FitchRatings

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Fitch Affirms CDB at 'AA+'/Stable; Rates Proposed Medium Term Note Programme 'AA+'

Fitch Ratings - Frankfurt am Main - 27 Oct 2026: Fitch Ratings has affirmed Caribbean Development Bank's (CDB) Long-Term Issuer Default Rating (IDR) at 'AA+' with a Stable Outlook and assigned its proposed USD1 billion medium term note (MTN) programme a rating of 'AA+'. A full list of rating actions is at the end of this rating action commentary.

CDB's 'AA+' Long-Term IDR reflects its Standalone Credit Profile (SCP) of 'aa+', underpinned by a solvency assessment we have revised to 'aaa' from 'aa+', and 'aaa' liquidity assessment. Fitch also revised CDB's business environment notching to -1, from +0 previously, but maintained the 'medium risk' assessment.

The 'AA+' rating of the proposed MTN programme reflects that based on indicative documents received by Fitch on 20 October 2026, the notes issued under the programme will constitute direct, general, unconditional, unsubordinated and unsecured obligations of the issuer, which will rank pari passu among themselves and at least pari passu with all other present and future unsecured obligations of the issuer.

Key Rating Drivers

Improved Solvency Assessment: The revision of CDB's solvency assessment to 'aaa' from 'aa+' was driven by 'excellent' capitalisation and improvements in solvency risks. At 1H26, Fitch's usable capital/ risk-weighted assets (FRA) ratio of 75% and the equity/adjusted assets and guarantees ratio of 46%, were comfortably above the 35% and 25% thresholds for an 'excellent' assessment. These metrics are strong relative to peers, which highlights the resilience of the bank's capitalization, supported by its strong loan performance. CDB's credit and concentration risks have improved in the last two years.

We expect the FRA ratio to improve to around 85% at end-2026, following CDB receiving a USD200 million first-loss piece (FLP) guarantee from Canada (AA+/Stable) in September 2026, but to return to current levels by end-2028 reflecting CDB's projected portfolio growth.

'Medium Risk' Business Environment: Fitch continues to assess CDB's business profile as 'medium risk' but has concentrated its assessment of the small size of CDB's banking portfolio (USD1.6 billion at end-1H26) compared with peers, with a higher weight in the business environment, reflected by revising the overall business environment notching to -1, from +0 previously.

CDB's business profile assessment also reflects its sovereign lending focus (97% of total banking exposure at end-1H26), high governance standards and the importance of its public mandate. Fitch

also assesses CDB's operating environment as 'medium risk', reflecting the relatively weak credit quality and moderate income levels in the bank's countries of operations.

FLP Guarantee Supports Capitalization: CDB has signed a USD200 million FLP guarantee with Canada. The FLP provides USD200 million revolving first loss coverage to a reference portfolio of sovereign loans. This design reduces the credit risk of the entire reference portfolio, making it a similar to a synthetic securitization where the securitized tranche is only the most junior in the structure. Under our criteria, the simplified capital relief treatment for such a securitization is the same as for a FLP guarantee, resulting in USD160 million equity credit in this case. given the 'AA+' rating of the guarantor.

'Low' Credit Risk: Fitch's assessment of 'low' credit risk reflects CDB's very strong loan performance record. The bank continues to have no arrears with sovereign borrowers, with the sole arrears a small, non-sovereign exposure (about USD1.4 million), 0.1% of the banking portfolio. Fitch assesses CDB's preferred creditor status as 'excellent'. The weighted average rating of loans and guarantees was stable at 'B+' at end-1H26 having improved to 'B+' from 'B' in 2025 (B- in 2024). This sustained improvement has been driven by improvement in some regional sovereign ratings and CDB's strategic objective to increase its lending exposure to higher-rated sovereigns in the Caribbean.

Low Concentration: The successful execution of an USD450 million exposure exchange agreement with Central American Bank for Economic Integration (AA/Positive) in May 2025, has led to Fitch's top five concentration ratio reducing to 40% at end-1H26 (end-2025: 39%) from 61% at end-3Q24. The bank has also codified a top five concentration level of 40% into its Risk Appetite Framework, suggesting that this will be sustained over the medium term.

Strategy: CDB is well-positioned to utilize its special development fund, a concessional fund administered by the bank, but delinked from its credit profile, to respond to climate-related catastrophes, as well as providing concessional resources to the poorest member countries in the Caribbean. Access to this fund could reduce the risk of any unexpected, negative impact on the bank's ordinary capital resources balance sheet, upon which the ratings are based, while maintaining its policy importance in the region.

Very High Liquidity: We assess CDB's liquidity at 'aaa'. This is driven by its 'excellent' liquidity buffers (coverage of short-term debt was 6.6x at end-1H26) and the 'excellent' credit quality of the treasury portfolio. Unlike most other highly rated multilateral development banks, CDB has not yet issued public, benchmark issuance due to the small size of its balance sheet (1H26: USD2.2 billion), relative to the typical benchmark issue size. CDB has relied on credit lines from development partners and non-benchmark public issuance (e.g. it issued a CHF100 million bond in 2025 and a USD70 million bond in July 2026), but the proposed MTN programme should increase funding flexibility.

No Support Uplift: Given the bank's SCP, our assessment of support (bbb) is not a rating driver. The assessment reflects the ratings of CDB's key shareholders, which Fitch defines as those shareholders that own the largest shares of subscribed capital and whose cumulative ownership accounts for at least 50%. The high ratio of paid-in to total capital (22%) is evidence of the bank's importance for

shareholders. This translates into a 'strong' propensity to support.

RATING SENSITIVITIES

Factors that could, individually or collectively, lead to negative rating action/ downgrade:

Solvency (Risk): An increase in credit risk, potentially stemming from higher non-performing loans (NPL) in the non-sovereign loan book, leading to a rise in the NPL ratio above the upper bound 'very low' risk threshold of 1%.

Solvency (Capitalisation): Significant decline in the FRA ratio relative to recent historical performance. This could be driven by rapid growth in banking operations and/or a significant increase in risk-weighted assets.

Factors that could, individually or collectively, lead to positive rating action/upgrade:

Business Profile: An increase in the bank's size above the medium risk threshold of USD5 billion, coupled with successful execution of the bank's new strategy, could lead to an improvement in the business profile notching (currently '-1').

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG Considerations

CDB has an ESG Relevance Score of '4[+]' for Human Rights, Community Relations, Access & Affordability. CDB provides grants funded by donor contributions and that are a significant part of the bank's business model. CDB has also acted as a lender of last resort to countries that had lost market access. This supports CDB's policy importance. This has a positive impact on the credit profile, and is relevant to the ratings in conjunction with other factors.

CDB has an ESG Relevance Score of '4' for Policy Status and Mandate Effectiveness. Geographically concentrated exposure to small Caribbean islands with economies largely interconnected and highly vulnerable due to large tourism exposure and risk of natural disasters. This has a negative impact on the credit profile, and is relevant to the ratings in conjunction with other factors.

CDB has an ESG Relevance Score of '4' for 'Rule of Law, Institutional and Regulatory Quality'. All supranationals attract a score of '4'. Supranationals are neither subject to bank regulation nor supervised by an external authority. Instead, supranationals comply with their own set of rules. Fitch pays particular attention to internal prudential policies, including compliance with these policies.

CDB has an ESG Relevance Score of '3' for 'Exposure to Environmental Impacts'. Environmental risk is a key risk to CDB's borrowers but this is actively managed by the bank. CDB has set up (with other partners, such as the World Bank) an insurance vehicle against natural disasters and requires its sovereign borrowers to acquire minimum insurance cover. CDB has never suffered a loss due to the

realisation of environmental risk.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visitwww.fitchratings.com/topics/esg/products#esg-relevance-scores.

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Rating Actions

ENTITY/DEBT	RATING			RECOVERY	PRIOR
Caribbean Development Bank	LT IDR	AA+ O	Affirmed		AA+ O

ENTITY/DEBT	RATING			RECOVERY	PRIOR
	ST IDR	F1+	Affirmed		F1+
• senior unsecured	LT	AA+	New Rating		

RATINGS KEY	OUTLOOK	WATCH
POSITIVE	⊕	⬘
NEGATIVE	⊖	⬙
EVOLVING	◈	◆
STABLE	■	

Applicable Criteria

Supranationals Rating Criteria (pub.03 Oct 2024) (including rating assumption sensitivity)

Additional Disclosures

Solicitation Status

Endorsement Status

Caribbean Development Bank	EU Issued, UK Endorsed

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see Best- and Worst-Case Measures under the Rating Performance page on Fitch's website.

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