North American Development Bank

Full Rating Report

Ratings

Foreign Currency

Long-Term IDR	AA
Short-Term IDR	F1+

Outlook

Foreign-Currency Long-Term IDR	Stable

Financial Data

North American Development Bank

	Dec 17	Dec 16
Total assets (USDm)	2,146	1,813
Equity/assets (%)	29.5	33.4
Average rating of loans & guarantees	BB−	BB+
Impaired loans ratio (%)	1.3	0.0
5 largest exposures to total exposures (%)	29.5	35.2
Share of non-sovereign exposure (%)	100	100
Net income/equity (%)	4.7	3.3
Average rating of key shareholders	AA−	AA−

Related Research

Fitch Affirms North American Development Bank at 'AA'; Outlook Stable (March 2018)

Analysts

Theresa Paiz Fredel
+1 212 908 0534
theresa.paiz@fitchratings.com

Marcela Galicia
+503 25166 6616
marcela.galicia@fitchratings.com

Key Rating Drivers

Medium-Risk Business Environment: North American Development Bank's (NADB) 'AA' rating is driven by its intrinsic credit quality. The rating reflects the lower of NADB's solvency assessment of 'aa+' and liquidity assessment of 'aaa', adjusted down one notch to reflect its "medium-risk" business environment. Fitch Ratings' business environment assessment balances the bank's good governance and low-risk strategy against its higher exposure to the non-sovereign sector and smaller size than peers.

Excellent Capitalisation: Fitch assesses NADB's capitalisation as "excellent". We expect NADB's equity/assets ratio, which reached 29.5% as of December 2017, to remain above the 25% threshold for an assessment of "excellent", given the bank's conservative policies regarding capitalisation and its adjusted growth target to adapt to the delay in the authorisation and appropriation process for the USD10 million capital payment from the US.

Low Risk Profile: NADB's strong risk management, low equity risk and low counterparty loan concentration (29.5% of its loan book concentrated in its five largest projects as of December 2017) result in a "low" risk profile assessment. Fitch estimates the loan book weighted average rating at 'BB−' as of December 2017. This average rating does not benefit from preferred-creditor status given NADB's orientation toward private-sector loans. As of December 2017, past due loans reached 1.3% of the loan book; NADB expects this level to normalise by end-2018.

Excellent Liquidity: Over the medium term, Fitch expects NADB's liquid assets/short-term debt ratio to remain above the 150% threshold established in the agency's criteria for assessment as "excellent". The quality of the bank's treasury assets is also assessed as "excellent" given that 72% are rated in the 'AA−' to 'AAA' range. In our view, NADB's access to capital markets is moderate, as the bank maintains a low level of debt commensurate with the size and growth of its operations.

Support: Although not a rating driver, Fitch has revised NADB's support rating to 'aa' from 'aa−'. Shareholders' capacity to support the bank is assessed at 'AAA', as projected net debt is fully covered by callable capital from the United States (AAA/Stable). However, shareholders' propensity to provide support is assessed as 'weak' given delays in capital contributions; hence the overall support rating of 'aa'.

Rating Sensitivities

Limited Upside: A material improvement in the credit quality of NADB's loan portfolio or an improvement in member states' operational support, as demonstrated by a track record of paid-in capital increases, could lead to an upgrade.

Downside Risk: A decline in NADB's equity/assets ratio below 25% as a result of either further delays in the necessary legislation and availability of appropriations of the capital payment of USD10 million expected from the US or a rapid increase in asset growth or losses would result in a downgrade, assuming net debt coverage by callable capital from the bank's 'AAA' rated shareholder also falls below 100% or this shareholder's rating falls below 'AA'.

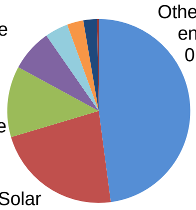
Intrinsic Rating Assessment

Indicative value	Assessment
Solvency	aa+
Liquidity	aaa
Business environment	-1 notch
Intrinsic Rating	AA

Source: Fitch

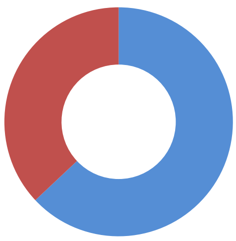
Loan Book

YE17



Source: NADB

Loan Book



Source: NADB

Related Criteria

Supranationals Rating Criteria (March 2018)

Business Environment

NADB was jointly created by the US and Mexico (BBB+/Stable) in 1994 to extend loans, guarantees and technical assistance to infrastructure projects focused on environmental preservation and sustainable development in the border region between the two countries. Its geographical scope is limited to 100km north of the border and 300km south of it. This covers six states in Mexico (Baja California, Chihuahua, Coahuila, Nuevo Leon, Sonora and Tamaulipas) and four in the US (Arizona, California, New Mexico and Texas). This coverage extends to 41 counties in the US and 220 municipalities in Mexico, with a total population of 22.7 million.

Projects financed cover: waste and water treatment and distribution; air quality; basic infrastructure; public transportation; and renewable energies and energy efficiency (mainly solar and wind energies). Loans are extended to private-sector companies or subnational institutions (cities, states and state utilities). All projects financed by the bank are subject to an environmental assessment.

NADB merged with the Border Environment Cooperation Commission (BEEC) on 10 November 2017. The merger has no material operational impact as there were no significant changes in management and staff. The board of directors that previously governed both institutions and their shared mission remain unchanged. BECC's functions have been fully integrated into NADB for more efficient use of resources, and the position of Chief Environmental Officer has been created within the bank.

Lending activity decreased in 2017 due to higher-than-expected repayments and lower disbursements as a result of the delay in the authorisation and availability of appropriations of the USD10 million capital payments from the US, pending since 2016. We therefore expect NADB to maintain low growth rates in order to sustain its capital position.

Fitch's assessment of NADB's business environment as "medium risk" results in a one-notch discount from its solvency profile.

Business Profile

In Fitch's view, NADB has a "medium-risk" business profile, underpinned by the quality of its governance, and its orientation toward non-sovereign financing.

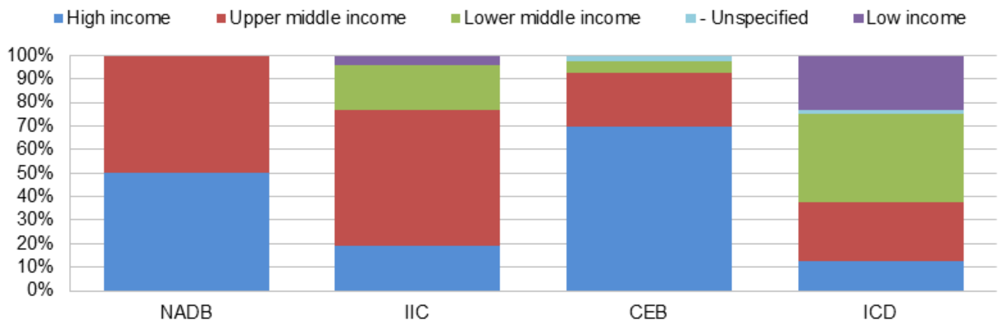
- Fitch assesses the size of NADB's banking portfolio as "high risk". NADB's loan portfolio reached USD1.1 billion as of 31 December 2017 including outstanding loans, equity participations and guarantees.
- The quality of NADB's governance is "low risk". The organisation is highly transparent and has a comprehensive set of internal policies in place. The audit bodies are independent. The two shareholder countries have an even representation on the 10-member board of directors, and Fitch believes the board provides good oversight of the bank's operations, approving all policies, financing and the annual programme budget and report. Chairmanship rotates between the two countries on an annual basis.
- In Fitch's view, NADB's strategy is "medium risk", as it maintains consistency with the bank's mandate, size and capabilities. The key points of the strategy are funding diversification and increasing the number of strategic partners to co-finance projects. Consistent efforts are being made to maintain capital and support, and to diversify the loan book and income sources.
- Consistent with its mandate, NADB is only involved in private- and (non-sovereign) public-sector financing. As of December 2017, private-sector financing accounted for 80.5% of the bank's loan book, and public-sector financing for 19.5%. By sector, clean energy projects accounted for 70% of the loan book as of December 2017. At the same date, 63% of projects financed were in Mexico.

Operating Environment

Fitch assesses NADB's operating environment as "medium risk" as a result of the following factors.

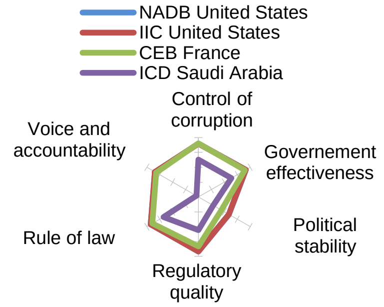
- Fitch estimates the average credit quality of the bank's countries of operation at 'AA−'. Our assessment considers the ratings of the US and Mexico. On 16 March 2018, Fitch affirmed Mexico's Long-Term Foreign-Currency IDR at 'BBB+' with a Stable Outlook. The average income per capita of the US and Mexico is relatively high, as they are included in the High Income and Upper Middle Income groups, respectively.
- In Fitch's view, the political risk of the two countries in operation is "medium", based on World Bank governance indicators.
- In Fitch's view, the political and business climate in the US, where NADB's headquarters are located, is "low risk". This is based on Fitch's own assessment of political risk, which is addressed in its sovereign rating reports.
- The operational support of member states is assessed as "high risk" in light of the slow appropriation of the US capital payment, which is evidence that the bank is not a priority and has limited privileges other than tax exemptions. The bank's limited scope and strong focus on private-sector loans further restrict our assessment of operational support.

World Bank Income Group - Distribution of Countries of Operation



Source: World Bank - World Development Indicators, Fitch
IIC: Inter-American Investment Corporation; CEB: Council of Europe Development Bank; ICD: Islamic Corporation for the Development of the Private Sector

Country of Head Office - Worldwide Governance Indicators



Source: World Bank - Worldwide Governance Indicators, Fitch

Solvency

Fitch evaluates NADB's overall solvency at 'aa+'. Our assessment reflects the bank's excellent capitalisation and low risk assessment.

Capitalisation

NADB's capital is "excellent". NADB reported an equity/assets ratio of 29.5% as of December 2017. We expect the ratio to remain at this level in spite of the US capital payment delay. The bank forecasts moderate asset growth after 2018, in order to maintain the equity/adjusted assets ratio close to 30% for 2019 and 2020, well above the 25% threshold for assessment as "excellent" in line with Fitch's *Supranationals Rating Criteria*.

As of December 2017, NADB's debt increased to 2.34x equity, below Fitch's previous expectation of 3.0x for 2019 and in line with the bank's revised projection of 2.24x. In our view, leverage remains moderate in absolute terms and is supportive of the ratings. Internal capital generation is expected decrease from its historical average of 4.3% (2014-2017) to around 2%. Fitch forecasts that 2018 results will be pressured by decreasing net interest income, moderate loan growth and an expected increase in operating costs.

NADB's projected growth is conservative, and aimed at maintaining the bank's capital position while preserving its focus on development projects by managing its participation in the projects financed. In our view, the project pipeline is active and could allow for higher growth in the event that capital increases. In Fitch's view, NADB's policies regarding capitalisation are conservative, and the bank has adjusted its growth target to adapt to the delay in the authorisation and appropriation process of the USD10 million US capital payment. The US Congress has approved the funds but they have not been paid out because they have not been appropriated.

While NADB maintains an efficient operation with controlled operating and credit costs (cost/income ratio of 25.8% as of December 2017), we expect some adjustments in expenses as a result of the merger with BEEC. In addition, the cost of carry of the bank's higher investment-grade liquid assets and decreasing interest rates in its Mexican loans have pressured margins.

Peer Comparison: Capital Ratios and Profitability

	NADB		CEB	ICD	IIC
(%)	End-2017	Projection[a]	End-2016	End-2016	End-2016
Equity/adjusted assets	29.5	30.5	11.4	39.8	47.6
Net income/average equity	4.1	2.0	3.7	3.9	1.9

[a] Medium-term projections
Source: Multilateral development banks (MDBs), Fitch calculations, estimates and methodology

Risks

Fitch considers NADB's overall risk exposure as "low", given the estimated average rating of loans and guarantees of 'BB−' and low concentration risk. The main drivers of this assessment are included below.

Fitch estimated the weighted average rating of NADB's loan book at 'BB−' as of December 2017, based on Fitch's ratings where available and NADB's ratings on remaining exposures. NADB's loan book comprises 72 public- and private-sector projects in the border area between Mexico and the US, for a total of USD1.3 billion as of December 2017. The average rating of the loan book has decreased to 'bb−' from 'bb+' since 2015, as a result of the prepayment of higher-rated projects in the US. Fitch does not expect further reductions in the average credit quality of the loan portfolio.

- As it is focused on the non-sovereign sector, NADB does not benefit from preferred-creditor status. However, loans are structured with high collateral or other grants. As of December 2017, 71% of the loan book was project finance, where the source of repayment of the loan is typically dependent upon cash flows generated by operation of the infrastructure facility. On such loans, NADB is regularly involved in co-financing contracts with other banks. A further 21% of the loan book is backed by "participations" or transfers made by the federal state of Mexico to its states and municipalities and secured in a trust for the benefit of the creditors of such subnationals. Such federal transfers can either be directly pledged to the trust by the federal state for debt repayment, or be used as guarantees should the borrower prove unable to repay the debt.
- NADB has a good track record with respect to maintaining low levels of impaired loans. The increase in NPLs captures the deterioration in a single operation. Given the bank's efforts to restructure loans, payments are expected to resume and normalise by December 2018. We therefore maintain our projection for NPLs at 0% of gross loans.
- In line with Fitch's criteria, concentration risk, measured by the ratio of the five largest exposures to the total banking portfolio, is "low" at 29.5%. Geographical and sectoral concentrations are high as a result of NADB's narrow mandate in terms of sectors and geography.

Risks Assessment

Indicative value	Risk level
Credit	Low
Concentration	Low
Equity risk	Very low
Market risks	Low
Risk mgmt policies	Strong

Source: Fitch

- Fitch assesses NADB's equity risk as "very low", given that it does not have any equity participations.
- Fitch assesses market risk exposure as "low". The bank effectively mitigates its exposure to fluctuations in foreign-currency exchange rates for loans that are denominated in Mexican pesos (29% of total loans as of December 2017) with cross-currency swaps. Specific measures are taken to mitigate interest rate risk. Long-term fixed-rate debt is swapped to a variable rate to mitigate interest rate risk and maintain cost at market level, and fixed-rate loans are swapped to a variable interest rate, except when funded by equity.
- Fitch views NADB's risk management policies as "strong". NADB's policies and internal limits cover lending, borrowing, liquidity and capital adequacy. The risk management team is independent and has strengthened over the past few years as the bank's operations have grown in size. In our view, policies aimed at mitigating credit risk are adequate in terms of provisioning and quality of collateral. The general allowance for loan losses is based in statistical cumulative default and recovery rates for project finance loans and as of December 2017 covered 1.9% of gross loans. The bank's primary investment objectives are capital preservation and maintenance of sufficient liquidity. NADB is restricted from investing in securities below investment-grade and maintains prudent investment guidelines that impose concentration limits.
- NADB's policies for identifying and mitigating operational risk are adequate. In our view, the internal and external audit processes are independent, and over the past year there have been no priority findings. Money-laundering prevention controls are in place, and screening software is used.

Peer Comparison: Risks

	NADB		CEB	ICD	IIC
	End-2017	Projection[a]	End-2016	End-2016	End-2017
Estimated average rating of loans & guarantees	BB−	BB−	BBB+	B+	BB−
Impaired loans/gross loans (%)	1.3	0.1	0.0	14.5	1.0
Five largest exposures/total loans (%)	29.5	27	n.a.	n.a.	n.a.
Equity stakes/(loans + equity stakes) (%)	0.0	0.0	n.a.	n.a.	n.a.

n.a.: Not available
[a] Medium-term projections
Source: MDBs, Fitch calculations, estimates and methodology

Liquidity

Fitch assesses NADB's liquidity at 'aaa', supported by its "excellent" liquidity buffer and access to capital markets.

Liquidity Assessment

Indicative value	Risk level
Liquidity buffer	Excellent
Quality of treasury assets	Excellent
Access to cap markets & alt. sources of liquidity	Moderate

Source: Fitch

Liquidity Buffer

NADB's policies regarding liquidity are more prudent than peers', as they require liquidity holdings of equal to the highest consecutive 12 months of the following 18 months of debt service obligations, plus committed loans disbursements (if positive), plus projected operating expenses for the next fiscal year.

As of December 2017, liquid assets increased to 44.5% of total assets owing to the bank's internal liquidity policy described above. As of December 2018, short-term debt coverage was 2.5x. In our view, this liquidity policy should enable the bank to maintain short-term debt coverage above Fitch's 150% threshold for assessment as "excellent".

Quality of Treasury Assets

The quality of treasury assets is excellent, with 72.9% rated ‘AA’/‘AAA’ (mostly treasury securities and US agency securities). As of December 2017 NADB’s maintained assets invested in Mexico accounted for 1.37% of total investments (maximum limit of 30%) and 26.45% of total investments in other permissible securities, including corporate bonds. Available-for-sale securities registered unrealised losses of USD1.8 million as of December 2017 (USD0.1 million in 2016); however, none of the unrealised losses are considered to be other than temporary since, as of 31 December 2017, the bank did not intend to sell any of these securities and believed that it was more likely that it would not be required to sell any such securities before a recovery of cost.

Access to Capital Markets and Alternative Sources of Liquidity

NADB maintains a low level of debt commensurate with the size and growth of its operations. Given the rating, it is likely to have access to additional sources of funding should it be required. NADB has discussed potential back-up credit lines with financial institutions but does not maintain committed loans at the moment, as access to capital markets has been proven and structural liquidity requirements can be identified well in advance due to the nature of the bank’s activity.

Figure 7

Peer Comparison: Liquidity

	NADB		CEB	ICD	IIC
	End-2017	Projection[a]	End-2016	End-2016	End-2017
Liquid asset/short-term debt (%)	253.1	316.1	265.4	165.5	297.3
Share of treasury assets rated AA− & above (%)	72.9	75.0	57.3	4.7	76.74

[a] Medium-term projections
Source: MDBs, Fitch calculations, estimates and methodology

Shareholders’ Support

Ability to Provide Extraordinary Support

Outstanding callable capital from the US fully covers net debt. As a result, we assess shareholders’ capacity to support of NADB at ‘AAA’.

Propensity to Provide Extraordinary Support

The shareholders’ propensity to provide support is assessed as “weak”, which translates into a two-notch negative adjustment to the capacity to support. Our assessment of propensity reflects the limited importance of NADB’s role for member states (the bank is small and has a narrow focus in the border area) and the infrequent capital increases. In the case of the US, the authorisation and availability of appropriations of the USD10 million capital payment have been pending since 2016. Fitch also factors in the low share of paid-in capital to callable capital, at 8.29% as of December 2017.

Peer Comparison: Shareholder Support

	NADB		CEB	ICD	IIC
	End-2017	Projection[a]	End-2016	End-2016	
Coverage of net debt by callable capital	AAA	AAA	NC	NC	NC
Average rating of key shareholders	AA−	AA−	AA−	AA+	BBB−
Propensity to support	-2	-2	-2	-1	0

NC: No coverage of net debt by callable capital
[a] Medium-term projections
Source: MDBs, Fitch calculations, estimates and methodology

North American Development Bank
Income Statement

	31 Dec 2017 Year End USDm Original	31 Dec 2016 Year End USDm Original	31 Dec 2015 Year End USDm Restated	31 Dec 2014 Year End USDm Restated	31 Dec 2013 Year End USDm Original
1. Interest Received	68.6	59.0	51.3	43.8	39.6
2. Interest Paid	31.6	20.0	15.1	13.5	10.8
3. NET INTEREST REVENUE	**37.0**	**39.1**	**36.2**	**30.2**	**28.8**
4. Other Operating Income	2.5	0.5	2.9	0.2	0.0
5. Other Income	(3.9)	(5.2)	(7.9)	(6.3)	(5.0)
6. Personnel Expenses	8.4	8.3	5.6	4.9	5.2
7. Other Non-Interest Expenses	1.8	1.6	1.8	1.1	1.1
8. Impairment charge	(4.0)	5.1	8.6	2.2	10.5
9. Other Provisions	n.a.	n.a.	n.a.	n.a.	n.a.
10.PRE-DERIVATIVE OPERATING PROFIT	**29.3**	**19.4**	**15.3**	**15.9**	**7.0**
11. Net gains / (losses) on non-trading derivative instruments	n.a.	n.a.	n.a.	n.a.	n.a.
12. POST-DERIVATIVE OPERATING PROFIT	**29.3**	**19.4**	**15.3**	**15.9**	**7.0**
13. Other income and expenses	n.a.	n.a.	n.a.	n.a.	n.a.
14. NET INCOME	**29.3**	**19.4**	**15.3**	**15.9**	**7.0**
15. Fair value revaluations recognised in equity	(4.2)	8.8	7.4	7.9	(10.4)
16. FITCH'S COMPREHENSIVE NET INCOME	**25.1**	**28.2**	**22.6**	**23.8**	**(3.4)**

North American Development Bank
Balance Sheet

	31 Dec 2017 Year End USDm Original	31 Dec 2016 Year End USDm Original	31 Dec 2015 Year End USDm Restated	31 Dec 2014 Year End USDm Restated	31 Dec 2013 Year End USDm Original
A. LOANS					
1. To / Guaranteed by Sovereigns	0.0	0.0	0.0	0.0	0.0
2. To / Guaranteed by public institutions	252.6	288.3	305.6	319.8	345.4
3. To / Guaranteed by Private Sector	839.4	905.8	914.8	866.4	667.0
4. Trade Financing Loans (memo)	n.a.	n.a.	n.a.	n.a.	n.a.
5. Other Loans	n.a.	n.a.	n.a.	n.a.	n.a.
6. Loan Loss Reserves (deducted)	21.1	25.1	19.9	11.4	12.9
TOTAL A	**1,070.9**	**1,169.0**	**1,200.5**	**1,174.8**	**999.5**
B. OTHER EARNING ASSETS					
1. Deposits with Banks	27.3	29.0	31.2	54.8	39.6
2. Securities held for Sale & Trading	924.3	429.3	421.3	337.1	456.1
3. Investment Debt Securities (incl. other invest.)	3.9	53.8	53.7	53.7	53.6
4. Equity Investments	0.0	0.0	0.0	0.0	0.0
5. Derivatives (incl. Fair-value of guarantees)	201.6	231.8	122.4	0.0	0.0
TOTAL B	**1,157.1**	**743.9**	**628.6**	**445.5**	**549.3**
C. TOTAL EARNING ASSETS (A+B)	**2,228.0**	**1,912.8**	**1,829.1**	**1,620.3**	**1,548.8**
D. FIXED ASSETS	**0.4**	**0.5**	**0.3**	**0.2**	**0.2**
E. NON-EARNING ASSETS					
1. Cash and Due from Banks	n.a.	n.a.	n.a.	n.a.	n.a.
2. Other	(82.1)	(99.6)	(51.4)	16.1	29.0
F. TOTAL ASSETS	**2,146.3**	**1,813.7**	**1,778.0**	**1,636.6**	**1,578.0**
G. SHORT-TERM FUNDING					
1. Bank Borrowings (< 1 Year)	n.a.	n.a.	n.a.	n.a.	n.a.
2. Securities Issues (< 1 Year)	n.a.	n.a.	n.a.	n.a.	n.a.
3. Other (incl. Deposits)	304.7	5.3	5.3	2.6	0.0
TOTAL G	**304.7**	**5.3**	**5.3**	**2.6**	**0.0**
H. OTHER FUNDING					
1. Bank Borrowings (> 1 Year)	n.a.	n.a.	n.a.	n.a.	n.a.
2. Other Borrowings (incl. Securities Issues)	1,183.3	1,176.2	1,177.9	1,052.8	1,041.3
3. Subordinated Debt	n.a.	n.a.	n.a.	n.a.	n.a.
4. Hybrid Capital	n.a.	n.a.	n.a.	n.a.	n.a.
TOTAL H	**1,183.3**	**1,176.2**	**1,177.9**	**1,052.8**	**1,041.3**
I. OTHER (Non-Int Bearing)					
1.Derivatives (incl. Fair value of guarantees)	(6.3)	2.9	16.4	25.5	23.2
2. Fair value portion of debt	n.a.	n.a.	n.a.	n.a.	n.a.
3. Other (Non-Int Bearing)	29.8	24.5	11.2	9.8	(10.1)
TOTAL I	**23.5**	**27.4**	**27.6**	**35.2**	**13.1**
J. GENERAL PROVISIONS & RESERVES	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**
L. EQUITY					
1. Preference Shares	n.a.	n.a.	n.a.	n.a.	n.a.
2. Subscribed Capital	5,700.0	5,700.0	2,700.0	2,700.0	2,700.0
3. Callable Capital o/w:	(5,285.0)	(5,285.0)	(2,295.0)	(2,295.0)	(2,295.0)
Memo: Unqualified Callable Capital	2,351.7	2,351.7	0.0	0.0	0.0
Memo: Qualified Callable Capital	2,493.9	2,493.9	0.0	0.0	0.0
Memo: Qualified Paid in	440.0	440.0	0.0	0.0	0.0
4. Arrears/Advances on Capital	0.0	0.0	0.0	0.0	0.0
5. Paid in Capital (memo)	415.0	415.0	405.0	405.0	405.0
6. Reserves (incl. Net Income for the year)	208.0	173.9	155.0	141.1	126.6
7. Fair-value revaluation reserve	11.8	16.0	7.2	(0.2)	(8.1)
TOTAL L	**634.8**	**604.8**	**567.2**	**545.9**	**523.5**
M. TOTAL LIABILITIES & EQUITY	**2,146.3**	**1,813.7**	**1,778.0**	**1,636.6**	**1,578.0**
Exchange rate	USD1 = USD1	USD1 = USD1	USD1 = USD1	USD1 = USD1	USD1 = USD1

North American Development Bank
Ratio Analysis

	31 Dec 2017 Year End % Original	31 Dec 2016 Year End % Original	31 Dec 2015 Year End % Restated	31 Dec 2014 Year End % Restated	31 Dec 2013 Year End % Original
I. PROFITABILITY LEVEL					
1. Net Income/Equity (av.)	4.7	3.3	2.7	3.0	1.3
2. Net Income/Total Assets (av.)	1.5	1.1	0.9	1.0	0.5
3. Net Interest Revenue + Commitment Fees / Gross Loans + Treasury Asse	2.0	2.3	2.2	1.9	2.1
4. Cost-Income Ratio	25.8	25.0	18.9	19.7	21.8
5. Income from Equity Investment / Equity Investment (av.)	n.a.	n.a.	n.a.	n.a.	n.a.
6. Provisions / Average Total Banking Exposure (excl LCs)	-0.4	0.4	0.7	0.2	1.1
II. CAPITAL ADEQUACY					
1. Net Total Banking Exposure (excl LCs) / Subscribed Capital + Reserves	18.1	19.9	42.1	41.4	35.4
2. Equity/Adjusted Total Assets	29.5	33.4	32.2	33.9	33.7
3. Equity /Adjusted Total Assets + Guarantees	29.5	33.4	32.2	33.9	33.7
4. Paid-in capital / Subscribed capital	7.3	7.3	15.0	15.0	15.0
5. Internal Capital Generation after Distributions	4.1	4.8	4.1	4.5	-0.7
III. LIQUIDITY					
1. Liquid Assets / Short-term debt	253.1	9,042.2	7,928.5	15,655.3	38,270,000.0
2. Treasury Assets / Total Assets	44.5	28.2	28.5	27.2	34.8
3. Treasury Assets IG + eligible non IG / Total Assets	35.9	26.2	23.5	25.2	24.3
4. Unimpaired Trade Financing Loans / Total Assets	n.a.	n.a.	n.a.	n.a.	n.a.
5. Liquid Assets / Total Assets	35.9	26.2	23.5	25.2	24.3
6. Liquid Assets / Undisbursed Loans & Equity	n.a.	n.a.	n.a.	n.a.	n.a.
IV. ASSET QUALITY					
1. Impaired Loans /Gross Loans	1.3	0.0	0.0	0.3	0.7
2. Loan Loss Reserves / Gross Loans	1.9	2.1	1.6	1.0	1.3
3. Total reserves / Gross Loans, Equity Investment & Guarantees	1.9	2.1	1.6	1.0	1.3
4. Loan Loss Reserves/Impaired Loans	146.8	n.a.	n.a.	302.5	183.1
V. LEVERAGE					
1. Debt/Equity	234.4	195.3	208.6	193.4	198.9
2. Debt/Subscribed Capital + Reserves	25.1	20.1	41.3	37.2	37.0
3. Debt/Callable Capital	28.2	22.4	51.6	46.0	45.4
4. Net Income + Interest Paid/Interest Paid	192.7	197.3	201.0	217.5	164.5

North American Development Bank
Spread Sheet Annex

	31 Dec 2017 USDm Original	31 Dec 2016 USDm Original	31 Dec 2015 USDm Restated	31 Dec 2014 USDm Restated	31 Dec 2013 USDm Original
1. LENDING OPERATIONS					
1. Loans outstanding	1,092.0	1,194.1	1,220.4	1,186.2	1,012.4
2. Undisbursed Loans	188.4	58.5	51.8	127.0	238.8
3. Approved Loans	273.2	98.9	239.2	323.7	273.2
4. Disbursed Loans	101.4	136.3	249.6	254.2	215.0
5. Loan Repayments	219.9	49.7	110.6	76.6	74.1
6. Net disbursments	-118.5	86.6	139.0	177.6	140.9
Memo: Loans to Sovereigns	0.0	0.0	0.0	0.0	0.0
Memo: Loans to Non-Sovereigns	1,092.0	1,194.1	1,220.4	1,186.2	1,012.4
2. OTHER BANKING OPERATIONS					
1. Equity participations	0.0	0.0	0.0	0.0	0.0
2. Guarantees (off BS)	n.a.	n.a.	n.a.	n.a.	n.a.
Memo: Guarantees to Sovereigns	0.0	0.0	0.0	0.0	0.0
Memo: Guarantees to Non-Sovereigns	0.0	0.0	0.0	0.0	0.0
3. TOTAL BANKING EXPOSURE (BS and off BS)					
1. Total banking exposure (Loans + Equity Participations + Guarantees (off BS))	1,092.0	1,194.1	1,220.4	1,186.2	1,012.4
2. Growth in total banking exposure	-8.5	-2.2	2.9	17.2	17.4
Memo: Non Sovereign Exposure	1,092.0	1,194.1	1,220.4	1,186.2	1,012.4
Memo: LCs and other off BS credit commitments (not incl. in Total Banking Exposu	0.0	2.1	0.0	0.0	0.0
4. SUPPORT					
1. Share of AAA / AA shareholders in callable capital	50.0	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	50.0
3. Share of Speculative Grade shareholders in callable capital	0.0	0.0	0.0	0.0	0.0
4. Rating of callable capital ensuring full coverage of net debt	AAA	AAA	AAA	AAA	n.a.
5. Weighted Average Rating of Key Shareholders	AA-	AA-	AA-	AA-	n.a.
5. BREAKDOWN OF BANKING PORTFOLIO					
1. Loans to Sovereigns / Total Banking Exposure	0.0	0.0	0.0	0.0	0.0
2. Loans to Non Sovereigns / Total Banking Exposure	100.0	100.0	100.0	100.0	100.0
3. Equity participation / Total Banking Exposure	0.0	0.0	0.0	0.0	0.0
4. Guarantees covering Sovereign risks / Total Banking Exposure	0.0	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	0.0
Memo: Non Sovereign Exposure [2.+3.+5.] / Total Banking Exposure	100.0	100.0	100.0	100.0	100.0
6. CONCENTRATION MEASURES					
1. Largest exposure	89.2	102.3	104.5	106.7	107.8
2. Five largest exposures	322.0	420.3	405.7	420.7	439.4
3. Largest exposure / Equity (%)	14.1	16.9	18.4	19.6	20.6
4. Five largest exposures / Equity (%)	50.7	69.5	71.5	77.1	83.9
5. Largest exposure / Total Banking Exposure (%)	8.2	8.6	8.6	9.0	10.7
6. Five largest exposures / Total Banking Exposure (%)	29.5	35.2	33.2	35.5	43.4
7. CREDIT RISK					
1. Average Rating of Loans & Guarantees	BB-	BB+	BB+	BBB-	BB+
2. Loans to Investment Grade Borrowers / Gross Loans	42.0	64.6	66.5	69.1	53.3
3. Loans to Sub-Investment Grade Borrowers / Gross Loans	76.5	53.5	42.0	30.8	46.6
4. Share of Treasury Assets rated AAA-AA	72.9	74.5	58.4	66.4	69.7
5. Average rating of treasury assets	AA	AA	AA	AA	AA
8. LIQUIDITY					
1. Treasury Assets	955.5	512.1	506.2	445.5	549.3
2. Treasury Assets o/w IG + eligible non-IG	771.2	475.8	417.2	411.9	382.7
3. Unimpaired Trade Financing Loans	n.a.	n.a.	n.a.	n.a.	n.a.
4. Unimpaired Trade Financing Loans - discounted 40%	n.a.	n.a.	n.a.	n.a.	n.a.
5. Liquid Assets [2. + 4.]	771.2	475.8	417.2	411.9	382.7

The ratings above were solicited and assigned or maintained at the request of the rated entity/Issuer or a related third party. Any exceptions follow below.