

# North American Development Bank

## Update

### Ratings

#### Foreign Currency

Long-Term IDR	AA
Short-Term IDR	F1+

#### Outlook

Long-Term Foreign-Currency IDR	Stable
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### Financial Data

#### North American Development Bank

	Dec 18	Dec 17
Total assets (USDm)	1,959	2,146
Equity/assets (%)	33.3	29.6
Average rating of loans & guarantees	BBB	BB-
Impaired loans ratio (%)	1.4	1.3
Five largest exposures to total exposures (%)	32.9	29.5
Share of non-sovereign exposure (%)	100	100
Net income/equity (%)	3.3	4.7
Average rating of key shareholders	AA-	AA-

Source: Fitch Ratings

### Key Rating Drivers

**Intrinsic Credit Quality Drives Rating:** North American Development Bank's (NADB) rating is based on the lower of the liquidity assessment of 'aaa' and solvency assessment of 'aa+', adjusted down by one notch to reflect a medium-risk business environment, resulting in an overall intrinsic rating of 'aa'.

**Excellent Capitalisation:** As of December 2018, NADB's capitalisation remains "excellent" with an improved equity/adjusted assets and guarantees ratio of 33.3%, and low-risk profile. Fitch Ratings expects NADB's capital to remain above our 25% threshold, thanks to moderate asset growth. Fitch does not anticipate capital payments in 2019. However, new initiatives for the capitalisation of the bank could result in capital increases in the medium term (potentially USD20 million from each of the two shareholders).

**Low Risk Profile:** NADB's strong underwriting standards sustain low delinquency ratios and low counterparty loan concentration. Fitch's estimation of the average rating of the loan book improved to 'BBB' from 'BB-' following improvements in the bank's credit risk assessment system. The change in the estimation does not reflect an improvement in the risk profile, but rather of the risk-reporting capabilities of the bank, which is now more in line with rated peers.

**Excellent Liquidity:** NADB's liquidity assessment reflects its excellent liquidity and the high quality of its treasury assets. As of December 2018, the bank's treasury assets were 50% of its total assets and no bond is expected to mature before 2020.

**Medium-Risk Business Environment:** Fitch's assessment balances the small size of the operation, focus on non-sovereign loans and high-risk assessment of the importance of the bank's public mandate with good governance and low-risk strategy. In our view, delays in capital payments signal low support from the US government through capital increases.

**Medium-Risk Operating Environment:** Fitch's assessment balances the limited operational support by member states (United States and Mexico) with the medium-risk political risk and business climate of two countries of operations, their high and intermediate/high income per capita and maintenance of most World Bank Governance Indicators in higher percentile ranks.

**Support:** Fitch's evaluation of shareholder's support (aa), considers the capacity of shareholder support at 'aaa', as callable capital from the US (AAA/Stable) fully covers the bank's net debt, although it is not a rating driver. Fitch applies a downward adjustment of two notches for the weak propensity to support, as evidenced in the delays in capital payments.

### Rating Sensitivities

**Improvement in Solvency, Support:** Improvements in the bank's solvency driven by the strengthening of its overall risk profile, or an improvement in member state operational support could drive an upgrade.

**Downside Risk:** A rapid asset growth that outpaces capital growth and results in a reduction in NADB's equity/assets ratio to below 25% or pressure on asset-quality metrics could drive a downgrade in the event that coverage of NADB's net debt by callable capital from its 'AAA' rated shareholder falls below 100%, due to either a rapid increase in NADB's debt, or the unlikely event of a downgrade of the US

### Related Research

[Fitch Affirms North American Development Bank at 'AA'; Outlook Stable \(March 2019\)](#)

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**North American Development Bank  
Balance Sheet**

	31 Dec 2018	31 Dec 2017	31 Dec 2016	31 Dec 2015
	Year End	Year End	Year End	Year End
	USDm	USDm	USDm	USDm
	Original	Original	Original	Restated
<b>A. LOANS</b>				
1. To / Guaranteed by Sovereigns	0.0	0.0	0.0	0.0
2. To / Guaranteed by public institutions	195.2	252.6	288.3	305.6
3. To / Guaranteed by Private Sector	880.2	839.4	905.8	914.8
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)	19.2	21.1	25.1	19.9
<b>TOTAL A</b>	<b>1,056.2</b>	<b>1,070.9</b>	<b>1,169.0</b>	<b>1,200.5</b>
<b>B. OTHER EARNING ASSETS</b>				
1. Deposits with Banks	48.8	27.3	29.0	31.2
2. Securities held for Sale & Trading	747.1	924.3	429.3	421.3
3. Investment Debt Securities (incl. other invest.)	3.3	3.9	53.8	53.7
4. Equity Investments	0.0	0.0	0.0	0.0
5. Derivatives (incl. Fair-value of guarantees)	187.6	201.6	231.8	122.4
<b>TOTAL B</b>	<b>986.8</b>	<b>1,157.1</b>	<b>743.9</b>	<b>628.6</b>
<b>C. TOTAL EARNING ASSETS (A+B)</b>	<b>2,043.0</b>	<b>2,228.0</b>	<b>1,912.8</b>	<b>1,829.1</b>
<b>D. FIXED ASSETS</b>	<b>0.3</b>	<b>0.4</b>	<b>0.5</b>	<b>0.3</b>
<b>E. NON-EARNING ASSETS</b>				
1. Cash and Due from Banks	n.a.	n.a.	n.a.	n.a.
2. Other	(84.2)	(82.1)	(99.6)	(51.4)
<b>F. TOTAL ASSETS</b>	<b>1,959.1</b>	<b>2,146.3</b>	<b>1,813.7</b>	<b>1,778.0</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	304.0	5.3	5.3
<b>TOTAL G</b>	<b>5.3</b>	<b>304.0</b>	<b>5.3</b>	<b>5.3</b>
<b>H. OTHER FUNDING</b>	0.4%			
1. Bank Borrowings (> 1 Year)	n.a.	n.a.	n.a.	n.a.
2. Other Borrowings (incl. Securities Issues)	1,271.5	1,177.7	1,179.1	1,177.9
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>1,271.5</b>	<b>1,177.7</b>	<b>1,179.1</b>	<b>1,177.9</b>
<b>I. OTHER (Non-Int Bearing)</b>				
1. Derivatives (incl. Fair value of guarantees)	n.a.	n.a.	n.a.	16.4
2. Fair value portion of debt	n.a.	n.a.	n.a.	n.a.
3. Other (Non-Int Bearing)	29.3	29.8	24.5	11.2
<b>TOTAL I</b>	<b>29.3</b>	<b>29.8</b>	<b>24.5</b>	<b>27.6</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	5,700.0	5,700.0	2,700.0
3. Callable Capital	(5,285.0)	(5,285.0)	(5,285.0)	(2,295.0)
Memo: Unqualified Callable Capital	2,351.7	2,351.7	2,351.7	n.a.
Memo: Qualified Callable Capital	2,493.9	2,493.9	2,493.9	n.a.
Memo: Qualified Paid in	440.0	440.0	440.0	n.a.
4. Arrears/Advances on Capital	0.0	0.0	0.0	0.0
5. Paid in Capital (memo)	415.0	415.0	415.0	405.0
6. Reserves (incl. Net Income for the year)	228.9	208.0	173.9	155.0
7. Fair-value revaluation reserve	9.1	11.8	16.0	7.2
<b>TOTAL L</b>	<b>653.0</b>	<b>634.8</b>	<b>604.8</b>	<b>567.2</b>
<b>M. TOTAL LIABILITIES &amp; EQUITY</b>	<b>1,959.1</b>	<b>2,146.3</b>	<b>1,813.7</b>	<b>1,778.0</b>
Exchange rate	USD1 = USD1	USD1 = USD1	USD1 = USD1	USD1 = USD1

**North American Development Bank  
Income Statement**

	31 Dec 2018	31 Dec 2017	31 Dec 2016	31 Dec 2015
	Year End	Year End	Year End	Year End
	USDm	USDm	USDm	USDm
	Original	Original	Original	Restated
1. Interest Received	78.9	68.6	59.0	51.3
2. Interest Paid	47.2	31.6	20.0	15.1
<b>3. NET INTEREST REVENUE</b>	<b>31.7</b>	<b>37.0</b>	<b>39.1</b>	<b>36.2</b>
4. Other Operating Income	2.8	2.5	0.5	2.9
5. Other Income	0.1	(3.9)	(5.2)	(7.9)
6. Personnel Expenses	12.8	8.4	8.3	5.6
7. Other Non-Interest Expenses	2.6	1.8	1.6	1.8
8. Impairment charge	(2.0)	(4.0)	5.1	8.6
9. Other Provisions	n.a.	n.a.	n.a.	n.a.
<b>10. PRE-DERIVATIVE OPERATING PROFIT</b>	<b>21.1</b>	<b>29.3</b>	<b>19.4</b>	<b>15.3</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>21.1</b>	<b>29.3</b>	<b>19.4</b>	<b>15.3</b>
13. Other income and expenses	n.a.	n.a.	n.a.	n.a.
<b>14. NET INCOME</b>	<b>21.1</b>	<b>29.3</b>	<b>19.4</b>	<b>15.3</b>
15. Fair value revaluations recognised in equity	0.4	(4.2)	8.8	7.4
<b>16. FITCH'S COMPREHENSIVE NET INCOME</b>	<b>21.5</b>	<b>25.1</b>	<b>28.2</b>	<b>22.6</b>

## North American Development Bank Ratio Analysis

	31 Dec 2018	31 Dec 2017	31 Dec 2016	31 Dec 2015
	Year End	Year End	Year End	Year End
	%	%	%	%
	Original	Original	Original	Restated
<b>I. PROFITABILITY LEVEL</b>				
1. Net Income/Equity (av.)	3.3	4.7	3.3	2.7
2. Net Income/Total Assets (av.)	1.0	1.5	1.1	0.9
3. Net Interest Revenue + Commitment Fees / Gross Loans + Treasury Assets + Guarantees (av.)	1.6	2.0	2.3	2.2
4. Cost-Income Ratio	44.7	25.8	25.0	18.9
5. Income from Equity Investment / Equity Investment (av.)	n.a.	n.a.	n.a.	n.a.
6. Provisions / Average Total Banking Exposure (excl LCs)	-0.2	-0.4	0.4	0.7
<b>II. CAPITAL ADEQUACY</b>				
1. Net Total Banking Exposure (excl LCs) / Subscribed Capital + Reserves	17.8	18.1	19.9	42.1
2. Equity/Adjusted Total Assets	33.3	29.6	33.4	32.2
3. Equity /Adjusted Total Assets + Guarantees	33.3	29.6	33.4	32.2
4. Paid-in capital / Subscribed capital	7.3	7.3	7.3	15.0
5. Internal Capital Generation after Distributions	3.3	4.1	4.8	4.1
<b>III. LIQUIDITY</b>				
1. Liquid Assets / Short-term debt	11,859.4	253.7	9,042.2	7,928.5
2. Treasury Assets / Total Assets	40.8	44.5	28.2	28.5
3. Treasury Assets IG + eligible non IG / Total Assets	31.9	35.9	26.2	23.5
4. Unimpaired Trade Financing Loans / Total Assets	n.a.	n.a.	n.a.	n.a.
5. Liquid Assets / Total Assets	31.9	35.9	26.2	23.5
6. Liquid Assets / Undisbursed Loans & Equity	n.a.	n.a.	n.a.	n.a.
<b>IV. ASSET QUALITY</b>				
1. Impaired Loans /Gross Loans	1.4	1.3	0.0	0.0
2. Loan Loss Reserves / Gross Loans	1.8	1.9	2.1	1.6
3. Total reserves / Gross Loans, Equity Investment & Guarantees	1.8	1.9	2.1	1.6
4. Loan Loss Reserves/Impaired Loans	130.9	146.8	n.a.	n.a.
<b>V. LEVERAGE</b>				
1. Debt/Equity	195.5	233.4	195.8	208.6
2. Debt/Subscribed Capital + Reserves	21.5	25.0	20.1	41.3
3. Debt/Callable Capital	24.2	28.0	22.4	51.6
4. Net Income + Interest Paid/Interest Paid	144.7	192.7	197.3	201.0

## North American Development Bank Spread Sheet Annex

	31 Dec 2018	31 Dec 2017	31 Dec 2016	31 Dec 2015
	USDm	USDm	USDm	USDm
	Original	Original	Original	Restated
<b>1. LENDING OPERATIONS</b>				
1. Loans outstanding	1,075.4	1,092.0	1,194.1	1,220.4
2. Undisbursed Loans	330.9	188.4	58.5	51.8
3. Approved Loans	122.1	273.2	98.9	239.2
4. Disbursed Loans	167.0	101.4	136.3	249.6
5. Loan Repayments	176.3	219.9	49.7	110.6
6. Net disbursements	-9.3	-118.5	86.6	139.0
Memo: Loans to Sovereigns	0.0	0.0	0.0	0.0
Memo: Loans to Non-Sovereigns	1,075.4	1,092.0	1,194.1	1,220.4
<b>2. OTHER BANKING OPERATIONS</b>				
1. Equity participations	0.0	0.0	0.0	0.0
2. Guarantees (off BS)	n.a.	n.a.	n.a.	n.a.
Memo: Guarantees to Sovereigns	0.0	0.0	0.0	0.0
Memo: Guarantees to Non-Sovereigns	0.0	0.0	0.0	0.0
<b>3. TOTAL BANKING EXPOSURE (BS and off BS)</b>				
1. Total banking exposure (Loans + Equity Participations + Guarantees (off BS))	1,075.4	1,092.0	1,194.1	1,220.4
2. Growth in total banking exposure	-1.5	-8.5	-2.2	2.9
Memo: Non Sovereign Exposure	1,075.4	1,092.0	1,194.1	1,220.4
Memo: LCs and other off BS credit commitments (not incl. in Total Banking Exposure)	0.0	0.0	2.1	0.0
<b>4. SUPPORT</b>				
1. Share of AAA / AA shareholders in callable capital	50.0	50.0	50.0	50.0
2. Share of A / BBB shareholders in callable capital	50.0	50.0	50.0	50.0
3. Share of Speculative Grade shareholders in callable capital	0.0	0.0	0.0	0.0
4. Rating of callable capital ensuring full coverage of net debt	AAA	AAA	AAA	AAA
5. Weighted Average Rating of Key Shareholders	AA-	AA-	AA-	AA-
<b>5. BREAKDOWN OF BANKING PORTFOLIO</b>				
1. Loans to Sovereigns / Total Banking Exposure	0.0	0.0	0.0	0.0
2. Loans to Non Sovereigns / Total Banking Exposure	100.0	100.0	100.0	100.0
3. Equity participation / Total Banking Exposure	0.0	0.0	0.0	0.0
4. Guarantees covering Sovereign risks / Total Banking Exposure	0.0	0.0	0.0	0.0
5. Guarantees covering Non-Sovereign risks / Total Banking Exposure	0.0	0.0	0.0	0.0
Memo: Non Sovereign Exposure [2.+3.+5.] / Total Banking Exposure	100.0	100.0	100.0	100.0
<b>6. CONCENTRATION MEASURES</b>				
1. Largest exposure	84.8	89.2	102.3	104.5
2. Five largest exposures	353.9	322.0	420.3	405.7
3. Largest exposure / Equity (%)	13.0	14.1	16.9	18.4
4. Five largest exposures / Equity (%)	54.2	50.7	69.5	71.5
5. Largest exposure / Total Banking Exposure (%)	7.9	8.2	8.6	8.6
6. Five largest exposures / Total Banking Exposure (%)	32.9	29.5	35.2	33.2
<b>7. CREDIT RISK</b>				
1. Average Rating of Loans & Guarantees	BBB	BB-	BB+	BB+
2. Loans to Investment Grade Borrowers / Gross Loans	86.8	51.4	64.6	66.5
3. Loans to Sub-Investment Grade Borrowers / Gross Loans	32.7	76.5	53.5	42.0
4. Share of Treasury Assets rated AAA-AA	68.9	72.9	74.5	58.4
5. Average rating of treasury assets	AA	AA	AA	AA
<b>8. LIQUIDITY</b>				
1. Treasury Assets	799.3	955.5	512.1	506.2
2. Treasury Assets o/w IG + eligible non-IG	624.2	771.2	475.8	417.2
3. Unimpaired Short-Term Trade Financing Loans	n.a.	n.a.	n.a.	n.a.
4. Unimpaired Short-Term Trade Financing Loans - discounted 40%	n.a.	n.a.	n.a.	n.a.
5. Liquid Assets [2. + 4.]	624.2	771.2	475.8	417.2

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