

Eastern Caribbean Home Mortgage Bank

ANNUAL INTEGRATED REPORT 2018



Propagating transformative ideas to the money and capital market of the Eastern Caribbean Currency Union



CONTENTS

Our Business

Who We Are	4-10
Our Approach to Value Creation	11-13
Our Strategy	14-17
Measuring Our Strategic Progress	18-19
Measuring our Risks	20-30

The Business Model



Outlook



Our Performance

Chairman's Statement	32-34
Chief Executive Officer's Statement	35-38
Financial Review	39-48
Staff	49-51







Communicating Value Transparently

Accountability

Directors' Report	53-54
Directors' Profiles	55-60
Corporate Information	61
Corporate Governance	62-70

Governance



Additional Information

Corporate Social Responsibility	72-75
Our Credit Ratings	76-77
ECHMB's Contributions to the	78-80
Secondary Mortgage Market and	
Money and Capital Market in the	
ECCU	

Strategic Objectives and Strategies





WHO WE ARE



Since incorporation in 1995 to opening its doors on 22nd April 1996, the ECHMB has made indelible contributions to the development of the financial landscape of the Eastern Caribbean Currency Union (ECCU). After twenty-two (22) years of operations, the ECHMB remains steadfast in fulfilling its commitment to improving the standard of living of the citizens in the Member States of the ECCU.

History, Innovation and Leadership



1996

22nd April, officially launched its operations and was accommodated within the offices of the ECCB Financial Complex in Basseterre, St.Kitts.

The Honourable Sir K. Dwight Venner was appointed Chairman of the Board of Directors.

Ms. Lydia V. Elliott was appointed Corporate Secretary.

22nd April, Mr. St. Bernard J Sebastian was appointed as the General Manager/Chief Executive Officer of the Bank.

21st September, International Financial Corporation (IFC) signed a Subscription Agreement for the purchase of 10,000 of ECHMB's shares.

18th October, issued its First Bond in the amount of \$20.27m.

The Public Accounting firm of Pannell Kerr Forster (PKF) was appointed auditors.



2004

Approved the creation of two (2) special reserve accounts, a Building Reserve Fund and a Portfolio Risk Reserve Fund. Transfers of \$1.5m and \$1.0m from Retained Earnings were made to the respective Reserve Funds.

Bonds in Issue exceeded the \$100.00m threshold.

Ms. Lydia V. Elliott resigned as Corporate Secretary.

The staff complement was increased to eight (8).



2009

31st August issued its 2nd and 3rd Tranches of Equity in the amount of \$10.00m.

Total Assets exceeded the \$200.00m threshold, of which \$184.27m represented mortgages.

Total Bonds in Issue exceeded the \$200.00m threshold.



2008

31st January entered into an Agreement with the Caribbean Development Bank for a US\$10.0m I oan

14th February, Caribbean Information & Credit Rating Services assigned the ratings of *CariAA* (Foreign Currency Rating) *CariAA* (Local Currency Rating) in its regional rating scale to the notional debt issue of US\$30.00m.

The Mortgage Portfolio exceeded the \$100.00m threshold.

Total Bonds in issue exceeded the \$150.00m threshold.



2013

Reported the highest profit in the Bank's history of \$5.76m.

Total Assets under management reached \$329.70m.

Mr. Duleep Cheddie demitted office of General Manager/Chief Executive Officer and Mr. Randy Lewis was appointed acting General Manager.



2014

The firm of Grant Thornton International Ltd, Chartered Accountants was appointed as auditor for the 2014 financial year.

The Building Reserve Fund was subsumed in the Portfolio Risk Reserve.



2016

The ECHMB celebrates 20 years of operations

The Bank issues its first corporate paper totaling \$137.61m.

Repaid \$10.0m on the CDB Borrowings.

The Honourable Sir K Dwight Venner demitted officer as Chairman of the Board of Directors.

Mr. Timothy N. J. Antoine appointed Chairman.

Implemented a staff redundandancy programme.



2018

Prepared the first Annual Integrated Report.

Commenced the process of rebranding the Bank which could include a change in the name of the Bank to ECHMB Capital Ltd.

The Caribbean Information and Credit Rating Services Ltd. (CariCRIS) reaffirmed the ratings of *CariBBB* + (Foreign and Local Currency Ratings) on the regional scale to the USD 30 million debt issue with a stable outlook.



2015

Primary Lenders repurchased mortgages totaling \$63.46m.

Placed \$111.84m in investment securities.

Acquired sovereign securities for the first time in the Bank's history (\$32.0m).

Reduced the debt capital of the Bank to \$199.92m.

Mr. Randy Lewis was appointed General Manager/Chief Executive Officer.



2017

Implemented ECHMB 2017 to 2021 strategic plan.

Introduced new models for the allocation of assets and the issuance of debt capital.

Extended the Bank's target market by penetrating the money and capital markets in the USA, Europe and Australia.

Introduced two new products-Mortgage Pledged Loans and Mortgage Credit Facility.

Recruited a Chief Investment Officer and a Treasury Officer.

ECHMB's Principal Remit

To promote and maintain the availability of affordable home financing and to assist primary lenders to promote and maintain the availability of affordable home financing in the territories of the participating Government.

To promote the growth and development of the money and capital markets and to enhance the monetary integration of the territories of the participating Governments.

Product Offerings

Diverse Offerings in the Secondary Mortgage Market and the Capital Market

Capital Market **Products**



Bonds

Corporate Paper

Repurchase Agreements

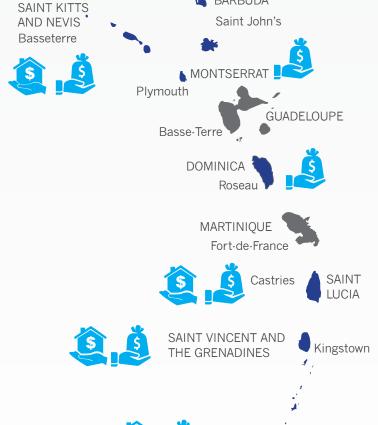
Secondary Mortgage **Products**



Mortgage Pledged Loans

Mortgage Backed Securities

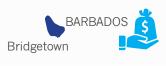
Mortgage Origination Loans



St. George's

ANTIGUA AND **BARBUDA**

ANGUILLA



Mission

To be the premier vehicle for developing the financial sector and mortgage industry within the Member States, in a socially responsible manner and strive to become the employer of choice while ensuring safety and above market returns for the providers of capital.

The Bank aspires to be the principal financial intermediary for providing affordable and sustainable sources of housing finance to Primary Lenders operating within the Member States and that its securities are investments of choice.

Vision

The ECHMB In Numbers 1995-2018

Interest paid to Debt Holders

\$152.78m

Debt instruments issued

\$1.26b

65 Shareholders

Net Profit over 24 Years

\$52.47m

Dividends Paid

\$28.15m

Credit Ratings

CariBBB+ Foreign Currency

(US\$30.0m) Debt Issue

CariBBB+ Local Currency

(US\$30.0m) Debt issue

Book Value per share

\$228,31

Certified Residential Underwriting (CRU) Qualified

55

FINANCIAL HIGHLIGHTS 2014-2018

Earnings Per Share (EPS)

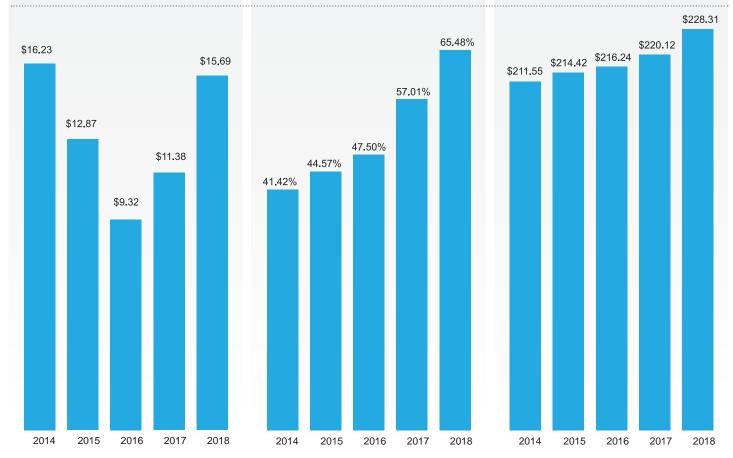
Is the portion of the Bank's profit allocated to each outstanding share. The EPS serves as an indicator of ECHMB's profitability.

Net Interest Margin

Is the difference between the Income that is generated from the Bank's assets and the Interest Expense.

Book Value Per Share

Is a measure used by ECHMB's shareholders to determine the level of safety associated with each individual share after all debts are paid accordingly. Should the Bank decide to dissolve, the book value per share indicates the dollar value remaining for shareholders after all assets are liquidated and all creditors are paid.



Efficiency Ratio

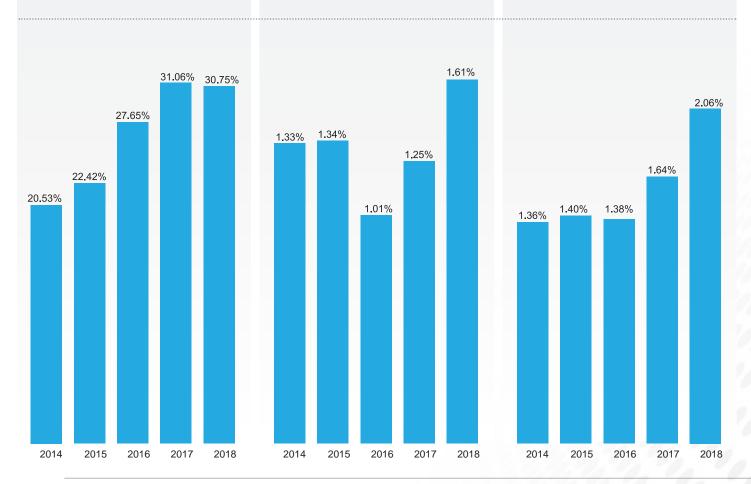
Measures the Bank's ability to turn resources into revenue. The lower the ratio, the better (50% is generally regarded as the maximum optimal ratio). An increase in the efficiency ratio indicates either increasing costs or decreasing revenues.

Return on Assets

Is an indicator of how profitable ECHMB is relative to its total assets. ROA gives an idea as to how efficient the Bank's Management is using its assets to generate earnings.

Interest Cover

Is a measure of the adequacy of ECHMB's profits relative to interest payments on its debt. The lower the interest cover, the greater the risk that profit (before interest) will become insufficient to cover interest payments.





Financial Highlights 2014-2018

	2014	2015	2016	2017	2018
Profit and Loss Account	\$	\$	\$	\$	\$
Interest Income	20,690,064	15,461,145	12,423,570	11,141,929	11,480,370
Interest Expense	12,121,614	8,570,266	6,523,972	4,790,392	3,962,620
Net Interest Income	8,568,450	6,890,879	5,899,598	6,351,537	7,517,750
Other Expenses	4,247,457	3,465,728	3,435,395	3,460,712	3,530,087
Net Profit for the Year	4,361,985	3,458,819	2,504,642	3,059,667	4,215,836
Balance Sheet					
Total Assets	328,017,043	257,814,842	247,817,342	244,172,894	261,901,804
Total Liabilities	271,163,792	200,190,262	189,703,738	185,015,241	200,543,933
Shareholders' Equity	56,853,251	57,624,580	58,113,604	59,157,653	61,357,871
Key Financial Ratios					
Earnings per Share	16.23	12.87	9.32	11.38	15.69
Book Value per Share	211.55	214.42	216.24	220.12	228.31
Net Interest Margin	41.42%	44.57%	47.50%	57.01%	65.48%
Efficiency Ratio	20.53%	22.42%	27.65%	31.06%	30.75%
Return on Assets	1.33%	1.34%	1.01%	1.25%	1.61%
Interest Cover	1.36	1.40	1.38	1.64	2.06
Debt-to-Equity Ratio	4.74:1	3.47:1	3.26:1	3.12:1	3.26:1



OUR APPROACH TO VALUE CREATION

At ECHMB, value is created through our business model, which acquires inputs in the form of capital – financial, manufactured, intellectual, human, social and natural capital – and transforms it through our business activities and interactions to produce outputs and outcomes for the Bank, its stakeholders, society and the environment.



Financial Capital

ECHMB's funding comes from investors, (institutional and private) to run the activities of the Bank and generate profits.

Share capital - \$61.36m Borrowings - 199.83m



Human Capital

Our people, management and the Board of Directors provide the expertise, experience and knowledge.

Staff head count - 8 Directors - 5



Manufactured Capital

Our business and operational processes that provide the structure and mechanisms through which we run the Bank.

Information technology software, systems and structures



Intellectual Capital

Our intellectual assets, such as our brand value, innovative products, innovation capacity and reputation.

- Strong brand affinity
- Exceptional innovation capacity



Social and Relationship Capital

Our relationships with our stakeholders particularly communities in which we operate

 Consistent engagement of key stakeholders including customers, the regulator, employees and other financial institutions



Natural Capital

Our impact, directly and indirectly, on natural living and non-living organisms including ecosystems, through our operation.

 Working towards reduction of carbon footprint



Products

Mortgage backed securities

Capital markets' products

Mortgage underwriting education

Outputs

Interest income

Trading income

Dividends

Outcomes

Satisfied customers

Employment and income for staff

Adequate return for stakeholders

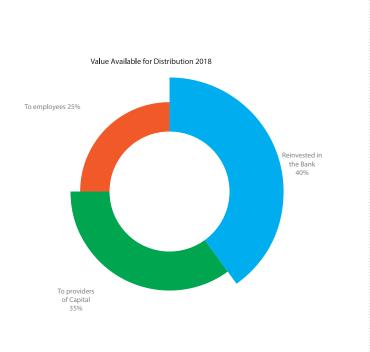
Economic growth for the ECCU

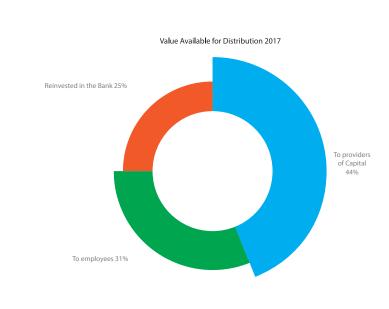
Social development

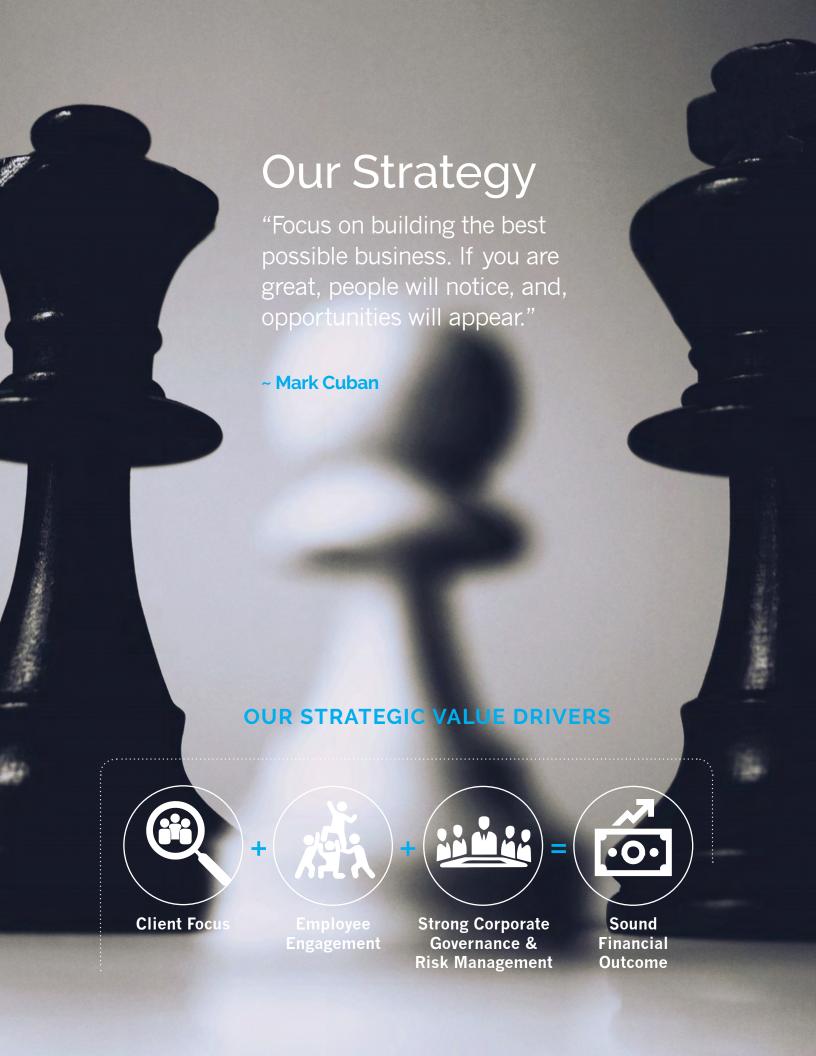


ECHMB Value Added Statement FY 2018

Value Added:	2018	2017
	\$'000	\$'000
Interest Income	11.71	11.31
Interest paid and cost of other services	(6.00)	(6.72)
Wealth created	5.71	4.59
Distribution of Wealth		
Employee-salary and other benefits	1.41	1.45
Dividends	2.02	2.02
Retained to support future business growth	2.20	1.04
Depreciation and amortization	0.08	0.08
Wealth Distributed	5.71	4.59







BUILDING THE BEST POSSIBLE BANK

Our Strategic Priorities are predicated on building a "best-in-class" financial intermediary which adapts to meet the evolving needs of the housing sector and capital market of the ECCU. We are mindful that our greatest asset is the market's perception of the Bank as a dynamic going concern. Our strategies are therefore designed to ensure that the ECHMB fulfills its remit as a capital centric entity, yet mindful of its wider corporate social responsibility.



STRATEGIC PRIORITY #1

Introduction of New Products

The ECHMB is committed to filling the gaps for corporate instruments in the money and capital market of the ECCU. Some of the products and services earmarked to be introduced are as follows:



Repurchase Agreements



Private Bonds



Funds

STRATEGIC PRIORITY #2

Penetrate New Markets

The Bank continues to experience challenges in acquiring investment grade instruments on the money and capital market of the ECCU. This is partly attributable to the scarcity of corporate instruments traded on the market, and, to the fact that most sovereign instruments in the ECCU are assigned the credit rating status of non-investment grade. This situation is further exacerbated by the significant reduction in the

coupon rate offered by financial intermediaries on certificates of deposits and repurchase agreements.

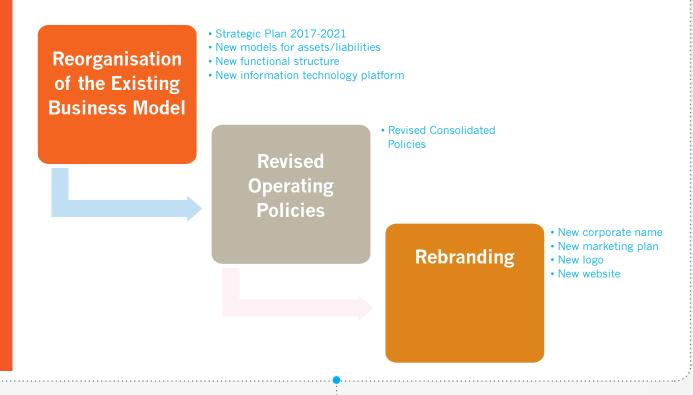
It is therefore imperative that the ECHMB continues to explore new markets for financial instruments as our investment portfolio expands. We have already penetrated the money and capital markets in North America; South America; Asia; Europe and Australia.



STRATEGIC PRIORITY #3

Restructure Existing Operations

We firmly believe that after twenty-two (22) years of successful operations, the ECHMB needs to refresh its image. A change in the name of the institution from the Eastern Caribbean Home Mortgage Bank to ECHMB Capital Ltd. will better convey to the market the Bank's wider strategic remit. We are in the early stages of the transition which commenced with the drafting of the new Agreement and legislation to repeal and replace the Eastern Caribbean Home Mortgage Bank Act of 1995. Other significant changes to be undertaken include:



STRATEGIC PRIORITY #4 Embed ERM in the Bank's Operations

ECHMB's investment portfolio presently accounts for approximately seventy-eight percent (78.0%) of Assets under Management. Given the size of the portfolio and the inherent risk therein, ERM has now become critical to the survival of the Bank. Our principal emphasis for FY2019 is to integrate the continuum of ERM in the Bank's operations.

Measuring Our Strategic Progress

<i></i>			
Strategic Priorities FY 2019	What success looks like	How we measure our progress	How we performed
Introduction of New Products	The successful introduction of new corporate instruments to effectively satisfy demand in the money and capital market in the ECCU.	Introduction of the following by 2021: New mortgage products Repurchase agreements Enterprise development fund A growth and income fund Private placement of bonds Wealth management products	 Introduced mortgage pledged loans & mortgage credit facility loans Scheduled to introduce repurchase agreements in FY 2019
	To extend the Bank's target market forming strategic relationships with brokers/dealers domiciled in jurisdictions outside of the ECCU.	 No more than 30.0% of total shareholders' equity invested in any one sovereign. No more than 30.0% of total shareholders' equity invested in St 	• Maximum

Penetrate New Markets

- Kitts
- No more than 40.0% of the investment portfolio invested in a foreign currency.
- exposure to one sovereign is 59.8% of shareholders' equity
- Exposure to St. Kitts is 1.8%
- Investment in USD \$112.8m and 55.9% of the total portfolio.

Strategic Priorities FY 2019	What success looks like	How we measure our progress	How we performed
Restructure Existing Operations	The ECHMB is seen as a vibrant going-concern with significant growth potential.	 Submit changes to ECHMB's Act of 1995 to the Board of Directors by March 2018. Develop and implement a "Differentiation Marketing" strategy by 2019. Rebrand the Bank 	 Initiated the revision of ECHMB's Act of 1995. In the process of implementing a differentiated market plan Commenced the process of rebranding the ECHMB to ECHMB Capital Ltd.
RISK	Ensure that current actions do not adversely impact the Bank's operations in the future.	 Full roll out of Enterprise Risk Management framework. 	رگا



Embed Enterprise Risk Management ("ERM") in the Bank's operations

- Automation of the Bank's risk metrics.
- Reduce non-performing assets to less than 1.0% of Assets under Management.
- Improve our investment grade credit ratings.



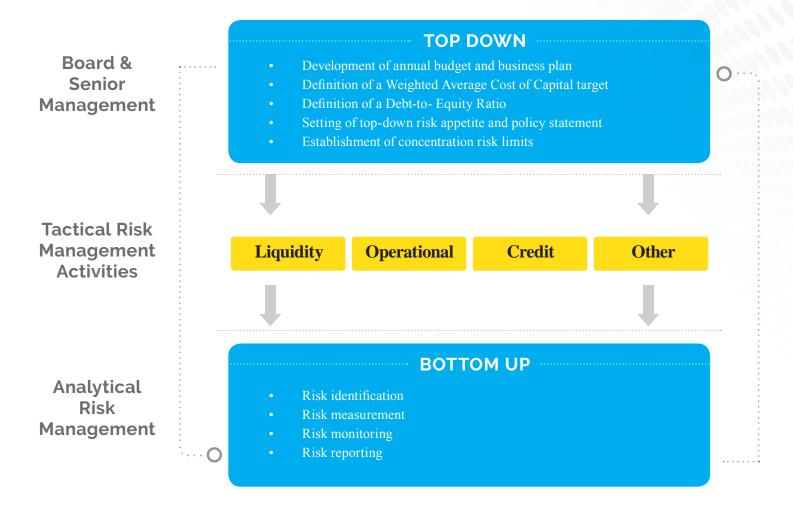
- Implemented ERM
- Non -Performing assets reported at 1.0% in FY 2018

Measuring Our Risks

"Only those who will risk going too far can possibly find out how far it is possible to go."



ECHMB's Risk Management Framework



The main objective of the Framework is to promote sound stewardship of the Bank. Other objectives of the Framework include:

- Establish and apply effective internal controls;
- Align the Bank's strategy and objectives with its risk tolerance;
- Adopt sound and prudent risk limits and management policies;
- Define the Bank's risk appetite and tolerance;
- Establish processes to continuously identify, understand and assess major risks;
- Define the committees' roles and responsibilities regarding risk management.

The Framework defines the Bank's governance structure and risk management processes. Furthermore, the Framework enhances the Bank's integrated risk management strategy by strengthening its internal control structure and corporate governance. In essence, the Framework not only facilitates the identification of the risks the Bank faces, but also provides the mechanism for the development and application of adequate and efficient internal controls to ensure that sound and prudent risk management strategies are implemented. The Bank's risk management process is closely tied to the strategic planning process from which the Bank's strategic and business plans are derived. Policies approved by the Board prescribe the tolerances, measures and responsibilities for each significant risk.

RISK TOLERANCE

Risk tolerance corresponds to implicit and acceptable variations relative to the Bank's risk appetite targets, but can also reflect the level of risk when there is no direct benefit associated or when the risk is not aligned with benefits.

RISK APPETITE

Risk taking is a necessary part of the Bank's business. The business' strategies incorporate decisions regarding the risk and reward trade-offs the Bank is willing to make and the means with which it will manage and mitigate those risks. The Bank has determined a risk appetite, which is defined in the Framework, and continuously attempts to maintain a balance between its risk tolerance and risk capacity. The Audit and Risk Committee of the Board is responsible for the annual review and approval of the Bank's risk appetite. Risk appetite is defined as the level of risk the Bank is willing to accept to achieve its objectives, particularly when there is a benefit associated:

- It is a broad concept which describes the types of activities and risks the Bank is willing to develop;
 and
- It is defined in terms of performance targets, credit rating and debt-to-equity ratio.

Risk capacity is determined by the availability of resources to assess and mitigate the risks, as well as, to absorb significant losses. The Bank's risk appetite statement can be summarized as a combination of:

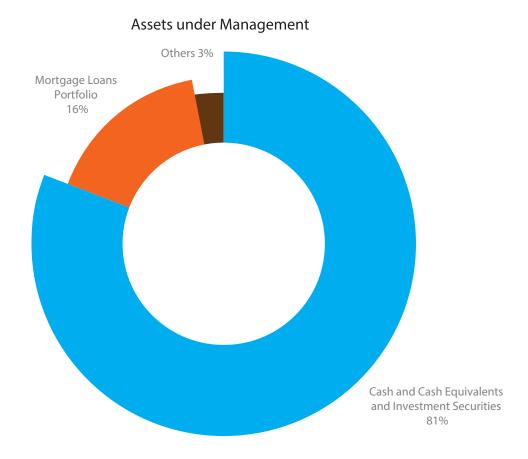
- strategic objectives: financial objectives, target debt-equity-ratio, growth target, business types; and
- a set of internal limits that defines the Bank's risk tolerance (including regulatory constraints).

BUSINESS AND STRATEGIC RISK MANAGEMENT

Business risk is the potential adverse effect of changes in the economic, competitive, regulatory, or accounting environment on the Bank's results. Strategic risk results from inadequate business plans, strategies, decision-making processes, allocation and use of the Bank's resources. Senior Management is responsible for managing the Bank's business and strategic risks. On a triennial basis, strategic planning is carried out to analyze strengths, weaknesses, threats and opportunities in order to determine the profitability and risk profiles of the Bank's internal and external environments. The Bank's overall strategy is crafted by Senior Management and presented to the Board of Directors for approval.

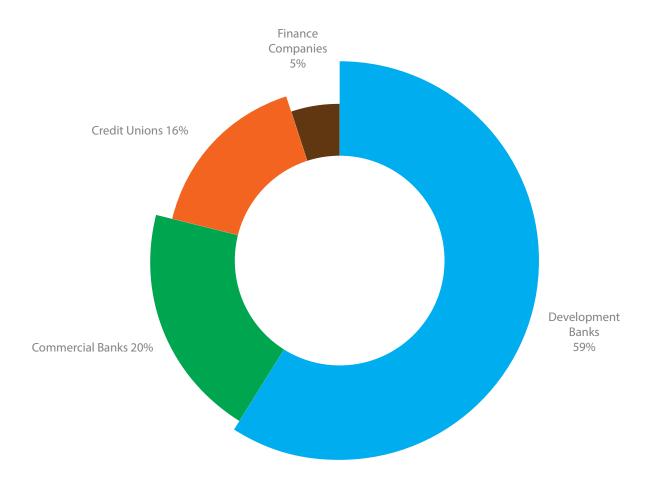
CREDIT RISK MANAGEMENT

Credit risk is the risk of a financial loss occurring if a debtor does not fully honour its financial obligations towards the Bank with regard to the Mortgage Loans Portfolio and Investment Securities. As showed in the graph, 99.0% of the ECHMB's Assets under Management are exposed to credit risk.



The Mortgage Loans Portfolio accounts for 16.0% of Assets under Management. The ECHMB through its automated eMIMS mortgage system undertakes monthly reconciliations of its Mortgage Loans Portfolio. These reconciliations monitor the performance of mortgage pools including changes in interest rate, lump sum payments, maintenance of adequate insurance coverage and defaults. The average Debt Service Ratio of each mortgage has been stipulated at 40.0%, with the Loan-to-value Ratio restricted to 90.0%. The monthly reconciliations are supplemented by annual reviews of each Primary Lender. The Reviews cover the Primary Lender's financial conditions, as well as the performance of the Mortgage Loans Portfolio. Primary Lenders are required to replace mortgages which are not in compliance with the Bank's underwriting standards. The graph on the following page shows the distribution of the Mortgage Loans Portfolio by institution.

Allocation of Mortgages by Institution



IMPAIRED LOANS

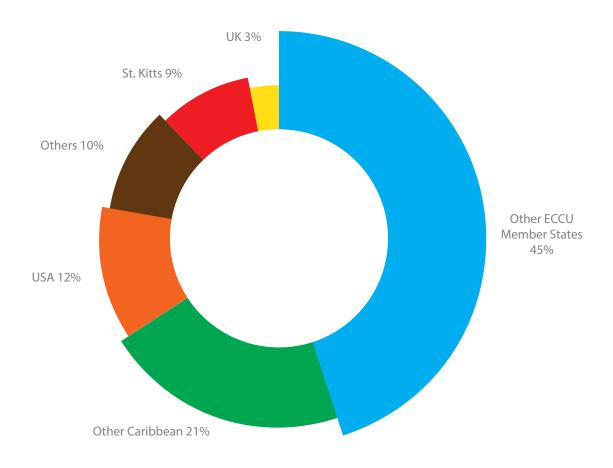
The ECHMB was not required to impair its Mortgage Loans' Portfolio for the 2018 financial year. This is mainly attributed to the fact that mortgages are acquired with recourse. Notwithstanding the foregoing, in March 2004, the Board of Directors approved the creation of two special reserve accounts, a Building Reserve and a Portfolio Risk Reserve. After the initial transfers from Retained Earnings, the Directors also agreed to an annual allocation to each reserve fund of 20.0% of profits after the appropriation for dividends, effective March 31, 2005. The Board of Directors considered it prudent, in light of the emerging trend in refinancing, to create a Portfolio Risk Reserve to provide cover against general risks associated with

the Secondary Mortgage Market. During the 2014 financial year, the Board of Directors approved the transfer of the Building Reserve to the Portfolio Risk Reserve.

CASH AND CASH EQUIVALENTS AND INVESTMENT SECURITIES

Cash and Cash Equivalents and Investment Securities account for 81.0% of ECHMB's Assets under Management. The primary objectives of the ECHMB's investment portfolio in order of priority are as follows:

Allocation of Assets by Country



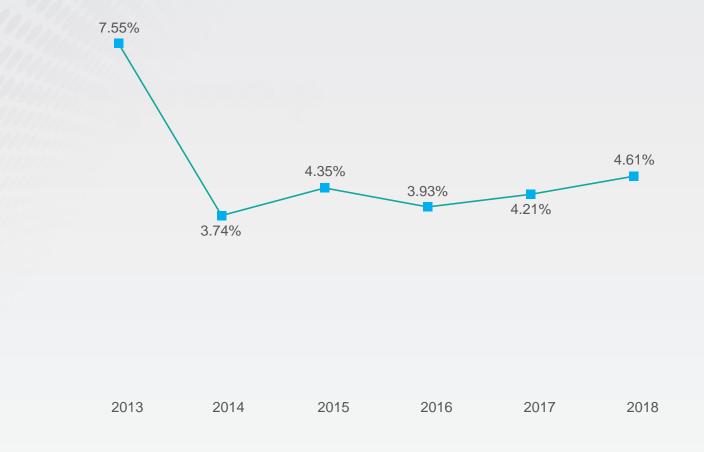
CASH AND CASH EQUIVALENTS AND INVESTMENT SECURITIES

- safety and portfolio diversification;
- · liquidity; and
- yield.

Together, the above objectives dictate how ECHMB allocates its investible resources into investments within different time horizons and risk profiles. Safety of principal is the foremost objective of the investment portfolio. Hence, the assets are invested with skill, care, prudence and diligence under the circumstances that a prudent person would use in the investment of assets with like character and similar goals. Investments are undertaken in a manner that seeks to ensure the preservation of capital and the

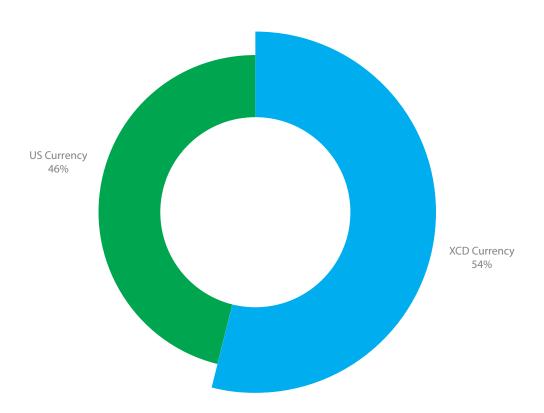
diversification of investments by asset class, in order to reduce the overall portfolio risk. The objective is to mitigate credit and market risks. The investment portfolio is designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. The graph shows the yield on the ECHMB's investment portfolio over the period 2013 to 2018.

Yield on ECHMB's Investment



FOREIGN EXCHANGE RISK

Foreign exchange risk is the losses that the Bank may incur subsequent to adverse exchange rate fluctuations. It originates mainly from holding investments denominated in United States dollars. ECHMB's foreign exchange risk exposure is managed by a "natural currency hedge" in which the Bank's transactions are completed in the same currency.



LIQUIDITY AND FUNDING RISK MANAGEMENT

Liquidity and funding 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 Treasury Officer with oversight from the Executive Committee and, ultimately, by 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 defines its risk tolerance towards liquidity and funding in terms of a minimum required liquidity level that would assure the Bank's survival in the event of a liquidity crisis. The Bank monitors cash resources daily and ensures that liquidity indicators are within established limits. Liquidity risk management pays particular attention to investment maturities, as well as, to funding availability and Primary Lenders' demand for cash when planning financing. The Bank maintains a reserve of unencumbered liquid assets in its Call Account that are readily available to face contingencies and which constitutes its liquidity buffer. A liquidity forecast is prepared and reviewed on an annual basis. It provides a detailed action plan that enables the Bank to fulfill its obligations in the event of a liquidity crisis. The Bank's liquidity gaps are highlighted on the graph on the following page:

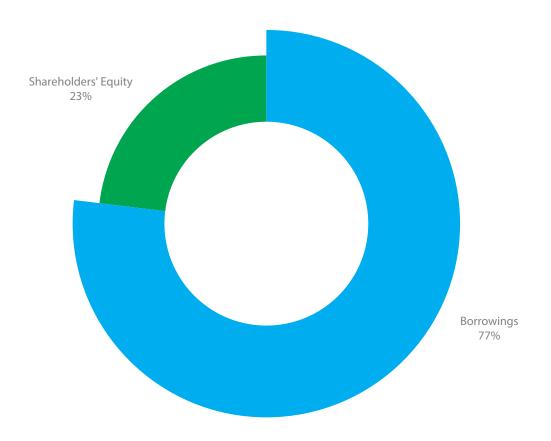


FOREIGN EXCHANGE RISK

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 a large outlay of cash.

FUNDING

Funding relates mainly to issuance of debt instruments on the Eastern Caribbean Securities Market and Shareholders' Equity. Debt instruments continue to be the Bank's principal source of funds and accounted for 76.30% of total capital in 2018.



CAPITAL MANAGEMENT

Management's objective is to maintain an adequate level of capital, in line with the Bank's risk appetite, to support the Bank's activities while producing an acceptable return for shareholders. Although it is not a statutory requirement, the ECHMB has imposed a Debt-to-Equity Ratio limit of 8.0:1. During the 2018 financial year, the Bank reported a Debt-to-Equity Ratio of 3.26:1; ECHMB has the capacity to increase its debt capital by \$291.0m (145.55%) before breaching its guideline.

OPERATIONAL RISK MANAGEMENT

Operational risk is inherent to the activities of financial institutions. It results from inadequacy or failure attributable to processes, people, systems or external events. The Bank deals with this risk principally through its system of accounting and internal controls along with its internal audit function. The Internal Audit function is outsourced to an independent firm of chartered certified accountants. The Internal audit plan and programmes are reviewed by the Audit and Risk Committee and reports thereon are presented to the Board of Directors.

BUSINESS CONTINUITY

Resources, processes and results of the Bank could be affected by unexpected, external events such as natural catastrophes. The Bank has developed an extensive contingency planning framework. Some of the measures implemented include offsite backup with offshore redundancies. Further, the Bank continues to ensure its information systems are protected against cyber-attacks and has undertaken an information system audit duing the latter part of the FY 2018.

REPUTATIONAL RISK MANAGEMENT

Reputational risk is the risk that a decision, an event or a series of events may affect, either directly or indirectly, the Bank's image with shareholders, Primary Lenders, employees, the general public or any other stakeholders, and negatively impact the Bank's revenues, operations and, ultimately, its value. Reputational risk most often results from the inadequate management of other risks and may affect almost every activity of a financial institution, even when operations are, from a technical point of view, in compliance with legal and accounting requirements.

Reputation is a critical asset that favours the ECHMB'S growth as well as continued trust from Primary Lenders, bond holders and the general investing public, and which also optimizes the Bank's value for shareholders. At the ECHMB, reputation is considered a strategic resource. In order to protect the Bank from any impairment to its reputation, Senior Management ensures that all other risks are adequately managed.





Mr. Timothy N. J. Antoine Chairman

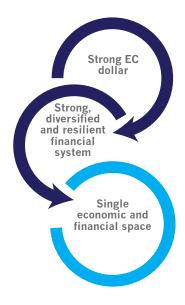


In the financial year 2017, the Board of Directors of the ECHMB gave a commitment to reverse the financial fortunes of the Bank following five (5) consecutive years of decline. Our commitment to this formidable task culminated in the crafting of the ECHMB's 2017 to 2021 Strategic Plan. Aptly styled, "Transformative Thinking," the Strategic Plan was designed to reshape ECHMB's business model from being predominantly a secondary mortgage market entity to a major player in the development of the money and capital markets of the ECCU.

I am pleased to report that since implementation of ECHMB's Strategic Plan in FY2017, our financial results have improved significantly. Net Profit for the Year increased by \$1.16m (37.91%) from \$3.06m in FY2017 to \$4.22m in FY2018. Likewise, Earnings-per-share improved from \$11.38 in FY2017 to \$15.69 in FY2018. We continue to reward shareholders' commitment by maintaining our dividend payout at \$7.50 per share and are elated to report that the Book-Value-Per-Share has increased from \$220.12 in FY2017 to \$228.31 in FY2018. Initial investors in the ECHMB acquired each share at \$100.0 in FY 1996.

ECHMB'S DEVELOPMENT AGENDA

The ECHMB recognizes that as an affiliated entity of the Eastern Caribbean Central Bank ("ECCB"), it is imperative that our strategy is in congruence with the ECCB's broader development agenda. The ECHMB is therefore poised to benefit synergistically from the ECCB's 2017 to 2021 Strategic Plan. We are pleased to note that the ECCB has adopted the following three (3) pillars:



We believe that these Strategic Goals are critical elements in laying the infrastructure for the successful outcome of the ECHMB's Strategic Plan. In my capacity as Chairman of the ECHMB, I will strive to ensure that the Bank has the human and financial capital to exploit the opportunities which are likely to accrue from the symbiotic relationship with the ECCB. Also, equally important, is the ECHMB's commitment to the fulfillment of its corporate social responsibilities.

We are mindful that the ECHMB has a significant role to play in improving the housing stock of the less fortunate in the ECCU. Against this backdrop, we continue to provide funding at concessionary rates to financial intermediaries with a development agenda with the understanding that the low interest rate will be reciprocated to consumers.

I am also happy to report that the ECHMB had made significant contributions in cash and kind to the victims of Hurricanes Maria and Emily. In addition, the Board of Directors continues to laud Management's efforts in mentoring potential leaders of the ECCU through our annual school job training attachments at our office in St. Kitts.

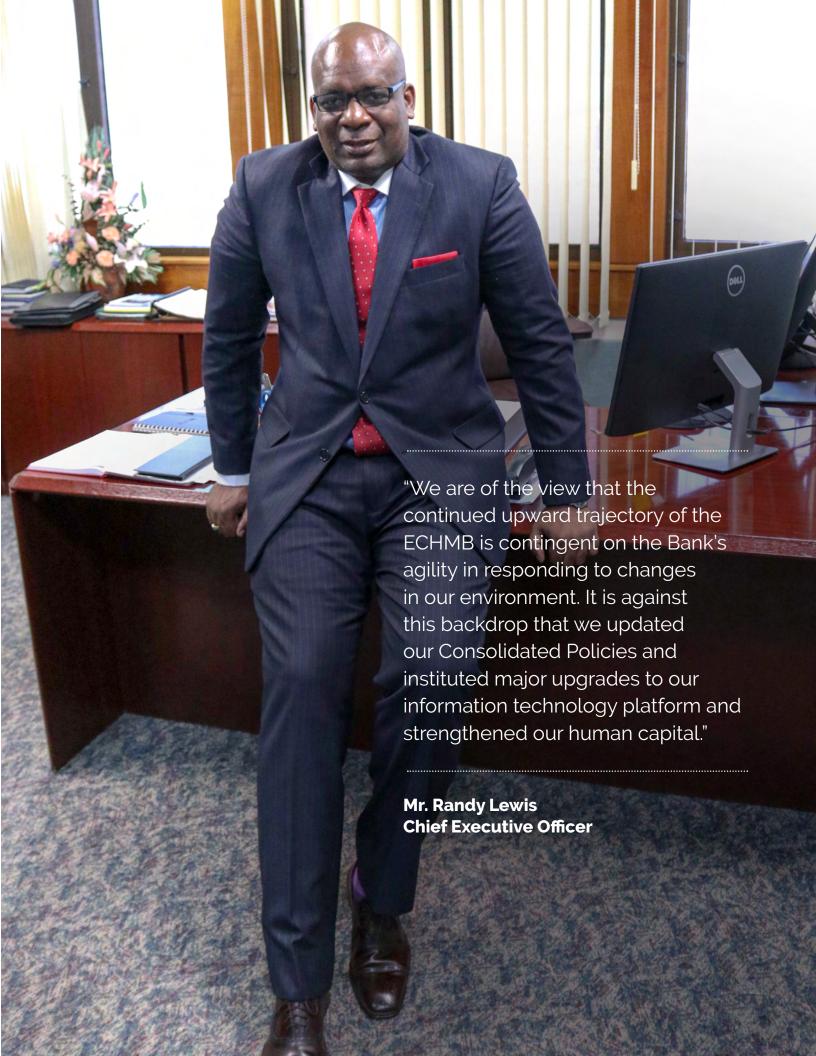
WHAT'S NEXT FOR THE ECHMB

The ECHMB recognizes that to remain relevant in the evolving capital and mortgage landscape of the ECCU, it is imperative that the Bank continues to redefine itself. We are of the view that the Bank's name should be more reflective of its expanded mission and vision. In addition, it is equally important that the Bank is easily recognized by its target market. We are therefore firmly of the view that after twenty-two (22) years of successful operations, the ECHMB needs to refresh its image. We therefore believe that a change in the name of the institution from the Eastern Caribbean

Home Mortgage Bank to ECHMB Capital Ltd. will better convey to the market the Bank's wider strategic remit. We have already taken steps to initiate this process through the drafting of a new Agreement and legislation to repeal and replace the Eastern Caribbean Home Mortgage Bank Act of 1995.

I wish to thank our shareholders for your continued support of the ECHMB, my colleagues at the Board of Directors, Management and staff for the tremendous support during my inaugural year as Chairman of the Board of Directors. I am confident more than ever that the ECHMB has the requisite infrastructure to spearhead the development of the money and capital markets in the ECCU.

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



On behalf of the Management Team, I am delighted to discuss the Bank's outturn for the FY 2018 and provide a snapshot of our strategies going forward. ECHMB's Net Profit for the Year increased by \$1.16m (37.91%) from \$3.06m in FY2017 to \$4.22m in FY2018. The improved profitability of the Bank was mainly attributable to the control of Interest Expense. This was further corroborated by the fact that our top line increased by \$0.34m (3.05%); yet, Net Interest Margin improved from 57.01% in FY2017 to 65.48% in FY2018.

Our improved results in FY2018 are evidence that the Restructuring Plan instituted from FY2017 has proven to be a resounding success. A synopsis of the major strategies implemented is outlined below:



We are of the view that the continued upward trajectory of the ECHMB is contingent on the Bank's agility in responding to changes in our environment. In an effort to improve the surveillance of our environment and increase the speed at which we respond to changes, we have updated our Consolidated Policies, instituted major upgrades to our information technology platform and strengthened our human capital.

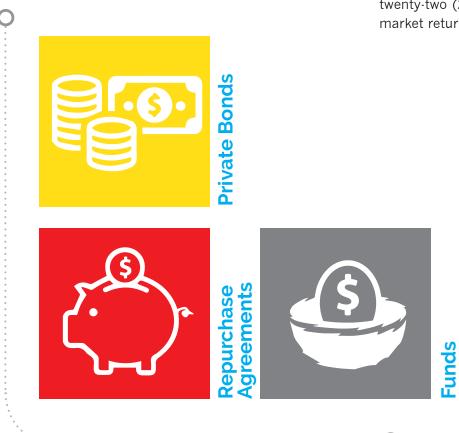
FILLING THE GAPS IN THE ECCU'S CAPITAL MARKET

We recognized that the biggest limitation in the Capital Market of the ECCU is a shortage of investment grade corporate instruments. The ECHMB is of the view that a comparative advantage can be derived by identifying and effectively satisfying the investing public's demand. Some of the instruments we propose to issue in the years ahead are as follows:

REPOSITIONING THE BANK

It is imperative that the Bank's brand is reflective of its mission, vision and raison d'être. The Bank's existing name of the Eastern Caribbean Home Mortgage Bank is therefore not reflective of the Bank's expanded operations. It is our intent to transition the Bank's name from the Eastern Caribbean Home Mortgage Bank to ECHMB Capital Ltd. The intent is to create congruence between the Bank's mission, vision and operations.

The rebranding exercise is also expected to differentiate the ECHMB Capital Ltd. from other players on the market. We intend to accentuate the Bank's low risk business model, investment grade credit rating and its twenty-two (22) year track record of delivering above market returns to equity and bond holders.



OUR COMMITMENT TO ENTERPRISE RISK MANAGEMENT ("ERM")

ECHMB's investment portfolio presently accounts for approximately seventy-eight percent (78.0%) of Assets under Management. Given the size of the portfolio and the inherent risk therein, ERM has now become integral to the survival of Bank. Our principal emphasis for FY2019 is to integrate the continuum of ERM in the Bank's operations.

ACKNOWLEDGEMENTS

I am profoundly grateful to the New Chairman and the Board of Directors for their support and guidance in implementing the strategic decisions of the Bank in the 2018 financial year. Likewise, I would like to extend gratitude to my colleagues for their support, and, to our valued business associates, whose continued relationships would no doubt enable the ECHMB to achieve its mandate across the ECCU.

Randy Lewis

Chief Executive Officer



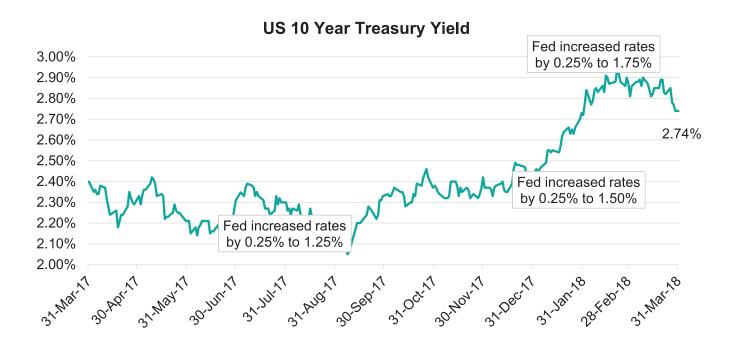
THE WORLD ECONOMY

According to IMF's World Economic Outlook Report dated April 2018, the global economy continues to gather speed reflected by 3.8% growth in 2017, the most acceleration since 2011. The GDP growth forecasts for 2018 and 2019 are pegged at 3.9% with growing trade and investment as notable factors powering the global upswing. It is forecasted that advanced economies will continue to expand above their potential growth rates this year and next before decelerating, while growth in emerging markets and developing economies will rise before leveling off. More importantly, the IMF warned that the present economic momentum reflects a "confluence of factors" that is unlikely to last for long. Monetary policy may tighten sooner than expected coupled with an escalating cycle of trade restrictions and retaliation.

PERFORMANCE OF BOND MARKET

The outlook for the international bond market appears pessimistic over the next twelve months. Similar to the equity market, the bond market has been significantly overpriced and due for a correction. The jump in yields and corresponding weakness in prices are as a result of investors' expectation for global central banks to pull back monetary stimulus against the backdrop of improving economic activity and anticipated inflationary pressure. While inflation is unlikely to rise much. Central Banks are expected to reduce liquidity and gradually raise interest rates in response to better growth. The United States' Federal Reserve has fasttracked its tightening cycle with three interest rate increases during fiscal 2017, pushing the return on 10-year U.S. government treasuries to 2.74% as at March 31st, 2018 from 2.40% as at March 31st, 2017.

As the Bank extends its target markets and further diversify the investment portfolio, we intend to take advantage of the opportunity to buy bonds at cheaper prices especially given the fact that we are not susceptible to price volatility. Taking into consideration the gloomy medium-term outlook, we believe that bonds with fundamentally sound issuers continue to be the preferred investments as safe haven assets.



THE ECCU'S ECONOMIC PERFORMANCE

Preliminary data from ECCB's 2017 Financial review indicated that economic activity in the ECCU expanded, albeit at a slower rate than 2016. Notwithstanding the deceleration, economic growth was facilitated by positive global developments, particularly in the economies of the major trading partners, and supported by increased output in several sectors in the regional economy. Real GDP in the ECCU is provisionally estimated to have expanded for the sixth consecutive year, at a rate of 1.8% in 2017, compared with 2.9% in 2016. Expansions in value added were recorded in a few key sectors, namely construction, transport, storage & communications and wholesale & retail trade. On a country basis, economic activity is estimated to have expanded in six of the eight territories and was partially moderated by contractions in Anguilla and Dominica. Inflationary conditions prevailed in all the ECCU's member states in contrast to overall deflation during the prior year.

LIQUIDITY TRENDS IN THE ECCU

In the banking sector, monetary liabilities and net foreign assets expanded while domestic credit contracted. Liquidity in the commercial banking system improved, associated in part with an expansion in the deposit base coupled with the decline in credit. The spread between commercial banks' weighted average lending and deposit interest rates narrowed over the past year.

Financial Summary







Investment **Portfolio** 3.08% \$204.27m





Mortgage Loans





Assets under Management \$261.90m





Earnings





Shareholders' Equity \$61.36m





Net Profit For the year

In FY2018, the ECHMB 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 FY2017.

Trends in Interest Income, Net Profit and Total Expenses in Millions

- Interest Income
- Net Profit
- Total Expenses



The improvement in ECHMB's financial outturn was attributed to the combined efforts of growth in the Bank's top line by \$0.34m (3.05%) from \$11.14m in FY2017 to \$11.48m in FY2018, and, a reduction in Total Expenses by \$0.76m (9.21%) from \$8.25m in FY2017 to \$7.49m in FY 2018.

The ECHMB is mindful that it is implausible to build a sustainable business model on the containment of costs, and henceforth, the Bank's principal strategic focus going forward is the expansion of the investment arm of its operations.

REVENUE ENHANCEMENT STRATEGIES

The ECHMB continues to experience challenges in acquiring investment grade instruments on the money and capital market of the ECCU. This is partly attributable to the fact that there is a scarcity of corporate instruments traded on the market and most sovereign instruments in the ECCU are assigned the credit rating status of non-investment grade. This situation is further exacerbated by the significant reduction in the interest rate offered by financial intermediaries on certificates of deposits and repurchase agreements. To mitigate the decline in the yield on the Assets under Management, the Bank increased its Investment Portfolio by \$6.11m (3.08%) from \$198.16m in FY2017 to \$204.27m in FY2018. The Bank's principal strategies for revenue enhancement and diversification were as follows:

- Invested the proceeds of matured EC instruments in international corporate instruments domiciled in jurisdictions where the Bank has low concentration risk;
- Increased allocation to reputable, regional corporates within the non-EC Caribbean;
- Increased the Weighted Average Maturity of the Investment Portfolio through investing the proceeds of short term deposits in long term instruments;
- Converted two maturing term deposits to mortgage instruments.

Despite the growth of the Bank's Investment Portfolio, it is to be noted that major emphasis was placed on de-risking. This was mainly achieved through the disposal of securities held in jurisdictions and entities where the Bank's concentration levels exceeded the specifications of the Investment Policy Statement. Investment Securities generated Interest Income of \$8.84m in FY2018 compared to \$7.82m in FY2017, representing an increase of \$1.02m (13.04%).

The increase in income from Investments was tempered by the sluggish Secondary Mortgage Market ("The SMM") which continued to exhibit symptoms of a product at the declining stage of its life cycle. The main contributing factor to the diminution of the SMM was the high levels of liquidity in the Primary Mortgage Market. Despite the unconducive market conditions, the ECHMB increased its Mortgage Loans Portfolio ("MLP") by \$5.45m (14.57%) from \$37.40m in FY2017 to \$42.85m in FY2018. This resulted in the MLP exposure increasing to 16.36% of Assets under Management in FY2018 from 15.32% in FY2017. An analysis of the movements in the MLP highlighted that growth was attributed to acquisitions and/or conversions of mortgages totaling \$18.91m; however, the increase in the MLP was stemmed by the repurchase of mortgages totaling \$10.32m.

Trends in Fixed Income Instruments

- Term deposits
- Government bonds
- Quoted bonds
- Treasury bills
- Bank deposits



In addition, consistent with the Primary Mortgage Market, the ECHMB continued to report a decline in the weighted average yield on its MLP; new mortgages were generally acquired at a weighted average yield of 4.0% compared with a weighted average yield of 8.0% on mortgages resold to primary lenders.

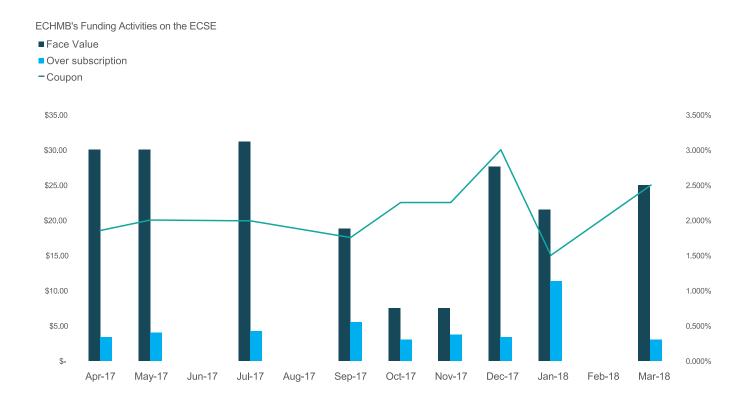
Interest Income from the MLP was lower by \$0.68m (20.48%) from \$3.32m in FY2017 to \$2.64m in FY2018.

INTEREST INCOME

			Change fro	Change from 2017	
	2018	2017	\$	%	
Quoted bonds	2.96	1.07	1.89	176.64	
Term deposits	2.81	3.89	(1.08)	-27.76	
Bonds	2.69	2.42	0.27	11.16	
Treasury bills	0.36	0.43	(0.07)	-16.28	
Bank deposits	0.02	0.01	0.01	100.00	
Income – from investments	8.84	7.82	1.02	13.04	
Income – Mortgage loans facilities	2.64	3.32	(0.68)	-20.48	
	11.48	11.14	0.34	3.05	

COST REDUCTION STRATEGIES

The Yield Curve in the ECCU was assessed as "normal" in FY2018 and, as a result, the ECHMB opted to issue a one (1) year Corporate Paper ("CP") via competitive uniform price auction methodology to benefit from the lower coupon rates garnered by short term instruments. The ECHMB continued to be the most prolific corporate issuer on the ECSE and increased its Borrowing by \$15.0m to \$199.83m in FY2018, up from the \$184.66m reported in FY2017.



The Bank's CPs are rated Cari BBB+ (Foreign/Local Currency) and hence are very attractive to low risk investors on the ECSE. In general, the issuances of the Bank's CPs were oversubscribed by an average of 20.0% per issue. The oversubscription and resulting competitive bidding fostered the reduction in the weighted average cost of the CPs from 3.00% in FY2017 to 2.88% in FY2018. Given the decline in the weighted average cost of funding the Bank's operations, Interest Expense declined by \$0.83m (17.33%) in FY2018.

INTEREST EXPENSE

			Change from 2017		
(EC\$ in millions, except as noted) 31st March 2018	2018	2017	\$	%	
Bonds in issue	3.96	4.79	0.83	17.33	

NET INTEREST INCOME

Net Interest Income or the difference between Interest Income (\$11.48m) and Interest Expense (\$3.96m) was reported at \$7.52m compared to the \$6.35m reported in FY 2017. The improvement in Net Interest Income was principally attributed to the \$0.83m (17.33%) decline in Interest Expense.

NET INTEREST INCOME

			Change from 2017		
(EC\$ in millions, except as noted) 31st March 2018	2018	2017	\$	%	
Interest income	11.48	11.14	0.34	3.05	
Interest expense	3.96	4.79	0.83	17.33	
Net interest income	7.52	6.35	1.17	18.43	

NON-INTEREST EXPENSES

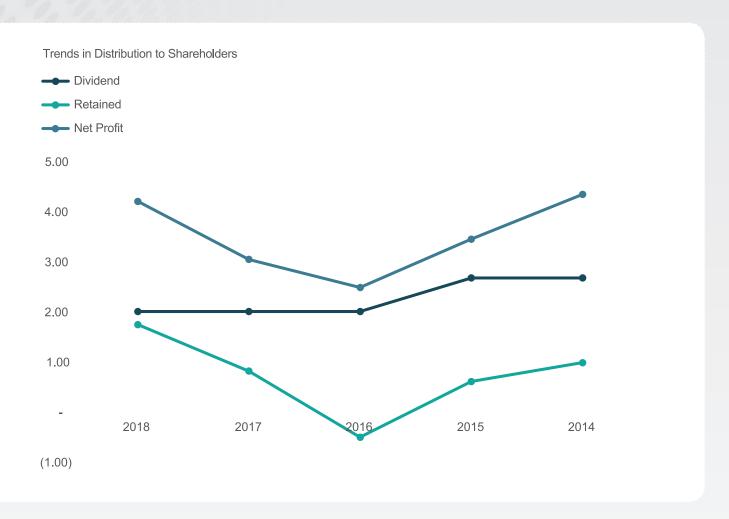
Total Non-Interest Expenses increased by \$0.07m (2.02%) from \$3.46m in FY2017 to \$3.53m in FY2018. The higher Non-Interest Expenses were attributed to General and Administration Expenses which increased by \$0.26m (12.87%) from \$2.02m in FY2017 to \$2.28m in FY2018.

An analysis of General and Administrative Expenses highlighted that the Salaries and Related Expenses increased by \$0.03m (2.16%) which was generally associated with the annual inflation allowance afforded to staff. Other significant increases included Advertising and Promotions which moved from \$0.028m in FY2017 to \$0.16m in FY2018; Consultancy Fees which totaled \$0.04m in FY 2018; and Legal and Professional Fees which increased to \$0.063m in FY2018. The aforesaid costs were associated with the rebranding of the Eastern Caribbean Home Mortgage Bank to ECHMB Capital Ltd.

			Change from 2017		
(EC\$ in millions, except as noted) 31st March 2018	2018	2017	\$	%	
General and administrative	2.28	2.02	(0.26)	-12.87	
Mortgage Administrative fees	0.23	0.25	0.02	8.00	
Other operating	1.02	1.19	0.17	14.29	
	3.53	3.46	(0.07)	-2.02%	

DISTRIBUTION TO SHAREHOLDERS

In FY2018, the ECHMB continued to maintain its prudent dividend policy of \$7.50 per share resulting in distributions totaling \$2.02m. The policy has enabled the ECHMB to build adequate reserves to support the Bank's growth agenda.



The dividend policy has contributed to an increase in the Bank's Book Value Per Share to \$228.31 in FY2018, up from the \$220.12 reported in FY2017. Initial investors in the ECHMB acquired each share for \$100.00 in 1996. Over the Bank's twenty-two (22) years of operations, shareholders received total dividends of \$104.75 per share.

CAPITAL ADEQUACY

The Bank's Debt-to-Equity Ratio was reported at 3.26:1 in FY2018 which was within our internal guideline of 8:1. Our Interest Cover Ratio of 2.06 times exceeded our benchmark of 1.5 times. ■





In general, the average tenure served by the staff of the Bank is ten (10) years and during FY 2019, Ms. Sanginee Rattan will be celebrating twenty (20) years of continuous employment with the Bank.

The ECHMB encourages retention of its human resource by ensuring the Bank provides adequate long-term benefits, complemented by comprehensive health insurance and underpinned by excellent compensation packages. In FY2018, the ECHMB introduced a new Performance Appraisal System which linked the annual bonus compensation to the attainment of the annual operating budget and the achievement of the Key Performance Indicators of the Bank.

In FY 2018, we continued to ensure that our employees remained at the cutting edge by providing training in International Financial Reporting Standards (IFRS), mortgage underwriting, the fundamentals of credit rating and information technology risk management. Special emphasis was placed on providing training in the implementation of IFRS 9 since the new standard is likely to have direct bearings on the operations of the Bank.

The Bank commenced the process of redrafting its Human Resource Policy as part of our efforts to ensure that our Consolidated Policies remain vogue with modern practices. The revised Policy is expected to give due consideration to pronouncements on sexual harassment, health and safety issues, as well as ensuring that the Bank has adequate protection for whistle blowers.





The Directors submit herewith the Statement of Income, Expenses, Unappropriated Profits, Assets and Liabilities of the Eastern Caribbean Home Mortgage Bank (ECHMB) for the year ended 31st March 2018.

FINANCIAL RESULTS AND DIVIDENDS

Financial Results and Dividends	\$'000
Net Income attributed to shareholders	4,216
Final dividends of \$7.50 per share for 2018	(2,016)
Transfer to reserves	(441)
Net Income after distribution	1,759
Retained earnings at beginning of year	12,986
Retained earnings at end of year	14,745

Dividends

The Directors have recommended a Dividend of \$7.50 per share for the year ended 31st March, 2018, amounting to \$2.02m.

Substantial Interests in ECHMB's Share Capital as at 31st March, 2018

Shareholders	Fully paid up Ordinary Shares	% of Issued Share Capital
Eastern Caribbean Central Bank	66,812	24.86%
National Co-operative Credit Union Limited, Dominica	20,500	7.63%
CLICO International Life Insurance Limited, Barbados	20,000	7.44%
Dominica Social Security	15,008	5.58%

There have been no changes in these interests between the end of the ECHMB's financial year and the date of the Notice convening the Annual General Meeting.

Statement of Affairs

In the opinion of the Directors, there were no changes in the state of the affairs of the Bank during the financial year.

Re-election of Directors

Article 15 (1) of the Eastern Caribbean Home Mortgage Bank Agreement provides that: (a) a director holds office for two (2) years and shall be eligible for re-appointment; (b) a vacancy in the Board shall be filled by the Class of shareholders which appointed the director to be replaced; and (c) a director appointed to fill a vacancy holds office for the un-expired term of his predecessor.

The two (2) year term of the current Board of Directors expires at the 22nd Annual General Meeting in 2018, and all Members are eligible for re-appointment.

None of the Directors hold shares in the Bank. No Director had, during the year or at the end of the year, any interest in any contract pertaining to the Bank's business.

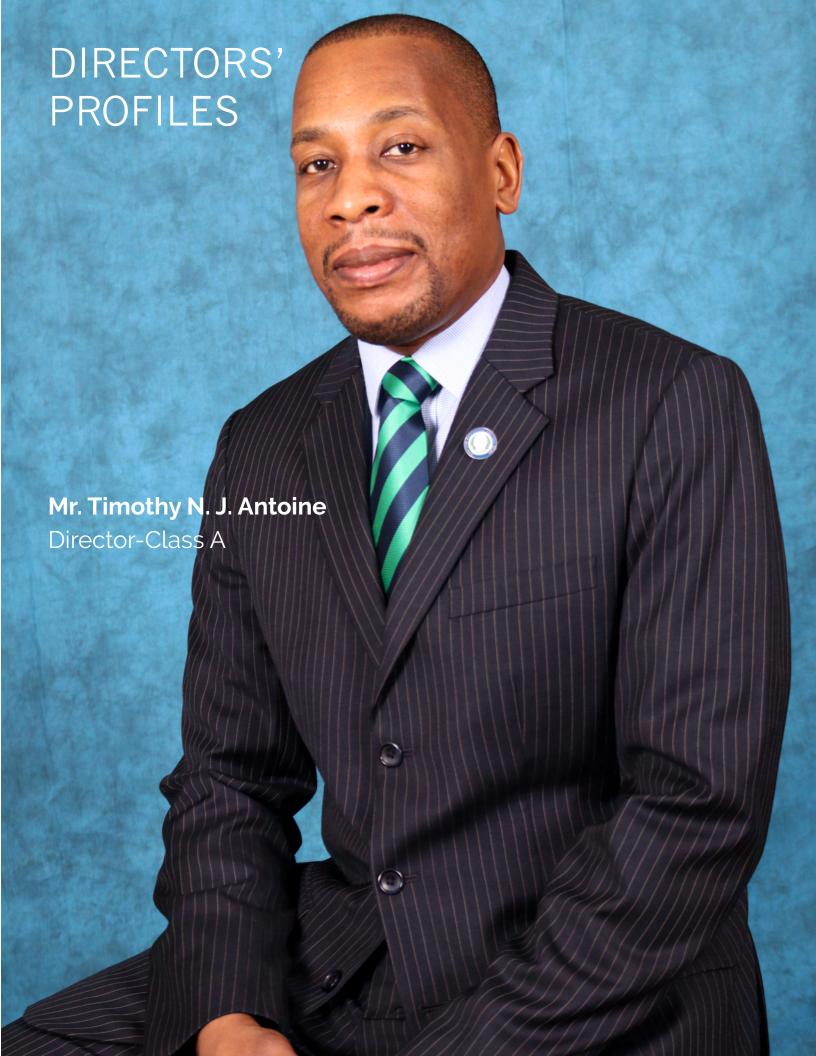
Events Subsequent to Statement of Financial Position Date

The Directors are not aware of any transaction which has arisen since 31st March, 2018 that has a material effect on the operations of the Bank and for which adequate disclosures have not been made in the financial statements.

Appointment of Auditors

Article 23 of the Eastern Caribbean Home Mortgage Agreement provides that shareholders shall at each Annual General Meeting appoint an auditor to hold office from the conclusion of the meeting until the conclusion of the next Annual General Meeting. The Auditors, Grant Thornton, retired at the financial year ended 31st March, 2018. The Auditors are eligible for re-appointment and have offered themselves as External Auditors for the year ending 31st March, 2019.

The Board of Directors recommends their re-appointment. ■



Mr. Antoine was appointed to the Board of Directors in November 2016, representing the Class A shareholder.

Mr. Antoine, a national of Grenada, assumed duties as the third Governor of the Eastern Caribbean Central Bank (ECCB) on 1 February 2016. He is an economist and development practitioner by training, experience and passion. Before taking up the position of Governor, Mr. Antoine served as Director for Grenada on the ECCB Board of Directors for the periods: 2002 to October 2005 and January 2008 to January 2016.

Mr. Antoine's twenty two (22) year tenure with the Government of Grenada was spent in the Ministry of Finance where he began as a Planning Officer in 1993 and rapidly moved up the ranks to Senior Economist before being appointed Permanent Secretary, serving in that position for the periods August 1999 to October 2005 and January 2008 to January 2016. From November 2005 to November 2007, he served as Advisor to the Executive Director for Canada, Ireland and the Caribbean in the World Bank Group and was based in Washington D.C. In that role, he offered analysis and advice on various development policies and projects and was a strong advocate for the interests of the Caribbean and small States.

He was a Part-Time Lecturer in Economics and Development at St George's University from 1999-2000. Mr. Antoine has also contributed to the development of the OECS and wider Caribbean in various ways including serving on several local, regional and international boards and committees including:

- Chairman, Grenada's Homegrown Programme Monitoring Committee
- Chairman, Grenada Authority for the Regulation of Financial Institutions
- Chairman, Investment Committee, Grenada National Insurance Board
- Chairman, Governance Reform Committee, Board of Directors, Caribbean Development Bank
- Director, Board of Directors, CARICOM Development Fund
- Director, Caribbean Catastrophe Risk Insurance Facility
- Chairman, ECCU Technical Core Committee on Insurance

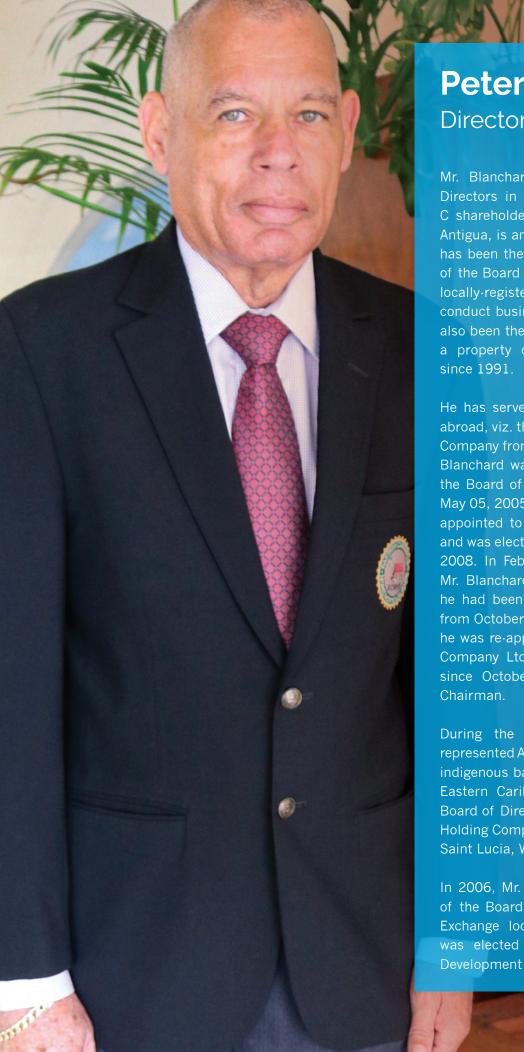
Mr. Antoine holds a MSc Degree in Social Policy and Planning in Development Countries from the London School of Economics and a BSc Degree in Economics with Management from the University of the West Indies. He has also received training from the Small Countries Financial Management Centre in the Isle of Man and training in Negotiations at the Said International School of Business, Oxford University. He also has a Certificate in Project Cycle Management from the Caribbean Development Bank (CDB). Other passions include: reading, music, speaking with youth and sports. Mr. Antoine is a man of deep faith. He has served as Chairman of the Board of the St George's Bible Holiness Church. He is married to Charmaine Antoine nee Rouse. They have two daughters: Chereece and Yaana.



Mrs. Henderson was appointed to the Board of Directors in September 2014, representing Class B shareholders. She holds various certifications in Finance, a BA in Accounting, and an MSc in Finance and Accounting with the University of Liverpool.

Mrs. Henderson has been employed with the Dominica Social Security Board for the past fourteen (14) years and currently holds the position of Chief Financial Officer. Prior to joining the Dominica Social Security Board, Mrs. Henderson worked in the telecommunications industry for thirteen (13) years in senior finance roles which included the management of the Capital Efficiency Programme and the system support to sixteen (16) Cable & Wireless Business Units. She also served on the Supervisory Committee of the Roseau Co-operative Credit Union (now National Cooperative Credit Union Ltd).





Peter Blanchard

Director-Class C

Mr. Blanchard was appointed to the Board of Directors in November 2016, representing Class C shareholders. Mr. Blanchard, who was born in Antigua, is an insurance specialist. Since 1984, he has been the principal shareholder and Chairman of the Board of General Insurance Company Ltd, a locally-registered insurance company authorized to conduct business in Antigua and Barbuda. He has also been the Chairman of Design Properties Ltd., a property development management company since 1991.

He has served on various boards in Antigua and abroad, viz. the Board of the ACB Mortgage & Trust Company from its inception in 1987 until 2005. Mr. Blanchard was subsequently elevated to serve on the Board of Antigua Commercial Bank (ACB) on May 05, 2005. In January 2007, he was once again appointed to the ACB Mortgage and Trust Board and was elected Chairman of that Board in October 2008. In February 2016, due to law regulations, Mr. Blanchard retired from the ACB Board where he had been Chairman of the Credit Committee from October 2008 – February 2016. In April 2016 he was re-appointed to the ACB Mortgage & Trust Company Ltd Board as a Non-ACB Director and since October 2016 has been re-appointed its Chairman.

During the period 2005-2006, Mr. Blanchard represented Antigua Commercial Bank and the other indigenous banks operating in the Organization of Eastern Caribbean States (OECS) group on the Board of Directors of the East Caribbean Financial Holding Company Ltd, a company which is based in Saint Lucia, West Indies.

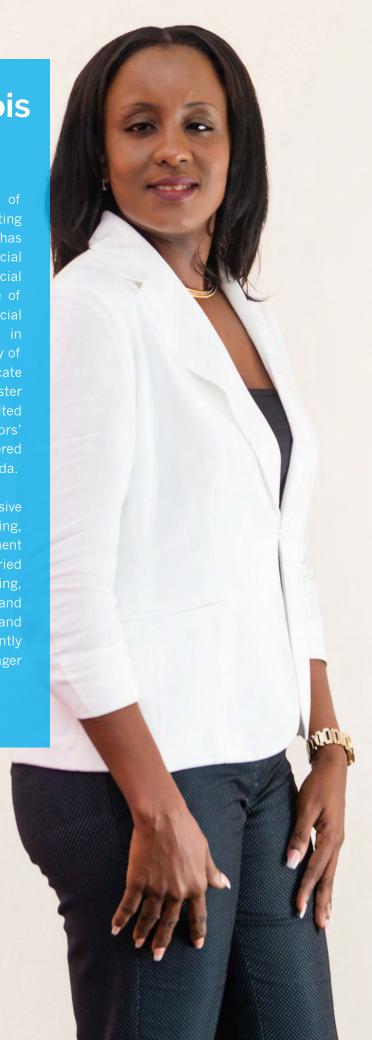
In 2006, Mr. Blanchard was appointed a Director of the Board of the Eastern Caribbean Securities Exchange located in St Kitts and in 2007, he was elected the Chairman of its Intermediary Development and Market Structure Committee.

Sharmaine Francois

Director-Class C

Ms. Francois was appointed to the Board of Directors in September 2014, representing Class C shareholders. Ms. Francois has completed several training courses in financial and investment planning, as well as financial counselling and has attended a wide range of training programmes in banking and financial management. Ms. Francois holds a B.Sc. in Accounting and Statistics from the University of the West Indies (UWI), a Post Graduate Certificate in Business Administration from Manchester Business School, UK, and is an Accredited Director, having completed the directors' programme with the Institute of Chartered Secretaries and Administrators (ISCA), Canada.

Ms. Francois has seventeen (17) years progressive senior executive experience in the field of Banking, twelve (12) of which were spent in investment banking and business development. Her varied experience covers retail and corporate banking, investment management, securities trading and underwriting, pension fund management and business development. Ms. Francois currently holds the position of Assistant General Manager at Bank of Montserrat.





Mr. Dexter Ducreay was appointed to the Board of Directors in July 2008, representing Class D shareholders. He holds a B.Sc. (Hons) in Accounting from St. John's University, New York. He is a Chartered Director and member of the Caribbean Chartered Directors. Mr Ducreay is completing his MBA in Management.

Mr. Ducreay is a Credit Unionist and lead the amalgamation of five (5) Credit Unions in Dominica now referred to as one entity called National Co-operative Credit Union. Mr. Ducreay is the former President of the Roseau Cooperative Credit Union Ltd., the National Co-operative Credit Union Limited and Dominica Co-operative Societies League. He is currently the Vice-President and Director on the Board of the NCCU.

He lead the formation of the first Credit Union Insurance Company in Dominica known as Corp-EFF Insurance Company Ltd "CICL", serving Credit Unions in the OECS with Loan Protection and Life Savings Insurance. He is the Chairman of Corporate Enterprise Finance Facility Ltd, the Parent Company of CICL.

Mr. Ducreay is a former General Manager of the Dominica Water and Sewerage Company "DOWASCO".

Mr. Ducreay is an entrepreneur and is currently the General Manager of A.C. Shillingford & Company Limited, Dominica. He has in excess of twenty five (25) years senior management experience.





BOARD OF DIRECTORS

Timothy N.J. Antoine, BSc; MSc; C. Dir Chairman Missi Henderson, BA; MSc Peter Blanchard, ACCDir Sharmaine Francois, BSc; ACCDir Dexter Ducreay, BSc; C. Dir

KEY MEMBERS OF STAFF

Randy Lewis, ACA; FCCA; MBA; ACCDir Shanna Herbert, FCCA Ava Beckles, BSc; CFA Justin Skeete, MCITP Kelva Merchant, BSc; ACCDir Miriam Etienne

CORPORATE SECRETARY

Maria Barthelmy LLB; LLM; C.Dir

EXTERNAL AUDITORS

Grant Thornton Corner Bank Street & West Independence Square Basseterre, St. Kitts

INTERNAL AUDITORS

Roosevelt Maloney & Associates Chartered Certified Accountants Basseterre, St. Kitts

BANKERS

St. Kitts Nevis Anguilla National Bank Limited Central Street, Basseterre, St. Kitts

The Bank of Nova Scotia Fort Street, Basseterre, St. Kitts

REGISTERED OFFICE

ECCB Agency Office, Monckton Street, St. George's, Grenada

REGULATORS

Eastern Caribbean Securities Regulatory Commission

"It is the responsibility of the Board to periodically review and approve the overall strategies, business, organisation and significant policies of the Bank. The Board also sets the Bank's core values and adopts proper standards to ensure that the Bank operates with integrity."

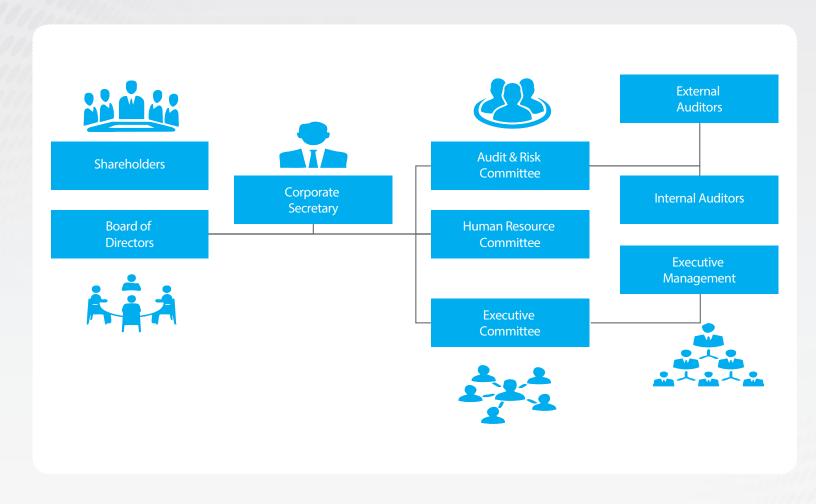
Ms Maria Barthelmy Corporate Secretary



The Board of Directors ("the Board") has ultimate responsibility for ECHMB's corporate governance and risk management. In keeping with its principal responsibilities, the Board of Directors of the ECHMB continues to ensure that the highest standards in corporate governance are maintained, with the objectives of reinforcing the confidence and trust of the investing financial institutions, increasing Primary lenders' satisfaction and building a strong and ethical regional institution. On an annual basis, the ECHMB adopts the latest developments in corporate governance in an effort to ensure that its procedures are in line with international best practice. The fundamental approach adopted is to ensure that the right executive leadership, corporate strategy, internal controls and risk management procedures are in place. Notwithstanding the aforesaid, the Board continuously reviews its governance model to ensure relevance and effectiveness as the Bank faces future challenges exacerbated by uncertain economic conditions.



ECHMB's Corporate Governance Structure



BOARD CHARTER

The Board is guided by its Charter and the Eastern Caribbean Home Mortgage Bank Agreement which provide references for directors in relation to their roles, powers, duties and functions. Apart from reflecting current best practices and applicable rules and regulations, the Charter and the Eastern Caribbean Home Mortgage Bank Agreement outline processes and procedures to ensure the effectiveness and efficiency of Bank's Board and its Committees. The Charter is updated at regular intervals to reflect changes to the Bank's policies, procedures and processes, as well as, to incorporate amended relevant rules and regulations.

ROLES AND RESPONSIBILITIES OF THE BOARD

It is the responsibility of the Board to periodically review and approve the overall strategies, business, organisation and significant policies of the Bank. The Board also sets the Bank's core values and adopts proper standards to ensure that the Bank operates with integrity. The responsibilities of the Board include the following:

- reviewing and approving the strategic business plans for the Bank;
- identifying and managing principal risks affecting the Bank;
- reviewing the adequacy and integrity of the Bank's internal controls' systems;
- approving the appointment and compensation of the Chief Executive Officer and Senior Management Staff:
- approving new policies pertaining to staff salaries and benefits; and
- approving changes to the corporate organization structure.

DIRECTOR INDEPENDENCE AND INDEPENDENT NON-EXECUTIVE DIRECTORS.

The Board consists entirely of Non-Executive Directors which help to provide strong and effective oversight over Senior Management. The Directors do not participate in the day-to-day administration of the Bank and do not engage in any business dealings or other relationships with the Bank (other than in situations permitted by the applicable regulations), in order to ensure that they remain truly capable of exercising independent judgement and act in the best interests of the Bank and its shareholders.

Further, the Board is satisfied and assured that no individual or group of Directors has unfettered powers of decision that could create a potential conflict of interest. Additionally, the Board ensures that all Independent Non-Executive Directors possess the following qualities:

- ability to challenge the assumptions, beliefs or viewpoints of others with intelligent questioning, constructive and rigorous debating, and dispassionate decision making in the interest of the Bank;
- willingness to stand up and defend his own views, beliefs and opinions for the ultimate good of the Bank: and
- a good understanding of the Bank's business activities in order to appropriately provide responses on the various strategic and technical issues confronted by the Board.

QUALITY AND SUPPLY OF INFORMATION TO THE BOARD

In order to effectively discharge its duties, the Board has full and unrestricted access to all information pertaining to the Bank's business and affairs, as well as, to the advice and services of the Senior Management. In addition to formal Board meetings, the Chairman maintains regular contact with the Chief Executive Officer to discuss specific matters, and the latter, assisted by the Corporate Secretary, ensures that frequent and timely communication between the Senior Management and the Board is maintained at all times as appropriate.

CORPORATE SECRETARY

The Corporate Secretary is responsible for advising the Board on issues relating to corporate compliance with the relevant laws, rules, procedures and regulations affecting the Board and the Bank, as well as, to best practices of governance. She is also responsible for advising the Directors of their obligations and duties to disclose their interest in securities, disclosure of any conflict of interest in a transaction involving the Bank, prohibition on dealing in securities and restrictions on disclosure of price-sensitive information. All Directors have access to the advice and services of the Corporate Secretary.

CONFLICT OF INTEREST

In accordance with Article 27 of the Eastern Caribbean Home Mortgage Bank Agreement, a Director who is in any way interested, whether directly or indirectly, in a contract or proposed contract with the Bank or whose material interest in a company, partnership, undertaking or other business is likely to be affected by a decision of the Board shall disclose the nature of his interest at the first meeting of the Board at which he is present after the relevant facts came to his knowledge. Article 27 further provides that after the disclosure the Director making it shall not vote on the matter and, unless the Board otherwise directs, shall not be present or take part in the proceedings of any Meeting at which the matter is being discussed or decided by the Board.

STRUCTURED TRAINING PROGRAMME FOR DIRECTORS

Directors are expected to participate in the Directors Education & Accreditation Programme ("DEAP"). This is an advanced director training course, aimed at preparing directors for the important role that they play in the governance of the Bank. The DEAP was developed by the Institute of Chartered Secretaries and Administrators/Chartered Secretaries Canada (ICSA/CSC), in partnership with the law firm of Borden Ladner Gervais, and with contributions from AON Canada

The composition of the Board and committees is as follows:

	Board of Directors	Executive Committee	Audit & Risk Committee	Human Resource
Timothy N. J Antoine	Chairman	Chairman	-	-
Dexter Ducreay	*	*	Chairman	*
Missi Henderson	*	-	*	Chairman
Peter Blanchard	*	*	-	*
Sharmaine Francois	*	*	*	
Randy Lewis	-	*	-	
Shanna Herbert		*		-



EXECUTIVE COMMITTEE

Article 22 of the Eastern Caribbean Home Mortgage Bank Agreement provides that the Board may appoint an Executive Committee of the Board, consisting of not less than three Directors drawn from three different classes of shareholders, the Chief Executive Officer and the Chief Financial Officer of the Bank, to supervise asset and liability management and examine and approve financial commitments in accordance with the regulations and policies established by the Board.



AUDIT AND RISK COMMITTEE

The Audit and Risk Committee provides guidance on the Bank's systems of accounting and internal controls, thus ensuring the integrity of financial reporting. This Committee also serves as an effective liaison between Senior Management and the External Auditors. The Audit and Risk Committee approves and reviews risk appetite and risk management policies. The Board delegates the role of identifying, assessing and managing risk to Senior Management.

The 2018 activities of the Committee included:

- reviewed the Bank's compliance with financial covenants;
- approved the 2018 audit engagement letter;
- reviewed and approved the external audit plan and timetable;
- evaluated the performance of the External Auditors and approved their remuneration;
- reviewed the External Auditors' 2018 management letter and report on the 2018 audit;
- examined the implications of changes to the International Financial Reporting Standards; and
- approved the 2018 Internal Audit Plan, Internal Audit report, and, monitored Management's implementation of Internal Auditors' recommendations.

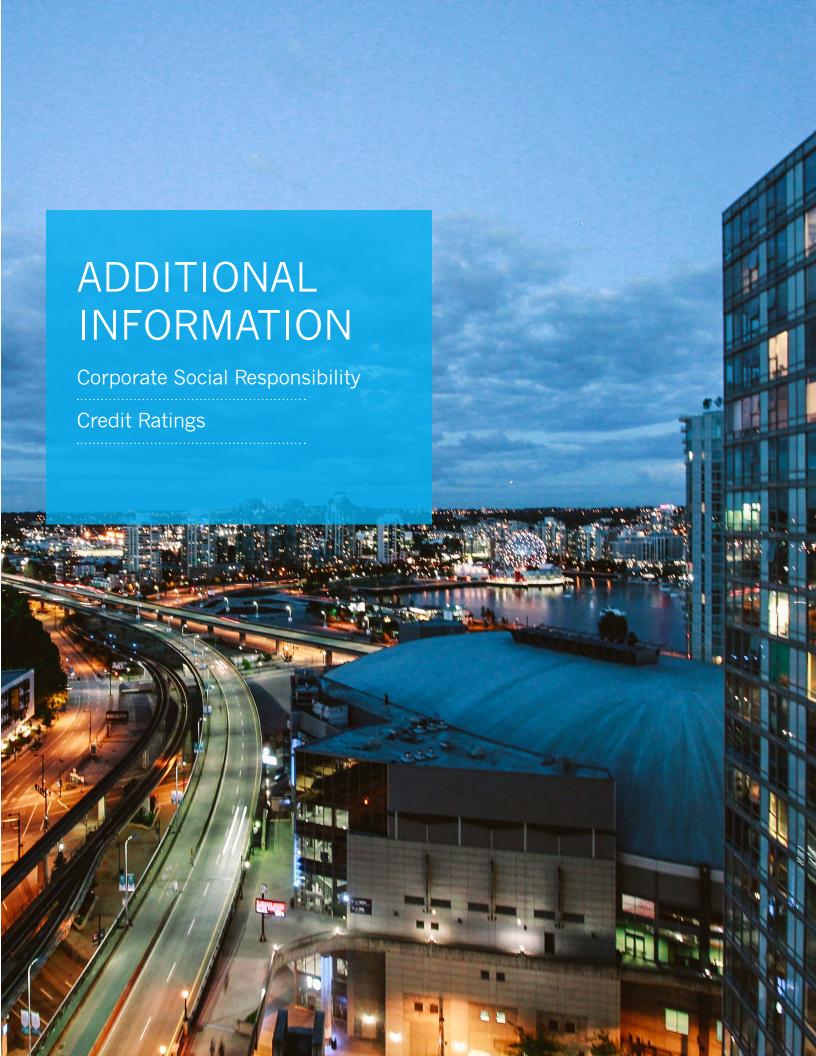


HUMAN RESOURCES COMMITTEE

The Human Resources Committee is responsible for staff compensation and the approval of amendments to staff policies.

ECHMB's Best Practice

- Since incorporation, ECHMB's Board of Directors has been chaired by a non-executive Chairman to ensure independent leadership.
- Shareholders appoint directors every two (2) years in accordance with the Eastern Caribbean Home Mortgage Bank Agreement.
- The five (5) directors are non-executive and are required to declare their interests in any transaction that the ECHMB undertakes.
- Board Committees have the authority to retain independent advisors, as deemed necessary by each Committee.
- The Internal Audit function is undertaken by an independent contractor.
- The Audit Committee meets separately with the Internal Auditor.





We believe, that if we are truly going to contribute in a meaningful way, our wider corporate social objectives should transcend monetary contributions and must positively impact pervasive socioeconomic issues in each of the eight (8) islands of the ECCU. We are also of the disposition that as a regional institution, we should champion vogue social issues which are congruent with the Mission, Vision and Goals of the ECHMB.

Since one of the principal mandates of the Bank is the development of the housing stock in the ECCU, the ECHMB holds the view that we must advocate adherence to proper building codes. Our Annual Mortgage Underwriting Programmes have, therefore, served as a useful platform to remind financial intermediaries of the significant oversight role they must play in insisting that the populace safeguard what is often regarded as the most important investment in their lifetime.

MORTGAGE UNDERWRITING



We believe that the quality of mortgages underwritten in the ECCU is positively correlated to the number of certified residential underwriters employed by financial intermediaries. Improved mortgage underwriting is particularly relevant in the current environment since the ECHMB notes an increase in impairment of mortgages. In addition, financial institutions are at the cusp of the implementation of IFRS #9- Financial Instruments and it is imperative that their underwriting standards improve in order to reduce the likelihood of increased impairment of their portfolios. Two successful Mortgage Underwriter Programmes were held during FY2018. Module 3, (REIC 2600 and 2285) was held during the week 24-28th April 2017 at the Fort Young Hotel, Roseau Dominica. Twenty –five (25) participants attended the programme captioned "Ethics and Legal Issues Regarding Mortgages and Legal Issues in Real Estate Finance." Module 1 (REIC 2340) was held in St Vincent and the Grenadines at the Beachcombers Hotel, over the period 17 to 21 November, 2017. Twenty –four (24) participants attended the programme captioned "Mortgage Lending for Residential Housing".

CONCESSIONARY FINANCING TO THE VULNERABLE IN SOCIETY

We continued to provide funding at concessionary rates to financial intermediaries with a development agenda, with the understanding that the low interest rate will be passed on to final consumers. This initiative has been implemented in Grenada and Saint Christopher and Nevis. As at FY 2018, the ECHMB has invested approximately \$19.0m. Our postmortem of the programme has been positive and the ECHMB intends to pursue other avenues for implementing similar initiatives in the other islands of the ECCU.

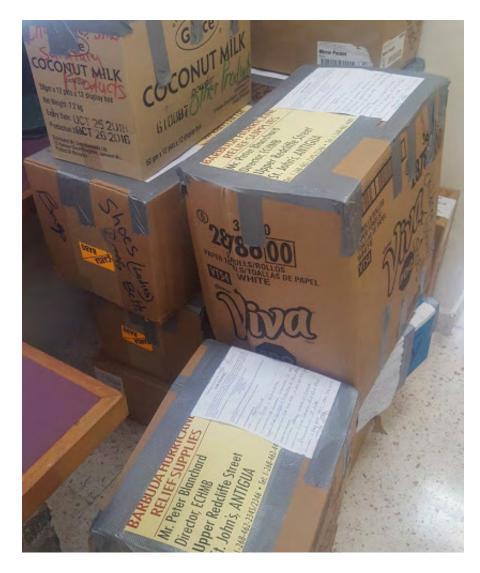
WORK SENSITIZATION PROGRAMME - FY2018

In FY 2018 we continued to participate in the annual school Work Sensitization Programme. It was our pleasure to host Ms. Deonae Brooks from the Cayon High School from the 4th to the 8th December 2017. The ECHMB continues to be a much sought-after institution by the students since we have been lauded by former participants for our hands-on approach to mentorship and our willingness to provide full exposure to all facets of the Bank's operations. It is our experience that the relationship between the staff of the ECHMB and the students extends beyond the sojourn of the programme.

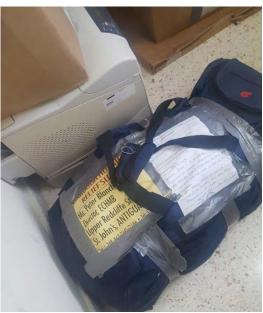


DONATIONS

Following the passage of hurricanes Maria and Irma, the ECHMB reached out to our regional colleagues for assistance in the provision of much needed relief to the victims domiciled in Anguilla, Barbuda and the Commonwealth of Dominica. Directors domiciled in the affected countries were used to channel the supplies to the most vulnerable.









The Caribbean Information and Credit Rating Services Limited (CariCRIS), has reaffirmed the ratings of Cari**BBB**+ (Foreign and Local Currency Ratings) on the regional scale to the USD 30 million debt issue of ECHMB, with a **stable** outlook. These ratings indicate that the level of creditworthiness of this obligation, adjudged in relation to other obligations in the Caribbean, is **adequate**.

The stable outlook is based on the expectation of continued profitability and no major change in the credit metrics of ECHMB over the next year, as the Bank continues its transition to an expanded and more relevant business model.

RATING DRIVERS

Supporting Factors

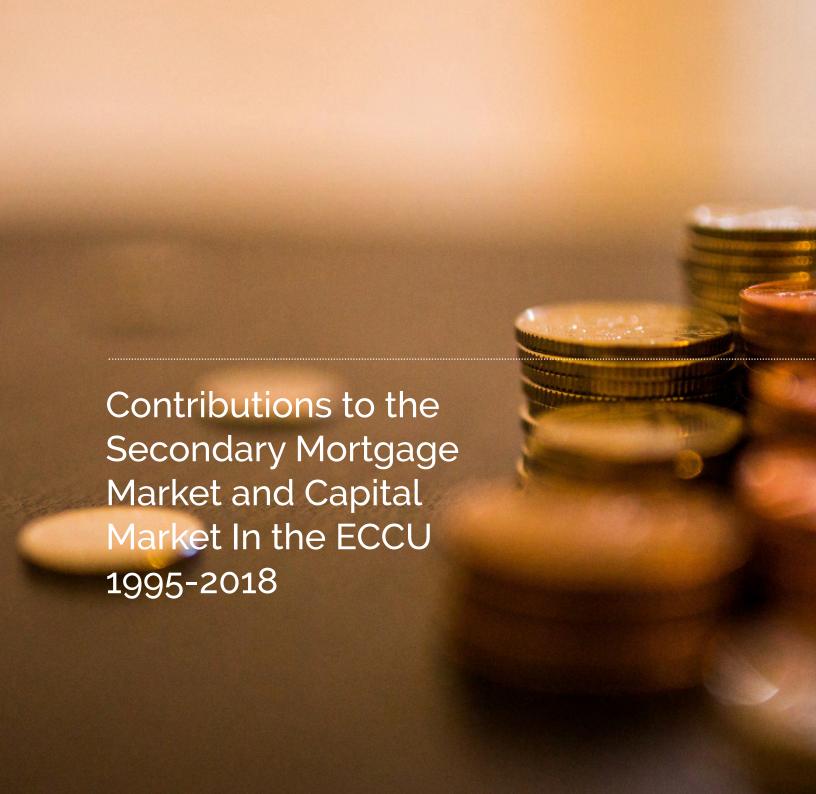
- Good progress made in the Bank's transition to its new business model
- Improved financial performance supported by declining cost of funds, adequate liquidity and a diversified asset base
- Adequate risk management and governance structure, guided by updated policies and strong oversight by the Board of Directors

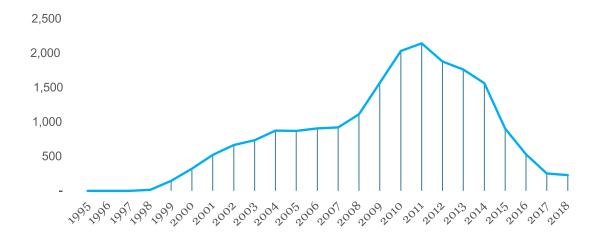
Constraining Factors

 Declining mortgage portfolio continues to impact earnings, though new business model serves to mitigate the impact

Rating Sensitivity Factors

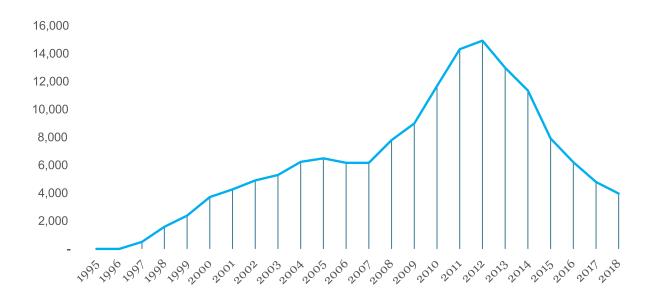
- A drop in investment yields by 100 basis points or greater (downgrade)
- A reduction in interest spreads to 0.5% (downgrade)
- Successful implementation of the new business model (upgrade)



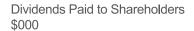


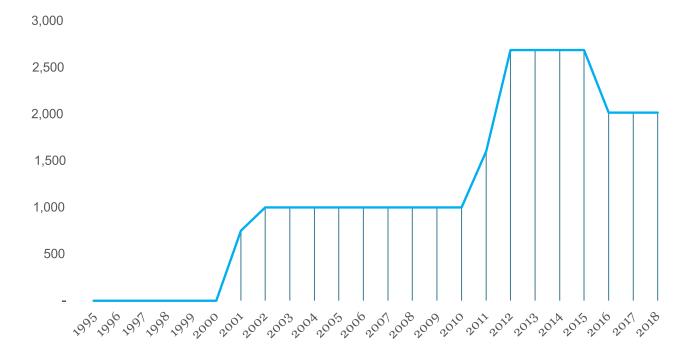
As at 31st March 2018, the ECHMB had paid \$19.98m to Primary Lenders for the administration of pools of mortgages sold to the Bank.





As at 31^{st} March 2018, the ECHMB had paid \$152.78m to holders of the Bank's funding Instruments.





As at $31^{\rm st}$ March 2018, the ECHMB had paid \$28.15m to holders of the Bank's equity instruments.



P.O Box 753,
Phase II ECCB Complex,
Basseterre, St. Kitts
869-466-7869
www.echmb.com