

**Schedule 2  
FORM ECSRC – OR**

(Select One)

**QUARTERLY FINANCIAL REPORT** for the period ended **31<sup>st</sup> December 2018**  
Pursuant to Section 98(2) of the Securities Act, 2001

**OR**

**TRANSITION REPORT**  
for the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Pursuant to Section 98(2) of the Securities Act, 2001  
*(Applicable where there is a change in reporting issuer's financial year)*

Issuer Registration Number: \_\_\_\_\_ **HMB160990GR** \_\_\_\_\_

**EASTERN CARIBBEAN HOME MORTGAGE BANK (ECHMB)**

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

**GRENADA**

(Territory or jurisdiction of incorporation)

**Eastern Caribbean Central Bank (ECCB) Complex, Bird Rock Road, Basseterre, St. Kitts**  
(Address of principal executive Offices)

(Reporting issuer's: EASTERN CARIBBEAN HOME MORTGAGE BANK (ECHMB))

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

Fax number: 1-869-466-7518

Email address: info@echmb.com

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

(Provide information stipulated in paragraphs 1 to 8 hereunder)

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

CLASS	NUMBER
Class A	66,812
Class B	51,178
Class C	80,181
Class D	70,578
<b>TOTAL</b>	<b>268,749</b>

**SIGNATURES**

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

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

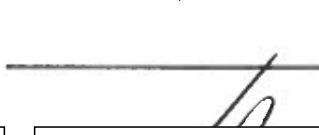
Name of Chief Executive Officer:

Name of Director:

**Mr. Randy Lewis**

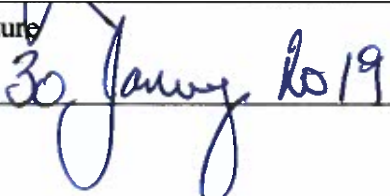
**Dr. Timothy N.J. Antoine**

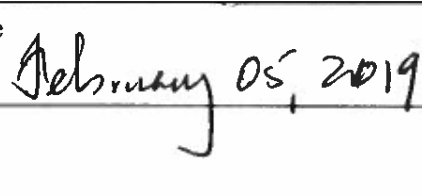




SIGNED AND CERTIFIED

SIGNED AND CERTIFIED

Signature  
  
Date

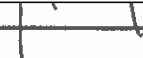

Signature  
  
Date

Name of Chief Financial Officer (Ag):

**Mr. Justin Skeete**



SIGNED AND CERTIFIED

Signature  
  
Date  


## **INFORMATION TO BE INCLUDED IN FORM ECSRC-OR**

### **1. Financial Statements**

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

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

# Eastern Caribbean Home Mortgage Bank

Unaudited Statement of Comprehensive Income  
For the Nine (9) Months Ended December 31, 2018

(expressed in Eastern Caribbean dollars)

	Quarter ended 31st December 2018 \$'000	Quarter ended 31st December 2017 \$'000	Nine months ended 31st December 2018 \$'000	Nine months ended 31st December 2017 \$'000	Twelve months ended 31st March 2018 \$'000
Interest income	3,064,292	2,957,983	9,229,816	8,506,574	11,480,370
Interest expense	(1,174,477)	(1,007,173)	(3,425,423)	(2,889,366)	(3,962,620)
<b>Net interest income</b>	<b>1,889,815</b>	<b>1,950,810</b>	<b>5,804,393</b>	<b>5,617,208</b>	<b>7,517,750</b>
Other income	15,955	205,340	25,136	286,799	228,173
<b>Operating income</b>	<b>1,905,770</b>	<b>2,156,150</b>	<b>5,829,529</b>	<b>5,904,008</b>	<b>7,745,923</b>
<b>Expenses</b>					
General and administrative expenses	(497,537)	(510,954)	(1,540,115)	(1,494,364)	(2,289,476)
Other operating expenses	(220,770)	(277,214)	(779,345)	(737,170)	(1,022,696)
Provision for impairment	-	12,500	150,000	12,500	12,500
Mortgage administrative fees	(24,358)	(69,070)	(105,647)	(187,209)	(230,415)
<b>Total expenses</b>	<b>(742,665)</b>	<b>(844,738)</b>	<b>(2,275,107)</b>	<b>(2,406,243)</b>	<b>(3,530,087)</b>
<b>Net profit for the year</b>	<b>1,163,105</b>	<b>1,311,412</b>	<b>3,554,422</b>	<b>3,497,765</b>	<b>4,215,836</b>
Other comprehensive income	-	-	-	-	-
<b>Total comprehensive income</b>	<b>1,163,105</b>	<b>1,311,412</b>	<b>3,554,422</b>	<b>3,497,765</b>	<b>4,215,836</b>

# Eastern Caribbean Home Mortgage Bank

Unaudited Statement of Financial Position

As at December 31, 2018

	31st December 2018 \$'000 Unaudited	31st December 2017 \$'000 Unaudited	31st March 2018 \$'000 Audited
<b>Assets</b>			
Cash and cash equivalents	5,940,682	4,575,613	8,981,323
Receivables and prepayments	1,597,935	86,641	5,578,573
Investment securities	216,656,116	215,054,950	204,270,832
Mortgage loans facilities	38,462,696	40,876,199	42,849,476
Motor vehicle and equipment	140,935	207,332	192,952
Intangible assets	21,281	-	28,648
<b>Total assets</b>	<b>262,819,645</b>	<b>260,800,735</b>	<b>261,901,804</b>
<b>Liabilities</b>			
Borrowings	199,717,350	199,748,555	199,828,256
Accrued expenses and other liabilities	205,620	412,530	715,677
<b>Total liabilities</b>	<b>199,922,970</b>	<b>200,161,085</b>	<b>200,543,933</b>
<b>Equity</b>			
Share capital	36,999,940	36,999,940	36,999,940
Portfolio risk reserve	9,612,452	9,171,643	9,612,452
Retained earnings	16,284,283	14,468,067	14,745,479
<b>Total equity</b>	<b>62,896,675</b>	<b>60,639,650</b>	<b>61,357,871</b>
<b>Total liabilities and equity</b>	<b>262,819,645</b>	<b>260,800,735</b>	<b>261,901,804</b>

# Eastern Caribbean Home Mortgage Bank

Unaudited Statement of Changes in Equity  
As at December 31, 2018

	Share Capital	Risk reserve	Portfolio Risk reserve	Retained earnings	Total
	\$	\$	\$	\$	\$
Balance as at March 31, 2017	36,999,940	9,171,644	12,986,069	59,157,653	
<b>Other comprehensive income</b>					
Net profit for the year	-	-	4,215,836	4,215,836	
Transfer to reserves	-	440,808	(440,808)	-	
Transactions with owners	-	-	(2,015,618)	(2,015,618)	
<b>Balance at March 31, 2018</b>	<b>36,999,940</b>	<b>9,612,452</b>	<b>14,745,479</b>	<b>61,357,871</b>	
<b>Other comprehensive income</b>					
Net profit for the period	-	-	3,554,422	3,554,422	
Transfer to reserves	-	-	-	-	
Transactions with owners	-	-	(2,015,618)	(2,015,618)	
<b>Balance at December 31, 2018</b>	<b>36,999,940</b>	<b>9,612,452</b>	<b>16,284,283</b>	<b>62,896,675</b>	

# Eastern Caribbean Home Mortgage Bank

Unaudited Statement of Cash Flows

For the Nine (9) Months Ended December 31, 2018

(expressed in Eastern Caribbean dollars)		
Twelve months ended		Nine months ended
31st March 2018		31st December 2017
\$'000		\$'000
	<b>Cash flows from operating activities</b>	
4,215,836	Net income for the period	3,497,765
	Items not affecting cash:	
3,962,620	Interest expense	2,889,366
489,029	Amortization of corporate paper issue and transact costs	354,968
377,498	Amortisation of bond premium	262,340
79,428	Depreciation of motor vehicles and equipment	262,340
819	Amortisation of intangible assets	-
(12,500)	Impairment credit on investment securities	(12,500)
(23,932)	Dividend income	(21,299)
(11,480,370)	Interest Income	(8,506,574)
(2,391,572)	Operating loss before working capital changes	(1,273,594)
	<b>Changes in operating assets &amp; liabilities</b>	
(3,902,630)	(Increase)/decrease in accounts receivable & prepayments	11,974
360,345	Increase/(decrease) in other liabilities & payables	261,775
<b>(5,933,857)</b>	<b>Cash used in operating activities</b>	<b>(999,845)</b>
12,536,339	Interest received	7,614,616
(3,749,821)	Interest paid	(3,112,370)
<b>2,852,661</b>	<b>Net cash generated from operating activities</b>	<b>3,502,401</b>

# Eastern Caribbean Home Mortgage Bank

Unaudited Statement of Cash Flows

For the Nine (9) Months Ended December 31, 2018

(expressed in Eastern Caribbean dollars)

Twelve months ended	Nine months ended	Nine months ended
31st March 2018	31st December 2017	31st December 2017
\$'000	\$'000	\$'000
<b>Cash flows from investing activities</b>		
Proceeds from sales/maturity of investment securities	17,544,203	41,145,858
Proceeds from pool of mortgages repurchased by PL	6,835,318	3,373,878
Proceeds from principal repayment on mortgages	-	-
Increase in mortgages repurchased/ replaced	(94,494)	(5,990,141)
Principal redemptions	1,924,168	1,618,159
Purchase of mortgages	(4,278,212)	(5,202,945)
Dividend income received	-	21,299
Purchase of motor vehicle and equipment	-	(25,618)
Purchase of intangible assets	-	-
Purchase of investment securities	(30,644,577)	(53,280,177)
<b>(13,172,049)</b>	<b>(8,713,594)</b>	<b>(18,339,687)</b>
<b>Net cash used in investing activities</b>		
<b>Cash flows from financing activities</b>		
Proceeds from corporate paper	152,607,000	145,857,000
Payment of corporate paper issue costs and transact	(325,452)	(421,293)
Dividend paid	(1,865,618)	(1,865,618)
Repayment of corporate papers	(152,607,000)	(130,857,000)
<b>12,600,901</b>	<b>(2,191,070)</b>	<b>12,713,089</b>
<b>Cash generated (used in)/ from financing activities</b>		
Net increase/(decrease in cash and cash	2,281,513	(2,124,197)
Cash flow at beginning of period	6,699,810	6,699,810
<b>8,981,323</b>	<b>5,940,682</b>	<b>4,575,613</b>
<b>Cash and cash equivalents at end of year</b>		



## **Notes to Condensed Financial Statements**

### **Identification and Principal Activity**

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

The Eastern Caribbean Home Mortgage Bank was formally established on 19 August 1994, in accordance with Article 40 of the Eastern Caribbean Home Mortgage Bank Agreement, which was incorporated in the Eastern Caribbean Home Mortgage Bank Agreement Act, and subsequently passed in the member territories. The primary office of the Bank is located at Bird Rock, Basseterre, St. Kitts and Nevis.

The principal activity of the Bank is to buy and sell mortgage loans on residential properties, in order to develop and maintain a secondary market in mortgages.

### **Basis of Preparation**

The condensed interim financial statements for the three months ended 30 June 2018 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 2018, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Boards (IASB).

There have been no changes in accounting policies since the most recent audited accounts as at 31 March 2018. Any new Accounting Standards of interpretations which became effective in this financial year have had no material impact on the Bank.

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

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

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

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

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

The discussion should focus on aspects such as liquidity; capital resources; changes in financial condition; results of operations; material trends and uncertainties and measures taken or to be taken to address unfavourable trends; key performance indicators; and non-financial indicators.

*General Discussion and Analysis of Financial Condition*

**See appended General Discussion and Analysis.**

Liquidity and Capital Resources

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

- i) The reporting issuer's financial condition covering aspects such as liquidity, capital resources, changes in financial condition and results of operations.
- ii) Any known trends, demands, commitments, events or uncertainties that will result in, or that are reasonably likely to result in, the issuer's liquidity increasing or decreasing in any material way. If a deficiency is identified, indicate the course of action that the reporting issuer has taken or proposes to take to remedy the deficiency.
- iii) The issuer's internal and external sources of liquidity and any material unused sources of liquid assets.
- iv) Provisions contained in financial guarantees or commitments, debt or lease agreements or other arrangements that could trigger a requirement for an early payment, additional collateral support, changes in terms, acceleration of maturity, or the creation of an additional financial obligation such as adverse changes in the issuer's financial ratios, earnings, cash flows or stock price or changes in the value of underlying, linked or indexed assets.
- v) Circumstances that could impair the issuer's ability to continue to engage in transactions that have been integral to historical operations or are financially or operationally essential or that could render that activity commercially impracticable such as the inability to maintain a specified level of earnings, earnings per share, financial ratios or collateral.
- vi) Factors specific to the issuer and its markets that the issuer expects will affect its ability to raise short-term and long-term financing, guarantees of debt or other commitment to third parties, and written options on non-financial assets.
- vii) The relevant maturity grouping of assets and liabilities based on the remaining period at the balance sheet date to the contractual maturity date. Commentary should provide information about effective periods and the way the risks associated with different maturity and interest profiles are managed and controlled.
- viii) The issuer's material commitments for capital expenditures as of the end of the latest fiscal period, and indicate the general purposes of such commitments and the anticipated source of funds needed to fulfil such commitments.

- ix) Any known material trends, favorable or unfavorable, in the issuer's capital resources, including any expected material changes in the mix and relative cost of capital resources, considering changes between debt, equity and any off-balance sheet financing arrangements.

*Discussion of Liquidity and Capital Resources*

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

Off Balance Sheet Arrangements

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

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

**As a 31<sup>st</sup> December 2018, there were no Off-Balance Sheet Arrangements.**

## Results of Operations

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

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

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

### *Overview of Results of Operations*

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

### **3. Disclosure about Risk Factors.**

Provide a discussion of the risk factors that may have an impact on the results from operations or on the financial conditions. Avoid generalised statements. Typical risk factors include untested products, cash flow and liquidity problems, dependence on a key supplier or customer, management inexperience, nature of business, absence of a trading market (specific to the securities of the reporting issuer), etc. Indicate if any risk factors have increased or decreased in the time interval between the previous and current filing.

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

**4. Legal Proceedings.**

A legal proceeding need only be reported in the ECSRC – OR filed for the period in which it first became a reportable event and in subsequent interim reports in which there have been material developments. Subsequent Form ECSRC – OR filings in the same financial year in which a legal proceeding or a material development is reported should reference any previous reports in that year. Where proceedings have been terminated during the period covered by the report, provide similar information, including the date of termination and a description of the disposition thereof with respect to the reporting issuer and its subsidiaries.

**There were no pending legal proceedings during the period under review.**

**5. Changes in Securities and Use of Proceeds.**

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

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

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

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

**Not applicable**

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

**Not applicable**

- 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 are no material arrears.**

**7. Submission of Matters to a Vote of Security Holders.**

If any matter was submitted to a vote of security holders through the solicitation of proxies or otherwise during the financial year covered by this report, furnish the following information:

- (a) The date of the meeting and whether it was an annual or special meeting.

The **23rd ANNUAL GENERAL MEETING** of Shareholders of the **Eastern Caribbean Home Mortgage Bank** was held at the Verandah Resort and Spa, Long Bay Antigua and Barbuda on **Friday 21, September 2018**.

The Directors reported that the Eastern Caribbean Home Mortgage Bank ("The Bank") reported a Net Profit for the Year of \$4.22m representing an increase of \$1.16m (37.91%) when compared to the \$3.06m generated in 2017. The improvement in Bank's financial outturn was attributed to the combined efforts of growth in the top line by \$0.34m (3.05%) from \$11.14m in 2017 to \$11.48m in 2018 and a reduction in Total Expenses by \$0.76m (9.21%) from \$8.25m in FY2017 to \$7.49m in FY 2018.

The results of items brought to a vote are as follows: -

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.

- The Directors appointed for the following classes for the ensuing two years in accordance with Article 15 (1) of the ECHMB Agreement are as follows: -
  - Class A - Timothy N. J. Antoine
  - Class B - Missi Henderson
  - Class C - Peter Blanchard
  - Class D - Almer A. Irish
- The Audit Firm, Grant Thornton, was re-appointed as the Bank's External Auditors for the year ending **31st March 2019**.

- (b) If the meeting involved the election of directors, the name of each director elected at the meeting and the name of each other director whose term of office as a director continued after the meeting.

**Not applicable**

- (c) A brief description of each other matter voted upon at the meeting and a statement of the number of votes cast for or against as well as the number of abstentions as to each such matter, including a separate tabulation with respect to each nominee for office.

**Not applicable**

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

**Not applicable**

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

**Not applicable**

**8. Other Information.**

The reporting issuer may, at its option, report under this item any information, not previously reported in a Form ECSRC – MC report (used to report material changes), with respect to which information is not otherwise called for by this form, provided that the material change occurred within seven days of the due date of the Form ECSRC-OR report. If disclosure of such information is made under this item, it need not be repeated in a Form ECSRC – MC report which would otherwise be required to be filed with respect to such information or in a subsequent Form ECSRC – OR report

**There were none during the review period.**



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

### **Nine (9) Months Ended 31<sup>st</sup> December 2018**

- Cash and Cash Equivalents were reported at \$5.94m at 31<sup>st</sup> December 2018.
- Matured Investment Securities totaling \$17.54m were reinvested in the acquisition of new securities totaling \$30.64m.
- Investment Securities were reported at \$216.66m at 31<sup>st</sup> December 2018.
- Primary Lenders repurchased pools of mortgages totaling \$6.84m; the cash inflows were reinvested in the acquisition of mortgages totaling \$4.28m.
- Mortgages Loans Facilities reported at \$38.46m at 31<sup>st</sup> December 2018.
- Rolled over seven (7) corporate papers totaling \$152.61m at a weighted average interest rate of 2.44%.
- Paid dividends in the amount of \$1.87m.
- Interest Income of \$9.23m for the nine (9) months ended 31<sup>st</sup> December 2018 was higher than the \$8.51m reported for the comparative period of 2017 by \$0.73m (8.59%).
- Interest Expense increased by \$0.54m (18.69%) from \$2.89m reported for the nine (9) months 31<sup>st</sup> December 2017 to \$3.43m for the comparative period of 2018.
- Expenses declined by \$0.13m (5.39%) from \$2.41m for the nine (9) months ended 31<sup>st</sup> December 2017 to \$2.28m for the comparative period of 2018.
- Net Profit for the nine (9) months ended 31<sup>st</sup> December 2018 was reported at \$3.55m, representing an increase of \$0.05m (1.43%) when compared to the \$3.50m reported for the nine (9) months ended 31<sup>st</sup> December 2017.
- Interest Cover was reported at 2.03:1 representing a decline to the 2.21:1 reported for the nine (9) months ended 31<sup>st</sup> December 2017.

#### **1.0 Net Profit for the Nine (9) Months ended 31<sup>st</sup> December 2018**

- 1.1 The abridged financial statements of the ECHMB for the nine (9) months ended 31<sup>st</sup> December 2018, with comparatives for FY 2017 are presented in Table -1.

Table-1: Abridged Financial Statements		
For Nine (9) Months -31 <sup>st</sup> December	2018	2017
Interest income	9.23	8.51
Interest expense	(3.43)	(2.89)
Net Interest income	5.80	5.62
Other income	0.03	0.29
Operating income	5.83	5.91
Expenses	(2.28)	(2.41)
Net profit for the nine months	3.55	3.50
<b>Key performance metrics</b>		
Net interest income	62.84%	66.04%
Interest cover ratio	2.03:1	2.21:1
Return on assets	1.35%	1.34%
Investment portfolio	216.66	215.05
Mortgage loans portfolio	38.46	40.88
Assets under Management	262.82	260.80
Borrowings	199.72	199.75
Number of full-time employees	7	8

1.2 As shown in Table 2, the Net Profit for the nine (9) months ended 31<sup>st</sup> December 2018 is the highest reported by the ECHMB from 2014 to 2018.



### 1.3 Interest Income

1.3.1 An analysis in Table-3 shows Interest Income of \$9.23m, an increase of \$0.73m (8.60%) when compared to the \$8.50m reported for the nine-month of FY2017.

<b>Table-3: Interest Income</b>				
	<b>Six Months September</b>		<b>Change from 2017</b>	
	<b>2018</b>	<b>2017</b>	<b>\$Millions</b>	<b>%</b>
	<b>\$Millions</b>	<b>\$Millions</b>		
Mortgage loans facilities	1.87	1.95	(0.08)	-4.10%
Investments	7.36	6.56	0.80	12.20%
	<b>9.23</b>	<b>8.51</b>	<b>0.72</b>	

1.3.2 This was mainly attributed to the \$0.80m (12.20%) increase in income from Investments; however, the aforesaid increase was mitigated by the \$0.08m (4.10%) decline in income from Mortgage Loans' Facilities.

### 1.4 Total Expenses

1.4.1 Total Expenses increased by \$0.41m (9.88%) from \$5.30m reported for the nine (9) months ended 31<sup>st</sup> December 2017 to \$5.71m for the nine (9) months ended 31<sup>st</sup> December 2018.

<b>Table-4: Total Expenses</b>				
	<b>Nine Months December</b>		<b>Change from 2017</b>	
	<b>2018</b>	<b>2017</b>	<b>\$Millions</b>	<b>%</b>
	<b>\$Millions</b>	<b>\$Millions</b>		
Interest	3.43	2.89	0.54	18.69%
General and administrative	1.54	1.49	0.05	3.36%
Other operating	0.78	0.74	0.04	5.41%
Provision for impairment	(0.15)	(0.01)	(0.14)	1400.00%
Mortgage administrative fees	0.11	0.19	(0.08)	-42.11%
	<b>5.71</b>	<b>5.30</b>	<b>0.41</b>	

## 1.5 Interest Expense

- 1.5.1 Table-5 shows that the ECHMB issued seven (7) Corporate Papers ("CP") totaling \$152.67m between the 1<sup>st</sup> April 2018 to 31<sup>st</sup> December 2018. The weighted average cost of the Bank's debt capital increased from 2.03% for the period ended 31<sup>st</sup> December 2017 to 2.44% for the corresponding period of 2018.

<b>Corporate Paper</b>	<b>Coupon - 2017</b>	<b>Coupon - 2018</b>
April -\$30.0m	1.85%	3.00%
May -\$30.0m	2.0%	1.55%
July -\$31.2m	1.989%	2.00%
September-\$18.7m	1.75%	3.00%
October-\$7.5m	-	2.50%
November-\$7.5m	2.25%	2.00%
December\$27.6m	3.00%	3.00%
Weighted average coupon	<b>2.03%</b>	<b>2.44%</b>

- 1.5.2 On account of issuing the Bank's CP at higher coupons, Interest Expense increased by \$0.54m (18.69%) from \$2.89m for the nine (9) months ended 31<sup>st</sup> December 2017 to \$3.43m for the comparative period of 2018.

## 1.6 Net Interest Income

- 1.6.1 ECHMB's Net Interest Income for the nine (9) months ended 31<sup>st</sup> December 2018 of \$5.80m exceeded the outturn for the comparative period of 31<sup>st</sup> December 2017 by \$0.18m (3.20%). However, due to higher Interest Expense, the Net Interest Income Percentage declined from 66.04% for the nine months ended 31<sup>st</sup> December 2017 to 62.84% for the comparative period of 2018.

	Nine Months 31 <sup>st</sup> December		Change from 2017	
	<b>2018</b>	<b>2017</b>		
	<b>\$Millions</b>	<b>\$Millions</b>	<b>\$Millions</b>	<b>%</b>
Income	9.23	8.51	0.72	8.46%
Interest expense	(3.43)	(2.89)	(0.54)	18.69%
Net Interest Income	5.80	5.62	0.18	3.20%
Net Interest Income Percentage	<b>62.84%</b>	<b>66.04%</b>		

## **1.7 Expenses**

- 1.7.1 Expenses declined marginally from the \$2.41m reported for the nine (9) months ended 31<sup>st</sup> December 2017 to \$2.28m for the comparative period of 2018. The decline was mainly attributed \$0.15m writeback of impairment provision.

## **2.0 Key Performance Indicators**

- 2.1 Return on Assets under Management increased from 1.34% in 2017 to 1.35% in 2018.
- 2.2 On account of the higher interest expense, Interest Coverage Ratio declined from 2.21:1 times in 2017 to 2.03:1 times in 2018.

## **3.0 Outlook 2H 2018**

- 3.1 Trends from the second half of 2018 have filtered through to the first quarter of 2019. The World Bank's global outlook emphasizes moderating global growth as trade and manufacturing decelerates and trade tensions among major economies remain elevated. For all regions, risks to the economic outlook are increasingly tilted to the downside. Additionally, BREXIT concerns and China's slowdown continue to innerve investment sentiment. The stock market had its worst performance in ten years during 2018 reflected by an 8.7% and 6.2% decline respectively in the MSCI World Index<sup>1</sup> and the US' S&P 500 Index. The Bond market also fell by 1.4% in 2018 as represented by Barclays Global Aggregate Index<sup>2</sup>. Financial markets' performance was marred by extreme volatility in 2018 and similar patterns are likely to persist in 2019 as the investment landscape remains erratic.

Within the wider Caribbean region, investors remain cautious as Barbados restructures its debt while exuberance lingers in Jamaica's capital markets as the stock market remains the best performing globally. Trinidad and Tobago is gradually emerging from a recession with economic growth anticipated to recover by 1.0% in 2019 according to the IMF. The outlook for the ECCU seems optimistic with growth of 3.5% in 2019 especially buoyed by Dominica's reconstruction. Amidst the outlook, the ECHMB continues to invest prudently as we assess the impact of IFRS 9 on our Investment and Mortgage Portfolio.

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<sup>1</sup> The MSCI World Index measures stocks' performance across 23 developed market countries

<sup>2</sup> The Bloomberg Barclays Global Aggregate Bond Index measures the performance of investment grade bonds from 24 developed market countries