

INTRODUCTION TO CREDIT RATINGS

Caribbean Information and Credit Rating Services (CariCRIS)

The Caribbean's Premier Credit Rating Agency

EXTERNAL PRESENTATION

www.caricris.com

ABOUT OUR COMPANY

Caribbean Information and Credit Rating Services (CariCRIS) is the Caribbean's leading credit rating agency, with shareholding by regional Central Banks several major regional commercial banks, and CRISIL, an associate company of the globally-recognized rating agency Standard & Poor's.

Caribbean's Leading Agency

The region's premier credit rating agency, setting the standard for independent credit assessments.

Strong Regional Shareholding

Backed by regional Central Banks and major commercial banks across the Caribbean.

Global Technical Partnership

CRISIL — an associate of S&P — is a shareholder and technical partner.

CARICRIS' BACKGROUND

1

Caribbean Information and Credit Rating Services (CariCRIS) was formed in 2004

2

Founded through the collaboration of regional central banks, multilateral institutions, financial institutions, and CRISIL (an associate of the globally recognized Standard & Poor's).

3

CRISIL continues to be a shareholder and technical partner.

4

Headquartered in Trinidad and Tobago with presence in Jamaica.

WHAT IS A CREDIT RATING?

A credit rating is an independent assessment of the creditworthiness of an entity, whether it be a corporation or government. This evaluation reflects the entity's ability to meet its financial obligations and is expressed relative to the creditworthiness of other entities within the same sector or industry.

Reference frameworks:

Global:

S&P Global, Moody's, Fitch

Regional:

Caribbean-based comparisons

National:

Country-specific economic/financial contexts

TYPES OF RATINGS

Regional Scale Ratings:

Provide an opinion on the creditworthiness of an entity relative to other entities within the Caribbean region.

National Scale Ratings:

Offer an opinion on the creditworthiness of an entity relative to other entities within a specific nation, considering that country's unique economic and financial conditions.

Foreign Currency Ratings:

Assess the ability of an entity to meet financial obligations in foreign currencies.

Local Currency Ratings:

Assess the ability of an entity to meet financial obligations in the local currency of the respective country.

BENEFITS OF A CREDIT RATING

For Issuers / Companies

- Builds transparency and credibility with stakeholders.
- Independent assessment highlighting strengths/weaknesses.
- Encourages discipline and strong management.
- Expands investor base and liquidity.
- Supports competitive pricing of debt instruments.
- Ratings are well-accepted regionally, enhancing relationships

For Investors

- Transparent, independent expert assessment.
- Objective evaluation of financial health.
- Comparability across entities.
- Supports investment and lending decisions.
- Assists with regulatory capital requirements.

RATING PROCESS

1

Initial meetings with clients to explain the process and costs.

2

Rating agreement executed.

3

Data requests and management/government meetings.

4

CariCRIS analysis and preparation of rating report.

5

Independent Rating Committee reviews and assigns a rating.

6

Draft shared with client for confidentiality/accuracy.

7

Final acceptance letter signed.

8

Client decides to make rating private or public.
a. Public ratings accompanied by press releases and website/LinkedIn posting.

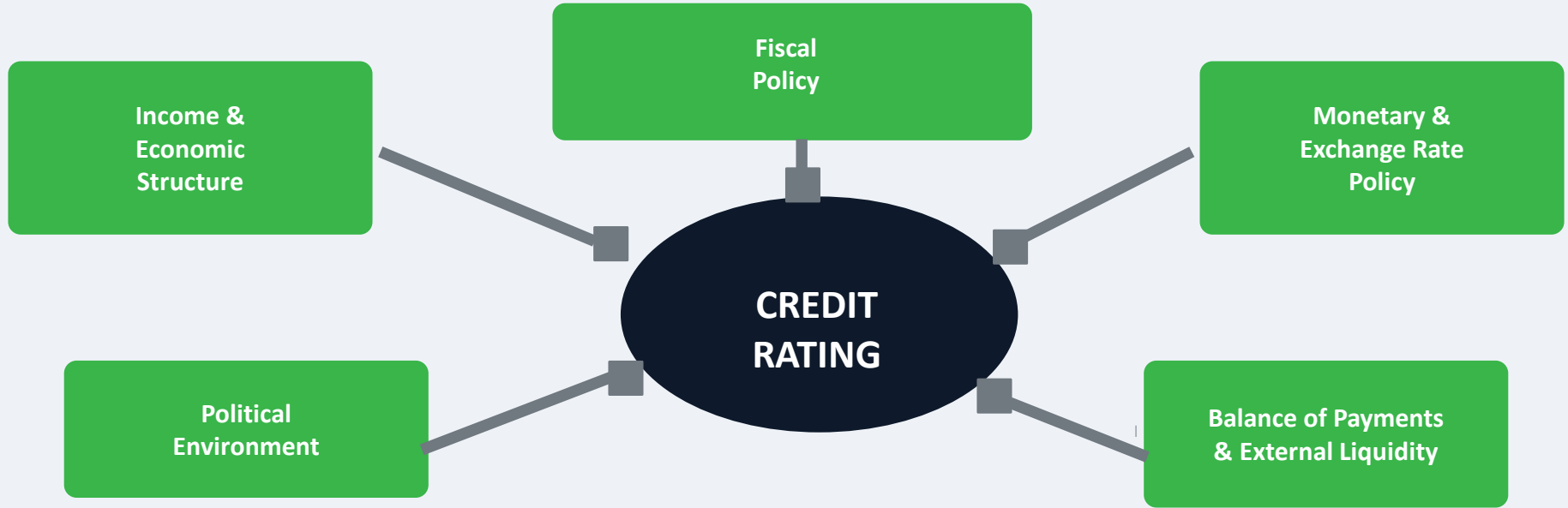
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Annual review process repeats.

CREDIT RATING METHODOLOGY

WHAT GOES INTO A CREDIT RATING?

An overview of the key factors assessed in a credit rating



SOVEREIGN'S CREDIT RATINGS' METHODOLOGY

Credit evaluation is a combination of soft and hard issues, including quantitative indicators of economic performance and qualitative factors assessing political leadership, economic management, and quality of bureaucracy.

Sovereign Rating Methodology is fairly well-established internationally and includes an analysis of five broad issues.

1

Economic Structure & Growth Prospects

2

Fiscal Flexibility & Government Debt Burden

3

Monetary Flexibility & External Liquidity

4

External Debt & Liquidity

5

Political Risk & Governance

CARICRIS ASSESSMENT FRAMEWORK — SOVEREIGNS

Income & Economic Structure	Fiscal Policy	Monetary & Exchange rate policy	Balance of Payments & External Liquidity	Political Environment
Economic Structure	Revenue adequacy & flexibility	Inflation performance & monetary credibility	Current account, FX reserve adequacy	Political stability & policy continuity
Quality of Growth	Expenditure composition & flexibility	Financial system soundness	External debt composition & maturities	Quality of policymakers
Economic Development	Overall fiscal balance	State of the insurance industry	Reserves in months of imports	Transparency of political institutions
Diversity & Resilience	Debt management	Capital market development	Overall liquidity position	Degree of democracy
Specific prospects	Debt/GDP ratio	Based on inflation performance	Net external debt	Quality/effectiveness of banking system

SOVEREIGN'S CREDIT RATINGS AND IMPACT ON THE PRIVATE SECTOR

A sovereign's credit rating sets the macroeconomic environment in which domestic firms operate, and directly or indirectly impacts the private sector through the following channels:

Cost of Borrowing

Access to Capital Markets

Ceiling Effect

Exchange Rate & Inflation Pass-Through

Banking Sector Stability

Investor Confidence & Equity Markets

FDI Decisions

Insurance & Reinsurance Costs

Trade Financing

Public Procurement & PPP Viability

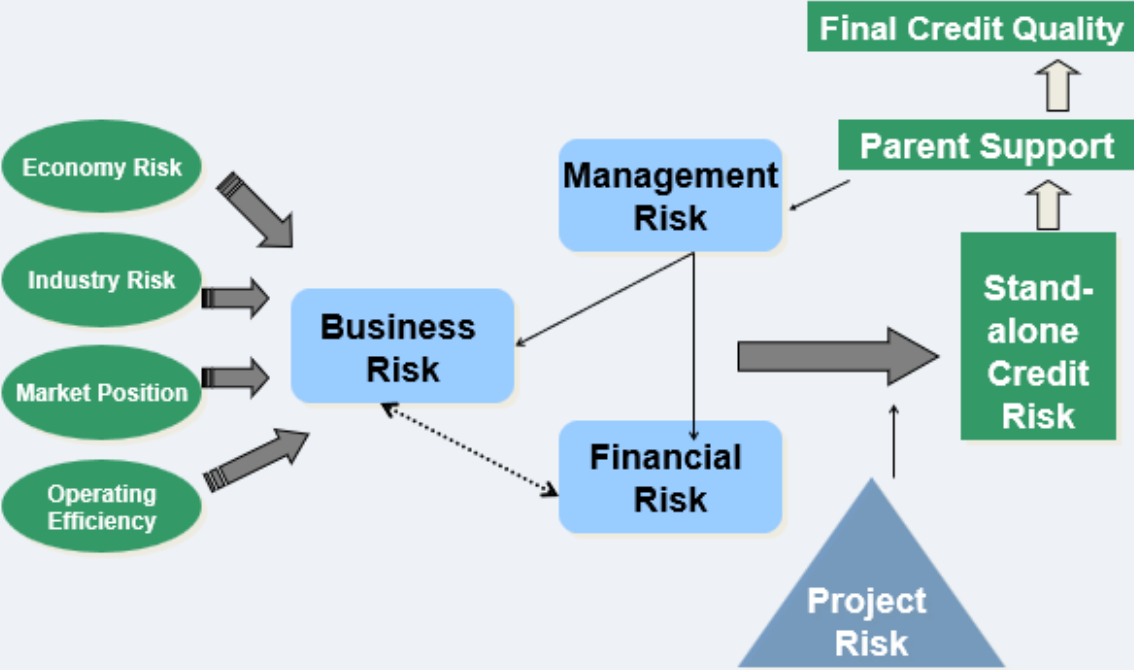
Regulatory and Policy Risk Perception

Crowding out access to credit

Supply Chain & Counterparty Risk

Impact on Multilateral Support

CREDIT RISK FRAMEWORK



Company specific analysis covers analysis of company's market position

- Provides insight into current strengths
- Ability to sustain competitive advantage

Price realizations –

Indicating pricing power, brand premium

Volume growth –

to check market share trend


Operating margins –

operating cost structure


Return on capital –

profitability and capital efficiency


Analysis focuses on ability to produce quality goods at competitive cost on a consistent basis:



Cost structure



Input related risks

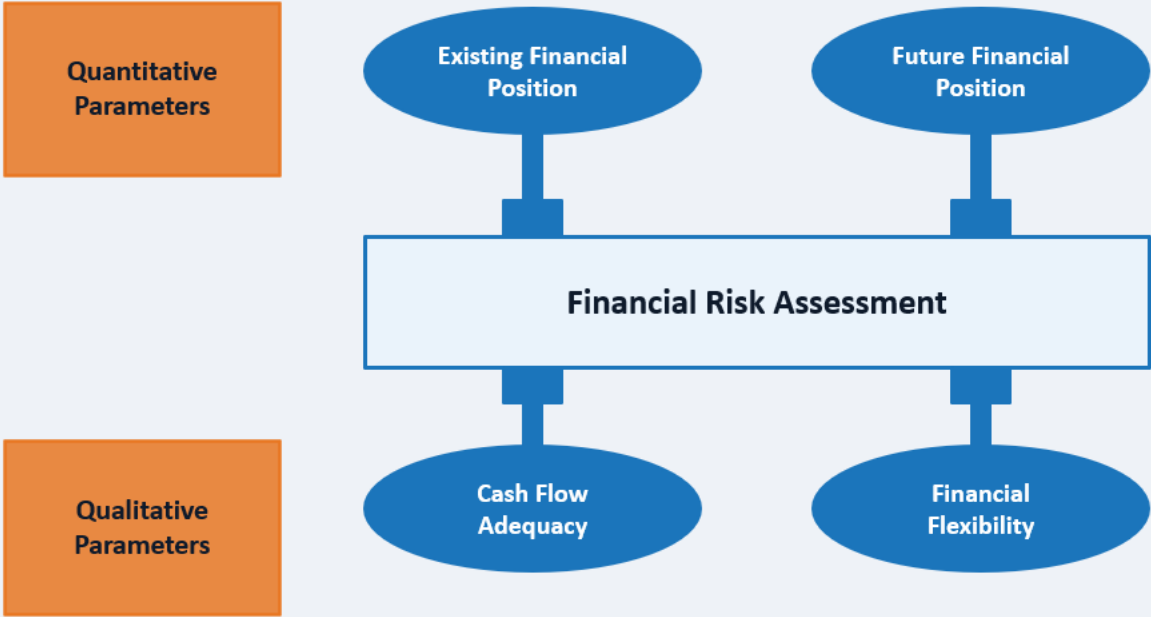


Effective logistics – critical for bulky items like cement or perishables, or dispersed markets



Environmental issues

FINANCIAL RISK: KEY COMPONENTS



EXISTING & FUTURE FINANCIAL POSITION

Though credit assessment is essentially forward looking, analysis of past performance is a must

● Analysis of past financial performance should be based on audited accounts

● Analysis should focus on trends

● Cash flow based lending – Higher need for estimating future financial performance as debt servicing expected to be met out of operating cash flows

● Projection of realistic future financial statements is essential

CASH FLOW ADEQUACY & FINANCIAL FLEXIBILITY

Cash Flow Adequacy

To assess the adequacy of cash flows/expected funding to meet future planned fund requirements

Financial Flexibility

Financial flexibility measures a company's ability to quickly raise resources during distress due to shortfall in operating performance/event risks

Management risk is the most subjective but extremely critical component of risk analysis. Impacts "ability" and "willingness" to pay

1 Integrity

Ethical conduct, transparency with creditors, and track record of honouring obligations. Willingness to pay is as critical as ability to pay.

2 Risk Management

Quality of internal risk controls, stress testing culture, contingency planning, and responsiveness to changing market conditions.

3 Corporate Governance

Board independence, audit committee effectiveness, shareholder rights, related-party transaction policies, and management incentive alignment.

WHAT CAN YOU DO TO PREPARE FOR A CORPORATE RATING?

1

Audited Financials for 3-5 years

2

Market data

3

Strategic Plan

4

Availability of Management to Meet with
CariCRIS for Duration of Exercise

OTHER SERVICES

Bond Valuations

Independent, unbiased valuation of bonds
Proprietary yield curves (US & regional).
Globally recognized and transparent methodology
Trusted by top-tier regional clients.
Nearly a decade of proven delivery.

Equity Valuations

Independent and objective valuations
Based on well-established methodologies

Training Services

A diverse range of training programs (public & in-house)
Customized in-house courses to meet client needs
Delivered virtually or in-person
Partnerships with global and regional training providers

SME Gradings & eSMART System

Special assessments for SMEs.
A software tool enabling institutions to rate SMEs themselves.
Affordable and fast turnaround.
Can support structured securities.

Research & Subscription Services

In-depth analysis of economic and sector trends
Valuable market insights to support decision-making
Tailored research solutions across industries
Competitive subscription with access to all ratings and research reports

MEET YOUR PRESENTERS



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REGIONAL RATINGS, GLOBAL STANDARDS

Connect with us.

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QUESTIONS & DISCUSSION

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