

# North American Development Bank

## Update

### Ratings

Long-Term IDR	AA
Short-Term IDR	F1+

### Outlook

Long-Term IDR	Stable
---------------	--------

### Financial Data

#### North American Development Bank

	Dec 16	Dec 15
Total assets (USDm)	1,813.7	1782.2
Equity/assets (%)	33.40	32.12
Average rating of loans & guarantees	BB+	BB+
Impaired loans ratio (%)	0.0	0.0
5 largest exposures to total exposure (%)	35.20	33.24
Share of non-sovereign exposure (%)	100.00	100.00
Net income/equity (%)	3.31	2.74
Average rating of key shareholders	AA-	AA-

### Key Rating Drivers

**Excellent Capitalisation:** North American Development Bank's (NADB) equity/adjusted assets ratio increased to 33.4% at end-December 2016, underpinned by lower-than-projected asset growth (2% yoy). Loan disbursements were revised down in response to a delay in the USD450 million increase in paid-in capital asked for from both shareholders in 2015, scheduled to be disbursed over several years. Fitch estimates that NADB's projected equity/adjusted assets ratio will remain above the 25% threshold for an assessment of 'excellent' over the medium term.

**Low Credit Risk Exposure:** Fitch estimates the weighted average rating of NADB's loan portfolio at 'BB+' as of end-December 2016. The bank's strong asset quality and its limited market risk exposure have a favourable impact on Fitch's risk assessment, compensating for NADB's orientation towards private-sector loans and lack of preferred-creditor status.

**Strong Underwriting Standards:** A strong risk management framework maintains the bank's operations within conservative limits for capital adequacy, borrowing, and liquidity policy. Underwriting standards are sound and commensurate with the higher risk of private-sector lending, as all operations are structured with high collateralisation or directly linked to federal tax revenues on the Mexican side. However, NADB's narrow mandate in terms of sectors and geography increases the loan portfolio's concentration.

**Ample Liquidity:** NADB's liquidity buffer is excellent, comprising high-quality treasury assets. Total liquid assets accounted for 28.2% of total assets as of end-December 2016, and the bank had low short-term debt (USD5.26 million). NADB's ratio of treasury assets to short-term debt is expected to remain excellent as no bond is expected to mature before 2018. The bank's sound liquidity profile is supported by the high proportion of assets rated 'AAA'/'AA'.

**Medium-Risk Environment:** Fitch's assessment balances NADB's good governance and low-risk strategy against its higher exposure to the non-sovereign sector and small size compared to peers. In Fitch's view, NADB operates in a "medium-risk" environment, characterised by the limited operational support provided by member states. Political risk and the business climate are assessed as "medium risk", as its two countries of operation enjoy high and intermediate/high income per capita, with most World Bank Governance Indicators in higher percentage ranks.

**Support:** NADB's ratings do not benefit from extraordinary support from shareholders. Fitch assesses the capacity of shareholders to support the bank at 'AAA', as projected net debt is fully covered by callable capital from the United States of America (AAA/Stable). However, Fitch believes that member states' propensity to support the bank is weak, given the substantial delay observed in payment of the capital increase. This translates into a downward adjustment of three notches from the capacity to support assessment to a support rating of 'AA-'.

### Rating Sensitivities

**Capitalisation Delays:** Further delays in the necessary legislation for and availability of appropriations of the capital payment of USD10 million expected from the United States would be ratings negative.

**Asset Growth:** A rapid increase in asset growth that reduces NADB's equity/assets ratio below 25% could put pressure on ratings.

**Paid-In Capital Increases:** A substantial increase in paid-in capital could have a positive impact on credit quality, provided loan growth remains prudent.

### Related Criteria

[Supranationals Rating Criteria](#)  
(July 2016)

### Analyst

Vincent Martin  
+33 1 44 29 92 73  
[vincent.martin@fitchratings.com](mailto:vincent.martin@fitchratings.com)

Marcela Galicia  
+503 2516 6616  
[marcela.galicia@fitchratings.com](mailto:marcela.galicia@fitchratings.com)

North American Development Bank (NADB)  
Income Statement

	31 Dec 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013	Annualization
	Year End	Year End	Year End	Year End	As % of
	USDm	USDm	USDm	USDm	Earning
	Original	Original	Original	Original	Assets
1. Interest Received	59.0	51.3	43.8	39.6	-
2. Interest Paid	20.0	15.1	13.5	10.8	-
<b>3. NET INTEREST REVENUE</b>	<b>39.1</b>	<b>36.2</b>	<b>30.2</b>	<b>28.8</b>	-
4. Other Operating Income	0.5	2.9	0.2	0.0	-
5. Other Income	(5.2)	(7.9)	(6.3)	(5.0)	-
6. Personnel Expenses	8.3	5.6	4.9	5.2	-
7. Other Non-Interest Expenses	1.6	1.8	1.1	1.1	-
8. Impairment charge	5.1	8.6	2.2	10.5	-
9. Other Provisions	n.a.	n.a.	n.a.	n.a.	-
<b>10. PRE-DERIVATIVE OPERATING PROFIT</b>	<b>19.4</b>	<b>15.3</b>	<b>15.9</b>	<b>7.0</b>	-
11. Net gains / (losses) on non-trading derivative instruments	n.a.	n.a.	n.a.	n.a.	-
<b>12. POST-DERIVATIVE OPERATING PROFIT</b>	<b>19.4</b>	<b>15.3</b>	<b>15.9</b>	<b>7.0</b>	-
13. Other income and expenses	n.a.	n.a.	n.a.	n.a.	-
<b>14. NET INCOME</b>	<b>19.4</b>	<b>15.3</b>	<b>15.9</b>	<b>7.0</b>	-
15. Fair value revaluations recognised in equity	8.8	7.4	7.9	(10.4)	-
<b>16. FITCH'S COMPREHENSIVE NET INCOME</b>	<b>28.2</b>	<b>22.6</b>	<b>23.8</b>	<b>(3.4)</b>	-

## North American Development Bank (NADB)

### Balance Sheet

	31 Dec 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013
	Year End	Year End	Year End	Year End
	USDm	USDm	USDm	USDm
	Original	Original	Original	Original
<b>A. LOANS</b>				
1. To / Guaranteed by Sovereigns	0.0	0.0	0.0	0.0
2. To / Guaranteed by public institutions	288.3	305.6	319.8	345.4
3. To / Guaranteed by Private Sector	1,123.3	1,019.5	866.4	667.0
4. Trade Financing Loans (memo)	n.a.	n.a.	n.a.	n.a.
5. Other Loans	n.a.	n.a.	n.a.	n.a.
6. Loan Loss Reserves (deducted)	25.1	19.9	11.4	12.9
<b>TOTAL A</b>	<b>1,386.6</b>	<b>1,305.2</b>	<b>1,174.8</b>	<b>999.5</b>
<b>B. OTHER EARNING ASSETS</b>				
1. Deposits with Banks	29.0	31.2	54.8	39.6
2. Securities held for Sale & Trading	429.3	421.3	337.1	456.1
3. Investment Debt Securities - (incl. other invest.)	53.8	53.7	53.7	53.6
4. Equity Investments	0.0	0.0	0.0	0.0
5. Derivatives (incl. Fair-value of guarantees)	0.0	0.0	0.0	0.0
<b>TOTAL B</b>	<b>512.1</b>	<b>506.2</b>	<b>445.5</b>	<b>549.3</b>
<b>C. TOTAL EARNING ASSETS (A+B)</b>	<b>1,898.6</b>	<b>1,811.3</b>	<b>1,620.3</b>	<b>1,548.8</b>
<b>D. FIXED ASSETS</b>	<b>0.5</b>	<b>0.3</b>	<b>0.2</b>	<b>0.2</b>
<b>E. NON-EARNING ASSETS</b>				
1. Cash and Due from Banks	n.a.	n.a.	n.a.	n.a.
2. Other	(85.4)	(29.4)	16.1	29.0
<b>F. TOTAL ASSETS</b>	<b>1,813.7</b>	<b>1,782.2</b>	<b>1,636.6</b>	<b>1,578.0</b>
<b>G. SHORT-TERM FUNDING</b>				
1. Bank Borrowings (< 1 Year)	n.a.	n.a.	n.a.	n.a.
2. Securities Issues (< 1 Year)	n.a.	n.a.	n.a.	n.a.
3. Other (incl. Deposits)	5.3	5.3	2.6	0.0
<b>TOTAL G</b>	<b>5.3</b>	<b>5.3</b>	<b>2.6</b>	<b>0.0</b>
<b>H. OTHER FUNDING</b>				
1. Bank Borrowings (> 1 Year)	n.a.	n.a.	n.a.	n.a.
2. Other Borrowings (incl. Securities Issues)	1,176.2	1,182.1	1,052.8	1,041.3
3. Subordinated Debt	n.a.	n.a.	n.a.	n.a.
4. Hybrid Capital	n.a.	n.a.	n.a.	n.a.
<b>TOTAL H</b>	<b>1,176.2</b>	<b>1,182.1</b>	<b>1,052.8</b>	<b>1,041.3</b>
<b>I. OTHER (Non-Int Bearing)</b>				
1. Derivatives (incl. Fair value of guarantees)	2.9	16.4	25.5	23.2
2. Fair value portion of debt	n.a.	n.a.	n.a.	n.a.
3. Other (Non-Int Bearing)	24.5	11.2	9.8	(10.1)
<b>TOTAL I</b>	<b>27.4</b>	<b>27.6</b>	<b>35.2</b>	<b>13.1</b>
<b>J. GENERAL PROVISIONS &amp; RESERVES</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>
<b>L. EQUITY</b>				
1. Preference Shares	n.a.	n.a.	n.a.	n.a.
2. Subscribed Capital	5,700.0	2,700.0	2,700.0	2,700.0
3. Callable Capital o/w :	(5,285.0)	(2,295.0)	(2,295.0)	(2,295.0)
MEMO: Unqualified Callable Capital	2,351.7	2,295.0	2,295.0	2,295.0
MEMO: Qualified Callable Capital	2,493.3	0.0	0.0	0.0
MEMO: Qualified Paid In	440.0	0.0	0.0	0.0
4. Arrears/Advances on Capital	0.0	0.0	0.0	0.0
5. Paid in Capital (memo)	415.0	405.0	405.0	405.0
6. Reserves (incl. Net Income for the year)	173.9	155.0	141.1	126.6
7. Fair-value revaluation reserve	16.0	7.2	(0.2)	(8.1)
<b>TOTAL L</b>	<b>604.8</b>	<b>567.2</b>	<b>545.9</b>	<b>523.5</b>
<b>M. TOTAL LIABILITIES &amp; EQUITY</b>	<b>1,813.7</b>	<b>1,782.2</b>	<b>1,636.6</b>	<b>1,578.0</b>
Exchange rate	USD1 = USD1	USD1 = USD1	USD1 = USD1	USD1 = USD1

## North American Development Bank (NADB)

### Ratio Analysis

	31 Dec 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013
	Year End	Year End	Year End	Year End
	%	%	%	%
	Original	Original	Original	Original
<b>I. PROFITABILITY LEVEL</b>				
1. Net Income/Equity (av.)	3.31	2.74	2.98	1.34
2. Net Income/Total Assets (av.)	1.08	0.89	0.99	0.49
3. Net Interest Revenue + Commitment Fees / Gross Loans + Treasury Assets + Guarantees (av.)	2.08	2.09	1.89	2.05
4. Cost-Income Ratio	24.97	18.89	19.72	21.80
5. Income from Equity Investment / Equity Investment (av.)	n.a.	n.a.	n.a.	n.a.
6. Provisions / Average Total Banking Exposure (excl LCs)	0.4	0.7	0.2	1.1
<b>II. CAPITAL ADEQUACY</b>				
1. Net Total Banking Exposure (excl LCs) / Subscribed Capital + Reserves	23.6	45.7	41.4	35.4
2. Equity/Adjusted Total Assets	33.40	32.12	33.88	33.67
3. Equity /Adjusted Total Assets + Guarantees	33.40	32.12	33.88	33.67
4. Paid-in capital / Subscribed capital	7.28	15.00	15.00	15.00
5. Internal Capital Generation after Distributions	4.8	4.1	4.5	(0.7)
<b>III. LIQUIDITY</b>				
1. Liquid assets / Short-term debt	9,731.51	9,619.69	16,933.60	54,931,900.00
2. Treasury Assets / Total Assets	28.23	28.40	27.22	34.81
3. Unimpaired Trade Financing Loans / Total Assets	n.a.	n.a.	n.a.	n.a.
4. Liquid assets / Total Assets	28.23	28.40	27.22	34.81
5. Liquid Assets / Undisbursed Loans & Equity	n.a.	n.a.	n.a.	n.a.
<b>IV. ASSET QUALITY</b>				
1. Impaired Loans /Gross Loans	0.0	0.0	0.3	0.7
2. Loan Loss Reserves / Gross Loans	1.8	1.5	1.0	1.3
3. Total reserves / Gross Loans, Equity Investment & Guarantees	1.5	1.2	0.8	1.0
4. Loan Loss Reserves/Impaired Loans	n.a.	n.a.	302.5	183.1
<b>V. LEVERAGE</b>				
1. Debt/Equity	195.33	209.34	193.35	198.90
2. Debt/Subscribed Capital + Reserves	20.06	41.49	37.15	36.95
3. Debt/Unqualified Callable Capital	50.01	51.74	45.99	45.37
4. Net Income + Interest Paid/Interest Paid	197.27	200.99	217.49	164.52

## North American Development Bank (NADB)

### Spread Sheet Annex

	31 Dec 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013
	USDm	USDm	USDm	USDm
	Original	Original	Original	Original
<b>1. LENDING OPERATIONS</b>				
1. Loans outstanding	1,411.6	1,325.1	1,186.2	1,012.4
2. Undisbursed Loans	58.5	51.8	127.0	238.8
3. Approved Loans	98.9	239.2	323.7	273.2
4. Disbursed Loans	136.3	249.6	254.2	215.0
5. Loan Repayments	49.7	110.6	76.6	74.1
6. Net disbursements	86.6	139.0	177.6	140.9
<b>2. OTHER BANKING OPERATIONS</b>				
1. Equity participations	0.0	0.0	0.0	0.0
2. Guarantees plus LCs and other off BS credit commitments	0.0	0.0	0.0	0.0
3. Total banking exposure (BS & off BS)	1,411.6	1,325.1	1,186.2	1,012.4
4. Growth in total banking exposure (BS and off BS)	6.5	11.7	17.2	17.4
<b>3. SUPPORT</b>				
1. Share of AAA / AA shareholders in callable capital	50.00	50.00	50.00	50.00
2. Share of A / BBB shareholders in callable capital	50.00	50.00	50.00	50.00
3. Share of Speculative Grade shareholders in callable capital	0.00	0.00	0.00	0.00
4. Rating of callable capital ensuring full coverage of net debt	n.a.	n.a.	n.a.	n.a.
5. Weighted Average Rating of Key Shareholders	18.0	18.0	n.a.	n.a.
<b>4. BREAKDOWN OF BANKING PORTFOLIO</b>				
1. Loans to Sovereigns / Total Banking Exposure	0.00	0.00	0.00	0.00
2. Loans to Non Sovereigns / Total Banking Exposure	100.00	100.00	100.00	100.00
3. Equity participation / Total Banking Exposure	0.00	0.00	0.00	0.00
4. Non Sovereign Exposure (incl. guarantees)/Total Banking Exposure	100.00	100.00	100.00	100.00
<b>5. CONCENTRATION MEASURES</b>				
1. Largest exposure	102.3	104.5	106.7	107.8
2. Five largest exposures	420.3	405.7	420.7	439.4
3. Largest exposure / Equity (%)	16.91	18.42	19.55	20.59
4. Five largest exposures / Equity (%)	69.49	71.53	77.07	83.93
5. Five largest exposures / Total Loans (%)	29.77	30.62	35.47	43.40
<b>6. CREDIT RISK</b>				
1. Average Rating of Loans & Guarantees	n.a.	n.a.	n.a.	n.a.
2. Loans to Investment Grade Borrowers / Gross Loans	54.68	61.26	69.14	53.27
3. Share of Treasury Assets rated AAA-AA	74.48	58.42	66.37	69.67

The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: [HTTPS://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](https://fitchratings.com/understandingcreditratings). IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEB SITE AT [WWW.FITCHRATINGS.COM](http://WWW.FITCHRATINGS.COM). PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE CODE OF CONDUCT SECTION OF THIS SITE. FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF THIS SERVICE FOR RATINGS FOR WHICH THE LEAD ANALYST IS BASED IN AN EU-REGISTERED ENTITY CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH WEBSITE.

Copyright © 2017 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Fax: (212) 480-4435. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved. In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed.

The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001.