entity, detailing the productive capacity and future prospects of the facilities. Identify properties acquired or disposed of since the beginning of the financial year for which this report is filed.

The ECHMB does not own any properties or facilities nor are there any plans to acquire properties.

**3. Legal Proceedings.**

Furnish information on any proceedings that were commenced or were terminated during the current financial year. Information should include date of commencement or termination of proceedings. Also include a description of the disposition thereof with respect to the reporting issuer and its subsidiaries.

There were no legal proceedings commenced or terminated during the 2019 Financial Year.

**4. 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.

The Bank's 23rd Annual General Meeting (AGM) was held on 21 September 2018 at the Verandah Resort and Spa, Long Bay, Antigua and Barbuda.

- (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.

The following Directors were appointed for the ensuing two years in accordance with Article 15 (1) of the ECHMB Agreement at the ECHMB's 23rd AGM held in Antigua on 21 September 2018:

Class A - Timothy N. J. Antoine

Class B - Missi Henderson

Class C - Peter Blanchard

Class C - Sharmaine Francois

Class D - Aylmer A. Irish

The following Director retired at the ECHMB's 23rd AGM held in Antigua on 21 September 2018:

Class D - Mr. Dexter Ducreay.

- (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.

The following matters were voted upon and approved:

1) Shareholders declared a cash dividend of \$7.50 for each unit of share for the financial year ended 31st March 2018 to be paid to shareholders on record date of 31st March 2018.

2) The Audit Firm, Grant Thornton, was re-appointed as the Bank's External Auditors for the year ending 31st March 2019.

All matters are approved by majority vote.

Then number of votes cast for or against and abstentions are unavailable.

- (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.

**5. Market for Reporting issuer's Common Equity and Related Stockholder Matters.**

Furnish information regarding all equity securities of the reporting issuer sold by the reporting issuer during the period covered by the report.

There were no sales of equity securities by the ECHMB during the reporting period (1st April 2018 to 31st March 2019).

**6. Financial Statements and Selected Financial Data.**

Attach Audited Financial Statements, which comprise the following:

**For the most recent financial year**

- (i) Auditor's report; and
- (ii) Statement of Financial Position;

**For the most recent financial year and for each of the two financial years preceding the date of the most recent audited Statement of Financial Position being filed**

- (iii) Statement of Profit or Loss and other Comprehensive Income;
- (iv) Statement of Cash Flows;
- (v) Statement of Changes in Equity; and
- (vi) Notes to the Financial Statements.

**7. 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.

Please see the attached.

Please also see Note 5, Financial Risk Management, in the Audited Financial Statements for the year ended 31 March 2019.

## **Financial risk management**

The Bank's aim is to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Bank's financial performance. The Bank defines risk as the possibility of losses of profits, which may be caused by internal factors. Risk is inherent in the Bank's activities, but it is managed through a process of ongoing identification, measurement and monitoring. This process of risk management is critical to the Bank's continuing profitability. The Bank is exposed to credit risk, market risk (including interest rate risk and foreign currency risk), liquidity risk and operational risk.

### **a) Enterprise risk management approach**

The Bank continuously enhances its Enterprise Risk Management (ERM) approach towards the effective management of enterprise-wide risks. Key components of the ERM framework include:

- structure risk governance model incorporating Board and Senior Management oversight;
- sound debt-to-equity ratio and liquidity management process;
- comprehensive assessment of material risks;
- regular controls, reviews, monitoring and reporting; and
- independent reviews by internal/external auditors, credit rating agency and the relevant supervisory authorities domiciled in the Eastern Caribbean Currency Union (ECCU).

The Board of Directors is ultimately responsible for identifying and controlling risks.

The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and principles. The Board of Directors is responsible for overseeing the Bank's risk management, including overseeing the management of credit risk, market risk, liquidity risk and operational risk.

The Board carries out its risk management oversight function by:

- reviewing and assessing the quality, integrity and effectiveness of the risk management systems;
- overseeing the development of policies and procedures designed to define, measure, identify and report on credit, market, liquidity and operational risk;
- establishing and communicating risk management controls throughout the Bank;
- ensuring that the Bank has implemented an effective ongoing process to identify risk, to measure its potential impact against a broad set of assumptions and then to activate what is necessary to pro-actively manage these risks, and to decide the Bank's appetite or tolerance for risks;
- reviewing management reports detailing the adequacy and overall effectiveness of risk management, its implementation by management reports on internal control and any recommendations and confirm that appropriate action has been taken;
- providing an independent and objective oversight and view of the information presented by management on corporate accountability and specifically associated risk; and
- remaining informed on risk exposures and risk management activities through the submission of periodic reports from management.

### **b) Risk measurement and reporting systems**

Monitoring and controlling risks is primarily performed based on limits established by the Bank and reported in the Bank's policy statement. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept.



Information compiled is examined in order to analyse, control and identify early risks by undertaking an annual review of the portfolios held by the Bank.

**c) Excessive risk concentration**

The Bank reviews its mortgage concentration to minimise exposure in excess of twenty percent (20%) of total assets in any one (1) primary lender, financial institution, or group. The Bank manages its mortgage portfolio facilities by focusing on maintaining a diversified portfolio and concentration percentages. Identified concentrations of credit risks are controlled and managed accordingly.

Likewise, the Bank reviews its investment concentration to minimise exposure in excess of fifteen percent (15%) of shareholders' capital in any one (1) financial institution or group.

**d) Credit risk**

The Bank takes on exposure to credit risk, which is the risk of financial loss to the Bank if its customers or counterparties to a financial instrument fail to meet their contractual obligations, and arises principally from the Bank's normal trading activity in mortgages. The amount of the Bank's exposure to credit risk is indicated by the carrying amount of its financial assets. Financial instruments which potentially expose the Bank to credit risk consist primarily of mortgage loans facilities and investment securities.

Credit risk is the most important risk for the Bank's business. Management, therefore carefully manages its exposure to credit risk. Credit exposures arise primarily in lending activities that lead to mortgage loan facilities investment securities that bring debt instruments and other instruments into the Bank's asset portfolio and other financial assets as included in 'receivables and prepayments' as presented in the statement of financial position. There are no off-balance sheet financial instruments and therefore no credit risk resulting from such assets.

**e) Market risk**

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to the obligor's/issuer's credit standing) will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising returns.

The Bank manages interest rate risk by monitoring interest rates daily, and ensuring that the maturity profile of its financial assets is matched by that of its financial liabilities to the extent practicable, given the nature of the business. The directors and management believe that the Bank has limited exposure for foreign currency risk as its foreign current assets and liabilities are denominated in United States Dollars, which is fixed to Eastern Caribbean Dollars at the rate of \$2.70.

**i) Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. It arises when there is a mismatch between interest-earning assets and

interest-bearing liabilities which are subject to interest rate adjustment within a specified period. It can be reflected as a loss of future net interest income and/or a loss of current market values.

**ii) Foreign currency risk**

Foreign currency risk is the risk that the market value of, or the cash flow from, financial instruments will vary because of exchange rate fluctuations. The Bank incurs currency risk on transactions that are denominated in a currency other than the functional currency, the EC Dollar. The main currency giving rise to this risk is the US Dollar. However, the EC Dollar is fixed to the US Dollar at the rate of 2.70.

The following table summarises the Bank's exposure to foreign currency risk as of March 31, 2019 and 2018. Included in the table are the Bank's financial instruments at carrying amounts, categorised by currency.

**f) Liquidity risk**

Liquidity risk is the risk that the Bank will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value. Prudent liquidity risk management requires the Bank to maintain sufficient cash and marketable securities, monitor future cash flows and liquidity on a daily basis and have funding available through an adequate amount of committed facilities.

Due to the dynamic nature of the underlying businesses, the management of the Bank ensures that sufficient funds are held in short-term marketable instruments to meet its liabilities and disbursement commitments when due, without incurring unacceptable losses or risk damage to the Bank's reputation.

The daily liquidity position is monitored by reports covering the position of the Bank. The key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets to cash available for disbursements. For this purpose, net liquid assets are considered as including cash and cash equivalents and short-term marketable securities, less loan and bond commitments to borrowers within the coming year.

**g) Operational risk**

The growing sophistication of the banking industry has made the Bank's operational risk profile more complex. Operational risk is inherent to all business activities and is the potential for financial or reputational loss arising from inadequate or failed internal controls, operational processes or the systems that support them. It includes errors, omissions, disasters and deliberate acts such as fraud. The Bank recognizes that such risks can never be entirely eliminated and manages the risk through a combination of systems and procedures to monitor and document transactions.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and to avoid control procedures

that restrict initiative and creativity. Independent checks on operational risk issues are also undertaken by the internal audit function.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the Board of Directors. This responsibility is supported by the development of overall Bank standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risk faced and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance when this is effective.

#### **h) Capital management**

The Bank's objectives when managing capital are to safeguard the Bank's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Bank monitors capital on the basis of the gearing ratio. This ratio is calculated as total debt divided by total capital. Total debt is calculated as total bonds in issue (as shown in the statement of financial position as "Borrowings"). Total capital is calculated as 'equity' as shown in the statement of financial position.

There were no changes to the Bank's approach to capital management during the year.

#### **i) Fair value estimation**

Fair value amounts represent estimates of the consideration that would currently be agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market value, if one exists.

Mortgage loans facilities represent residential mortgages loans portfolio and other credit facilities issued for further provision of mortgage loans by the third-party institution. Outstanding balances are carried based on its principal and interest. The fair values of mortgages are equal to their carrying values.

In the financial year ended March 31, 2019, due to the application of IFRS 9, Management has assessed the fair value of the equity instrument measured at FVOCI using level 3 inputs. As at March 31, 2019, however, the Bank's AFS investment was not actively traded in an organised financial market, and fair value was determined at cost under IAS 39.

The fair values of the floating rate debt securities in issue is based on quoted market prices where available and where not available is based on a current yield curve appropriate for the remaining term to maturity.

Accordingly estimates contained herein are not necessarily indicative of the amounts that the Bank could realise in a current market exchange. The use of different assumptions and/or estimation methodologies may have a material effect on the estimated fair values. Management is not aware of any factors that would significantly affect the estimated fair value amounts.

Financial instruments where carrying value is equal to fair value due to their short-term maturity include cash and cash equivalents, receivables and accrued expenses and other liabilities.

**8. 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.

Not applicable.

- (b) Where the use of proceeds of a security issue is different from that which is stated in the registration statement, provide the following:

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

Not applicable.

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

Not applicable.

- Name and address of underwriter(s)

Not applicable.

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

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

Not applicable.

- Payments to associated persons and the purpose for such payments

Not applicable.

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

There are no working capital restrictions or other limitations upon the payment of dividends.

**9. 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.

There were no defaults upon Senior Securities.

- (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 arrears with respect to the payment of dividends or any material delinquency.

**10. 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 financial year of the filing. Discussions of liquidity and capital resources may be combined whenever the two topics are interrelated.

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*

Please refer to "Management Discussion and Analysis" insert.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Investment performance and Outlook

The financial market's exuberance was marred by extreme volatility during our financial year 2019. During the period October 1st, 2018 to March 31st, 2019, the stock and high yield bond markets experienced fierce swings. The market suffered a turbulent fourth quarter, the worse since 2008, as reflected by the 13.97% decline in the US' S&P 500 Index. This was followed by the best first quarter gain of 13.07% since 1998. The confluence of sentiments stemmed from the Federal Reserve and other central banks' action or inaction, waning global growth and trade tensions.

The ten-year treasury yield, our benchmark for the performance of medium-term bonds, struggled to find direction amidst heightened uncertainty. The Federal Reserve raised rates four times in the year 2018, citing a strong US economy, which propelled 10 year treasury yields to a high of 3.19% in November 2018.

As quickly as yields climbed... they fell, as the Federal Reserve signaled a halt in interest rate hikes in the first quarter of 2019 against the backdrop of slowing global economic growth.

Within the Caribbean, the Barbados default upset capital markets. Local currency investors were coerced into the acceptance of a debt exchange which reflected lower coupons and longer maturities. On the other hand, Jamaica's capital market continued to be the beacon of the Caribbean. The Jamaican stock market was the best performer globally for the year 2018, surging almost 300.0% over the past five years, 7 times the U.S.' S&P 500 Index's advance. The macroeconomic fundamentals of the ECCU remained positive with growth of 2.8% in the year 2018, marking its seventh consecutive year of positive economic outturn.

### Outlook

The International Monetary Fund cut its outlook for global growth to the lowest since the financial crisis amid a bleaker outlook in most major advanced economies and signs that higher tariffs will weigh on trade. The IMF's forecasted growth rate of 3.3% for the year 2019 was more optimistic than the World Bank's forecast of 2.9%. The World Bank also cut its growth rate citing rising downside risks to the global outlook, strained by structural weaknesses in the Europe, China and Japan economies. Will the U.S. remain the symbol of hope as the global economy struggles?

*"Irrational exuberance is a state of mania!"* Coined by former Federal Reserve chairman, Alan Greenspan, the phrase suggests that investors are so confident that the price of an asset will keep going up, that they lose sight of the underlying value. While some market pundits have been predicting the end of the stock and bond bull markets, others are assured that the new era of low interest rates coupled with low inflation will continue to provide a healthy environment for financial markets to thrive. Investors' herd mentality will persist once the Central Banks are on the right side of the market.

We anticipate continued volatility as market participants remain nervous on issues like the trade dispute and global growth. Investors may flock to short term instruments as they adopt a wait and see approach. Amidst the uncertainty, we continue to seek out fixed income instruments issued by fundamentally sound companies. Our diversification mandate continues into FY2020.



## ECHMB's Financial Performance

### Top achievements in FY 2019



Net Profit for the year

↑  
25.83%

7.23% Growth in Interest Income combined with a \$0.92m writeback in provision for impairment of assets.



Assets under Management

↑  
1.49%

Financed by a 3.13% increase in borrowings and \$5.31m generated in net profits; however, tempered by a \$5.48m impairment of assets on 1<sup>st</sup> April 2018.



Investment Portfolio

↑  
5.66%

Prudent acquisitions of investment grade instruments in jurisdictions where the Bank has low concentration risk.



Borrowings

↑  
3.13%

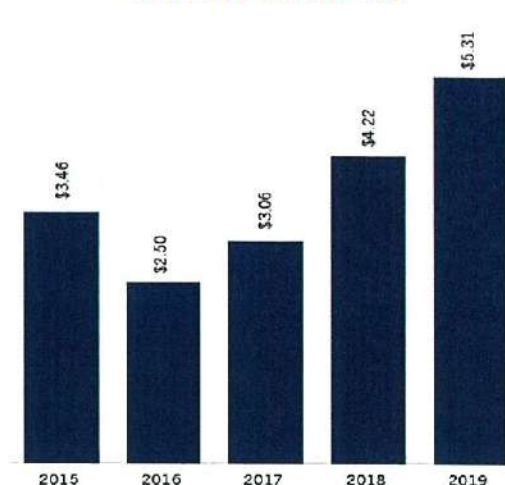
Introduction of repurchase agreements.

**ECHMB reported a 25.83% improvement in profitability notwithstanding the 16.92% increase in the costs of funding the Bank's operations.**

#### Analysis of Income Statement of FY 2019

|                            | FY 2019 | FY 2018 | YOY     |
|----------------------------|---------|---------|---------|
| Summarized profit and loss |         |         |         |
| Interest income            | 12.31   | 11.48   | 7.23%   |
| Interest expense           | (4.63)  | (3.96)  | 16.92%  |
| Net interest income        | 7.68    | 7.52    | 2.13%   |
| Other income               | 0.95    | 0.23    | 313.04% |
| Operating income           | 8.63    | 7.75    | 11.35%  |
| Non-interest expenses      | (3.32)  | (3.53)  | -5.95%  |
| Net profit for the year    | 5.31    | 4.22    | 25.83%  |
| Earnings per share         | 19.76   | 15.69   | 25.94%  |
| Dividends                  | \$7.50  | \$7.50  |         |

#### Net Profit for the Year



Interest Income increased by 7.23% from \$11.48m in FY 2018 to \$12.31m in FY 2019. The growth was attributed to the \$0.98m (11.09%) increase in income from investments; however, tempered by the \$0.15m (5.68%) decline in income from the Mortgage Loan Facilities. Interest Expense increased by \$0.67m (16.92%) from the \$3.96m reported in FY 2018 to \$4.63m in FY 2019 and was attributable to the following:

- (i) In FY 2019, the Bank introduced its Repurchase Agreements Programme and recorded subscriptions of \$6.0m; and
- (ii) Corporate Papers in issue were rolled-over at higher coupon rates.

Net Interest Income increased by \$0.16m (2.13%) from the \$7.52m reported in FY 2018 to \$7.68m in FY 2019; however, due to the higher growth rate in Interest Expense versus Interest Income, our Net Interest Income Percentage declined from 65.48% in FY 2018 to 62.39% in FY 2019.

The Bank implemented IFRS 9 on 1<sup>st</sup> April 2018 and recorded impairments totaling \$5.48m against Retained Earnings. As at 31<sup>st</sup> March 2019, the Bank was required to write back a portion of the impairment of financial assets totaling \$0.92m to the Statement of Comprehensive Income.

Due to our excellent control over Non-interest Expenses, we reported a decline of \$0.21m (5.95%) from \$3.53m in FY 2018 to \$3.32m in FY 2019. The \$1.09m (25.83%) increase in Net Profit for the year accords with the Bank's strategic thrust of generating profitable and sustainable growth.

Assets under Management increased by \$3.9m (1.49%) from \$261.90m in FY 2018 to \$265.80m in FY 2019. The growth was attributed to the \$6.25m (3.13%) increase in borrowings plus the \$5.31m generated in Net Profit for the Year; however, tempered by net impairment totaling \$4.56m and the \$2.02m paid in dividends.

In FY 2019, the Bank liquidated investments totaling \$20.27m. The proceeds from the liquidated investments, increased borrowings totaling \$6.25m and the \$5.26m receipts from Accounts Receivable were reinvested in the acquisition of investments totaling \$33.29m.

Primary Lenders repurchased pools of mortgages totaling \$7.42m in FY 2019, down from the \$10.32m

repurchased in FY 2018; in addition, principal payments on the mortgage portfolio totaled \$2.55m in FY 2019. The cash inflows from the Mortgage Loan Facilities were reinvested in the acquisitions of mortgages totaling \$8.40m. It is noteworthy to add that FY 2019 marked the first impairment on our Mortgage Loans portfolio in the amount \$3.79m. As a result, the Bank recorded a \$4.26m (9.94%) decline in its Mortgage Loan Facilities from \$42.85m in FY 2018 to \$38.59m in FY 2019. Due to increases in borrowing and diminution in Shareholders' Equity resulting from the implementation of IFRS 9, the Bank's Debt-to-Equity Ratio increased from 3.27:1 in FY 2018 to 3.48:1 in FY 2019. The Bank has imposed a ceiling Debt-to-Equity Ratio of 8.0:1.

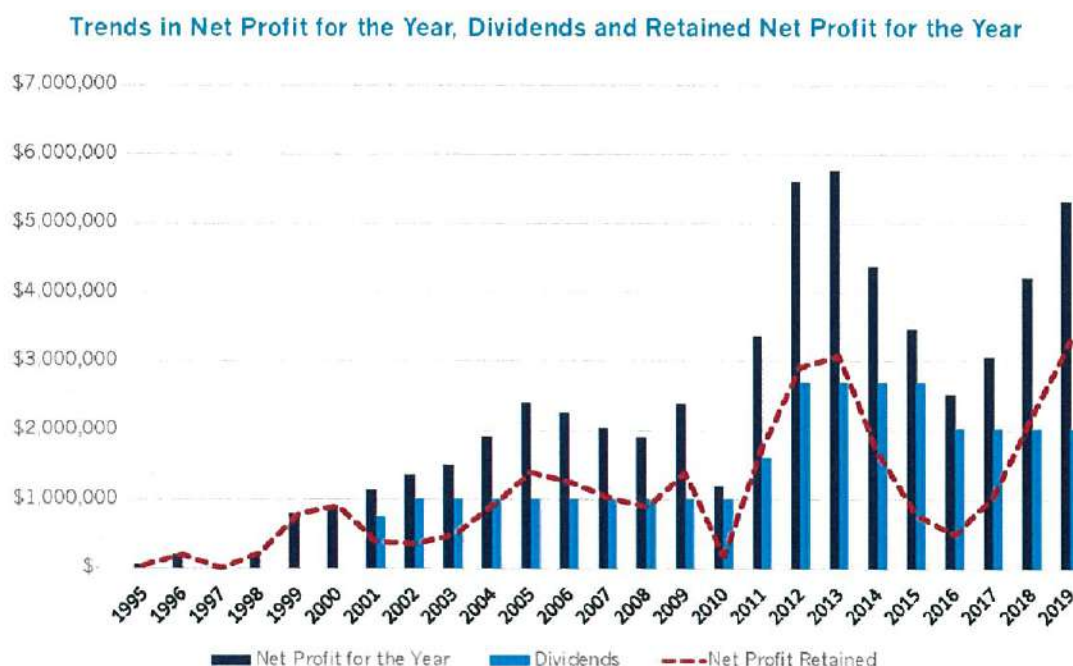
### Outlook FY 2020

The Bank expects the \$15.0m Repurchase Agreement Programme to be fully subscribed by the first quarter of FY 2020. The additional cash injection is expected to be placed in Investment Securities and the acquisition of Mortgage Backed Securities.

We anticipate that the Bank will continue to record strong growth in Interest Income; however, we also expect the declining trend in Income from Mortgage Loan Facilities to persist into FY 2020. In relation to our costs of funding, we anticipate that the increased demand for the Bank's debt instruments should mitigate the rising interest cost. Nonetheless, the Net Interest Income Percentage is projected to decline marginally from the 62.39% reported in FY 2019.

Non-Interest Expenses are expected to decline marginally when compared to the \$3.32m reported in FY 2019.

### Investor Information



Notwithstanding the increase in Interest Expense, the Bank's Interest Cover Ratio improved from 2.06 times in FY 2018 to 2.14 times in FY 2019. Based on the higher reported Net Profit for the Year, Earnings per Share increased from \$15.69 in FY 2018 to 19.76 in FY 2019.

The Bank implemented IFRS 9 on the 1st April 2018 and recorded a \$5.48m diminution in Retained Earnings. In addition, the Bank maintained its dividend policy of \$7.50 per share in FY 2019 resulting in total distributable dividends of \$2.02m.

Cumulatively, Shareholders' Equity declined by \$7.5m which was partly mitigated by Net Profit for the Year of \$5.31m. The net effect was a decline in Book Value per Share from \$228.31 in FY 2018 to \$220.18m in FY 2019.

## **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*

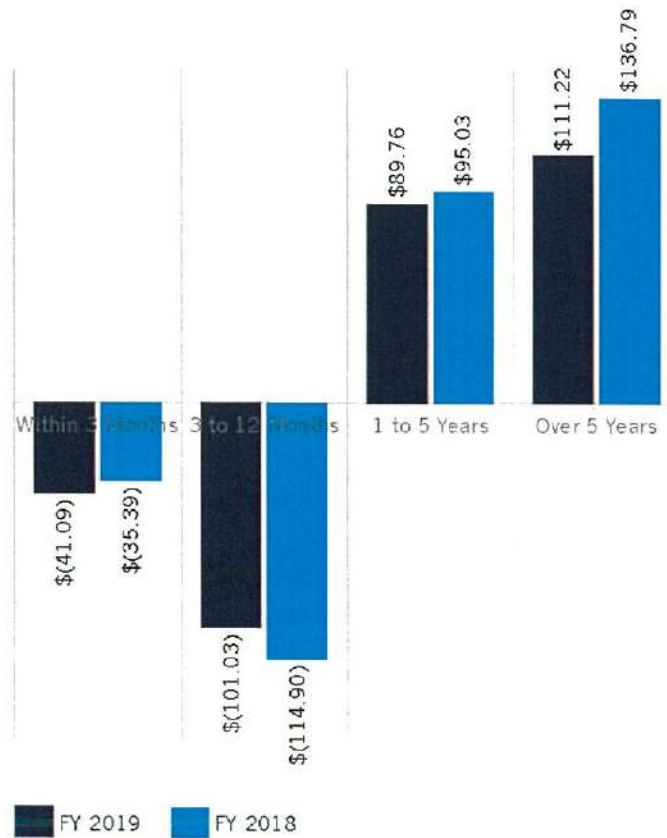
- i) Please see the attached document "Liquidity Risk Management".
- ii) Please see the attached document "Liquidity Risk Management".
- iii) In addition to the aforementioned internal liquidity sources, the Bank also maintains a Line of Credit with a reputable international financial services firm for 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 FY 2019, the Caribbean Information and Credit Rating Services (CariCRIS) reaffirmed the ratings assigned to the USD30.00m debt issue of ECHMB of CariBBB+ on the regional rating scale (Foreign and Local Currency Ratings). These ratings indicate that the level of creditworthiness of this obligation, adjudged in relation to other obligations in the Caribbean, is adequate. CariCRIS has also maintained a stable outlook on our ratings.
- vii) Note above.
- viii) As at reporting date, there are no material commitments for capital expenditure.
- ix) During the 2019 financial year, the Bank increased its capital base through the issuance of new tranches of Corporate Paper Instruments and Repurchase Agreements. The proceeds of which were used to expand the Bank's operations.

## Liquidity Risk Management

Liquidity risk represents the possibility that the Bank may not be able to gather sufficient cash resources when required and under reasonable conditions, to meet its financial obligations. Financial obligations include obligations to bondholders and suppliers. The Bank’s overall liquidity risk is managed by the Chief Financial Officer with oversight from the Board of Directors, in accordance with the Bank’s Investment Policy Statement (the “Policy”). The main purpose of this Policy is to ensure that the Bank has sufficient cash resources to meet its current and future financial obligations, under both normal and stressed conditions.

The Bank manages its liquidity risk through maintaining a buffer at the Eastern Caribbean Central Bank, a credit line facility with Raymond James and holding international investments that can be easily traded. A cashflow forecast is prepared annually and reviewed monthly to keep abreast of the anticipated inflows and outflows. The Bank has also established a policy in the event of a liquidity crisis.

### Liquidity Risk



The negative liquidity gaps arise due to the Bank's strategy of funding its operations from corporate papers with a maximum tenure of 365 days and the placement of investment over tenures in excess of three (3) years in order to secure higher interest rates. The ECHMB mitigates the negative liquidity gaps by arranging a Revolving Credit Line in the amount of \$32.0m to meet large cash outlays (this also addresses requirement vii).



## **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.

There are 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) Please see earlier insertion for "Management Discussion and Analysis" which provides an overview of results of operations and addresses requirement i).

ii) Please see earlier insertion for "Management Discussion and Analysis" which provides an overview of results of operations and addresses requirements ii).

iii) Please see earlier insertion for "Management Discussion and Analysis" which provides an overview of results of operations and addresses requirements iii).

iv) 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.

**11. Changes in and Disagreements with Auditors on Accounting and Financial Disclosure.**

Describe any changes in auditors or disagreements with auditors, if any, on financial disclosure.

There have been no changes in auditors or disagreements with Auditors on financial disclosure.

**12. Directors and Executive Officers of the Reporting Issuer. (Complete Biographical Data Form attached in Appendix 1 and Appendix 1(a) for each director and executive officer)**

Furnish biographical information on directors and executive officers indicating the nature of their expertise.

**13. Other Information.**

The reporting issuer may, at its option, report under this item any information, not previously reported in a Form ECSRC – MC report provided that the material change occurred within seven days of the due date of the Form ECSRC – K 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.

There are no additional matters to report.

**14. List of Exhibits**

List all exhibits, financial statements, and all other documents filed with this report.

Disclosure on Risk Factors;  
Management's Discussion and Analysis;  
Liquidity Risk Management;  
Audited Financial Statements for the year ended 31 March 2019;  
Audited Financial Statements for the year ended 31 March 2018;  
Audited Financial Statements for the year ended 31 March 2017;  
Biographical Data Form for Directors; and  
Biographical Data Form for Executive Officers and Other Key Personnel.

**BIOGRAPHICAL DATA FORMS**  
**DIRECTORS OF THE COMPANY**

Name: \_\_\_\_\_

Position: \_\_\_\_\_

Age: \_\_\_\_\_

Mailing Address: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Telephone No.: 869-465-2537

List jobs held during past five years (include names of employers and dates of employment).

Give brief description of **current** responsibilities

Education (degrees or other academic qualifications, schools attended, and dates):

*Use additional sheets if necessary.*

**BIOGRAPHICAL DATA FORMS**

**DIRECTORS OF THE COMPANY**

Name: Missi Pearl Henderson Position: Chief Financial Officer

Age: 48

Mailing Address: P. O. Box 772,  
Cnr. Hanover and Hillshorough Street, Roseau  
Dominica

Telephone No.: 767-255-8324 (work) 767-275-2674 (mobile)

List jobs held during past five years (include names of employers and dates of employment).

Chief Financial Officer, Dominica Social Security (DSS): 2007 - present

Give brief description of **current** responsibilities

Current responsibilities include:  
- Directing the accounting, financial and investing activities; and  
- Reporting of the DSS Fund, to include strategic planning, budgeting and risk management.

Education (degrees or other academic qualifications, schools attended, and dates):

**Masters in Finance and Accounting, University of Liverpool: 2017**  
**BA Accounting, Ashford University: 2014**

*Use additional sheets if necessary.*

**BIOGRAPHICAL DATA FORMS**

**DIRECTORS OF THE COMPANY**

Name: Peter L. Blanchard Position: Chairman / Owner (1984 - present)

Age: 66

Mailing Address: C/O General Insurance Company Limited  
Upper Redcliffe Street, P.O. Box 340  
St. John's, Antigua

Telephone No.: 268-462-2345/6 or 268-562-0092

List jobs held during past five years (include names of employers and dates of employment).

Chairman / Owner, General Insurance Company Limited: 1984 - present

Give brief description of **current** responsibilities

Current responsibilities include:

- Presides over and sets dates for Board Meetings;
- Establishes various Board Sub-Committees while selecting committee members;
- Provides training for Directors, as necessary;
- Evaluates and oversees the direction of the business by providing advice to the Operations Manager; and
- Serves as a liaison between the Operations Manager and the Board for the day-to-day operations of the business.

Education (degrees or other academic qualifications, schools attended, and dates):

*Accredited Director, Institute of Chartered Secretaries Association (ICSA): 2007*  
*University of the West Indies (Open Campus) Antigua\**  
*Insurance Institute of Trinidad\**

*\*Various courses. Details not available.*

Use additional sheets if necessary.



**BIOGRAPHICAL DATA FORMS**

**DIRECTORS OF THE COMPANY**

Name: Sharmaine Francois Position: Assistant General Manager

Age: 44  
Mailing Address: C/O Bank of Montserrat  
P.O. Box 10  
Brades, Montserrat.

Telephone No.: 664-491-3843 (work)      664-495-4030 (mobile)

List jobs held during past five years (include names of employers and dates of employment).

Assistant General Manager, Bank of Montserrat: 2014 - present  
Corporate Diversification Manager / Consultant, St. Lucia Electricity Company (LUCELEC): 2013 - 2014

Give brief description of **current** responsibilities

Please see the attached document.

Education (degrees or other academic qualifications, schools attended, and dates):

**Accredited Director, Institute of Chartered Secretaries Association (ICSA): 2011**  
**Post Graduate Certificate Business Administration, University of Manchester, United Kingdom: 2008**  
**B.Sc Accounting & Statistics, UWI Jamaica: 1999**

*Use additional sheets if necessary.*

Give brief description of **current** responsibilities

Current responsibilities include:

- To lead, direct, plan and control the Bank's functions and operations in order to maximise the Bank's performance within a conservative risk profile. Also to assist in the development of the Bank's Enterprise-wide Risk Management (ERM) Policies and ERM Framework and tools, while also assisting with the development and communication of risk management policies, risk limits and risk appetite in relation to effective risk management practices for credit, market risk, operation risk, liquidity risk and other banking risks.
- To manage and control the Bank's financial resources while ensuring efficiency in the cost structure, which also includes reviewing / finalising the Bank's annual budget estimates.
- To manage the Bank's operations while ensuring that the operations are performed in accordance with established Bank Policies and procedures. Also, to formulate, develop and lead the implementation of the Bank's strategic plans in line with its vision, mission and strategic objectives.
- To prepare Board and Board Committee papers on a monthly basis and as required; and attend Board and Committee meetings as required.
- To ensure the Bank's compliance with the Banking Act, ECCB Guidelines, FATCA, AML Regulations and Code and other applicable laws.
- Responsible for the Bank's strategic business development and ensuring service delivery is in line with its market segmentation strategies.
- Approve or reject loan applications, within individual lending authority, as delegated by the Credit Committee and Board.
- Responsible for the overall performance and productivity of the Bank's Human Resources.
- Responsible for the overall performance and strategic direction of the investment portfolio, which includes but not limited to asset allocation, investment risk, investment limits, liquidity management and ensuring the investment policy is kept current through annual reviews of the IPS with onward report to the Investment Committee and the Board.

**BIOGRAPHICAL DATA FORMS**

**DIRECTORS OF THE COMPANY**

Name: Aylmer Irish Position: Chief Executive Officer

Age: 57

Mailing Address: C/O National Cooperative Credit Union Ltd  
31 - 37 Independence Street, P.O. Box 175  
Roseau, Commonwealth of Dominica

Telephone No.: 767-255-2148 (work) 767-275-2549 (mobile)

List jobs held during past five years (include names of employers and dates of employment).

Chief Executive Officer, National Cooperative Credit Union Ltd: November 2010 - present  
General Manager, Roseau Cooperative Credit Union: April 2009 - November 2010  
Deputy General Manager, Roseau Cooperative Credit Union: May 1996 - March 2009  
Accountant, National Development Foundation of Dominica: August 1994 - May 1996

Give brief description of **current** responsibilities

Current responsibilities include:

- Responsible for the overall management of the National Cooperative Credit Union (NCCU) Ltd and, in particular, to give direction to Executive Management, Branch Managers/Administrators and Heads of Support Departments whose services are shared among all Branches, inclusive of:
  - (a) Coordination of activities between the seven (7) Branches of the NCCU Ltd;
  - (b) To assist the Board of Directors in determining the strategic direction of the NCCU Ltd and in performing its governance role;
  - (c) Efficient Management of the NCCU Ltd's Financial Assets;
  - (d) Oversight of the operations of centralized Departments providing support services to all Branches;
  - (e) Provision of leadership in the staffing function to ensure maintenance and retention of a highly motivated work force; and
  - (f) Maintenance of effective relationships with other institutions.

Education (degrees or other academic qualifications, schools attended, and dates):

**MBA, University of the West Indies, Cave Hill: 2000**  
**Certificate in Project Implementation and Management, Caribbean Development Bank: 1991**  
**BA (Hons) Accounting, University of the Virgin Islands St. Thomas: 1990**

*Use additional sheets if necessary.*

## BIOGRAPHICAL DATA FORMS

### EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: Mr. Randy Lewis Position: Chief Executive Officer

Age: 45

Mailing Address: C/O Eastern Caribbean Home Mortgage Bank  
P.O. Box 753, ECCB Complex, Bird Rock, Basseterre  
St. Kitts

Telephone No.: 869-466-7859

List jobs held during past five years (including names of employers and dates of employment).  
Give brief description of **current** responsibilities.

Chief Executive Officer, Eastern Caribbean Home Mortgage Bank: 2015 - present  
General Manager (Ag), Eastern Caribbean Home Mortgage Bank: 2012 - 2015

Current responsibilities include:

- Providing financial oversight to ensure the optimal utilisation and management of the Bank's fund in accordance with established policies and procedures.

Education (degrees or other academic qualifications, schools attended, and dates):

Diploma, SAID Leadership, Oxford SAID Business School: 2016  
Accredited Director, Institute of Chartered Secretaries and Administrations (ICSA): 2012  
Associate, The Institute of Chartered Accountants in England and Wales: 2011  
MBA, University of Derby: 2009  
Associate, Chartered Institute of Management Accountants: 2004  
Associate, Chartered Institute of Certified Accountants: 2000

Also a Director of the company  Yes  No

If retained on a part time basis, indicate amount of time to be spent dealing with company matters:

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*Use additional sheets if necessary.*

## BIOGRAPHICAL DATA FORMS

### EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: Ms. Heidi Hypolite Position: Chief Financial Officer

Age: 38

Mailing Address: C/O Eastern Caribbean Home Mortgage Bank  
P.O. Box 753, ECCB Complex, Bird Rock, Basseterre  
St. Kitts

Telephone No.: 869-466-7869

List jobs held during past five years (including names of employers and dates of employment).  
Give brief description of **current** responsibilities.

Chief Financial Officer, Eastern Caribbean Home Mortgage Bank: May 2019 - present  
Accounting Officer II, Eastern Caribbean Central Bank: June 2016 - April 2019  
Bank Examiner I, Eastern Caribbean Central Bank: November 2012 - May 2016

Current responsibilities include:

- Managing the accounting, finance and budgeting processes;
- Ensuring maintenance of appropriate financial management accounting systems and procedures for the Bank; and
- Ensuring financial reporting is completed in accordance with International Financial Reporting Standards.

Education (degrees or other academic qualifications, schools attended, and dates):

MBA Finance, University of Leicester: 2005-2006  
Associate, Association of Chartered Certified Accountants, Emile Woolfe Colleges: 2002

Also a Director of the company  Yes  No

If retained on a part time basis, indicate amount of time to be spent dealing with company matters:

*Use additional sheets if necessary.*

## BIOGRAPHICAL DATA FORMS

### EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: Ms. Ava Beckles Position: Chief Investment Officer

Age: 35

Mailing Address: C/O Eastern Caribbean Home Mortgage Bank  
P.O. Box 753, ECCB Complex, Bird Rock, Basseterre  
St. Kitts

Telephone No.: 869-466-7869

List jobs held during past five years (including names of employers and dates of employment).  
Give brief description of **current** responsibilities.

Chief Investment Officer, Eastern Caribbean Home Mortgage Bank: November 2016 - present  
Investment Analyst, RBC Investment Management (Caribbean) Ltd: December 2012 - October 2016

Current responsibilities include:

- Managing the Bank's Investment Function: analysing the corporate and sovereign financial and economic data to determine viable investments in line with the Bank's objectives.

Education (degrees or other academic qualifications, schools attended, and dates):

Chartered Financial Analyst, CFA Institute: 2015  
B.Sc Actuarial Science, UWI Mona, Jamaica: 2007

Also a Director of the company  Yes  No

If retained on a part time basis, indicate amount of time to be spent dealing with company matters:

*Use additional sheets if necessary.*

**BIOGRAPHICAL DATA FORMS**

**EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY**

Name: Ms. Sheena Regis Position: Investment Analyst

Age: 34

Mailing Address: C/O Eastern Caribbean Home Mortgage Bank  
P.O. Box 753, ECCB Complex, Bird Rock, Basseterre  
St. Kitts

Telephone No.: 869-466-7869

List jobs held during past five years (including names of employers and dates of employment).  
Give brief description of **current** responsibilities.

Investment Analyst, Eastern Caribbean Home Mortgage Bank: 2018 - present  
Senior Rating Analyst, Caribbean Information and Credit Rating Services (CariCRIS):

Current responsibilities include:

- Assist with the management of ECMHB investment portfolio and perform due diligence on the securities held.

Education (degrees or other academic qualifications, schools attended, and dates):

Association of Chartered Certified Accountants (ACCA): 2004-2008  
Chartered Financial Analysts (CFA): Ongoing  
Financial Risk Manager (FRM): Ongoing

Also a Director of the company  Yes  No

If retained on a part time basis, indicate amount of time to be spent dealing with company matters:

*Use additional sheets if necessary.*

**BIOGRAPHICAL DATA FORMS**

**EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY**

Name: Mr. Justin Skeete Position: Systems Officer

Age: 32

Mailing Address: C/O Eastern Caribbean Home Mortgage Bank  
P.O. Box 753, ECCB Complex, Bird Rock, Basseterre  
St. Kitts

Telephone No.: 869-466-7869

List jobs held during past five years (including names of employers and dates of employment).  
Give brief description of **current** responsibilities.

Systems Officer, Eastern Caribbean Home Mortgage Bank: January 2012 - present

Current responsibilities include:

- Maintain the Bank's IT Platform: compile, conceive, design and/or implement the operational application software and hardware infrastructure to achieve the Bank's goals.

Education (degrees or other academic qualifications, schools attended, and dates):

Microsoft Certified IT Professional (MCITP): 2007

Also a Director of the company  Yes  No

If retained on a part time basis, indicate amount of time to be spent dealing with company matters:

*Use additional sheets if necessary.*