



RATING ACTION COMMENTARY

Fitch Assigns North American Development Bank 'AAA(mex)' National Rating; Outlook Stable

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Fitch Ratings - London - 24 Aug 2022: Fitch Ratings has assigned North American Development Bank (NADB) a 'AAA(mex)' National Long-Term Rating. The Outlook is Stable.

KEY RATING DRIVERS

NADB's Long-Term Issuer Default Rating (IDR; AA+/Stable) is materially above Mexico's sovereign Long-Term IDR (BBB-/Stable). Consequently, the bank's rating on the Mexican National Rating Scale is 'AAA(mex)'.

NADB's Long-Term IDR is anchored on our assessment of shareholder support. The combination of the 'aaa' capacity to support assessment with a 'moderate (-1)' propensity assessment leads to an overall support assessment of 'aa+'. This means that NADB's Long-Term IDR is anchored on the support the bank receives from its shareholders (aa+), rather than its Standalone Credit Profile (aa).

RATING SENSITIVITIES

The Long-Term National Rating is sensitive to a change in NADB's Long-Term IDR in the event that the NADB's Long-Term IDR falls below Mexico's sovereign Long-Term IDR.

The following sensitivities apply to the bank's international scale ratings.

Factors that could, individually or collectively, lead to positive rating action/upgrade:

- Support (Propensity): A positive revision to our 'moderate' assessment of the propensity of the bank's shareholders to provide support to the bank. This would principally stem from a perception that NADB's role and policy importance to its shareholders is significantly enhanced to that in line with 'AAA' rated peers.

- Solvency (Risks): A multi-notch improvement in the bank's Standalone Credit Profile would be required to positively impact the Long-Term IDR. This could stem from a material improvement in the credit quality of the bank's loan portfolio, non-performing loans at a 'very low' level on a sustained basis and reduced concentration to 'very low' levels.

Factors that could, individually or collectively, lead to negative rating action/downgrade:

- Support (Capacity): Expectation that NADB's net debt would no longer be 100% covered by callable capital rated 'AAA' would put negative pressure on the ratings. This could stem from either a rapid increase in NADB's net debt or a downgrade of the US sovereign rating.

- Support (Propensity): A deterioration in our assessment of the propensity of the bank's shareholders to provide support to the bank, for example if Mexico fails to honour its expected share of the ongoing paid-in capital increase over the coming years, would put negative pressure on the ratings.

- Solvency (Risks): Higher non-performing loans and/or weakening in the average rating of loans could lead to negative rating action. This may be driven by deterioration in the economic performance of the bank's two countries of operations, likely due to changes affecting the banks' borrowers operating in Mexico's renewable energy sector.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

RATING ACTIONS

ENTITY / DEBT ↕

RATING ↕

North American Development
Bank

Natl LT AAA(mex) Rating Outlook Stable

New Rating

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APPLICABLE CRITERIA

[National Scale Rating Criteria \(pub. 22 Dec 2020\)](#)

[Metodología de Calificaciones en Escala Nacional \(pub. 22 Dec 2020\)](#)

[Supranationals Rating Criteria \(pub. 11 Apr 2022\) \(including rating assumption sensitivity\)](#)

[Metodología de Calificación de Supranacionales \(pub. 13 Jun 2022\)](#)

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ENDORSEMENT STATUS

North American Development Bank

UK Issued, EU Endorsed

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