

**Schedule 2
FORM ECSRC – OR**

(Select One)

QUARTERLY FINANCIAL REPORT for the period ended 31st December 2019
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)

ECCB COMPLEX, BIRD ROCK, BASSETERRE, ST. KITTS

(Address of principal executive Offices)

(Reporting issuer's:

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

Fax number: 1-869-466-7518

Email address: info@ECHMB.com

N/A

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

(Provide information stipulated in paragraphs 1 to 8 hereunder)

Indicate the number of outstanding shares of each of the reporting issuer's classes of common stock, as of the date of completion of this report. Total 268,749

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

SIGNATURES

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

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

Name of Chief Executive Officer:

Mr. Randy Lewis

SIGNED AND CERTIFIED

Date

17 February 2020

Name of Director:

Mr. Timothy Antoine

SIGNED AND CERTIFIED

Date

Feb. 17, 2020

Name of Chief Financial Officer:

Ms. Heidi Hypolite

SIGNED AND CERTIFIED

Signature

Date

17 February 2020



INFORMATION TO BE INCLUDED IN FORM ECSRC-OR

1. Financial Statements

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

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

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

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

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

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

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

The discussion should focus on aspects such as liquidity; capital resources; changes in financial condition; results of operations; material trends and uncertainties and measures



taken or to be taken to address unfavourable trends; key performance indicators; and non-financial indicators.

General Discussion and Analysis of Financial Condition

Please see appended "General Discussion and Analysis of Financial Condition".

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

Please see appended "General Discussion and Analysis of Financial Condition".

Off Balance Sheet Arrangements

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

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

As at 31st December 2019, there were no Off-Balance Sheet Arrangements.



Results of Operations

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

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

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

Overview of Results of Operations

Please see appended "General Discussion and Analysis of Financial Condition".

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 except for the following:

CLICO INTERNATIONAL LIFE INSURANCE LTD (UNDER JUDICIAL MANAGEMENT)
(CLAIMANT) AND ECHMB (DEFENDANT)

Claim # SLUHCM2019/0087, was filed in the High Court in Saint Lucia on 7th November 2019 and served on the Bank on the 21st November 2019.

The Claimant is seeking:

- (i) a declaration by the Court that, through the Judicial Manager, it is entitled to deal with and sell the shares in the Bank which it 'owns';
- (ii) The Sum of \$1,550,000.00 "due and owing" to the Claimant as dividends; and
- (iii) Costs.

5. Changes in Securities and Use of Proceeds.

- (a) Where the rights of the holders of any class of registered securities have been materially modified, give the title of the class of securities involved. State briefly the general effect of such modification upon the rights of holders of such securities.

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

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

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

Not applicable

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

Not applicable

- Name and address of underwriter(s)

Not applicable

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

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

Not applicable

- Payments to associated persons and the purpose for such payments

Not applicable

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

There were no 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 were 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.

The Bank's 24th Annual General Meeting (AGM) was held on 4 October 2019 at the Ocean Terrace Inn, St. Kitts.



- (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 meeting did not involve the election of Directors.

- (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 2019 to be paid to the shareholders on record date 31st March 2019.
- 2) The audit firm, Grant Thornton, was re-appointed as the Bank's External Auditors for the year ending 31st March 2020.

All matters were approved by majority vote.

Then numbers 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.

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.

The ECHMB is not aware of any material issue which may qualify to be reported.



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Eastern Caribbean Home Mortgage Bank

Unaudited Statement of Financial Position

As at 31st December 2019

(expressed in Eastern Caribbean dollars)

	Unaudited 31/12/2019	Unaudited 31/12/2018	Audited 31/03/2019
Assets	\$		
Cash and cash equivalents	8,806,699	5,943,229	10,681,344
Receivables and prepayments	619,580	1,597,935	545,422
Investment securities	268,029,927	216,486,893	215,844,581
Mortgage loans facilities	46,855,170	38,467,378	38,587,961
Motor vehicle and equipment	195,853	140,935	124,820
Intangible assets	11,459	21,281	18,826
Right of use assets	90,000	-	-
Total assets	324,608,688	262,657,651	265,802,954
Liabilities			
Borrowings	258,872,445	199,717,350	206,082,002
Accrued expenses and other liabilities	748,958	205,620	548,673
Right of use assets	90,000	-	-
Total liabilities	259,711,403	199,922,970	206,630,675
Equity			
Share capital	36,999,940	36,999,940	36,999,940
Portfolio risk reserve	4,132,550	9,612,452	4,132,550
Unrealised holding gain (loss)	134,190	-	-
Retained earnings	23,630,605	16,122,289	18,039,789
Total equity	64,897,285	62,734,681	59,172,279
Total liabilities and equity	324,608,688	262,657,651	265,802,954



Eastern Caribbean Home Mortgage Bank

Unaudited Statement of Comprehensive Income

For the Nine (9) Months Ended 31st December 2019

(expressed in Eastern Caribbean dollars)

	Unaudited Nine months ended 31/12/2019 \$	Unaudited Nine months ended 31/12/2018 \$	Audited Twelve months ended 31/03/2019
Interest income	9,808,451	9,217,823	12,313,216
Interest expense	(3,984,094)	(3,425,424)	(4,637,522)
Net interest income	5,824,357	5,792,399	7,675,694
Other income	4,506,965	24,528	949,693
Other gains (losses)	(206,715)	-	-
Operating income	10,124,607	5,816,927	8,625,387
Expenses			
General and administrative expenses	1,669,166	1,540,107	2,160,645
Other operating expenses	778,137	779,345	1,025,239
Mortgage administration fees	70,870	105,647	129,575
Total expenses	2,518,173	2,425,099	3,315,459
Net profit for the period	7,606,434	3,391,828	5,309,928
Other comprehensive income			
Changes in the fair value of investments at fair value through other comprehensive income	134,190	-	-
Other comprehensive income for the period	134,190	-	-
Total comprehensive income for the period	7,740,624	3,391,828	5,309,928

Eastern Caribbean Home Mortgage Bank

Unaudited Statement of Changes in Equity

As at 31st December 2019

(expressed in Eastern Caribbean dollars)

	Share Capital	Portfolio Risk Reserve	Financial Assets at FVOCI Reserve	Retained earnings	Total
	\$	\$	\$	\$	\$
Balance as at 31st March 2018	36,999,940	9,612,452	-	14,745,479	61,357,871
Impact of adopting IFRS #9	-	-	-	(5,479,902)	(5,479,902)
Restated opening balance under IFRS#9	36,999,940	9,612,452	-	9,265,577	55,877,969
Other comprehensive income					
Net profit for the year	-	-	-	5,309,928	5,309,928
transfer to reserves	-	(5,479,902)	-	5,479,902	-
Transactions with owners	-	-	-	(2,015,618)	(2,015,618)
Balance at 31st March 2019	36,999,940	4,132,550	-	18,039,789	59,172,279
Other comprehensive income					
Net profit for the period	-	-	-	7,606,434	7,606,434
Transfer to reserves	-	-	-	-	-
Fair Value movement of investments designated as FVTOCI	-	-	134,190	-	134,190
Transactions with owners	-	-	-	(2,015,618)	(2,015,618)
Balance at 31st December 2019	36,999,940	4,132,550	134,190	23,630,605	64,897,285

Eastern Caribbean Home Mortgage Bank

Unaudited Statement of Cash Flows

For the Nine (9) Months Ended 31st December 2019

(expressed in Eastern Caribbean dollars)

	Unaudited Nine months ended 31st December 2019	Unaudited Nine months ended 31st December 2018	Audited Twelve months ended 31st March 2019
Net profit for the period	7,606,434	3,392,428	5,309,928
Items not affecting cash:			
Interest expense	3,984,094	3,425,423	4,637,522
Amortization of corporate paper issue and transact costs	391,410	367,188	467,606
Amortisation of bond premium	474,463	418,020	566,950
Fair value Adjustment through the P&L	206,715	-	-
Depreciation of motor vehicles and equipment	46,284	52,018	68,132
Amortisation of intangible assets	7,367	7,367	9,822
Reduction in provision for impairment on financial assets	-	-	(924,565)
Interest Income	(9,808,451)	(9,217,823)	(12,313,216)
Operating loss before working capital changes	2,908,316	(1,555,379)	(2,177,821)
Changes in operating assets & liabilities			
(Increase)/decrease in accounts receivable & prepayments	(305,761)	3,980,641	3,802,641
Increase/(decrease) in other liabilities & payables	200,287	(510,057)	(167,004)
Bond transaction costs	2,802,842	1,915,205	1,457,816
Interest received	10,415,045	9,517,229	12,281,640
Interest paid	(3,865,659)	(3,578,068)	(4,432,655)
Net cash generated from operating activities	9,352,228	7,854,366	9,306,801
Cash flows from investing activities			
Proceeds from sales/maturity of financial assets	107,632,843	17,558,542	20,269,793
Proceeds from pool of mortgages repurchased by PL	3,317,036	6,835,318	7,416,674
Proceeds from principal repayment on mortgages	-	-	2,554,409
Increase (decrease) in mortgages repurchased/ replaced	412,410	(99,176)	-
Principal redemptions of mortgages	1,817,206	1,924,168	129,623
Purchase of mortgages	(13,813,862)	(4,278,212)	(8,402,204)
Purchase of motor vehicle and equipment	(117,316)	-	-
Payments for financial assets	(160,890,171)	(30,642,030)	(33,290,730)
Net cash used in investing activities	(61,641,854)	(8,701,390)	(11,322,435)
Cash flows from financing activities			
Proceeds from corporate paper	197,608,000	152,607,000	199,096,700
Proceeds from repurchase agreements	7,785,000	-	6,000,000
Payment of corporate paper issue costs and transactions	(505,402)	(325,452)	(418,727)
Dividend paid	(1,865,617)	(1,865,618)	(1,865,618)
Repayment of corporate papers	(152,607,000)	(152,607,000)	(199,096,700)
Cash generated (used in)/ from financing activities	50,414,981	(2,191,070)	3,715,655
Net increase /(decrease in cash and cash	(1,874,645)	(3,038,094)	1,700,021
Cash flow at beginning of period	10,681,344	8,981,323	8,981,323
Cash and cash equivalents at end of year	8,806,699	5,943,229	10,681,344

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED 31 DECEMBER 2019

1 Incorporation and principal activity

The Governments of Anguilla, Antigua and Barbuda, The Commonwealth of Dominica, Grenada, Montserrat, St. Kitts-Nevis, St. Lucia and St. Vincent and the Grenadines signed an agreement on May 27, 1994, to establish the Eastern Caribbean Home Mortgage Bank (hereinafter referred to as “the Bank”).

The Bank was formally established on August 19, 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.

The registered office of the Bank is located at ECCB Agency Office, Monckton Street, St. George’s, Grenada.

2 Basis of preparation and compliance with the International Financial Reporting Standards (IFRS)

The condensed interim financial statements for the six months ended 31 December 2019 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 2019, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

3 Changes in accounting policies

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The Bank has assessed the relevance of all such new interpretations and amendments, and has adopted the following, which are relevant to its operations.



IFRS 16, Leases (effective from January 1, 2019)

IFRS 16 eventually replaces IAS 17, *Leases*, and its related interpretation IFRIC 4, *Determining Whether an Arrangement Contains a Lease*.

For lessees, it requires that entities account for leases “on-balance sheet” by recognizing a “right-of-use” asset and a lease liability. The lease liability is initially measured as the present value of future lease payments. For this purpose, lease payments include fixed, non-cancellable payments for lease elements, amounts due under residual value guarantees, certain types of contingent payments and amounts due during optional periods to the extent that extension is reasonably certain. In subsequent periods, the “right-of-use” asset is accounted for similar to a purchased asset subject to depreciation or amortisation. The lease liability is accounted for similar to a financial liability which is amortised using the effective interest method. However, the new standard provides important reliefs or exemptions for short-term leases and leases of low value assets. If these exemptions are used, the accounting is similar to operating lease accounting under IAS 17 where lease payments are recognised as expenses on a straight-line basis over the lease term or another systematic basis (if more representative of the pattern of the lessee’s benefit).

For lessors, lease accounting is similar to IAS 17. In particular, the distinction between finance and operating leases is retained. The definitions of each type of lease, and the supporting indicators of a finance lease, are substantially the same as IAS 17. The basic accounting mechanics are also similar, but with some different or more explicit guidance in few areas. These include variable payments, sub-leases, lease modifications, the treatment of initial direct costs and lessor disclosures.

Management plans to adopt the modified retrospective application of IFRS 16 where the cumulative effect of initially applying the standard will be recognised as an adjustment to the opening balance of retained earnings account at the date of initial application. The Bank will elect to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

Management is currently assessing the financial impact of this new standard on the Bank’s financial statements.

There are no other new or amended standards and interpretations that are issued but not yet effective, that are expected to have a significant impact on the accounting policies or financial disclosures of the Bank.

Eastern Caribbean Home Mortgage Bank
General Discussions and Analysis
For the Nine (9) Months Ended 31st December 2019

1. Highlights

Dashboard as at 31st December 2019			
Key Performance Indicators: December 2019 vs December 2018			
Annualized Return on Assets 3.13% Up 81.98%	Debt-to-Equity Ratio 3.99:1 Up 25.47%	Efficiency Ratio 25.69% Down 2.13%	
Net Interest Income Percentage 59.33% Down 5.53%	Interest Cover Ratio 2.91 times Up 46.23%	Net Income Percentage 77.57% Up 110.96%	
Other Financial Measures			
Interest Income \$9.81m Up 6.40%	Interest Expense \$3.98m Up 16.03%	Non-Interest Expense \$2.52m Up 3.70%	Net Profit for the Period \$7.61m Up 124.48%

- Cash and Cash Equivalents were reported at \$8.81m.
- Assets Under Management increased by \$61.95m (23.59%) from \$262.66 reported at 31st December 2018 to \$324.61m for the comparative period of 2019.
- Proceeds from the sale and maturity of securities totaling \$100.75m were reinvested in the acquisition of securities totaling \$160.90m. Investment Securities were reported at \$268.03m.
- Purchased pools of mortgages totaling \$13.81m.
- Mortgage Loan Facilities was reported at \$46.86m.
- Interest Income totaled \$9.81m and \$0.59m (6.40%) higher than the \$9.22m reported for the comparative period of 2018
- Rolled over seven (7) corporate papers totaling \$197.61m at a weighted average interest rate of 2.22%.
- Interest Expense increased by \$0.55m (16.03%) from \$3.43m reported for the nine (9) months ended 31st December 2018 to \$3.98m for the comparative period of 2019.
- Non-Interest Expenses increased by \$0.09m (3.70%) from \$2.43m for the nine (9) months ended 31st December 2018 to \$2.52m for the comparative period in 2019.
- Net profit was reported at \$7.61m, representing an increase of \$4.22m (124.48%) when compared to the \$3.39m reported for the comparative period of FY 2018.
- Interest Cover was reported at 2.91:1 representing an increase of 46.23% over the 1.99:1 reported for the comparative period of FY 2018.

2. Net Profit for the Nine (9) Months Ended 31st December 2019

Table 1: Abridged Unaudited Statement of Comprehensive Income

For the nine (9) months ended 31 st December	2019	2018
	\$m	\$m
Interest Income	9.81	9.22
Interest Expense	(3.98)	(3.43)
Net Interest Income	5.83	5.79
Other Income	4.50	0.03
Other gains (losses)	(0.2)	-
Operating Income	10.13	5.82
Expenses	(2.52)	(2.43)
Net Profit for the nine (9) months	7.61	3.39

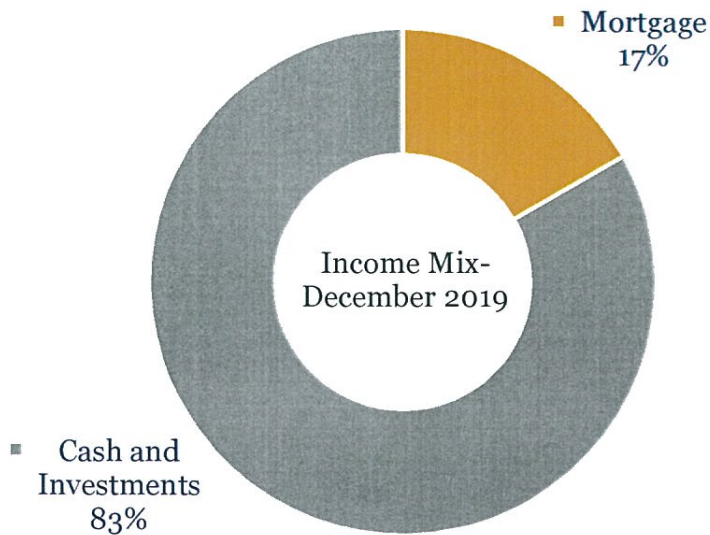
3. Interest Income

3.1 Interest Income for the nine (9) months ended 31st December 2019 increased by \$0.59m (6.40%) when compared to the \$9.22m reported for the comparative period of FY 2019. The growth in Interest Income is attributed the combined effects of increased Assets Under Management coupled with higher yield thereon.

Table 2: Interest Income

For the nine (9) months ended 31 st December	2019	2018	Variance	
	\$m	\$m	\$m	%
Mortgage	1.71	1.87	(0.16)	(8.56)
Cash and Investments	8.10	7.35	0.75	10.20
	9.81	9.22	0.59	6.40

3.2 During the period of review, Income from Cash and Investments contributed to 82.57% of Total Income.



4. Interest Expense

4.1 Interest Expense of \$3.98m was higher than the \$3.43m reported in the comparative period by \$0.55m (16.03%). The higher Interest is attributed to \$45.00m (29.49%) increased Borrowings. Corporate Paper ("CP") were issued at a weighted average cost of 2.22%, lower than the weighted average cost of the comparative period in FY 2018 of 2.44%. Table-3 shows a comparison of the CP issues from 1st April 2019 and the corresponding period of 2018.

Corporate Paper	Issue Amount 2019	Coupon 2019	Issue Amount 2018	Coupon 2018
April	\$30.00m	2.00%	\$30.00m	3.00%
May	\$30.00m	1.999%	\$30.00m	1.55%
July	\$31.20m	2.00%	\$31.20m	2.00%
September	\$18.77m	1.98%	\$18.77m	3.00%
October	\$30.00m	2.50%	\$7.500m	2.50%
November	\$30.00m	2.50%	\$7.500m	2.00%
December	\$27.64m	2.50%	\$27.64m	3.00%
Weighted Average Coupon		2.22%		2.44%

5. Net Interest Income

5.1 Net Interest Income, the difference between Interest Income (\$9.81m) and Interest Expense (\$3.98m) amounted to \$5.83m (59.43%).

For the nine (9) months ended 31 st December	2019	2018	Variance	
	\$m	\$m	\$m	%
Interest Income	9.81	9.22	0.59	6.40
Interest Expense	(3.98)	(3.43)	(0.55)	(16.03)
Net Interest Income	5.83	5.79	(0.04)	(0.69)
Net Interest Income Percentage	59.43%	62.80%		

6. Total Expenses

6.1 Total Expenses increased by \$0.64m (10.92%) from \$5.86m reported for the nine (9) months ended 31st December 2018 to \$6.50m for the period ended 31st December 2019. This increase was mainly as a result of increases in Interest and General and Administrative Expenses (\$0.68m).

For the nine (9) months ended 31 st December	2019	2018	Variance	
	\$m	\$m	\$m	%
Interest	3.98	3.43	0.55	16.03
General and Administrative	1.67	1.54	0.13	8.44
Other Operating	0.78	0.78	(0.00)	(0.00)
Mortgage Administration Fees	0.07	0.11	(0.04)	(36.36)
	6.50	5.86	0.64	10.92

7. Outlook (FY 2019/20)

Significant Trends

7.1 Based on IMF's projection, global growth is expected to rebound in 2020 reflecting forecasted improvement in economic performance in a number of emerging markets. Downside risks to this optimism entail still-simmering trade tensions, geopolitical risks, the ongoing Brexit saga, China's economic transformation, worries about a sharp market correction, limitations of Central Banks and a historically massive pile of debt. The US 10-year Treasury yields, currently @ 1.81%, is expected to remain

below 2.0% over the next 12 months subdued by muted inflationary pressures, accommodative monetary policy and heightened demand from foreign buyers.

7.2 The ECHMB expects that financial landscape in the Eastern Caribbean Currency Union (“ECCU”) will continue to be shaped by rising liquidity; declining interest rates and scarcity of bankable projects.

7.3 Opportunities for ECHMB

7.4 Emerging business opportunities in Mortgage Backed Securities (“MBS”) may arise from Non-Bank Financial Institutions (“NBFIs”) domiciled in the ECCU as customers continue to transition from local commercial banks.

7.5 The ECHMB also anticipated increased growth in Interest Income due to the increased Assets under Management and it is our intent to supplement the aforesaid with the realization of capital gains with the implementation of our Active Management of our investment portfolio.

Eastern Caribbean Home Mortgage Bank
General Discussions and Analysis
For the Nine (9) Months Ended 31st December 2019

1. Highlights

Dashboard as at 31st December 2019			
Key Performance Indicators: December 2019 vs December 2018			
Annualized Return on Assets 3.13% Up 81.98%	Debt-to-Equity Ratio 3.99:1 Up 25.47%	Efficiency Ratio 25.69% Down 2.13%	
Net Interest Income Percentage 59.33% Down 5.53%	Interest Cover Ratio 2.91 times Up 46.23%	Net Income Percentage 77.57% Up 110.96%	
Other Financial Measures			
Interest Income \$9.81m Up 6.40%	Interest Expense \$3.98m Up 16.03%	Non-Interest Expense \$2.52m Up 3.70%	Net Profit for the Period \$7.61m Up 124.48%

- Cash and Cash Equivalents were reported at \$8.81m.
- Assets Under Management increased by \$61.95m (23.59%) from \$262.66 reported at 31st December 2018 to \$324.61m for the comparative period of 2019.
- Proceeds from the sale and maturity of securities totaling \$100.75m were reinvested in the acquisition of securities totaling \$160.90m. Investment Securities were reported at \$268.03m.
- Purchased pools of mortgages totaling \$13.81m.
- Mortgage Loan Facilities was reported at \$46.86m.
- Interest Income totaled \$9.81m and \$0.59m (6.40%) higher than the \$9.22m reported for the comparative period of 2018
- Rolled over seven (7) corporate papers totaling \$197.61m at a weighted average interest rate of 2.22%.
- Interest Expense increased by \$0.55m (16.03%) from \$3.43m reported for the nine (9) months ended 31st December 2018 to \$3.98m for the comparative period of 2019.
- Non-Interest Expenses increased by \$0.09m (3.70%) from \$2.43m for the nine (9) months ended 31st December 2018 to \$2.52m for the comparative period in 2019.
- Net profit was reported at \$7.61m, representing an increase of \$4.22m (124.48%) when compared to the \$3.39m reported for the comparative period of FY 2018.
- Interest Cover was reported at 2.91:1 representing an increase of 46.23% over the 1.99:1 reported for the comparative period of FY 2018.

2. Net Profit for the Nine (9) Months Ended 31st December 2019

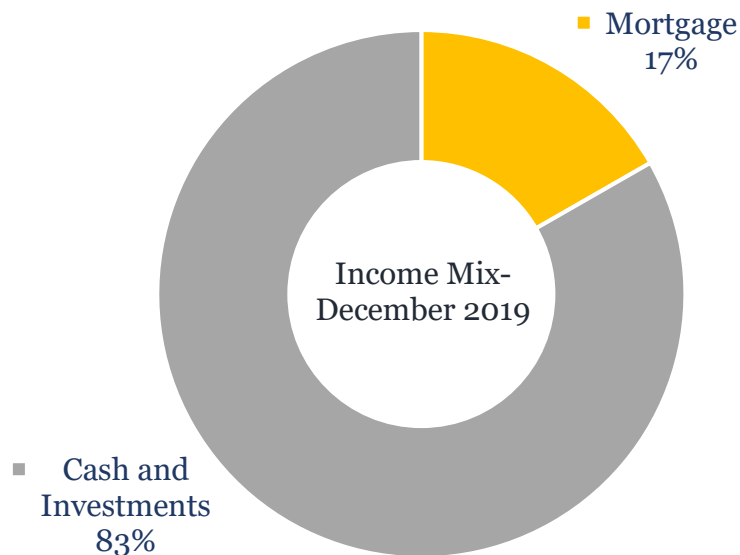
For the nine (9) months ended 31 st December	2019	2018
	\$m	\$m
Interest Income	9.81	9.22
Interest Expense	(3.98)	(3.43)
Net Interest Income	5.83	5.79
Other Income	4.50	0.03
Other gains (losses)	(0.2)	-
Operating Income	10.13	5.82
Expenses	(2.52)	(2.43)
Net Profit for the nine (9) months	7.61	3.39

3. Interest Income

3.1 Interest Income for the nine (9) months ended 31st December 2019 increased by \$0.59m (6.40%) when compared to the \$9.22m reported for the comparative period of FY 2019. The growth in Interest Income is attributed the combined effects of increased Assets Under Management coupled with higher yield thereon.

For the nine (9) months ended 31 st December	2019	2018	Variance	
	\$m	\$m	\$m	%
Mortgage	1.71	1.87	(0.16)	(8.56)
Cash and Investments	8.10	7.35	0.75	10.20
	9.81	9.22	0.59	6.40

3.2 During the period of review, Income from Cash and Investments contributed to 82.57% of Total Income.



4. Interest Expense

4.1 Interest Expense of \$3.98m was higher than the \$3.43m reported in the comparative period by \$0.55m (16.03%). The higher Interest is attributed to \$45.00m (29.49%) increased Borrowings. Corporate Paper (“CP”) were issued at a weighted average cost of 2.22%, lower than the weighted average cost of the comparative period in FY 2018 of 2.44%. Table-3 shows a comparison of the CP issues from 1st April 2019 and the corresponding period of 2018.

Table 3: ECHMB’s Funding Activities

Corporate Paper	Issue Amount 2019	Coupon 2019	Issue Amount 2018	Coupon 2018
April	\$30.00m	2.00%	\$30.00m	3.00%
May	\$30.00m	1.999%	\$30.00m	1.55%
July	\$31.20m	2.00%	\$31.20m	2.00%
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November	\$30.00m	2.50%	\$7.500m	2.00%
December	\$27.64m	2.50%	\$27.64m	3.00%
Weighted Average Coupon		2.22%		2.44%

5. Net Interest Income

5.1 Net Interest Income, the difference between Interest Income (\$9.81m) and Interest Expense (\$3.98m) amounted to \$5.83m (59.43%).

For the nine (9) months ended 31st December	2019	2018	Variance	
	\$m	\$m	\$m	%
Interest Income	9.81	9.22	0.59	6.40
Interest Expense	(3.98)	(3.43)	(0.55)	(16.03)
Net Interest Income	5.83	5.79	(0.04)	(0.69)
Net Interest Income Percentage	59.43%	62.80%		

6. Total Expenses

6.1 Total Expenses increased by \$0.64m (10.92%) from \$5.86m reported for the nine (9) months ended 31st December 2018 to \$6.50m for the period ended 31st December 2019. This increase was mainly as a result of increases in Interest and General and Administrative Expenses (\$0.68m).

For the nine (9) months ended 31st December	2019	2018	Variance	
	\$m	\$m	\$m	%
Interest	3.98	3.43	0.55	16.03
General and Administrative	1.67	1.54	0.13	8.44
Other Operating	0.78	0.78	(0.00)	(0.00)
Mortgage Administration Fees	0.07	0.11	(0.04)	(36.36)
	6.50	5.86	0.64	10.92

7. Outlook (FY 2019/20)

Significant Trends

7.1 Based on IMF's projection, global growth is expected to rebound in 2020 reflecting forecasted improvement in economic performance in a number of emerging markets. Downside risks to this optimism entail still-simmering trade tensions, geopolitical risks, the ongoing Brexit saga, China's economic transformation, worries about a sharp market correction, limitations of Central Banks and a historically massive pile of debt. The US 10-year Treasury yields, currently @ 1.81%, is expected to remain

below 2.0% over the next 12 months subdued by muted inflationary pressures, accommodative monetary policy and heightened demand from foreign buyers.

7.2 The ECHMB expects that financial landscape in the Eastern Caribbean Currency Union (“ECCU”) will continue to be shaped by rising liquidity; declining interest rates and scarcity of bankable projects.

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7.4 Emerging business opportunities in Mortgage Backed Securities (“MBS”) may arise from Non-Bank Financial Institutions (“NBFIs”) domiciled in the ECCU as customers continue to transition from local commercial banks.

7.5 The ECHMB also anticipated increased growth in Interest Income due to the increased Assets under Management and it is our intent to supplement the aforesaid with the realization of capital gains with the implementation of our Active Management of our investment portfolio.

Eastern Caribbean Home Mortgage Bank

Unaudited Statement of Financial Position

As at 31st December 2019

(expressed in Eastern Caribbean dollars)

	Unaudited 31/12/2019	Unaudited 31/12/2018	Audited 31/03/2019
Assets	\$		
Cash and cash equivalents	8,806,699	5,943,229	10,681,344
Receivables and prepayments	619,580	1,597,935	545,422
Investment securities	268,029,927	216,486,893	215,844,581
Mortgage loans facilities	46,855,170	38,467,378	38,587,961
Motor vehicle and equipment	195,853	140,935	124,820
Intangible assets	11,459	21,281	18,826
Right of use assets	90,000	-	-
Total assets	324,608,688	262,657,651	265,802,954
Liabilities			
Borrowings	258,872,445	199,717,350	206,082,002
Accrued expenses and other liabilities	748,958	205,620	548,673
Right of use assets	90,000	-	-
Total liabilities	259,711,403	199,922,970	206,630,675
Equity			
Share capital	36,999,940	36,999,940	36,999,940
Portfolio risk reserve	4,132,550	9,612,452	4,132,550
Unrealised holding gain (loss)	134,190	-	-
Retained earnings	23,630,605	16,122,289	18,039,789
Total equity	64,897,285	62,734,681	59,172,279
Total liabilities and equity	324,608,688	262,657,651	265,802,954

Eastern Caribbean Home Mortgage Bank

Unaudited Statement of Comprehensive Income

For the Nine (9) Months Ended 31st December 2019

(expressed in Eastern Caribbean dollars)

	Unaudited Nine months ended 31/12/2019 \$	Unaudited Nine months ended 31/12/2018 \$	Audited Twelve months ended 31/03/2019
Interest income	9,808,451	9,217,823	12,313,216
Interest expense	(3,984,094)	(3,425,424)	(4,637,522)
Net interest income	5,824,357	5,792,399	7,675,694
Other income	4,506,965	24,528	949,693
Other gains (losses)	(206,715)	-	-
Operating income	10,124,607	5,816,927	8,625,387
Expenses			
General and administrative expenses	1,669,166	1,540,107	2,160,645
Other operating expenses	778,137	779,345	1,025,239
Mortgage administration fees	70,870	105,647	129,575
Total expenses	2,518,173	2,425,099	3,315,459
Net profit for the period	7,606,434	3,391,828	5,309,928
Other comprehensive income			
Changes in the fair value of investments at fair value through other comprehensive income	134,190	-	-
Other comprehensive income for the period	134,190	-	-
Total comprehensive income for the period	7,740,624	3,391,828	5,309,928

Eastern Caribbean Home Mortgage Bank

Unaudited Statement of Changes in Equity

As at 31st December 2019

(expressed in Eastern Caribbean dollars)

	Share Capital	Portfolio Risk Reserve	Financial Assets at FVOCI Reserve	Retained earnings	Total
	\$	\$	\$	\$	\$
Balance as at 31st March 2018	36,999,940	9,612,452	-	14,745,479	61,357,871
Impact of adopting IFRS #9	-	-	-	(5,479,902)	(5,479,902)
Restated opening balance under IFRS#9	36,999,940	9,612,452	-	9,265,577	55,877,969
Other comprehensive income					
Net profit for the year	-	-	-	5,309,928	5,309,928
transfer to reserves	-	(5,479,902)	-	5,479,902	-
Transactions with owners	-	-	-	(2,015,618)	(2,015,618)
Balance at 31st March 2019	36,999,940	4,132,550	-	18,039,789	59,172,279
Other comprehensive income					
Net profit for the period	-	-	-	7,606,434	7,606,434
Transfer to reserves	-	-	-	-	-
Fair Value movement of investments designated as FVTOCI	-	-	134,190	-	134,190
Transactions with owners	-	-	-	(2,015,618)	(2,015,618)
Balance at 31st December 2019	36,999,940	4,132,550	134,190	23,630,605	64,897,285

Eastern Caribbean Home Mortgage Bank

Unaudited Statement of Cash Flows

For the Nine (9) Months Ended 31st December 2019

(expressed in Eastern Caribbean dollars)

	Unaudited Nine months ended 31st December 2019	Unaudited Nine months ended 31st December 2018	Audited Twelve months ended 31st March 2019
Net profit for the period	7,606,434	3,392,428	5,309,928
Items not affecting cash:			
Interest expense	3,984,094	3,425,423	4,637,522
Amortization of corporate paper issue and transact costs	391,410	367,188	467,606
Amortisation of bond premium	474,463	418,020	566,950
Fair value Adjustment through the P&L	206,715	-	-
Depreciation of motor vehicles and equipment	46,284	52,018	68,132
Amortisation of intangible assets	7,367	7,367	9,822
Reduction in provision for impairment on financial assets	-	-	(924,565)
Interest Income	(9,808,451)	(9,217,823)	(12,313,216)
Operating loss before working capital changes	2,908,316	(1,555,379)	(2,177,821)
Changes in operating assets & liabilities			
(Increase)/decrease in accounts receivable & prepayments	(305,761)	3,980,641	3,802,641
Increase/(decrease) in other liabilities & payables	200,287	(510,057)	(167,004)
Bond transaction costs	2,802,842	1,915,205	1,457,816
Interest received	10,415,045	9,517,229	12,281,640
Interest paid	(3,865,659)	(3,578,068)	(4,432,655)
Net cash generated from operating activities	9,352,228	7,854,366	9,306,801
Cash flows from investing activities			
Proceeds from sales/maturity of financial assets	107,632,843	17,558,542	20,269,793
Proceeds from pool of mortgages repurchased by PL	3,317,036	6,835,318	7,416,674
Proceeds from principal repayment on mortgages	-	-	2,554,409
Increase (decrease) in mortgages repurchased/ replaced	412,410	(99,176)	-
Principal redemptions of mortgages	1,817,206	1,924,168	129,623
Purchase of mortgages	(13,813,862)	(4,278,212)	(8,402,204)
Purchase of motor vehicle and equipment	(117,316)	-	-
Payments for financial assets	(160,890,171)	(30,642,030)	(33,290,730)
Net cash used in investing activities	(61,641,854)	(8,701,390)	(11,322,435)
Cash flows from financing activities			
Proceeds from corporate paper	197,608,000	152,607,000	199,096,700
Proceeds from repurchase agreements	7,785,000	-	6,000,000
Payment of corporate paper issue costs and transactions	(505,402)	(325,452)	(418,727)
Dividend paid	(1,865,617)	(1,865,618)	(1,865,618)
Repayment of corporate papers	(152,607,000)	(152,607,000)	(199,096,700)
Cash generated (used in)/ from financing activities	50,414,981	(2,191,070)	3,715,655
Net increase /(decrease in cash and cash	(1,874,645)	(3,038,094)	1,700,021
Cash flow at beginning of period	10,681,344	8,981,323	8,981,323
Cash and cash equivalents at end of year	8,806,699	5,943,229	10,681,344

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED 31 DECEMBER 2019

1 Incorporation and principal activity

The Governments of Anguilla, Antigua and Barbuda, The Commonwealth of Dominica, Grenada, Montserrat, St. Kitts-Nevis, St. Lucia and St. Vincent and the Grenadines signed an agreement on May 27, 1994, to establish the Eastern Caribbean Home Mortgage Bank (hereinafter referred to as “the Bank”).

The Bank was formally established on August 19, 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.

The registered office of the Bank is located at ECCB Agency Office, Monckton Street, St. George’s, Grenada.

2 Basis of preparation and compliance with the International Financial Reporting Standards (IFRS)

The condensed interim financial statements for the six months ended 31 December 2019 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 2019, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

3 Changes in accounting policies

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The Bank has assessed the relevance of all such new interpretations and amendments, and has adopted the following, which are relevant to its operations.

IFRS 16, Leases (effective from January 1, 2019)

IFRS 16 eventually replaces IAS 17, *Leases*, and its related interpretation IFRIC 4, *Determining Whether an Arrangement Contains a Lease*.

For lessees, it requires that entities account for leases “on-balance sheet” by recognizing a “right-of-use” asset and a lease liability. The lease liability is initially measured as the present value of future lease payments. For this purpose, lease payments include fixed, non-cancellable payments for lease elements, amounts due under residual value guarantees, certain types of contingent payments and amounts due during optional periods to the extent that extension is reasonably certain. In subsequent periods, the “right-of-use” asset is accounted for similar to a purchased asset subject to depreciation or amortisation. The lease liability is accounted for similar to a financial liability which is amortised using the effective interest method. However, the new standard provides important reliefs or exemptions for short-term leases and leases of low value assets. If these exemptions are used, the accounting is similar to operating lease accounting under IAS 17 where lease payments are recognised as expenses on a straight-line basis over the lease term or another systematic basis (if more representative of the pattern of the lessee’s benefit).

For lessors, lease accounting is similar to IAS 17. In particular, the distinction between finance and operating leases is retained. The definitions of each type of lease, and the supporting indicators of a finance lease, are substantially the same as IAS 17. The basic accounting mechanics are also similar, but with some different or more explicit guidance in few areas. These include variable payments, sub-leases, lease modifications, the treatment of initial direct costs and lessor disclosures.

Management plans to adopt the modified retrospective application of IFRS 16 where the cumulative effect of initially applying the standard will be recognised as an adjustment to the opening balance of retained earnings account at the date of initial application. The Bank will elect to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

Management is currently assessing the financial impact of this new standard on the Bank’s financial statements.

There are no other new or amended standards and interpretations that are issued but not yet effective, that are expected to have a significant impact on the accounting policies or financial disclosures of the Bank.