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Ratings

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Research Update:

Caribbean Development Bank 'AA+/A-1+' Ratings Affirmed; Outlook Is Stable

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Overview

- Following a review of the Caribbean Development Bank (CDB) under our revised criteria for multilateral lending institutions (MLIs), the bank's risk-adjusted capital (RAC) ratio increased to 59.6%. The increase in this ratio was also reinforced by the bank's recent execution of an exposure exchange agreement (EEA).
- Furthermore, we believe CDB has a very strong enterprise risk profile supported by its important role of providing multilateral financing to Caribbean countries and demonstrated support from shareholders.
- S&P Global Ratings affirmed its 'AA+' long-term issuer credit rating and 'A-1+' short-term issuer credit rating on CDB.
- The stable outlook reflects our expectation that, over the next two years, CDB will maintain high capitalization to support growth in its loan book and the bank's enterprise profile will remain very strong, as we expect sovereign borrowers to treat the bank as a preferred creditor.

Rating Action

On Nov. 24, 2025, S&P Global Ratings affirmed its 'AA+/A-1+' long- and short-term issuer credit ratings on the Caribbean Development Bank. The outlook is stable.

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 preferred creditor treatment (PCT) will not deteriorate and 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 appropriate strengthening of the bank's risk management.

Downside scenario

We could lower our ratings if shareholder support for CDB decreased or if doubts arise about PCT. A deterioration in CDB's liquidity or financial stress among borrowing members could also weaken the ratings, although existing callable capital provided by CDB's highly rated sovereign shareholders would most likely mitigate erosion of the RAC ratio. We consider these events unlikely during the outlook horizon.

Upside scenario

We would consider raising the ratings on CDB if we believe the bank has built a more established and longer track record of superior financial and risk management practices. We could also raise the ratings on CDB if it uses its strengthened capital position to materially expand its loan book in a way that supported strengthened policy importance.

Rationale

We affirmed our ratings on CDB based on the bank's very strong enterprise risk profile and extremely strong financial risk profile. Although CDB benefits from extraordinary support in the form of callable capital, this does not provide additional uplift to its stand-alone credit profile (SACP) of 'aa+' given its capital position; therefore, the long-term issuer credit rating remains at the same level as the SACP. We have implemented the recalibration of PCT risk weights and changes to the single-name concentration charge under our revised criteria, "Multilateral Lending Institutions And Other Supranational Institutions Ratings Methodology," Oct. 13, 2025. This change, in addition to the recent EEA, boosted CDB's already strong RAC ratio to 59.6%, which is well above our 23% threshold for extremely strong capital adequacy.

The recalibration of PCT risk weights applied to sovereign exposures had a significant impact, given that the weighted-average foreign currency sovereign rating in the CDB loan portfolio is 'B+'. These changes to risk weights, which incorporate recent data on MLI loan performance, affect sovereign exposures rated 'BB-' or below that have a demonstrated history of robust PCT.

This capital improvement follows CDB's earlier efforts to boost its capital position via an EEA with the Central American Bank for Economic Integration (CABEI). The June 2025 EEA with CABEI exchanges $450 million in sovereign exposure, allowing CDB to reduce its loan portfolio concentration. We expect CDB could undertake other types of balance-sheet optimization in the next year.

The bank continues to demonstrate a strong record of PCT by its members. Over the past 10 years, there have been no instances of arrears. Several borrowing member countries have defaulted on commercial debt without entering into arrears on CDB loans. Barbados defaulted on its external bonds in October 2018, although it has continued to make payments to CDB. Belize's selective default in February 2017--caused by a missed coupon payment on its external bonds and following its debt rescheduling--did not result in arrears to CDB's loans outstanding

We expect CDB will remain an important source of multilateral 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 (IADB) and the International Bank for Reconstruction and Development, CDB is the sole lender to other members. CDB is working on an updated strategic plan to cover 2026-2035. We expect the bank will use its expanded capital buffers to continue increasing its loan book in support of its mandate in the medium term.

The bank has been instrumental in providing financial and technical support to members, particularly when they face natural disasters. The bank responded to members' needs following Hurricane Beryl in 2024, and was active in the aftermath of the 2017 hurricane season, which severely hit some of its member countries. Among other efforts, CDB deployed exceptional financing and emergency response grants to various borrowing member countries. In response to the 2021 volcanic eruption in St. Vincent and the Grenadines, CDB provided grant support and an immediate response loan, as well as repurposing its lending for additional support.

CDB's members have demonstrated their support for the bank. In May 2010, CDB's board of governors approved a $217 million (138% increase over the bank's capital) general capital increase in paid-in capital. In July 2025, contributors approved a replenishment of the Special Development Fund (SDF), the bank's largest pool of concessionary resources, approving a $460 million program for the 11th cycle of the SDF, an increase of 20% from the SDF-10 cycle.

Over the years, CDB has undertaken various partnerships that underpin its unique role. The bank recently launched a regional alliance with IADB and Development Bank of Latin America (CAF) to boost disaster preparedness across the Caribbean. We expect CDB's increased focus on physical risks and resilience will strengthen in the medium term. In fact, the bank has a pivotal role among its members in providing policy advice and technical support.

Significant support from nonregional members is also evident in the funding of CDB's special funds resources (SFRs), which provide grants and concessional loans to the bank's lower-income borrowing member countries. This has helped sustain the credit quality of the ordinary capital resources (OCR) and is a key part of the bank's business model, with SFR 2024 loan approvals totaling $112.6 million compared with OCR loan approvals of $132.2 million.

We believe the shareholder structure presents some agency risk because the majority of voting shares come from borrowing-eligible members (55% as of 2024) combined with, on average, a lower ranking in governance in the borrowing member countries compared with highly rated MLIs. This could be counterbalanced by a longer track record of operating in a financially sustainable way during times of stress, as well as further consolidation of the bank's financial and risk framework.

CDB has continued to strengthen its governance and over the past few years, has introduced a more comprehensive financial and risk framework including an enterprise risk management framework completed in 2024 and an enhanced economic capital adequacy framework in 2025. The board of directors sets the governance framework for the bank by determining the risk framework and the underlying policies and procedures. The bank remained in compliance with its internal policy limits again in 2024.

CDB carefully manages concentration in its portfolio, balancing significant geographic (Caribbean) risk and economic (tourism-intensive and U.S. and European market-driven) risk. The exposure limit to the single-largest borrower is the greater of 40% of loans or 50% of the bank's internally calculated available capital. The exposure limit to the three largest borrowers is the greater of 60% of loans or 90% of available capital. As of Dec. 31, 2024, the top three borrowers represented just less than 40% of the total loan portfolio (Bahamas 16.8%, Barbados 13.5%, and Belize 9.6%) and has fallen further with the implementation of the EEA 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.

CDB continues to report very low impaired and past-due loans. Impaired loans (stage 3) totaled $1.5 million as of Dec. 31, 2024--unchanged from 2023--representing 0.1% of the total loan portfolio, and these are fully provisioned.

Currently, the private sector loan book represents about 4.5% of total loans outstanding, but we expect this could increase modestly in the medium term. Although expanding lending to the private sector introduces higher risk, we expect CDB will move cautiously in this venture by strengthening the organization in terms of processes and staff before ramping up lending volumes.

CDB pursues a conservative funding strategy and maintains relatively low leverage compared with that of peers. Furthermore, liquid assets as a percentage of adjusted total assets were 25% in December 2024, compared with 27% in the previous year. Using June 2025 data and incorporating our updated liquidity haircuts, our 12-month liquidity ratio was 1.8x with scheduled loan disbursements, while the six-month ratio was 3.3x. Under the same stress scenario, CDB could satisfy increased demand for unplanned loan disbursements.

CDB benefits from $205 million in eligible callable capital from Canada and Germany (both 'AAA' rated shareholders) which provides a buffer if the RAC ratio were to fall below the extremely strong threshold.

Rating Component Scores

Rating component scores

Issuer credit rating	AA+/Stable/A-1+
Stand-alone credit profile	aa+
Enterprise risk profile:	Very strong
Policy importance	Very strong
Governance and management expertise	Adequate
Financial risk profile:	Extremely strong
Capital adequacy	Extremely strong
Funding and liquidity	Strong
Extraordinary support	0
Callable capital:	0
Group support:	0
Holistic approach	0

Related Criteria

- Criteria | Governments | General: Multilateral Lending Institutions And Other Supranational Institutions Ratings Methodology, Oct. 13, 2025
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, April 30, 2024
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- 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 Edition 2025: Comparative Data For Multilateral Lending Institutions, Oct. 14, 2025
- S&P Global Ratings Definitions, Dec. 2, 2024

Ratings List

Ratings List	
Ratings Affirmed	
Caribbean Development Bank	
Issuer Credit Rating	
Foreign Currency	AA+/Stable/A-1+
Senior Unsecured	AA+

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