North American Development Bank

This report does not constitute a new rating action for this issuer. It provides more detailed credit analysis than the previously published Rating Action Commentary, which can be found on www.fitchratings.com

Ratings

Foreign Currency

Long-Term IDR	AA
Short-Term IDR	F1+

Outlook

Long-Term Foreign-Currency IDR	Stable

Financial Data

	End-2022	End-2023
Total assets (USDm)	1,994	2,246
Equity/assets (%)	38.2	37.0
Fitch's usable capital to risk-weighted assets (%)	119.8	91.2
Average rating of loans and guarantees	BBB-	BBB-
Impaired loans (% of total loans)	0.0	0.0
Five largest exposures/total exposure (%)	34.9	31.9
Share of non-sovereign exposure (%)	100.0	100.0
Net income/equity (%)	0.1	2.5
Average rating of key shareholders	A	A

Source: Fitch Ratings, NADB

Applicable Criteria

Supranationals Rating Criteria (April 2023)

National Scale Rating Criteria (December 2020)

Related Research

Fitch Affirms North American Development Bank at 'AA'; Outlook Stable (March 2024)

Global Supranationals Outlook 2024 (December 2023)

Click here for more Fitch content on NADB

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Key Rating Drivers

SCP, Support Drive Rating: North American Development Bank's (NADB) Issuer Default Rating (IDR) is driven by its Standalone Credit Profile (SCP) and shareholder support, both assessed at 'aa'. The SCP reflects the lower of Fitch Ratings' solvency (aa+) and liquidity (aaa) assessments, adjusted down by one notch given the 'Medium Risk' business environment. Our shareholder support assessment factors the coverage of net debt by callable capital subscribed by the United States of America (AA+/Stable), along with a 'Moderate' propensity to support the bank.

Excellent Capitalisation: NADB's 'aa+' solvency assessment is underpinned by its 'Excellent' capitalisation metrics. Fitch's usable capital/risk-weighted assets (FRA) ratio is among the highest of rated multilateral development banks (MDBs), at 91% at end-2023 (end-2022: 120%). Leverage remains low, with the equity/assets (E/A) ratio at 37% at end-2023 (38%). Fitch expects the FRA and E/A ratios to remain comfortably above their 'Excellent' thresholds of 35% and 25%, respectively, over 2024-2026.

'Low' Risk Profile: NADB maintained its robust loan performance in 2023, reporting no non-performing loans (NPLs) and zero overdues for the second consecutive year. The average rating of loans was stable at 'BBB-'. NADB's five-largest exposures accounted for 32% of the banking portfolio at end-2023, consistent with 'Low' concentration risk. Risk management policies are 'Strong', balancing the bank's conservative risk management based on its policies and record against its sector and geographical concentration.

Prospects for Mexico's Electricity Sector: Fitch expects uncertainty around the Mexican electricity market to ease following the nation's Supreme Court decision to issue a general injunction against Electricity Industry Law reforms (the cause of the uncertainty). This is significant for NADB, given its high exposure to Mexico's renewable energy sector, which accounted for 32% of its loans as of end-2023 (2022: 38%, 2020: 46%).

The decline in exposure to the energy sector in Mexico in recent years reflects the bank's ongoing diversification strategy, including disbursing more loans in the US. Under its five-year strategic plan, NADB aims to increase diversification by extending an increasing number of loans beyond the energy sector.

'Medium Risk' Business Environment: NADB's 'Medium Risk' business profile balances the limited size of its operation (USD1 billion as of end-2023) and focus on non-sovereign loans with sound governance standards. The policy importance of the bank is considered a weakness relative to rated peers. The bank maintains good relations with local governments and municipalities, as these are the key beneficiaries of its lending programs.

Shareholder Support: Fitch's 'aa' support assessment reflects the shareholders' capacity and 'Moderate' propensity to support the bank. The 'aa+' assessment of shareholder support capacity is anchored on the coverage of NADB's net debt by callable capital subscribed by the US. The 'Moderate' propensity to provide support takes into account the ongoing capital payments and the bank's limited size and geographical coverage relative to rated peers.

In 2023, Mexico disbursed USD10 million of paid-in capital to the bank, but the US did not release any funds (out of its deferred capital contribution). The 'Moderate' propensity to provide support translates into a one-notch downward adjustment to the capacity to provide support assessment to 'aa'.

National Scale Rating: NADB's Long-Term IDR is materially above Mexico's sovereign rating (BBB-/Stable); therefore, the bank's rating on the Mexican national rating scale is 'AAA(mex)'.

Rating Derivation Summary

	Standalone Credit Profile (SCP)					Support			
	Solvency	Liquidity	Lower of solvency and liquidity	Business environment (+3/-3 notches)	Final SCP	Capacity	Propensity (+1/-3 notches)	Support adjustment (up to 3 notches)	Final rating
NADB	aa+	aaa	aa+	-1	aa	aa+	-1	0	AA

Source: Fitch Ratings

Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

Given that NADB's ratings are underpinned by the SCP and support, any negative rating action would require a deterioration in our assessment of both NADB's SCP and support assessments.

- **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 the ongoing paid-in capital increase over the coming years, it would put negative pressure on the ratings.
- **Support (Capacity):** The expectation that NADB's net debt would no longer be 100% covered by callable capital rated 'AA+' would put negative pressure on the ratings. This could stem from either a downgrade of the US sovereign rating or a rapid increase in NADB's net debt.
- **Solvency (Risks):** Significantly higher NPLs and/or weakening in the average rating of loans affecting our assessment of the bank's SCP. This could be driven by changes affecting the bank's borrowers operating in Mexico's renewable energy sector.

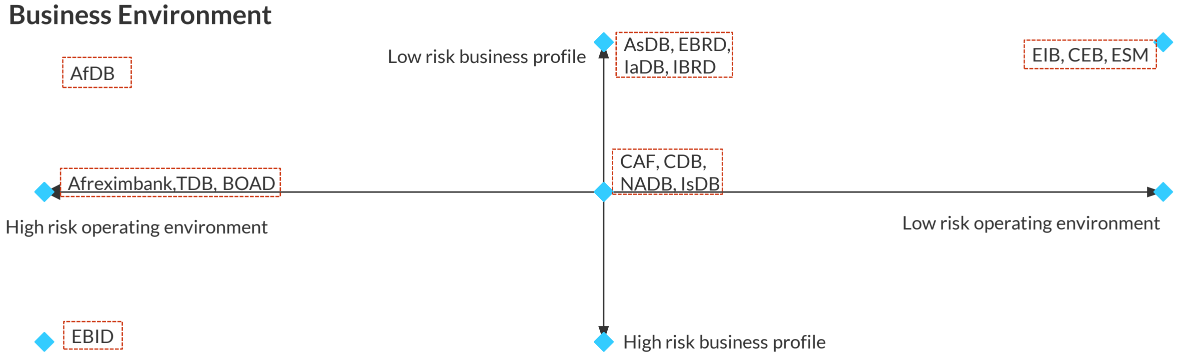
Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- **Support (Propensity):** A positive revision of our 'moderate' assessment of the propensity of the bank's shareholders to provide support to the bank. This would principally stem from the perception that NADB's role and policy importance to its shareholders was significantly enhanced and in line with 'AAA' to 'AA' rated peers.
- **Support (Capacity):** An upgrade of the US sovereign rating to 'AAA'/Stable would lead to an improvement in our assessment of support and overall Long-Term IDR.
- **Solvency (Risks):** An improvement in the bank's SCP, stemming from a material improvement in the credit quality of the bank's loan portfolio, NPLs being at a 'very low' level on a sustained basis and reduced concentration to 'very low' levels.

Business Environment

Fitch assesses NADB's overall business environment as 'medium risk', reflecting a 'medium risk' business profile and a 'medium risk' operating environment. This translates into a '-1' notch adjustment to the solvency assessment of 'aa+', resulting in an SCP of 'aa'.

Business Environment



AfDB: African Development Bank; AsDB: Asian Development Bank; CAF:Corporacion Andina de Fomento; EBID: Ecowas Bank for Investment and Development; IaDB: Inter-American Development Bank; IBRD: International Bank for Reconstruction and Development ; IsDB: Islamic Development Bank; TDB: Trade & Development Bank
Source: Fitch Ratings

Brief Issuer Profile

NADB is a sub-regional MDB, established in 1994. The bank extends loans, guarantees, grants and technical assistance to private-sector companies or subnational institutions for infrastructure projects focused on environmental preservation and sustainable development in the border region between the US and Mexico. Its geographical scope is limited to 100km north of the border and 300km south, covering six states in Mexico and four in the US.

The 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 non-sovereign borrowers, including cities, states and state utilities. All projects financed by the bank are subject to an environmental assessment.

Business Profile

Fitch assesses NADB's business profile as 'medium risk', reflecting the following factors:

- NADB's total banking exposure was USD980 million as of end-2023, below the USD5 billion 'high risk' threshold outlined in the criteria.
- Fitch assesses the quality of NADB's governance as 'low risk'. Our assessment reflects the bank's transparent organisational structure, independent management and audit bodies, and even representation of both shareholders in the board. The board approves all policies, financing and the annual programme budget.
- The bank's strategy is 'medium risk'. Growth has been slow and even negative in recent years (with an average annual decrease of 1% over the past five years) and the bank sustains high capital metrics. The mandate of NADB leads to high geographical and sectoral concentration relative to other MDBs. The bank maintains high geographical concentration in Mexico, but is making consistent efforts to diversify the loan book and income sources.
- We assess NADB's involvement in the private sector as 'high risk' as the bank is only involved in non-sovereign sector financing.
- The importance of NADB's public mandate is assessed as 'high risk' to reflect the limited geographical and sectoral coverage compared with larger MDBs. The bank maintains good relations with local government and municipalities as these are the key beneficiaries of the programmes.

Operating Environment

Fitch considers NADB's operating environment as 'medium risk', reflecting the following:

- NADB has a limited mandate to operate in two countries (US and Mexico) and the average rating of these two countries is 'A', which is consistent with a 'low risk' assessment.
- The average income per capita in NADB's countries of operations of USD43,745 is one of the highest in Fitch's supranationals portfolio, and is assessed as 'low risk'. This is considerably stronger than 'medium risk' peers, such as Arab Petroleum and Investments Corporation (APICORP; AA/Positive; USD37,911), Inter-American Investment Corporation (IDB Invest; AAA/Stable; USD10,622) and Islamic Corporation for the Development of the Private Sector (ICD; A+/Stable; USD9,229).
- The political risk in NADB's countries of operations is considered as 'medium risk', based on World Bank's Worldwide Governance Indicators (WBGI).
- Fitch assesses the political risk in the US, where NADB has its head office (San Antonio, Texas), as 'low' based on WBGI.
- The operational support provided by authorities of member states is assessed as 'high risk', which is consistent with the low importance of the public mandate and limited area of operation. NADB does not benefit from the same preferred creditor status (PCS) as other sovereign-focused MDBs, given that it operates with private sector entities only.

Solvency

Fitch assesses NADB's solvency at 'aa+', balancing its 'excellent' capitalisation and 'low' risk profile.

Capitalisation

We consider NADB's 'excellent' capitalisation as a rating strength, reflecting our two capital ratios, the FRA and the E/A, which have been well above the respective 'excellent' thresholds of 35% and 25%.

The FRA ratio remains one of the highest across rated MDBs, although it declined to 91% in 2023 from 120% in 2022. The decline reflects a 27% increase in loans and the impact of the US sovereign rating downgrade (from 'AAA' to 'AA+') on the credit quality and associated risk weights of the bank's treasury portfolio. Fitch includes an additional 10% of the bank's 'AA+' rated callable capital subscribed by the US (after the portion of 'AAA'-'AA' callable capital used to assess shareholder support has been deducted), to upwardly adjust NADB's usable capital (USD1,070 million) from its equity (USD815 million).

NADB's leverage remains low with the E/A ratio at 37% at end-2023 (2022: 38%). Over the past eight years, the bank has conservatively managed its balance sheet to ensure that the ratio remains above its internal limit of 30%. This is higher than the 25% threshold for Fitch's 'excellent' assessment.

Fitch expects both capital ratios, the FRA and the E/A, to remain comfortably above their respective 'excellent' thresholds of 35% and 25% over its forecast period of 2024-2026. Our forecast assumes capital payments and growth in the loan portfolio in line with the bank's business plan (8% per year on average).

Peer Comparison: Capital Ratios and Profitability

	NADB (AA)		APICORP (AA)	ICD (A+)	IDB invest (AAA)
	End-2023	Projection[a]	End-2022	End-2022	End-3Q23
Equity/adjusted assets (%)	37.0	35-40	32.3	37.9	29.7
Usable capital/risk-weighted assets (FRA, %)	91.2	80-90	51.6	40.6	42.0
Net income/average equity	2.5	0-2	4.1	1.1	6.1

[a] Medium-term projections; forecast range of 2024-2026
Note: APICORP = Arab Petroleum and Investments Corporation; ICD = Islamic Corporation for the Development of the Private Sector; IDB Invest = Inter-American Investment Corporation
Source: Fitch Ratings, MDBs

Risks

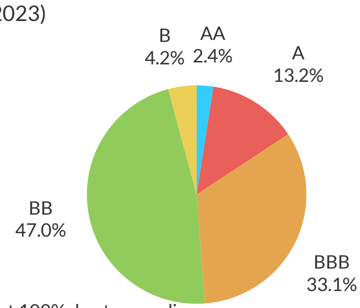
Risks Assessment

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

Source: Fitch Ratings

Loans by Ratings

(as of end-2023)



The total is not 100% due to rounding.
Source: Fitch Ratings, NADB

Fitch considers NADB's risk profile as 'low', balancing 'moderate' credit risk, 'low 'concentration and market risks, 'very low' equity risk and 'strong' risk management policies.

NADB maintained its robust loan performance in 2023, reporting no NPLs and zero overdues for the second consecutive year. The weighted average rating of the NADB's loans has remained at 'BBB-', unchanged from previous review.

The bank's credit risk does not benefit from our assessment of PCS, which is considered as 'weak'. NADB only participates in private, public-private and subnational (municipalities) loans, and only benefits from tax exemptions.

NADB's five-largest exposures accounted for 32% of the banking portfolio at end-2023, down from 35% at end-2022, consistent with a 'low' concentration risk. Geographical and sectoral concentrations are high due to NADB's narrow mandate in terms of geography and sectors.

Fitch expects uncertainty around the Mexican electricity market to ease following a recent decision by the nation's Supreme Court to issue a general injunction against the reform to the Electricity Industry Law (the cause of the uncertainty). This is significant for NADB given its high exposure to Mexico's renewable energy sector, which accounted for 32% of its loan portfolio as of end-2023, from 38% in 2022 and 46% in 2020. The decline in the exposure to Mexican energy sector in recent years reflects the bank's ongoing diversification strategy, including disbursing more loans in the US. Under its five-year strategic plan covering 2024-2028, NADB aims to increase diversification by extending an increasing number of loans beyond the energy sector.

NADB does not maintain any equity participation, nor do we expect it to in the medium term.

Fitch assesses market risk as 'low'. The bank actively uses derivatives to hedge foreign-exchange (FX) and interest-rate risks. When the funding source is in currencies other than Mexican pesos, the bank utilises cross-currency swaps to hedge FX risk of its peso-denominated loan portfolio. Long-term fixed-rate debt is swapped to a variable rate to mitigate interest-rate risk and maintain costs at market level; fixed-rate loans are swapped to a variable interest rate. The interest-rate swaps are matched to the terms of loans and to a portion of long-term notes payable and are structured so that the notional amounts mature to match the expected maturity of the loans and the notes payable.

We consider NADB's risk management policies as 'strong', balancing the bank's conservative risk management based on its policies and track record, against its sectorial and geographical concentration (which is a relative weakness compared with other MDBs).

Investment policy remains unchanged from prior years. The bank's investment guidelines state that the portfolio must include laddered maturities to minimise market risk, a maximum duration of 3.5 years and a minimum 'A-' rating for corporate bonds.

Underwriting standards are also unchanged, with the bank's single obligor limit at 20% of equity. This limit can be increased to 30% only if the loan is fully secured by marketable collateral or by a strong repayment mechanism, such as federal tax revenue (participacione).

The bank's total principal debt outstanding shall not exceed at any time the callable portion of the capital plus the minimum liquidity level required by the bank's liquidity policy. The Managing Director will inform the board when they estimate that the outstanding debt will reach 80% of the callable capital within the next six months.

Peer Comparison: Risks

	NADB (AA)		APICORP (AA)	ICD (A+)	IDB Invest (AAA)
	End-2023	Projection[a]	End-2022	End-2022	End-3Q23
Estimated average rating of loans & guarantees	BBB-	BB+	BBB+	B-	BB
Impaired loans/gross loans (%)	0.0	1-2	1.2	9.3	2.3
Five largest exposures/total banking exposure (%)	31.9	30-35	23.4	23.7	11.4
Equity stakes/total banking exposure (%)	0.0	0.0	21.1	28.2	3.7

[a] Medium-term projections; forecast range

Source: Fitch Ratings, MDBs

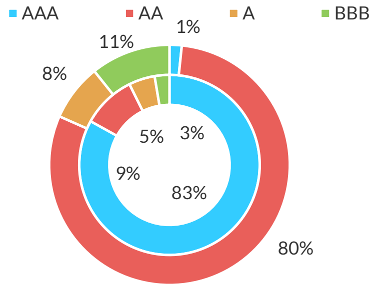
Liquidity Analysis

Liquidity Assessment

Indicative value	Risk level
Liquidity buffer	Excellent
Quality of treasury assets	Excellent
Access to capital markets & alternative sources of liquidity	Moderate

Source: Fitch Ratings

Treasury Assets by Ratings
Outer 2023, Inner 2022



Source: Fitch Ratings, NADB

Fitch assesses NADB's overall liquidity profile at 'aaa', reflecting its 'excellent' liquidity buffer and the credit quality of its treasury assets.

Liquid Assets to Short-Term Debt

The liquidity buffer, defined as liquid assets to short-term debt, was well above 1000% at end-2023, far exceeding the 150% 'excellent' threshold.

Fitch considers the following assets as liquid for the purposes of the liquidity buffer calculation:

- Assets with a 12-month maturity and below, denominated in hard currency, with a rating of 'B-' and above.
- Investment-grade assets with a maturity above 12 months.

NADB's debt maturity profile includes peaks and troughs for the next 10 years; however, in our forecasts to end-2026, we expect this ratio to remain 'excellent' (with headroom) in the medium term.

Quality of Treasury Assets

In 2023, the credit quality of NADB's treasury assets weakened, with the share of 'AA' to 'AAA' rated assets declining to 82% from 93% in 2022. This follows the increase in the bank's investments into 'BBB' to 'A' rated debt securities.

The quality of treasury assets is 'excellent', as evidenced by the bank's sector investment allocation guidelines and the minimum rating requirements for investments. The quality of the treasury portfolio has been robust over the past few years due to the large share of US Treasuries in the portfolio.

Fitch expects both metrics, liquidity buffer and credit quality of treasury assets, to remain consistent with the 'excellent' assessment over the medium term.

Access to Capital Market, Alternative Source of Liquidity

The bank is likely to have access to additional sources of funding, if required, given its rating. NADB has discussed potential back-up credit lines with financial institutions but currently does not maintain committed loans, as access to capital markets has been proven and structural liquidity requirements can be identified in advance due to the nature of the bank's activity.

The bank plans to raise funds in US dollars on the capital markets in 2024. Since September 2023, NADB has entered into two peso-denominated borrowings, totalling an equivalent of about USD90 million.

Peer Comparison: Liquidity

	NADB (AA)		APICORP (AA)	ICD (A+)	IDB Invest (AAA)
	End-2023	Projection[a]	End-2022	End-2022	End-3Q23
Liquid assets/short-term debt (%)	20,555.7	400-500	173.1	303.2	488.3
Share of treasury assets rated AA- & above (%)	81.6	80-85	44.1	7.0	87.1

[a] Medium-term projections; forecast range
Source: Fitch Ratings, MDBs

Shareholder Support

Fitch's assesses extraordinary support provided by NADB's shareholders at 'aa', reflecting their capacity and 'moderate' propensity to support the bank.

Capacity to Provide Extraordinary Support

The 'aa+' assessment of shareholders' support capacity is anchored on the coverage of NADB's net debt by callable capital subscribed by the US.

The weighted average rating of key shareholders is 'A'. The US has a larger share of ownership (as it has paid in advance its share of paid-in capital), but we continue to treat Mexico and the US as the main shareholder of the bank. Following the downgrade of the US to 'AA+' in August 2023, the weighted average rating of key shareholders fell to 'A' from 'A+'.

Propensity to Provide Extraordinary Support

The 'moderate' propensity to support takes into account the ongoing capital payments, and the bank's limited size and geographical coverage relative to rated peers. This assessment translates into a one-notch downward adjustment to the capacity to support assessment to 'aa'.

In 2023, Mexico disbursed USD10 million of paid-in capital to the bank, but the US did not release any funds (out of its deferred capital contribution).

Peer Comparison: Shareholder Support

	NADB (AA)		APICORP (AA)	ICD (A+)	IDB Invest (AAA)
	End-2023	Projection[a]	End-2022	End-2022	End-3Q23
Coverage of net debt by callable capital	AA+	AA+	AA–	NC	NC
Average rating of key shareholders	A	A	AA–	AA	BBB
Propensity to support	-1	-1	0	-1	0

[a] Medium-term projections
Source: Fitch Ratings, MDBs

ESG Relevance Scores

This Navigator report does not constitute a new rating action for this issuer. It provides a visual summary of the integrated scoring system that shows how environmental, social and governance (ESG) factors affect individual credit rating decisions. The most recent Rating Action Commentary can be found on www.fitchratings.com.

FitchRatings

North American Development Bank

Supranational ESG Navigator
Supranational

Credit-Relevant ESG Derivation

North American Development Bank has 2 ESG rating drivers and 5 ESG potential rating drivers

- North American Development Bank has exposure to lack of supervision by an external authority and is not subject to banking regulation which, in combination with other factors, impacts the rating.
- North American Development Bank has exposure to obligor concentration; access to central bank refinancing; effectiveness of preferred creditor status which, in combination with other factors, impacts the rating.
- North American Development Bank has exposure to borrowers with limited access to external funding sources and/or extend concessional loans but this has very low impact on the rating.
- North American Development Bank has exposure to social pressure to provide support at times of crisis but this has very low impact on the rating.
- North American Development Bank has exposure to risk around the execution/predictability of its strategy but this has very low impact on the rating.
- North American Development Bank has exposure to board independence and effectiveness, ownership composition but this has very low impact on the rating.

Showing top 6 issues

			ESG Relevance to Credit Rating
key driver	0	issues	5
driver	2	issues	4
potential driver	5	issues	3
not a rating driver	2	issues	2
	6	issues	1

Environmental (E) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference	E Relevance
GHG Emissions & Air Quality	1	n.a.	n.a.	5
Energy Management	1	n.a.	n.a.	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.	2
Exposure to Environmental Impacts	2	Impact of extreme weather events and climate change on assets and corresponding risk appetite and management	Asset Quality; Risk Management	1

How to Read This Page
ESG relevance scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant.
The Environmental (E), Social (S) and Governance (G) tables break out the ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the issuer's overall credit rating. The Criteria Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The vertical color bars are visualizations of the frequency of occurrence of the highest constituent relevance scores. They do not represent an aggregate of the relevance scores or aggregate ESG credit relevance.
The Credit-Relevant ESG Derivation table's far right column is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit from ESG issues. The box on the far left identifies any ESG Relevance Sub-factor issues that are drivers or potential drivers of the issuer's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the relevance score. All scores of '4' and '5' are assumed to reflect a negative impact unless indicated with a '+' sign for positive impact.
Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI), the Sustainability Accounting Standards Board (SASB), and the World Bank.

Social (S) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference	S Relevance
Human Rights, Community Relations, Access & Affordability	3	Lending to borrowers with limited or no access to other external sources of finance; extension of concessional loans or grants; credit protection schemes	Importance of the Public Mandate; Credit Risk; Propensity to Support	5
Privacy & Data Security	1	n.a.	n.a.	4
Labour Relations & Practices	2	Restriction on recruitment based on nationality and quotas	Governance	3
Employee Well-being	1	n.a.	n.a.	2
Exposure to Social Impacts	3	Counter-cyclical mandate and development role; social pressure to provide support at times of crisis	Credit Risk; NPLs; Capitalisation; Strategy	1

Governance (G) Relevance Scores

General Issues	G Score	Sector-Specific Issues	Reference	G Relevance
Management Strategy (Operational Execution)	3	Lack of predictability and/or risk around the execution of strategy	Business Profile; Strategy; Governance	5
Governance Structure	3	Board independence and effectiveness, ownership composition, degree of political or external influence, control of one member state over the management of the institution	Business Profile; Strategy; Governance	4
Rule of Law, Institutional & Regulatory Quality	4	Supranationals are neither subject to bank regulation nor supervised by an external authority; all supranationals attract a score of '4'	Risk Management Policies; Governance	3
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes, detail and scope of information, medium-term financial forecasts	Minimum Data Requirement	2
Policy Status and Mandate Effectiveness	4	Inherent obligor risk concentration; effectiveness of preferred creditor status; access to liquidity support from central bank	Concentration; Credit Risk; Access to Central Bank Refinancing	1

CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?	
5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

Data Tables

Balance sheet

	December 31, 2023 Year end (USDm) Original	December 31, 2022 Year end (USDm) Original	December 31, 2021 Year end (USDm) Original
A. Loans			
1. To/guaranteed by sovereigns	0.0	0.0	0.0
2. To/guaranteed by public institutions	296.6	233.4	197.5
3. To/guaranteed by private sector	679.8	541.0	640.7
4. Trade financing loans (memo)	0.0	0.0	0.0
5. Other loans	0.0	0.0	0.0
6. Loan loss reserves (deducted)	16.5	22.2	22.1
A. Loans, total	**959.8**	**752.3**	**816.1**
B. Other earning assets			
1. Deposits with banks	22.5	89.5	26.5
2. Securities held for sale and trading	1,056.2	1,025.2	1,099.2
3. Investment debt securities (including other investments)	4.3	4.2	4.1
4. Equity investments	0.0	0.0	0.0
5. Derivatives (including fair-value of guarantees)	176.7	100.2	155.6
B. Other earning assets, total	**1,259.7**	**1,219.1**	**1,285.4**
C. Total earning assets (A+B)	**2,219.6**	**1,971.4**	**2,101.5**
D. Fixed assets	0.1	0.8	0.1
E. Non-earning assets			
1. Cash and due from banks	-	-	-
2. Other	26.4	21.9	13.1
F. Total assets	**2,246.0**	**1,994.1**	**2,114.6**
G. Short-term funding			
1. Bank borrowings (< 1 year)	-	-	-
2. Securities issues (< 1 year)	-	-	-
3. Other (including deposits)	5.3	5.3	154.9
G. Short-term funding, total	5.3	5.3	154.9
H. Other funding			
1. Bank borrowings (> 1 year)	-	-	-
2. Other borrowings (including securities issues)	1,183.6	1,018.2	1,001.7
3. Subordinated debt	-	-	-
4. Hybrid capital	-	-	-
H. Other funding, total	**1,183.6**	**1,018.2**	**1,001.7**
I. Other (non-interest bearing)			
1. Derivatives (including fair value of guarantees)	48.1	23.6	0.3
2. Fair value portion of debt	-	-	-
3. Other (non-interest bearing)	193.7	198.2	180.8
I. Other (non-interest bearing), total	**241.9**	**221.8**	**181.1**
J. General provisions and reserves	-	-	-
L. Equity			
1. Preference shares	-	-	-
2. Subscribed capital	6,000,0	6,000.0	6,000.0
3. Callable capital	5,100.0	5,100.0	5,100.0

Balance sheet

	December 31, 2023 Year end (USDm) Original	December 31, 2022 Year end (USDm) Original	December 31, 2021 Year end (USDm) Original
4. Arrears/advances on capital	-	-	-
5. Paid in capital (memo)	506.0	496.0	486.5
6. Reserves (including net income for the year)	305.9	286.6	285.6
7. Fair-value revaluation reserve	3.4	-33.8	4.7
K. Equity, total	**815.3**	**748.8**	**776.9**
M. Total liabilities and equity	**2,246.0**	**1,994.1**	**2,114.6**

Source: Fitch Ratings, Fitch Solutions, NADB

Income statement

	December 31, 2023 Year end (USDm) Original	December 31, 2022 Year end (USDm) Original	December 31, 2021 Year end (USDm) Original
1. Interest received	102.4	53.3	47.1
2. Interest paid	59.1	26.1	14.3
3. Net interest revenue (1. - 2.)	**43.4**	**27.2**	**32.7**
4. Other operating income	1.4	-1.7	-1.4
5. Other income	-2.9	-4.9	1.1
6. Personnel expenses	18.1	17.3	15.5
7. Other non-interest expenses	2.7	2.3	1.9
8. Impairment charge	1.7	0.0	2.9
9. Other provisions	-	-	-
10. Pre-derivative operating profit (3. + 4. + 5.) - (6. + 7. + 8. + 9.)	**19.4**	**1.0**	**12.1**
11. Net gains/(losses) on non-trading derivative instruments	-	-	-
12. Post-derivative operating profit (10. + 11.)	**19.4**	**1.0**	**12.1**
13. Other income and expenses	-	-	-
14. Net income (12. + 13.)	**19.4**	**1.0**	**12.1**
15. Fair value revaluations recognised in equity	37.3	-39.0	14.0
16. Fitch's comprehensive net income (14. + 15.)	**56.7**	**-38.0**	**26.1**

Source: Fitch Ratings, Fitch Solutions, NADB

Ratio Analysis

	December 31, 2023 (%) Original	December 31, 2022 (%) Original	December 31, 2021 (%) Original
I. Profitability level			
1. Net income/equity (average)	2.5	0.1	1.6
2. Cost/income ratio	46.5	76.7	55.5
II. Capital adequacy			
1. Usable capital/risk-weighted assets (FRA ratio)	91.2	119.8	115.4
2. Equity/adjusted total assets + guarantees	37.0	38.2	36.7
3. Paid-in capital/subscribed capital	-	-	-
4. Internal capital generation after distributions	7.3	-5.0	3.4
III. Liquidity			
1. Liquid assets/short-term debt	20,555.7	21,090.0	683.7
2. Share of treasury assets rated 'AAA'-'AA'	81.6	92.7	92.7
3. Treasury assets/total assets	48.2	56.1	53.4
4. Treasury assets investment grade + eligible non-investment grade/total assets	48.2	55.7	50.1
5. Liquid assets/total assets	48.2	55.7	50.1
IV. Asset quality			
1. Impaired loans/gross loans	0.0	0.0	1.4
2. Loan loss reserves/gross loans	1.7	2.9	2.6
3. Loan loss reserves/Impaired loans	-	-	164.4
V. Leverage			
1. Debt/equity	145.8	136.7	148.9
2. Debt/callable capital	-	-	-

Source: Fitch Ratings, Fitch Solutions, NADB

Annex

	December 31, 2023 (USDm) Original	December 31, 2022 (USDm) Original	December 31, 2021 (USDm) Original
1. Lending operations			
1. Loans outstanding	976.4	774.5	838.2
2. Disbursed loans	-	-	-
3. Loan repayments	-	-	-
4. Net disbursements	-	-	-
Memo: Loans to sovereigns	0.0	0.0	0.0
Memo: Loans to non-sovereigns	976.4	774.5	838.2
2. Other banking operations			
1. Equity participations	0.0	0.0	0.0
2. Guarantees (off-balance sheet)	0.0	0.0	0.0
Memo: Guarantees to sovereigns	0.0	0.0	0.0
Memo: Guarantees to non-sovereigns	0.0	0.0	0.0
3. Total banking exposure (balance sheet and off balance sheet)			
1. Total banking exposure (loans + equity participations + guarantees (off-balance sheet))	976.4	774.5	838.2
2. Growth in total banking exposure	26.1	-7.6	-19.2
Memo: Non-sovereign exposure	976.4	774.5	838.2
4. Support			
1. Share of 'AAA'/'AA' shareholders in callable capital	50.0	50.0	50.0
2. Rating of callable capital ensuring full coverage of net debt	AA+	AA+	AAA
3. Weighted average rating of key shareholders	A	A	A+
5. Breakdown of banking portfolio			
1. Loans to sovereigns/total banking exposure	0.0	0.0	0.0
2. Loans to non-sovereigns total banking exposure	100.0	100.0	100.0
3. Equity participation/total banking exposure	0.0	0.0	0.0
4. Guarantees covering sovereign risks/total banking exposure	0.0	0.0	0.0
5. Guarantees covering non-sovereign risks/total banking exposure	0.0	0.0	0.0
Memo: Non-sovereign exposure (2. + 3. + 5.)/total banking exposure	100.0	100.0	100.0
6. Concentration measures			
1. Largest exposure/equity (%)	11.8	13.1	12.9
2. Five largest exposures/equity (%)	39.9	42.9	40.9
3. Largest exposure/total banking exposure (%)	9.8	12.7	11.9
4. Five largest exposures/total banking exposure (%)	31.9	34.9	32.6
7. Credit risk			
1. Average rating of loans and guarantees	BBB-	BBB-	BBB
2. Loans to investment-grade borrowers/gross loans	52.4	51.9	55.8
3. Loans to sub-investment-grade borrowers/gross loans	55.0	66.9	60.7
8. Liquidity			
1. Treasury assets	1,083.1	1,118.9	1,129.8
2. Treasury assets of which investment grade + eligible non-investment grade	1,082.1	1,110.2	1,059.3
3. Unimpaired short-term trade financing loans	0.0	0.0	0.0
4. Unimpaired short-term trade financing loans - discounted 40%	0.0	0.0	0.0
5. Liquid assets (2. + 4.)	1,082.1	1,110.2	1,059.3

Source: Fitch Ratings, Fitch Solutions, NADB

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