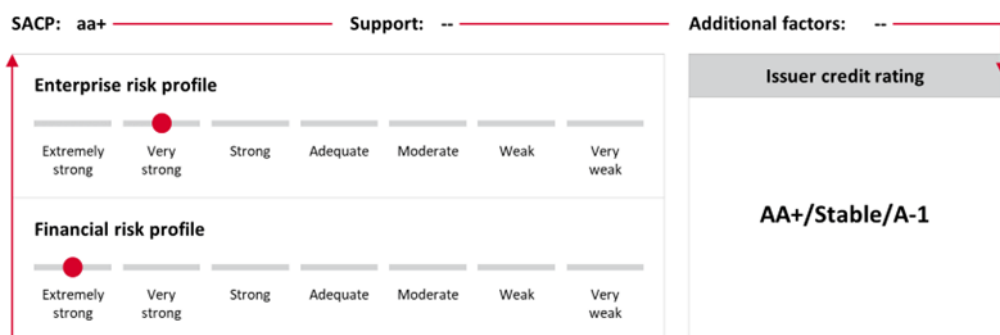


Caribbean Development Bank

November 27, 2024

This report does not constitute a rating action.

Ratings Score Snapshot



SACP--Stand-alone credit profile.

Primary contact

Jennifer Love, CFA
Toronto
1-416-507-3285
jennifer.love
@spglobal.com

Secondary contact

Alexis Smith-juvelis
Englewood
1-212-438-0639
alexis.smith-juvelis
@spglobal.com

Overview

Enterprise risk profile

Caribbean Development Bank has a strong record of fulfilling its mandate through the credit cycle.

-- Key partner for the region that has faced challenges from hurricanes, volcanic eruptions, and COVID-19

-- Established preferred creditor treatment, which we expect the bank will uphold even in the event of regional credit stress

-- Conservative financial and risk management practices, although the balance sheet shows significant concentration risk

Financial risk profile

Capital and liquidity are robust.

-- Low leverage and conservative lending policies, which we believe can counterbalance credit stress in the region

-- Concessional lending window complements ordinary capital resources

-- Funding and liquidity position provides flexibility to increase disbursements, even during stressed market conditions

Caribbean Development Bank (CDB) continues to play an important role in the Caribbean supporting borrowing members on sustainable growth initiatives.

In 2023, CDB approved a total of \$461.6 million from both its ordinary capital resources (OCR) and concessional window (special development fund; SDF)--of which \$73.6 million took the form of grants--and disbursed a total of \$405.4 million. Furthermore, CDB has a strong track-record of supporting members during natural disasters and climate shocks through a suite of policy instruments, partnerships, and coordination across the broader multilateral sector.

CDB has sustained a strong record of preferred creditor treatment (PCT) in its borrowing member countries and has strengthened its risk management functions. Although borrowing member countries remain exposed to hurricanes, they still make full and timely payments to CDB even following an event. We believe CDB has carefully managed its portfolio, balancing the use of regular and concessional resources and managing concentrations.

Our view of CDB's financial risk is based on its ample capital and liquidity buffers, which enable the bank to mitigate economic stress for its primary borrowing members. Its risk-adjusted capital (RAC) ratio, at 29.7%, based on June 30, 2024, financial data and using rating parameters as of November 2024, remained relatively stable compared with year-end 2023. Moreover, CDB's eligible callable capital provides the bank with an additional buffer against unexpected deterioration in its RAC ratio after adjustments.

Outlook

The stable outlook reflects S&P Global Ratings' view that over the next two years, CDB will maintain high capitalization, even amid natural disasters that can weigh on some Caribbean economies and slowing global growth. We expect the RAC ratio will remain well above 23%, even if the asset quality of the loan book weakens. The stable outlook also incorporates our expectation that PCT will not deteriorate and that CDB will continue to manage its balance sheet prudently. Furthermore, we forecast gradual growth in the bank's private-sector exposure, and we expect the higher risks this entails will be contained by an appropriate strengthening of the bank's risk management.

Downside scenario

We could lower the ratings on CDB if shareholder relationships deteriorate or if doubts arise about PCT. Financial stress among borrowing members and downgrades of highly rated shareholder callable capital could also lead us to lower the ratings. Fast growth of high-risk private-sector exposure would also be a negative rating factor. We consider these events unlikely during the outlook horizon.

Upside scenario

We could consider raising the ratings on CDB if its policy importance strengthens, accompanied by further capital increases that could allow it to expand its loan book substantially.

Enterprise Risk Profile

Policy importance: Cornerstone lender in the Caribbean

Since it was established in 1969, CDB has been prominent as the cornerstone lender enabling Caribbean governments to foster economic growth and development. The bank provides loans and guarantees to the public and private sectors, although as of June 30, 2024, about 95% of its loans were to sovereigns. It also provides grants and concessional loans to its poorest members via its soft loan window, Special Funds Resources (SFR).

We expect CDB will remain an important source of multilateral lending institutions (MLI) financing in the Caribbean, underpinning its policy importance. Although the bank's lending to some of its borrowers is surpassed by that of the Inter-American Development Bank and the International Bank for Reconstruction and Development, CDB is the sole lender to other

members. CDB is completing the last year of its updated strategic plan for 2022-2024. Under the plan, the bank is focused on knowledge creation and innovation and maintaining its previous objectives of sustainability and building resilience for borrowing member countries. We expect CDB will continue expanding its loan book in support of its revised strategic plan in the medium term.

The bank has been instrumental in providing financial and technical support to members, particularly as they face natural disasters and other external risks. In response to the COVID-19 pandemic, CDB repositioned its lending portfolio to better respond to its members' immediate fiscal challenges by fast-tracking several projects and temporarily increasing its policy-based lending instrument limit.

CDB also supports its members through grant and concessional lending from its SFR window. Significant support from nonregional members has materialized through funding CDB's SFR, which has helped sustain the credit quality of the OCR and is a key part of the bank's business model.

CDB's balance sheet is relatively small, although it increased 7.7% in 2023, with \$1.43 billion in loans outstanding as of December. Net flows to the region were \$96.5 million in 2023, far above negative \$14 million in 2022. OCR approvals were \$285.2 million, compared with \$58.7 million in 2022, and SFR approvals were \$102.7 million. After the bank's substantial approvals in 2023, we believe approvals will slow somewhat over the current year.

The bank's private-sector financing has remained about 5%, though this could increase over time. The private sector's relative share in the portfolio remains small, with total exposure at \$74 million. Impaired loans totaled \$1.6 million as of Dec. 31, 2023, unchanged from 2022, and represent 0.1% of the total loan portfolio. They are fully provisioned.

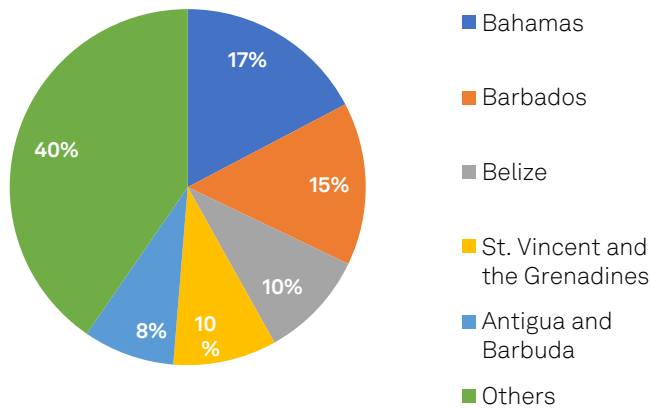
Over the years, CDB has attracted various partnerships that underpin its unique role. In 2024, CDB worked with the European Investment Bank to arrange a €100 million line of credit to support water, wastewater, and solid waste projects. The bank also signed a \$50 million line of credit agreement with Agence Francaise de Developpement to support infrastructure projects. We expect CDB's greater focus on climate change will strengthen over the medium term. In fact, CDB has a pivotal role with its members to provide policy advice and technical support.

Members have demonstrated their support for the bank. In May 2010, CDB's board of governors approved a \$217 million general capital increase (nearly 138%) in the bank's paid-in capital. The payment occurred in six annual and equal installments from 2011 to 2016 and has been fully paid in. In February 2021, contributors replenished the SDF, the bank's largest pool of concessional resources, by approving a \$383 million program for the 10th cycle of the SDF, which was an increase of 7.8% from the ninth cycle.

The bank has a strong record of PCT by its members, which our arrears-calculated PCT ratio of 0.0% reflects. In the past 10 years, there have been no instances of arrears. Previously, we included a past instance of a default on a very small loan that occurred in 2012, in our PCT ratio. However, we removed it last year because it is beyond our 10-year window. Belize's selective default in February 2017, caused by a missed coupon payment on external bonds and following the country's debt rescheduling, did not result in arrears to CDB's loans outstanding (Belize's loans outstanding represent 10% of the OCR portfolio). The same happened following Jamaica's selective default in 2010. More recently, Barbados defaulted on its external bonds in October 2018, although it still makes payments to CDB and this has not resulted in arrears.

Chart 1

Caribbean Development Bank--largest purpose-related exposures*



*As a percentage of gross purpose-related assets plus guarantees.

Source: S&P Global Ratings.

Copyright © 2024 by Standard & Poor's Financial Services LLC. All rights reserved.

Governance and management expertise: Diverse shareholding structure

The bank has a diverse shareholding structure; its members consist of 19 borrowing countries in the Caribbean and four regional and five nonregional, nonborrowing countries. We view the shareholder structure, with the majority of voting shares (55% as of 2023) coming from borrowing-eligible members, as potentially vulnerable to agency risk, meaning the interests of borrowing members could differ from those of creditors.

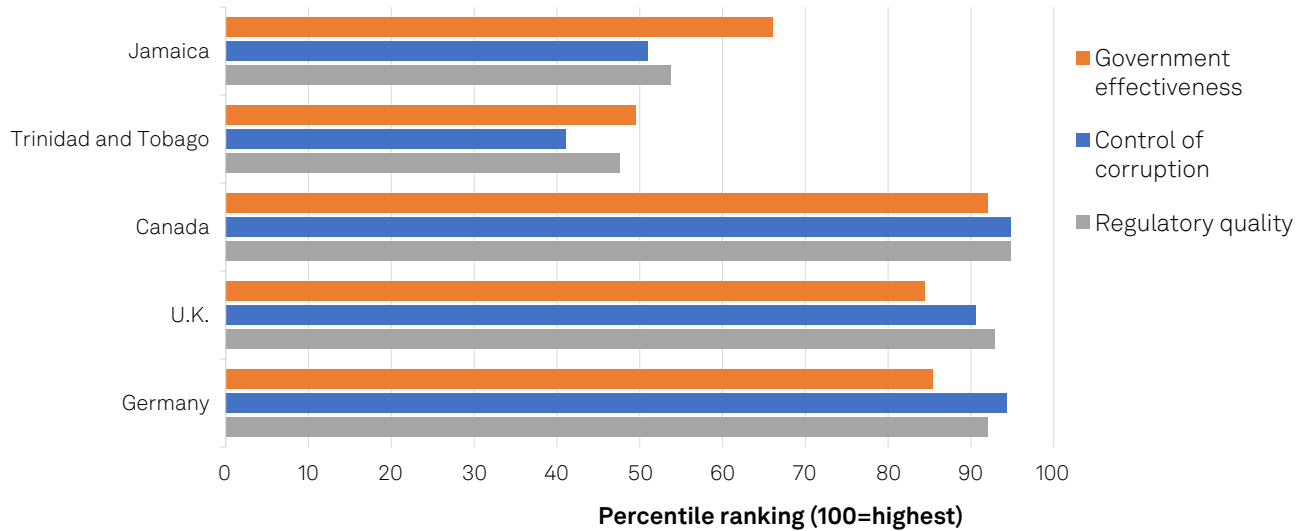
Furthermore, CDB's shareholders, on average, have slightly lower rankings in World Bank indicators for governance effectiveness than other highly rated peers. Jamaica (17%), Trinidad and Tobago (17%), and the Bahamas (5%) are the largest regional shareholders, while Canada and the U.K. (each 9%) are the largest nonregional shareholders. However, CDB's culture of consensus-based voting on major issues has largely mitigated the agency risk of borrowing-eligible members' majority control.

CDB does not pay dividends. It has traditionally maintained full earnings retention as shareholders have forgone dividend payouts.

Chart 2

Caribbean Development Bank--five largest shareholders

Selected World Bank Governance Indicators



Source: S&P Global Ratings.
Data as of December 2023.

Copyright © 2024 by Standard & Poor’s Financial Services LLC. All rights reserved.

The bank has continued to strengthen its governance by improving its risk management and monitoring over the years. The board of directors sets the governance framework for the bank by determining the risk framework and the underlying policies and procedures. The bank has remained in compliance with its internal policy limits. CDB introduced a revamped enterprise risk management framework in 2024 and is executing key aspects of it in 2024 and 2025, as well as actively exploring the implementation of balance-sheet optimizations to strengthen its capital base. CDB anticipates that its new enterprise risk management framework will help better identify, manage, and monitor risks, and support budgeting and resource allocation.

Although CDB has a concentrated balance sheet, with significant geographic (Caribbean) risk and economic (tourism-intensive and U.S. and European market-driven) risk, it has been able to manage this down over the years. The exposure limit to its single largest borrower is either 40% of loans or 50% of the bank’s internally calculated available capital--whichever is greater. The exposure limit to its three largest borrowers is either 60% of loans or 90% of available capital--whichever is greater. As of December 2023, the top three borrowers represented 40% of the total loan portfolio (Barbados 15.9%, Bahamas 14.3%, and Belize 10%), compared with a peak of 50% in 2013. To offset credit risk, CDB’s shareholders have enabled management to maintain high capitalization over the years, which continues to anchor the bank’s creditworthiness as well as careful oversight of its lending pipeline and when relevant, utilizing its SFR window.

Financial Risk Profile

Capital adequacy: Resilient and steady year over year

CDB's RAC ratio increased to 29.7% in 2024 from 29% at the end of 2023, well above our 23% threshold for extremely strong capital adequacy. We believe the bank's capital base would be resilient if there were additional economic pressures in the region, especially given the large concessional window, which has provided liquidity support to distressed members, and the callable capital buffer from highly rated shareholders. If borrowing members did not maintain PCT with CDB, this could weigh on our ratings.

Table 1

Caribbean Development Bank--Risk-adjusted capital framework data as of June 2024

(Mil. US\$)	Exposure	S&P Global Ratings RWA	Average S&P Global Ratings RW (%)
Credit risk			
Government and central banks	1,762	2,721	154
Institutions	207	46	22
Corporate	136	191	141
Retail			
Securitization			
Other assets			
Total credit risk	2,104	2,957	141
Market risk			
Equity in the banking book			
Trading book market risk			
Total market risk			
Operational risk			
Total operational risk		166	
Risk transfer mechanisms			
Risk transfer mechanisms RWA			
RWA before MLI adjustments		3,123	100
MLI adjustments			
Single name (on corporate exposures)		222	116
Sector (on corporate portfolio)		(16)	(4)
Geographic		(102)	(3)
Preferred creditor treatment (on sovereign exposures)		(1,597)	(59)
Preferential treatment (on FI and corporate exposures)		(20)	(8)
Single name (on sovereign exposures)		1,366	50
Total MLI adjustments		(147)	(5)
RWA after MLI adjustments		2,976	95
		Total adjusted capital	S&P Global Ratings RAC ratio (%)
Capital ratio before adjustments		883	28.3

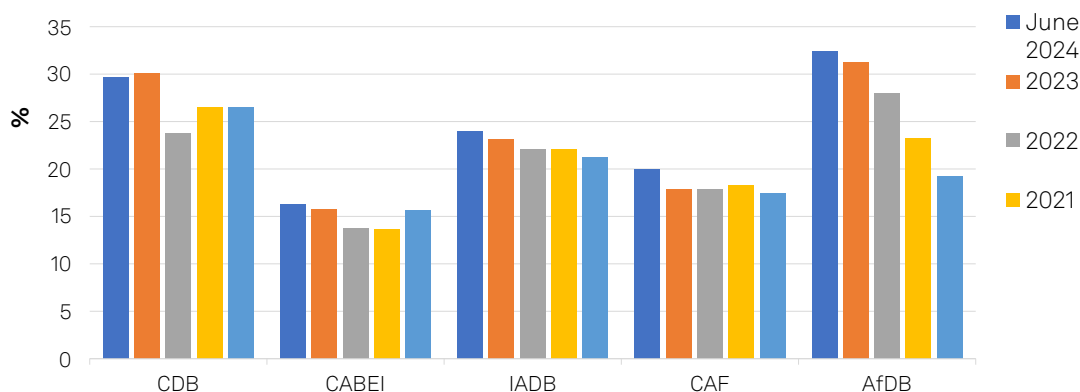
Caribbean Development Bank--Risk-adjusted capital framework data as of June 2024

(Mil. US\$)	Exposure	S&P Global Ratings RWA	Average S&P Global Ratings RW (%)
Credit risk			
Capital ratio after adjustments		883	29.7

MLI--Multilateral lending institutions. RW--Risk weight. RWA--Risk-weighted assets.

Chart 3

Caribbean Development Bank--RAC ratio peer comparison



RAC--Risk-adjusted capital. Source: S&P Global Ratings. Data as of June 2024. CDB- -Caribbean Development Bank, CABEI- -Central American Bank for Economic Integration, IADB- -Inter-American Development Bank, CAF- -Corporacion Andina de Fomento, AfDB- -African Development Bank.

Copyright © 2024 by Standard & Poor’s Financial Services LLC. All rights reserved.

Funding and liquidity

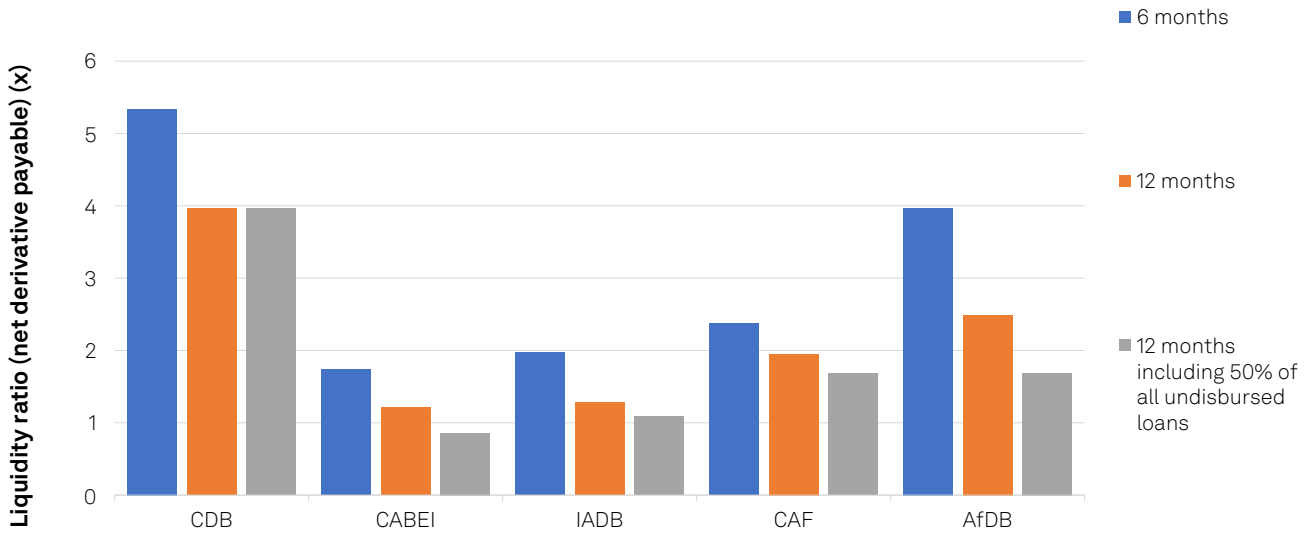
CDB pursues a conservative funding strategy and has low leverage (liabilities to equity was 1.31x in 2023, compared with 1.44x in 2022). In general, we view the bank as having adequate access to capital markets, though its global investor base is less developed than that of some of the more established MLIs.

Of CDB's total borrowings of \$1.01 billion as of December 2023, 86% are market borrowings and the remainder comes from other MLIs and development agencies, which helps maintain the bank's low-cost funding. In 2023, CDB further drew down on its facilities. As of June 30, 2024, the static funding gap at one year with loan disbursements was robust, in our view, at 2.99x.

CDB historically has had solid liquidity; liquid assets as a percentage of adjusted total assets were 27% in December 2023, down from 32% in December 2022. Using June 30, 2024, data and incorporating our updated liquidity haircuts, our 12-month liquidity ratio was 3.96x with scheduled loan disbursements, while the six-month ratio was 5.34x. Under this same stress scenario, CDB could satisfy increased demand for unplanned loan disbursements.

Chart 4

Caribbean Development Bank--liquidity stress test ratios peer comparison



Source: S&P Global Ratings. Data as of June 2024. CDB- -Caribbean Development Bank, CABI- -Central American Bank for Economic Integration, IADB- -Inter-American Development Bank, CAF- -Corporacion Andina de Fomento, AfDB- -African Development Bank.

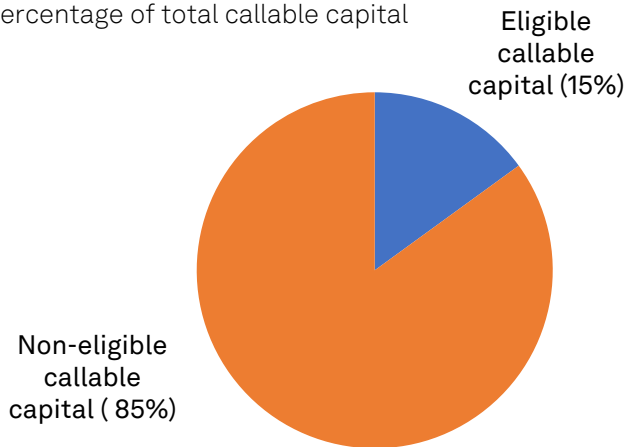
Copyright © 2024 by Standard & Poor’s Financial Services LLC. All rights reserved.

Extraordinary Shareholder Support

CDB benefits from \$205 million in eligible callable capital from its 'AA+' and 'AAA' rated shareholders, which provides a buffer if its RAC ratio fell below the extremely strong threshold.

Caribbean Development Bank--callable capital

As a percentage of total callable capital



Source: S&P Global Ratings. As of December 2023.

Copyright © 2024 by Standard & Poor’s Financial Services LLC. All rights reserved.

Table 2

Caribbean Development Bank--Selected indicators

	2023	2022	2021	2020	2019
ENTERPRISE PROFILE					
Policy importance					
Total purpose-related exposure (loans, equity, etc.) (mil. \$)*	1,444	1,344	1,353	1,351	1,274
Public-sector (including sovereign-guaranteed) loans/purpose-related exposure (%)	94.8	94.5	94.1	94.1	94.1
Private-sector loans/purpose-related exposures (%)	5.2	5.5	5.9	5.9	5.9
Gross loan growth (%)	7.5	-0.7	0.1	6.1	7.6
Preferred creditor treatment ratio (%)	0	0.7	0.7	0.8	0.8
Governance and management expertise					
Share of votes controlled by eligible borrower member countries (%)	64.6	64.7	64.8	64.8	64.8
Concentration of top two shareholders (%)	34.6	34.6	34.6	34.6	34.6
Eligible callable capital (mil. \$)	205	205	205	205	205
FINANCIAL RISK PROFILE					
Capital and earnings					
RAC ratio (%)	30.1	23.8	26.5	26.5	27.8
Net interest income/average net loans (%)	3.8	2.7	2	2.9	3.4
Net income/average shareholders' equity (%)	1.4	2.4	2.3	3.1	2.7
Impaired loans and advances/total loans (%)	0.1	0.1	0.1	0.1	0.2
Liquidity ratios					
Liquid assets/adjusted total assets (%)	26.9	32.2	36	30.3	34.8
Liquid assets/gross debt (%)	53.8	63.1	66.7	58.3	65.1
Liquidity coverage ratio (with planned disbursements):					
Six months (net derivate payables) (x)	2.8	6.5	4.2	5.3	3.8
12 months (net derivate payables) (x)	1.5	1.9	2.5	2.5	2
12 months (net derivate payables) including 50% of all undisbursed loans (x)	1.1	1.8	1.8	1.6	1.3
Funding ratios					
Gross debt/adjusted total assets (%)	50	51.1	54	51.9	53.5

Caribbean Development Bank--Selected indicators

	2023	2022	2021	2020	2019
ENTERPRISE PROFILE					
Policy importance					
Short-term debt (by remaining maturity)/gross debt (%)	10.2	12.6	11.1	2.0	8
Static funding gap (with planned disbursements)					
12 months (net derivative payables) (x)	3	3.3	4	14.1	7.1
Summary balance sheet					
Total assets (mil. \$)	2032	2066	2221	2121	2096
Total liabilities (mil. \$)	1154	1220	1271	1153	1162
Shareholders' equity (mil. \$)	878	846	949	968	934

*Not including committed disbursements. PCT--Preferred creditor treatment. RAC--Risk-adjusted capital.

Source: S&P Global Ratings.

Table 3

Caribbean Development Bank--Peer Comparison

	Caribbean Development Bank	Central American Bank for Economic Integration	Inter-American Development Bank	Corporacion Andina de Fomento	African Development Bank
Issuer credit ratings	AA+/Stable/A-1+	AA/Stable/A-1+	AAA/Stable/A-1+	AA/Stable/A-1+	AAA/Stable/A-1+
Total purpose-related exposure (mil. US\$)	1,444	10,909	116,969	33,779	34,202
Preferred creditor treatment ratio (%)	0	0	1.8	1.8	1.7
Risk-adjusted capital ratio (%)	30	16.3	24	20	32.4
Liquidity ratio 12 months (net derivative payables; %)	4	1.2	1.3	2	2.5
Funding gap 12 months (net derivative payables; %)	3	1.5	1.2	2.3	2.1

Source: S&P Global Ratings.

Note: For all entities, purpose-related exposure and preferred credit treatment ratios are as of December 2023. All other data is as of June 2024.

Rating Component Scores

Enterprise Risk Profile	Extremely strong	Very strong	Strong	Adequate	Moderate	Weak	Very weak
Policy Importance	Very strong	Strong	Adequate	Moderate	Weak		
Governance and Management	Strong	Adequate			Weak		
Financial Risk Profile	Extremely strong	Very strong	Strong	Adequate	Moderate	Weak	Very weak
Capital Adequacy	Extremely strong	Very strong	Strong	Adequate	Moderate	Weak	Very weak
Funding and Liquidity	Very strong	Strong	Adequate	Moderate	Weak	Very weak	

Related Criteria

- Criteria | Governments | General: Multilateral Lending Institutions And Other Supranational Institutions Ratings Methodology, Jan. 31, 2022
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Supranationals Special Edition 2023, Oct. 12, 2023

Ratings Detail (as of November 27, 2024)*

Caribbean Development Bank

Issuer Credit Rating

Foreign Currency

AA+/Stable/A-1+

Senior Unsecured

AA+

Issuer Credit Ratings History

09-May-2017

Foreign Currency

AA+/Stable/A-1+

16-May-2014

AA/Stable/A-1+

12-Dec-2012

AA/Negative/A-1+

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings credit ratings on the global scale are comparable across countries. S&P Global Ratings credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

Copyright © 2024 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.spglobal.com/ratings (free of charge), and www.ratingsdirect.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.spglobal.com/usratingsfees.

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.