MOODY'S INVESTORS SERVICE

CREDIT ANALYSIS

Rate this Research

Caribbean Development Bank

Supranational

RATINGS

Caribbean Development Bank

	Rating	Outlook
Senior Unsecured	Aa1	Stable

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This Credit Analysis provides an in-depth discussion of credit rating for the Caribbean Development Bank and should be read in conjunction with Moody's most recent Credit Opinion and rating information available on Moody's website.

Overview and Outlook

The Caribbean Development Bank's (CDB) Aa1 rating reflects a number of significant credit strengths, including: (1) strong capital adequacy ratios; (2) higher liquidity levels than those of most MDB peers; (3) strong financial support from both borrowing and non-borrowing members reflected in the recent general capital increase and the Bank's relatively high percentage of paid-in capital; and lastly, (4) a preferred creditor status that has ensured a good repayment performance even from borrowing members that have gone through debt restructurings in recent years. The Aa1 rating incorporates the relatively weak average credit quality of its borrowing member countries and high borrower concentration.

The rating could face upward pressure if the Bank reduces its exposure to troubled credits. However, given the Bank's mission to serve the Caribbean, coupled with the severe economic and financial challenges facing the region, we view this as unlikely in the near-to-medium term, notwithstanding management's plans to increase lending to higher rated members and try to attract new regional members.

The rating could face downward pressure if the bank's capitalization and/or liquidity levels decline; if its borrowing member credit quality experiences further deterioration and loan portfolio performance suffers as a result; if the bank again fails to comply with any of its financial policies; or if its new risk management framework proves to be ineffective.

This Credit Analysis elaborates on CDB's credit profile in terms of Capital Adequacy, Liquidity and Strength of Member Support, which are the three main analytic factors in Moody's Supranational Rating Methodology.

Organizational Structure and Strategy

The Caribbean Development Bank (CDB or the Bank) is a multilateral lending institution founded in 1969 and headquartered in Barbados. The Bank's purpose is to contribute to the economic growth and development of its Caribbean member countries and to promote their economic cooperation and integration. The CDB has developed a particular niche in assisting less developed Caribbean members, where often the Bank is the only source of borrowing. With a loan portfolio of just under $1 billion, the CDB is among the smallest of the MDBs rated by Moody's. Due to its relatively small size, the CDB focuses on having a greater economic impact in smaller countries rather than in larger economies where other MDBs can provide more funding.

CDB makes loans to its borrowing member countries (BMCs) from its Ordinary Capital Resources (OCR) and from various other concessional funds, which make up its Special Funds Resources (SFR). Moody's rating applies just to the CDB's OCR operations. As such, these are referred to as the CDB in this report. The SFR was established to provide resources on concessional terms primarily for poverty reduction. The resources, assets, and liabilities of the OCR, which account for about 60% of total lending, and the SFR are completely segregated. Though the SFR is partially funded with transfers from net income of the OCR, the SFR has no recourse to OCR resources.

CDB has 18 founding member countries - 16 regional states and autonomous dependent territories of the UK and 2 non-regional countries. There are currently 27 members: 22 regional countries, including Colombia, Mexico and Venezuela (who are non-borrowers), and five non-regional countries (Canada, People's Republic of China, Germany, Italy, and the United Kingdom). Suriname is the newest member, having joined in September 2013. The Governors of the Bank have agreed on the conditions under which Brazil could be admitted as a member and Brazil continues to work on its domestic legal arrangements to attain membership. The CDB is also in discussions with some of the former members of the Netherlands Antilles and it continues to actively pursue the expansion of its membership base beyond the Caribbean.

All powers are vested in the Board of Governors, where each member country is represented by a governor or an alternate, except for Anguilla, British Virgin Islands, Cayman Islands, Montserrat, and the Turks and Caicos Islands, which are considered as a single member for this purpose. Provided there is a quorum, all decisions of the Board of Governors, such as amendments to the Bank's Charter, are determined by a majority of the voting power of the members represented at the meeting, unless otherwise specified. Each member's voting power is directly related to its relative share of the bank's capital. Amendments to the Bank's Charter require a vote of not less than two-thirds of the total number of Governors representing not less than three-fourths of the total voting power of the members. At its annual meeting, the Bank's Board of Governors determines how to allocate net income. However, CDB does not pay dividends back to its member countries.

New Independent Risk Management Function Aims to Address Shortcomings

In an effort to address shortcomings in asset-liability management and financial planning that led to the Bank's failure to comply with its liquidity policy, the Bank has implemented a comprehensive risk management framework, which it is fully integrating into its operational structure. The Bank created a new independent risk management function headed by a Chief Risk Officer (CRO), who has direct access to the Board. The CRO is responsible for developing the Bank's risk assessment methodology, limit setting, and approvals, as well as oversight of risk reporting and control.

The Bank has also formed a new enterprise risk committee (ERC) chaired by the CRO and formed by representatives of senior management from across the organization. The ERC's remit covers the gamut of risks faced by the organization. In particular, the ERC is responsible for the oversight of the bank's asset and liability management, liquidity, loan portfolio performance, capitalization, and investment strategy. The Bank is also in the process of significantly enhancing its risk reporting as part of this overhaul. These improvements to governance and risk management should help to ensure that the Bank does not experience a repeat of its recent problems.

A new risk appetite statement (RAS) has been developed, which provides a unifying framework for a set of discrete financial policies and procedures. The CDB's financial policies are designed to ensure that the bank maintains adequate levels of capital and liquidity while keeping leverage manageable and lending rates as low as possible. As it developed the RAS, management deemed most of its existing financial policies sufficiently conservative given its risk profile, although as part of the process it is revising and/or strengthening some specific provisions. In particular, the risk appetite statement includes the revised capital adequacy policy and new exposure limits.

All new loan proposals are recommended by the President for approval by the Board having first been technically appraised by staff and are subject to the overall lending limits established by the Board, compliance with which will be enforced by the CRO. The Board's audit and post-evaluation committee, which meets frequently at least four to five times annually, is responsible for monitoring compliance with internal controls and evaluation of processes and project performance. The Bank's Office of Independent Evaluation now reports directly to this committee rather than to the President's office. Management has strengthened the internal audit function via the provision of additional resources at the very senior level. The bank's board of directors approved a new strategic framework for integrity, compliance and accountability, and establishment of a new independent office to operationalize the strategic framework. This new office will cover institutional integrity, compliance (AML/CFT and financial sanctions), ethics and whistle-blowing, and project accountability.

Rating Rationale

Our determination of a supranational's rating is based on three rating factors: Capital Adequacy, Liquidity and Strength of Member Support. For Multilateral Development Banks, the first two factors combine to form the assessment of Intrinsic Financial Strength, which provides a preliminary rating range. The Strength of Member Support can provide uplift to the preliminary rating range. For more information please see our Supranational Rating Methodology.

Capital Adequacy: Very High

Strong Capitalization Mitigates Risks Stemming from High Concentration and Low Borrower Quality

Factor 1

Scale	Very High	High	Medium	Low	Very Low	
+	■					-

Capital adequacy assesses the solvency of an institution. The capital adequacy assessment considers the availability of capital to cover assets in light of their inherent credit risks, the degree to which the institution is leveraged and the risk that these assets could result in capital losses.

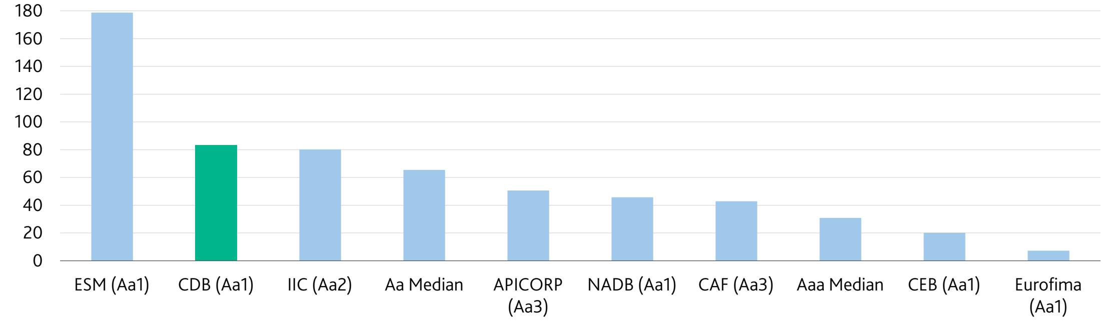
Capital Position Remains Strong as High Asset Coverage Compensates for Low Borrower Quality

When assessing an MDB's capital adequacy, we look at the Bank's loss-absorption capacity provided by its own usable equity in the face of shocks that may impair its assets, measured by the asset coverage ratio (ACR). CDB's ACR (the ratio of total equity over all loans, equity investments and risk-weighted liquid assets) had declined through 2010 as the loan portfolio expanded due to a mandate to focus on its less-developed members. However, over the past three years this metric has increased again following the initial boost provided by the 2011 general capital increase to equity and assets.

Total assets rose from $1.269 billion in 2010 to $1.641 billion by 2012. However, these had fallen to $1.379 billion in 2014. The drop is explained by the repayment of a bond worth $175 million in July 2013. Meanwhile, the Bank's equity has continued to rise as members' paid-in capital increases.

Relative to its peers, CDB continues to record a strong capital position. When looking at the coverage that equity provides over an MDB's development-related operations, that is its loans and equity investments, CDB's ratio in 2014 at 83.1% was one of the highest among Aa-rated supranationals and was more than double the 'Aaa' median (see Exhibit 1).

EXHIBIT 1
CDB's Coverage of Developmental Assets One of the Highest Amongst Peers
(Total Equity/ Loans + Equity Investments, %, 2014)



Note: The latest data reported for CAF and Eurofima (2013)
Source: Moody's

CDB's high coverage of its developmental operations counterbalances the risk presented to these assets by the Bank's low borrower quality. As a regional development bank, CDB's mandate is limited to a region where several sovereigns have exhibited decreasing creditworthiness, or in some cases have resorted to debt restructuring or default. Such is the case of CDB's largest borrowers. Jamaica (Caa2 positive) had a debt exchange on its domestic liabilities in February 2013. Meanwhile, Barbados was downgraded to B3, from Ba3, with a negative outlook in June 2014 due to a rising debt burden and mounting fiscal challenges. Similarly, unrated BMCs St. Kitts and Nevis and Grenada defaulted on bond debt in 2013.[1]

High Asset Performance Reflects Preferred Creditor Status

Despite the aforementioned low borrower quality, CDB's non-performing loans (NPLs) are very low at 0.5% of the total loan portfolio in 2014. These NPLs stem from two loans to a private sector entity, reflecting the fact that even though some of its sovereign BMCs have defaulted on market debt they are willing to remain current on their liabilities to CDB. To date, CDB has not experienced any public sector write-offs. Since CDB provides funds for investments that are considered essential for its members' economic and social progress, and arrears carry a loss of political standing for the debtor country, members have generally sought to avoid arrears at all costs and thereby ensure that their relationships with the Bank remain on good terms. Planned and anticipated OCR commitments and disbursements significantly exceed scheduled repayments for most of the BMCs and should continue to support timely repayment.

Consistent with practices of other MDBs, the Bank has had a policy not to reschedule debt obligations of its borrowing member countries. However, it is important to note that on several occasions the Bank has used its SFR to refinance the OCR obligations of certain members, including some going through restructurings. Management stresses that borrowers must make substantial fiscal adjustments before they will be considered for such treatment and the approval of the contributors of the Bank's special resources is required as well. Furthermore, these operations are generally limited to circumstances in which the cause of the member's financial distress was something outside its direct control, such as natural disasters.

CDB maintains a strict arrears policy. Arrears start to accrue if payment is one day overdue. No loan to a borrower will be recommended to the Board of Directors if the borrower is in arrears or a loan guaranteed by the borrower is in arrears. After three months of arrears, disbursements can be suspended. Arrears of more than four months on a loan that a BMC guarantees can result in suspension of disbursements on all loans to or guaranteed by that BMC. CDB also applies a late fee of 1% on all payments that are overdue.

[1] For more details see: Sovereign Default and Recovery Rates,1983-2014, April 2015

Leverage to Fall as Lending Operations Grow at a Modest Pace

The Bank maintains conservative limits on total lending and borrowing to ensure that it does not become overleveraged. The Charter limits the total amount of outstanding loans, equity investments, and guarantees to 100% of the Bank's unimpaired subscribed capital and retained earnings, net of receivables from members, derivatives, and the cumulative translation of yen borrowings. As of end 2014, outstanding loans stood at 44.2% of subscribed capital and net retained earnings, down from an average of more than 70% from 2006 to 2010, due to the recent general capital increase.

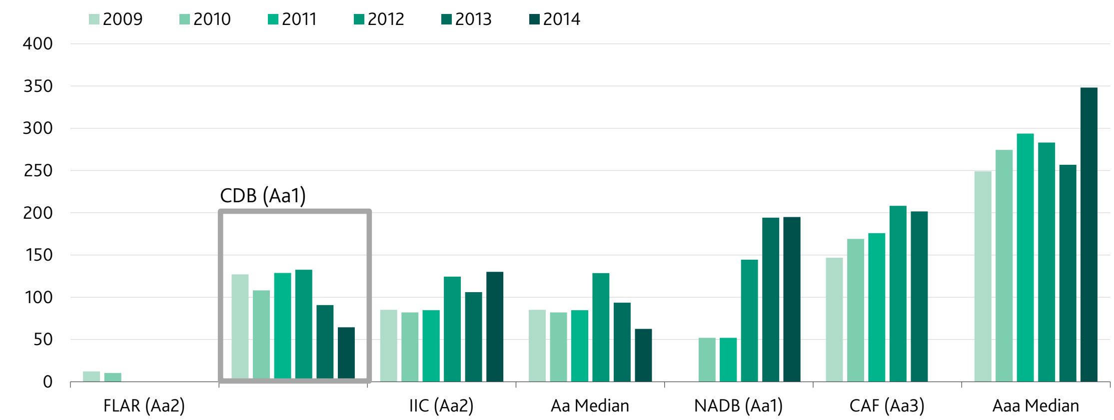
The Bank's borrowing limit is even more restrictive than its overall lending limit. The borrowing limit only permits the Bank to borrow against paid-in capital, net retained earnings, and the callable capital of its investment grade non-borrower members, though Moody's notes that this policy is not in the Bank's Charter as is the lending limit. Nevertheless, the Bank has ample headroom for additional borrowing. As of end 2014, borrowings equaled just 70.8% of the limit.

Following repayment of debt over the past two years the Bank's leverage ratio, measured as debt over usable equity, have halved over the last two years, reaching 64.5 in 2014 from 132.6 in 2012 (see Exhibit 2). This positions CDB below most Aa peers and the 'Aaa' median.

EXHIBIT 2

Leverage Has Fallen and is Lower than Most Aa Peers

(Debt/Usable Equity, %)



Source: Moody's

Going forward we believe that CDB's leverage ratio will likely decline as the Bank's management currently does not envision any new borrowings until 2018, except for potential issuances to maintain its position in the market. This goes in line with the projected modest growth of the loan portfolio. Under the 2015-19 Strategic Plan, management expects that the loan portfolio will grow from about $1 billion in 2015 to $1.1 billion by 2019. This contained growth trajectory would track the modest economic recovery that is expected to take place in most BMCs over the next five years.

High Concentration Due to Regional Mandate

The Bank's mission to provide developmental support in the Caribbean region limits the geographical scope for its lending operations, resulting in a highly concentrated loan portfolio. In order to manage credit risks stemming from this concentration, the Bank's exposure limits dictate that the maximum exposure it could have to its three largest borrowers to the greater of 90% of available capital or 60% of outstanding loans. In addition, the bank applies exposure limits at the country-level. While as of December 2014 the Bank's exposure remained below these limits (loans to its largest three borrowers equal to just 60% of capital or

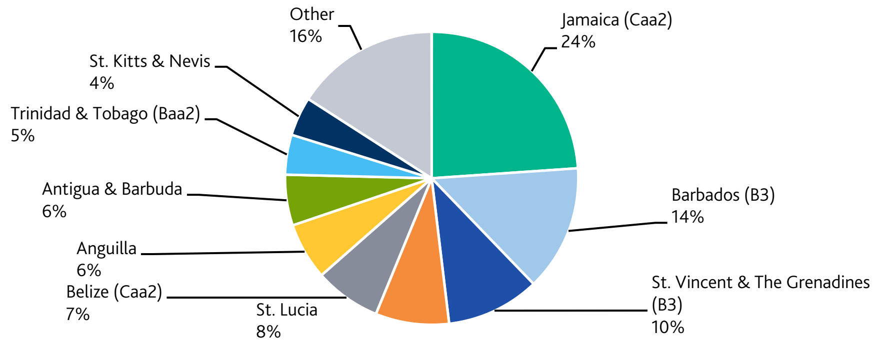
48% of outstanding loans), we highlight that the top borrowers have particularly low ratings (see Exhibit 3), which still implies a risk for the Bank.

Moreover, with its top 10 exposures representing 90% of the total loan portfolio, CDB has one of the highest concentrations among Aa-rated MDBs. The 'Aa' median in 2014 was 72% while the median for Aaa-rated supranational was 26%.

EXHIBIT 3

Significant Concentration in Low-Rated Borrowers

(% of total outstanding loans, 2014)



Source: CDB and Moody's

The bulk of lending has been concentrated in the public sector, and all loans to government-owned companies carry a full sovereign guarantee. Most of the bank's loans are project based, although demand for its PBLs has increased considerably in recent years. Although there is currently a cap on the amount of PBLs the Bank can provide. Following the implementation of measures to strengthen CDB's risk assessment capacity, the cap may be removed. Historically, CDB has channeled approximately one-third of its lending to Small- and Medium-sized Enterprises (SMEs) through financial intermediaries owned by the host country governments. As such, this lending carries government credit risk.

Declining Profitability Does Not Impact CDB's Creditworthiness

Profitability measures such as return on assets and on equity displayed relatively high numbers relative to other MDBs during the 2009-14 period, with the exception of a drop in 2013, averaging 2.1% and 4.5% respectively. ROA and ROE were recorded at 3.4% and 6.2% respectively displaying stronger recovery of profit performance in 2014. Profitability is not a driving factor of an MDB's creditworthiness given its developmental mission to provide the lowest cost funding possible to its members, rather than to maximize profitability.

Liquidity: High

Conservative Liquidity Policy Drives High Liquidity Levels

Factor 2

Scale	Very High	High	Medium	Low	Very Low
+		■			-

A financial institution's liquidity is important in determining its shock absorption capacity. We evaluate the extent to which liquid assets cover debt service requirements and the stability of the institution's access to funding.

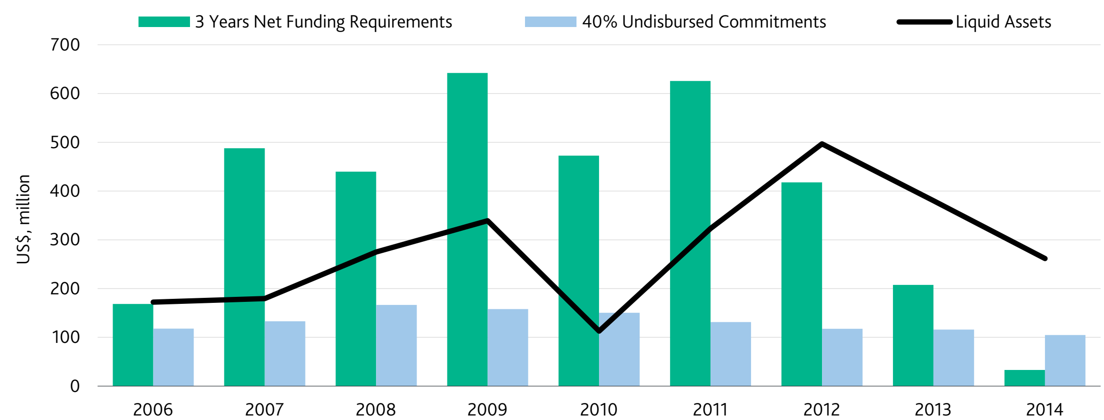
Continued Compliance with Liquidity Policy Led to Stronger Liquidity Position

CDB's liquidity policy requires the Bank to maintain liquid assets equivalent to the greater of (1) 40% of undisbursed commitments or (2) three years of net funding requirements, including bond amortization payments. Given the small size of the bank and its high degree of geographic concentration, a conservative liquidity policy is appropriate despite the associated cost.

The Bank improved its risk management framework to ensure compliance with the its liquidity policy after a breach between 2007 and 2011 (see Exhibit 4). As a consequence of the Bank's heavily front-loaded maturity schedule, three-year net funding requirements spiked to $488 million at year-end 2007 and $642 million in 2009, up from $168 million in 2006 (in each case based upon actual loan disbursements over the following three years rather than projected at the time). However, the Bank's ability to fulfill its financial obligations in full and on time was never endangered. Additionally, CDB's liquidity position remained strong relative to peers through the non-compliance period, and despite a spike in the ratio of short-term debt and currently maturing long-term debt to total liquid assets to 70% in 2011, the ratio in 2014 was less than 10%. This was in line with the 'Aa' median and below that of Aaa-rated supranationals (see Exhibit 5). Following the issuance of $300 million in bonds in late 2012, total cash and investments rose to nearly $500 million, comfortably exceeding the liquidity requirement of $417 million at year-end (down from $625 million the previous year). The Bank has been using bond proceeds to repay current maturities.

EXHIBIT 4

Liquidity Levels Back in Compliance with Strict Policy Requirements…

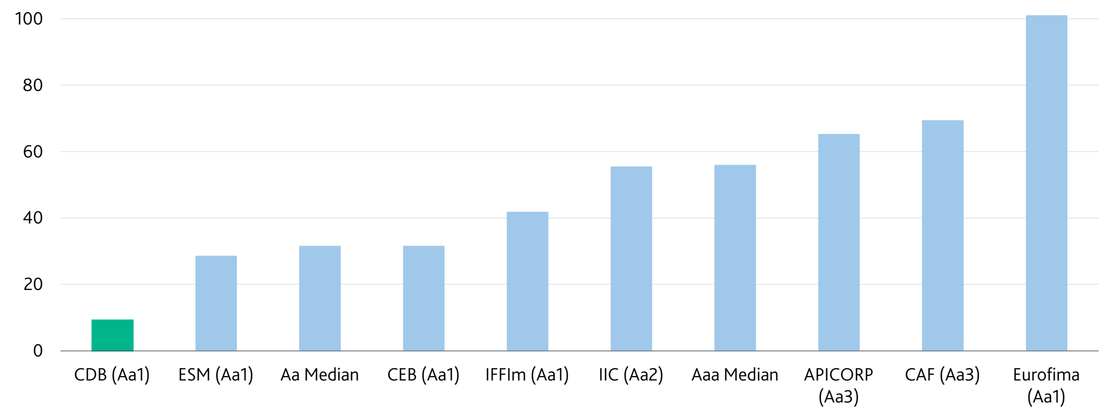


Source: CDB and Moody's

EXHIBIT 5

...Supporting Robust Liquidity Levels Compared to Other MDBs

(Short-Term Debt + Currently Maturing Long-Term Debt / Liquid Assets, % 2014)



Note: The latest data reported for Eurofima and CAF (2013)
Source: Moody's

Rollover Risk Has Decreased Significantly Following Liability Management Operations

The payment profile of the Bank's debt had become heavily front loaded; as of end 2011, approximately two-thirds of the Bank's debt was scheduled to mature over the following two and a half years. The change in the payment profile was due to the Bank's increased reliance on borrowings with bullet maturities rather than amortizing debt. Moreover, the $295 million in notes issued in 2009 and 2011 had relatively short terms, maturing in 2012 and 2013 respectively.

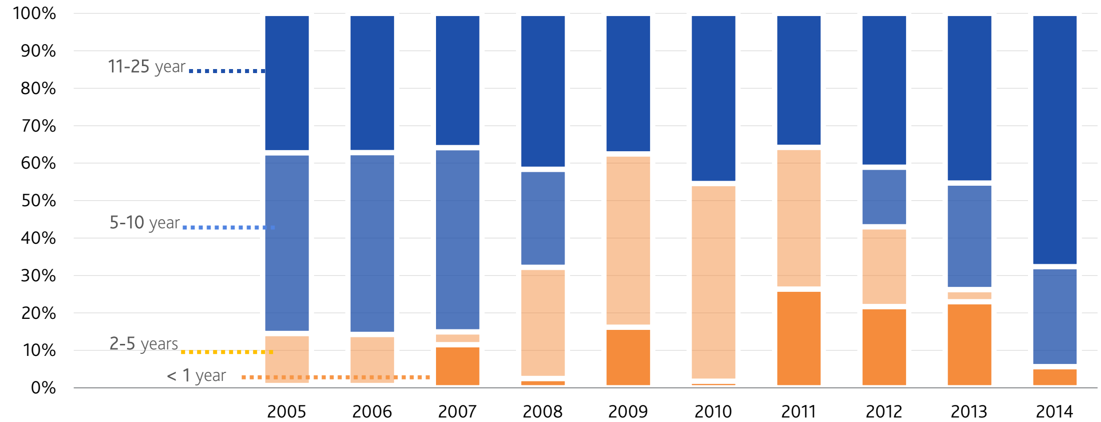
The fact that the Bank allowed short-term maturities to reach these levels reflected shortcomings in asset-liability management that were not consistent with a Aaa-rating; having a large portion of its assets consisting of long-dated, amortizing project loans created a significant maturity mismatch between the Bank's assets and liabilities. Moreover, cash flows from loan repayments were no longer sufficient to cover the Bank's debt servicing requirements, as they were in the past. Consequently, the Bank's reliance on internal liquidity and its exposure to refinancing risk increased significantly at a time of great market uncertainty. The Bank was able to address this situation with its 2012 bond issuance.

The proceeds of the 2012 bond issuance were used to repay borrowings due over the past two years, including $150 million in 2014. This has effectively pushed almost all maturities beyond five years, with only $30 million (5.7% of total borrowings) being owed over the next five years at the end of 2014 (see Exhibit 6). The next bullet payment is due in 2022.

EXHIBIT 6

Medium-Term Rollover Risk Has Been Eliminated

(Debt Maturity by Years, % of total)



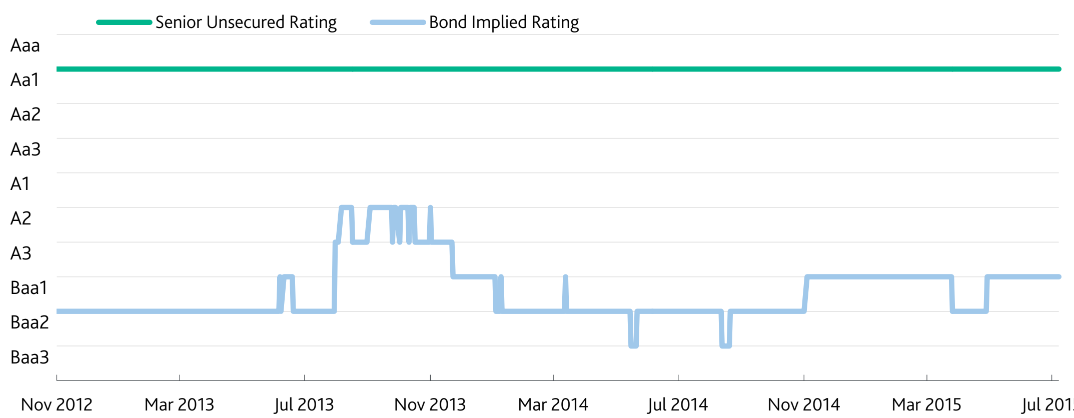
Source: CDB and Moody's

Funding Access Assessed As Moderate

After the repayments of two floating rate bonds in 2013 and 2014, worth $175 million and $150 million respectively, CDB's remaining market debt includes two notes denominated in Yen (a note of $60 million due in 2030 paying a 4.35% coupon and another one for $100 million with a 2.75% coupon due in 2022) and a USD bond ($300 million, 4.375% coupon amortizing over the period 2023 to 2027 at $60 million annually). Of these, only the USD bond and the 2022 Yen note qualify for the calculation of the bond-implied rating (BIR), which likely due to limited liquidity leads to the large differential between CDB's Aa1 rating and the BIR (see Exhibit 7).

EXHIBIT 7

CDB Rating vs. Bond Implied Rating



Source: Moody's and Moody's Analytics

CDB also has loans from the European Investment Bank (EIB) and the Inter-American Development Bank (IADB). In addition, the Bank has access to two lines of credit: a $65 million line from the EIB designated specifically for climate change projects and a $50 million line from Royal Bank of Canada.

Strength of Member Support: Very High

Callable Capital Coverage of Debt and Willingness Point to High Strength of Member Support

Factor 3

Scale	Very High	High	Medium	Low	Very Low
+	■				-

Contractual support primarily manifests itself in the callable capital pledge, which is a form of emergency support. Extraordinary support is a function of shareholders' ability and willingness to support the institution in ways other than callable capital. Strength of member support can increase the preliminary rating range determined by combining factors 1 and 2 by as many as three scores.

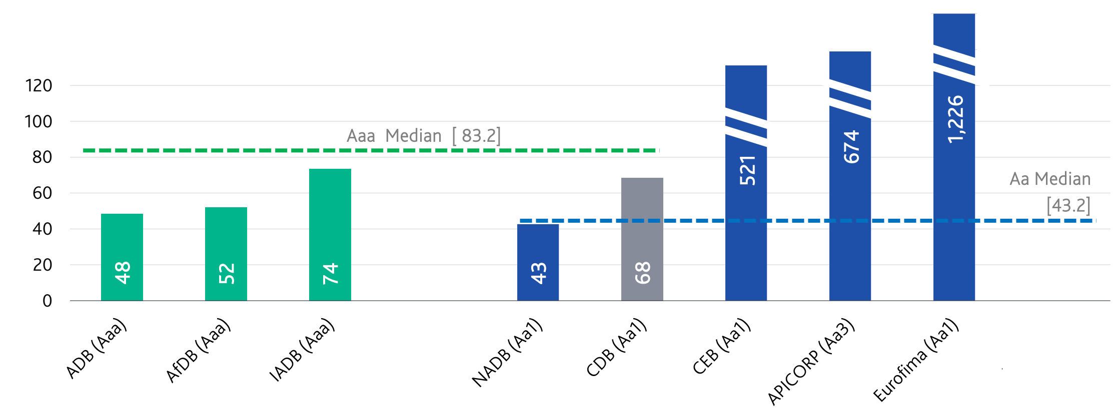
Robust Contractual Support as Reflected by Callable Capital Coverage of Debt

As is the case with most MDBs, the CDB benefits from callable capital (CC), which can be used to pay down debt if called. In the CDB's case, CC is sufficient to repay all of its outstanding debt – the CDB's debt is 30% less than its risk-discounted investment-grade CC, which places it at the median for Aa-rated MDBs (see Exhibit 8). We note that for other regional MDBs such as the Asian, African and Inter-American Development Banks, CC provides an even larger coverage of their debt stocks.

EXHIBIT 8

CDB's Risk-Discounted Callable Capital Nearly Equal to Debt Stock

(Debt/ Discounted Investment Grade Callable Capital, % 2014)



Note: The latest data reported for Eurofima (2013)

Source: Moody's

While many of its BMCs are now rated below Baa3, 22.2% of the CC is due from Trinidad & Tobago (Baa2 negative) and The Bahamas (Baa2 stable), and another 42.0% is provided by investment grade non-Caribbean members. This distribution of ownership reduces any risks that could stem from a correlation between assets and members, which could in turn affect member's ability to support CDB.

High Extraordinary Support due to Strong Willingness

While the ability of many of its members to provide financial support may be limited, the CDB's shareholders' willingness to support the Bank is very strong, in our opinion. We note that the Bank has a special relationship with its borrowing member countries, who collectively hold a majority of the Bank's capital and therefore play an important role in determining the Bank's strategic direction. This influence drives their support for the institution and distinguishes it from many other MDBs.

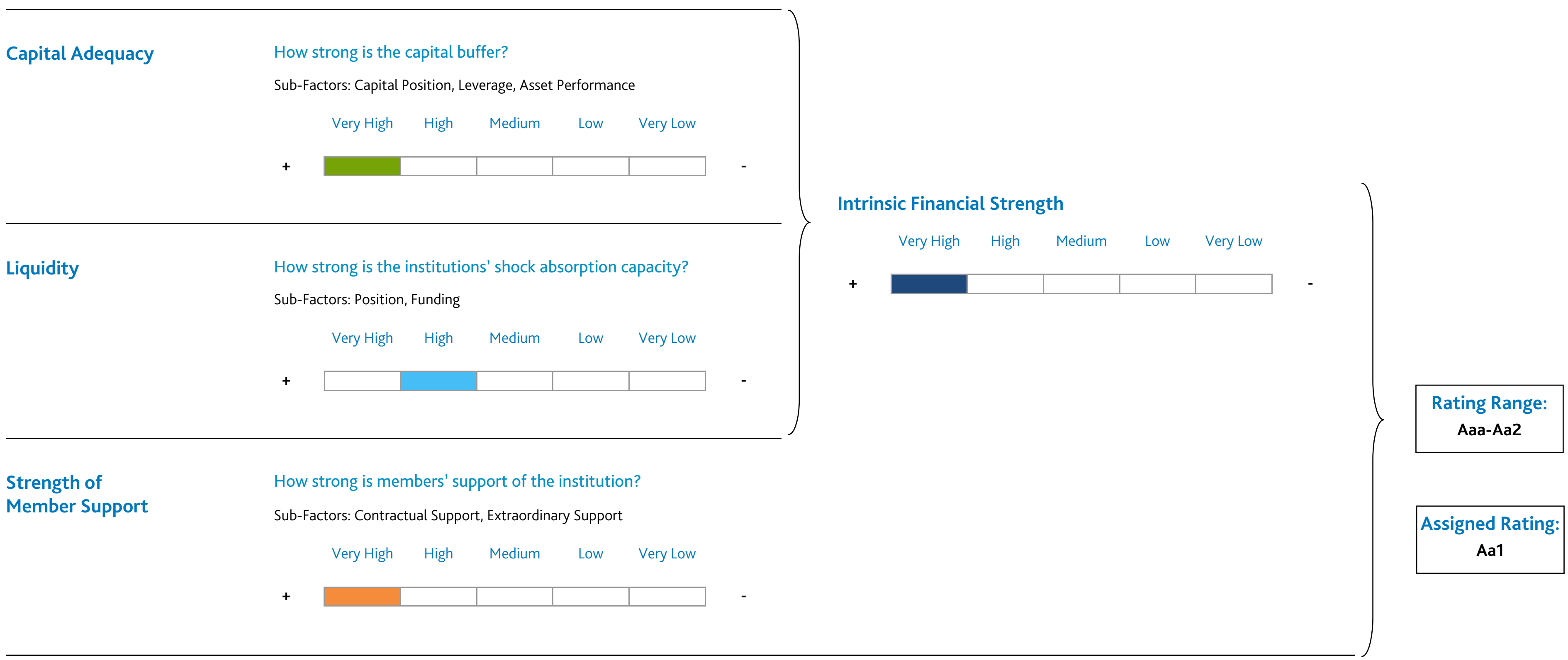
This strong willingness to provide support is best reflected in the Bank's $1 billion general capital increase in May 2010, and by the relatively high portion of paid-in capital. The 2010 general capital increase was the fourth since the Bank's creation, and it increased the Bank's subscribed capital by 150%. The capital increase was originally intended to enable the bank to finance the significant increase in lending called for by its 2010-14 strategic plan, though these lending plans were scaled back considerably.

The CDB's member subscriptions are divided into paid-in and callable portions. Twenty-two percent of the recent capital increase will consist of paid-in capital paid in cash in six equal annual installments. The paid-in proportion of the capital increase is the same as the proportion for the Bank's previously existing capital, which is relatively high for MDBs rated by Moody's. Among Aaa- and Aa-rated MDBs; just the IsDB (25%), and the IFC (100%) are higher. The high share of paid-in capital helps compensate for the relatively moderate weighted median rating of CDB's shareholders (Baa2) and further demonstrates strong member support for the institution.

Rating Range

Combining the scores for individual factors provides an indicative rating range. While the information used to determine the grid mapping is mainly historical, our ratings incorporate expectations around future metrics and risk developments that may differ from the ones implied by the rating range. Thus, the rating process is deliberative and not mechanical, meaning that it depends on peer comparisons and should leave room for exceptional risk factors to be taken into account that may result in an assigned rating outside the indicative rating range. For more information please see our [Supranational Rating Methodology](#).

Supranational Rating Metrics: Caribbean Development Bank



Comparatives

This section compares credit relevant information regarding the Caribbean Development Bank with other supranationals rated by Moody's Investors Service. It focuses on a comparison with supranationals within the same rating range and shows selected credit metrics and factor scores.

CDB is one of the smallest supranationals rated by Moody's. Despite operating in a region challenged by low growth and a marked deterioration in the creditworthiness of its borrowing members, CDB has maintained strong capitalization relative to peers and enjoyed preferred creditor status, reflected by its low level of NPLs. In terms of liquidity, its debt service coverage ratio compares well to Aa-rated peers, with occasional need to raise market funding. Meanwhile, its strength of member support is somewhat higher than that of peers as the members' contractual obligations provide robust coverage of the total debt stock and they show strong willingness to give support under extraordinary conditions.

EXHIBIT 9

Caribbean Development Bank Key Peers

	Year	CDB	NADB	CAF	CEB	APICORP	IIC	Aa Median
Rating/Outlook		Aa1/STA	Aa1/STA	Aa3/STA	Aa1/STA	Aa3/STA	Aa2/POS	--
Total Assets (US$ million)	2014	1,379	1,633	0	30,912	5,884	1,989	3,080
Factor 1		Very High	High	High	High	High	Very High	--
Usable Equity/Gross Loans Outstanding + Equity Operations (%)[1]	2014	83.1	45.8	0.0	19.6	50.7	80.3	65.1
Debt/Usable Equity (%)[1]	2014	64.5	194.9	--	803.6	113.9	130.1	62.5
Gross NPLs/Gross Loans Outstanding (%)[2]	2014	0.5	0.3	--	0.0	2.4	2.0	0.3
Factor 2		High	High	High	Very High	High	Very High	--
ST Debt + CMLTD/Liquid Assets (%)[3]	2014	9.4	0.6	0.0	57.0	63.5	55.5	28.6
Bond-Implied Ratings (Average)	2014	Baa1	A2	A3	Aaa	--	--	Aa2
Intrinsic Financial Strength (F1+F2)		Very High	High	High	Very High	High	Very High	--
Factor 3		Very High	High	Low	Medium	High	Medium	--
Total Debt/Discounted Callable Capital (%)[4]	2014	68.4	42.7	--	521.3	674.1	--	43.2
Weighted Median Shareholder Rating (Year-End)	2014	Baa1	A1	Baa3	Aa3	Aa3	A3	Aa3
Rating Range (F1+F2+F3)		Aaa-Aa2	Aaa-Aa2	Aa2-A1	Aaa-Aa2	Aaa-Aa2	Aaa-Aa2	--

Notes:

[1] Usable equity is total shareholder's equity and excludes callable capital
[2] Non performing loans
[3] Short-term debt and currently-maturing long-term debt
[4] Callable capital pledge by members rated Baa3 or higher, discounted by Moody's 30-year expected loss rates associated with ratings.

Source: Moody's

Appendices

Rating History

Caribbean Development Bank

	Senior Unsecured	Outlook	Date
Outlook Changed	--	Stable	Nov-2013
Rating Affirmation	Aa1	--	Nov-2013
Outlook Changed	--	Negative	May-2012
Rating Lowered	Aa1	--	May-2012
Outlook Changed	--	RUR-	Feb-2012
Outlook Assigned	--	Stable	Nov-2003
Rating Assigned	Aaa	--	Mar-1992

Annual Statistics

Caribbean Development Bank

	2009	2010	2011	2012	2013	2014
Balance Sheet Summary (US$ Mil.)						
Assets						
Total	**1,288.0**	**1,268.8**	**1,543.1**	**1,640.8**	**1,452.3**	**1,378.5**
Liquid Assets	339.2	112.6	323.4	496.9	357.2	267.0
Net Loans Outstanding	818.3	993.5	1,007.5	972.3	967.9	982.7
Derivative Instruments	58.8	96.7	127.7	95.3	54.0	52.4
Other Assets	71.6	65.9	84.5	76.3	73.1	76.5
Liabilities						
Total	**722.4**	**664.4**	**876.7**	**946.7**	**708.7**	**557.0**
Borrowings	718.1	653.2	857.9	920.2	675.4	530.3
Other Liabilities	4.4	11.1	18.8	26.5	33.3	26.7
Capital and Reserves						
Total	**565.5**	**604.5**	**666.5**	**694.1**	**743.6**	**821.6**
Matured Capital Subscriptions (Paid in Capital)	157.4	157.4	186.4	218.7	256.4	299.5
Reserves and Retained Earnings	408.1	447.1	480.1	475.4	487.2	522.1
Total Liability & Equity	**1,288.0**	**1,268.9**	**1,543.1**	**1,640.8**	**1,452.3**	**1,378.5**
Income Statement Summary (US$ Mil.)						
Total Income	**52.2**	**46.7**	**43.4**	**44.5**	**45.1**	**43.6**
Income from Loans	45.7	42.7	40.6	39.6	39.1	40.5
Investment Income	6.2	3.8	2.7	3.4	3.9	2.8
Other	0.4	0.3	0.1	1.5	2.1	0.3
Total Expenses	**21.9**	**18.3**	**20.7**	**23.2**	**27.2**	**23.6**
Borrowing Expenses -- Interest	13.6	11.7	10.3	13.2	21.1	20.1
Other (other borrowing costs- derivatives)	-1.9	-3.5	-2.8	-3.4	-5.5	-9.3
Administrative Expenses	9.2	10.2	10.2	10.9	10.7	11.3
Provision for Loan Losses	1.1	0.0	3.0	2.5	0.9	1.5
Net Operating Income	**30.3**	**28.4**	**22.7**	**21.3**	**17.9**	**20.1**
Decrease/(Increase) in Fair Value of Derivatives	11.5	-41.3	-31.9	31.1	47.2	-6.2
Foreign Exchange Translation expense	-4.6	27.9	12.9	-23.9	-37.9	-20.4
Realized and unrealized fair value losses (gains)	1.2	0.4	0.9	-1.3	5.7	-2.0
Net Income	**22.2**	**41.5**	**40.8**	**15.4**	**2.9**	**48.6**

Caribbean Development Bank	2009	2010	2011	2012	2013	2014
Financial Ratios						
Capital Adequacy (%)						
Usable Equity/Gross Loans Outstanding + Equity Operations[1]	64.7	57.4	61.0	66.4	73.3	79.1
Debt/Usable Equity[1]	137.5	115.6	140.3	143.1	95.7	68.5
Gross NPLs/Gross Loans Outstanding[2]	1.3	1.1	1.1	1.2	0.5	0.5
Return on Average Assets	1.8	3.2	2.9	1.0	0.2	3.4
Liquidity (%)						
Liquid Assets/Total Assets	26.3	8.9	21.0	30.3	24.6	19.4
Liquid Assets/Total Debt	47.2	17.2	37.7	54.0	52.9	50.3
ST Debt + CMLTD/Liquid Assets[3]	34.3	10.2	69.9	39.8	44.1	11.2
Bond-Implied Ratings (Average)				Baa2	Baa1	Baa2
Strength of Member Support (%)						
Total Debt/Discounted Callable Capital[4]	197.92	131.34	110.29	118.97	87.14	68.43
Weighted Median Shareholder Rating (Year-End)	Baa1	Baa1	Baa1	Baa1	Baa1	Baa2

Notes:

[1] Usable equity is total shareholder's equity and excludes callable capital

[2] Non-performing loans

[3] Short-term debt and currently-maturing long-term debt

[4] Callable capital pledged by members rated Baa3 or higher, discounted by Moody's 30-year expected loss rates associated with ratings

Source: Moody's

(% of total)	2009	2010	2011	2012	2013	2014
Loans Outstanding: Geographic Detail						
Jamaica	22.1	22.0	24.0	24.4	24.7	23.9
Barbados	13.6	12.8	12.6	12.4	14.0	13.9
St. Vincent and the Grenadines	8.0	11.0	10.4	10.4	10.6	10.3
St. Lucia	11.9	10.2	9.2	8.7	8.3	8.1
Belize	8.2	7.4	7.3	7.4	7.4	7.3
Anguilla	1.6	6.8	6.6	6.6	6.6	6.3
St. Kitts and Nevis	6.6	6.0	5.8	5.5	4.5	4.3
Antigua and Barbuda	2.7	3.2	4.0	4.1	5.3	5.6
Trinidad and Tobago	5.6	3.9	3.2	2.7	2.0	4.4
British Virgin Islands	2.4	1.7	1.5	1.4	1.2	1.2
Other	17.3	15.0	15.4	16.4	15.4	14.7

Source: Caribbean Development Bank

Member Voting Power (% of Total)
(as of year-end 2014)

Regional States and Territories	
Jamaica	17.72
Trinidad and Tobago	17.72
Bahamas	5.26
Guyana	3.86
Barbados	3.37
Colombia	2.9
Mexico	1.19
Venezuela	2.9
Other Regionals	8.73
Total Regional States and Territories	**63.65**
Non-Regional States	
Canada	9.55
United Kingdom	9.55
Italy	5.75
Germany	5.75
China	5.75
Total Non-regional States	**36.35**

Source: Caribbean Development Bank

Moody's Related Research

Credit Opinion:

» Caribbean Development Bank

Rating Methodologies:

» Multilateral Development Banks and Other Supranational Entities, December 2013 (161372)

» Sovereign Bond Ratings, September 2013 (157547)

Moody's Website Links:

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