

**RATING RELEASE**

October 22, 2020

**CariCRIS reaffirms “adequate” creditworthiness for  
Eastern Caribbean Home Mortgage Bank**

***Cari*BBB+ (Regional Scale Foreign and Local Currency Ratings)**

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

CariCRIS has also maintained a **stable** outlook on the ratings. The stable outlook is based on our expectation that ECHMB will continue to display comfortable profitability and capitalization levels over the next 12 months, which will be supported by comfortable liquidity, with improvements in risk and investment portfolio management measures despite the negative impact of the coronavirus (COVID-19) pandemic on the markets and economies of the Eastern Caribbean.

The reaffirmation is driven by the consistent growth in the Bank’s asset base underpinned by a relatively diversified investment portfolio. ECHMB adequate liquidity levels and generally favorable cost of funds, healthy financial performance as well as its adequate risk management and governance structures further support the ratings. These rating strengths are tempered by the Bank’s elevated exposure to financial risks arising from difficult economic conditions in the US and OECS despite enhanced diversification efforts.

## CariCRIS' Rating Sensitivity Factors

### Factors that could lead to an improvement in the Ratings/Outlook include:

- Improving business conditions over the next 12 months in the OECS, thereby leading to rising profit margins and sustained earnings growth for ECHMB
- Further diversity in income streams through the successful launch of new products
- Achievement of a net interest spread of at least 3% over a 3-year period
- ECHMB's ability to attract and retain funding from outside the OECS region

### Factors that could lead to a lowering of the Ratings/Outlook include:

- A sustained increase in interest rates by 75 basis points or greater over the next 12 months, thereby leading to a significant tightening of the net interest spread earned on investments and a material decline in profitability

### About the company:

Eastern Caribbean Home Mortgage Bank (ECHMB) was created pursuant to the ECHMB Agreement Act (1995) and commenced operations on April 22, 1996. It is a privately managed corporation and the current 65 shareholders are all financial institutions from the Organisation of Eastern Caribbean States (OECS) as well as from the wider Caribbean. These financial institutions include the Eastern Caribbean Central Bank (ECCB), commercial banks, social security agencies, insurance companies, mortgage companies, building and loan associations and credit unions. The largest single shareholder is the ECCB, which currently holds 24.9% of ECHMB's total shareholding.

ECHMB was established with the primary objective of developing the secondary mortgage market within 8 participating member countries of the OECS, namely Anguilla, Antigua & Barbuda, The Commonwealth of Dominica, Grenada, Montserrat, Saint Kitts and Nevis, Saint Lucia and St. Vincent and the Grenadines. The main activity of the Bank has traditionally been the purchase and sale of mortgages so as to develop and maintain a secondary market for residential mortgages in the member territories. In FY2016<sup>1</sup>, following years of deteriorating mortgage market conditions, ECHMB expanded its mandate so as to become more relevant to its changing external environment. Given its considerably increased cash and investment portfolio in relation to its mortgage assets, the Bank, with the support of its Board of Directors, decided to

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<sup>1</sup> Financial Year refers to April 1 to March 31.

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**Caribbean Information &  
Credit Rating Services Limited**

place more emphasis on the investment side of the business by broadening the range of financial assets in which it can invest and simultaneously widening the permissible jurisdictions for its investments to include the wider Caribbean region and the United States. During FY2019, ECHMB launched its repurchase agreement programme which serves to increase its investment product offerings and diversify its funding base.

***For more information on ECHMB's ratings, please visit [www.caricris.com](http://www.caricris.com) or contact:***

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