

RATING RELEASE

December 14, 2023

CariCRIS upgrades its regional scale credit ratings for The Belize Bank Limited

CariBBB- (Regional Scale Foreign Currency)
CariBBB- (Regional Scale Local Currency)
bzAA+ (National Scale Local Currency)

Caribbean Information and Credit Rating Services Limited (CariCRIS) has upgraded the assigned corporate credit ratings of The Belize Bank Limited (BBL of the Bank) by 2 notches to *CariBBB-* (Foreign and Local Currency) on the regional rating scale and reaffirmed the Belize national scale rating of *bzAA+* (Local Currency). The regional scale ratings indicate that the level of creditworthiness of this obligor, adjudged in relation to other obligors in the Caribbean is **adequate**. The national scale rating indicates that the level of creditworthiness compared to other obligors in Belize is **high**.

The upgrade to BBL's regional scale ratings is attributable to the improvement in the credit risk profile of the sovereign based on a significant improvement in general government debt to 59.3% of GDP in 2023 from 101.4% in 2020. Additionally, real GDP since 2021¹ is higher than pre-COVID level and sustained growth has resumed following the 13.4% contraction in 2020. Growth is expected to continue at approximately 2.5% over the medium term. GDP growth has led to improvements in several key macroeconomic indicators. The strong economic recovery which underpins the improved risk profile of Belize is expected to support increase in demand for private sector credit, which should drive growth in BBL's earning assets.

CariCRIS also revised the outlook on the ratings to stable from positive. The stable outlook is based on the expectation that BBL would continue to record good financial performance, driven by the implementation of ongoing digital initiatives over the next 12 to 15 months. Additionally, CariCRIS expects that the continued improvements in economic conditions in Belize as a result of structural reforms and recovery in tourism activity, would support the stability of the Bank's credit risk profile.

¹ GDP has increased on average 30% relative to the old series between 1993 and 2020 due to alignment with the 2008 SNA and the conduct of an economy wide survey to improve the coverage of activity of small and medium sized enterprises.

The ratings of BBL continue to reflect its strong presence in the Belizean commercial banking industry, supported by a wide distribution network. Additionally, the ratings reflect the Bank's robust risk management framework, enhanced by ongoing digital initiatives. Furthermore, the Bank's deposit base continues to underpin its stable funding costs and good liquidity position. Moreover, BBL's comfortable capitalization, good asset quality and improved earnings continue to support the ratings. These rating strengths are tempered by BBL's high exposure to the Belize economy, where all the Bank's assets and funding are domiciled. The ratings are also tempered by the loss of correspondent banking relationships with major international banks which negatively impacted the Belizean financial system.

Rating Sensitivity Factors:

Factors that could, individually or collectively, lead to an improvement in the ratings and/or outlook include:

- Improvement in the ratings of the Government of Belize
- Increase in profitability to the order of 10% per annum over the next 2 years
- Improvement in asset quality with a NPL ratio of 2.5% over the next 2 years

Factors that could, individually or collectively, lead to a lowering of the ratings and/or outlook include:

- Lowering of the ratings of the Government of Belize
- The occurrence of any factors that may contribute to the deterioration of the CAR below the 9% minimum requirement for the Bank sovereign risk profile
- Decrease in profitability to the order of 15% per annum over the next 2 years
- Deterioration in asset quality with a NPL ratio to 7.4% or more over the next 2 years
- Cost to Income ratio weakens to 75% and over

ABOUT THE COMPANY

The Belize Bank Limited (BBL or the Bank) was incorporated in Belize in July 1985 and is registered under the Domestic Banks and Financial Institutions Act, Revised Edition 2020. The Bank commenced its operations as Bank of British Honduras in 1903. In 1912, the Bank was purchased by the Royal Bank of Canada who eventually sold its shareholding in 1987

to a group of local investors and was subsequently rebranded as 'The Belize Bank Limited' in April 1987. The ultimate parent company of BBL is Waterloo Investment Holdings Limited² (WIHL or the Parent).

In 2022, following the acquisition of the assets and liabilities of Scotiabank (Belize) Limited (SBL), BBL became the largest commercial bank in Belize with a market share of 44.4% of the Belize industry assets³. BBL is a full-service commercial banking operation in which a range of banking and financial services to its business and personal banking customers. BBL has a wide branch network that comprises 11 branches across all districts in Belize and a network of 45 ATMs.

BBL reported a profit after tax (PAT) of BZ \$46.9 million in FY2023⁴ and total assets of BZ \$2 billion as at March 2023.

For more information on the ratings of Belize Bank Limited, please visit www.caricris.com or [contact](#):

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² WIHL is an investment holding company incorporated in the British Virgin Islands. WIHL owns the British Caribbean Bank Limited, a financial services business in the Turks and Caicos Islands (TCI) and a hotel management division, which owns and operates 5 hospitality properties in TCI and Belize. Through its Investment Division, WIHL owns other substantial investment interests in the Turks and Caicos Islands and Belize, principally through secured loans which include secured loans to the largest port in Belize. The Parent also holds an approximate 25 percent interest in an edible oil processing and distribution operation in Latin America. WIHL's shares are listed on the Bermuda Stock Exchange and traded on JP Jenkins, the largest European platform exchange, on a matched bargain basis.

³ Source: Central Bank of Belize

⁴ FY refers to period April 1, 2022 to March 31, 2023.