CREDIT OPINION
21 July 2026

Update

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RATINGS

NADB

	Rating	Outlook
Long-term Issuer	Aa1	STA
Short-term Issuer	P-1	--

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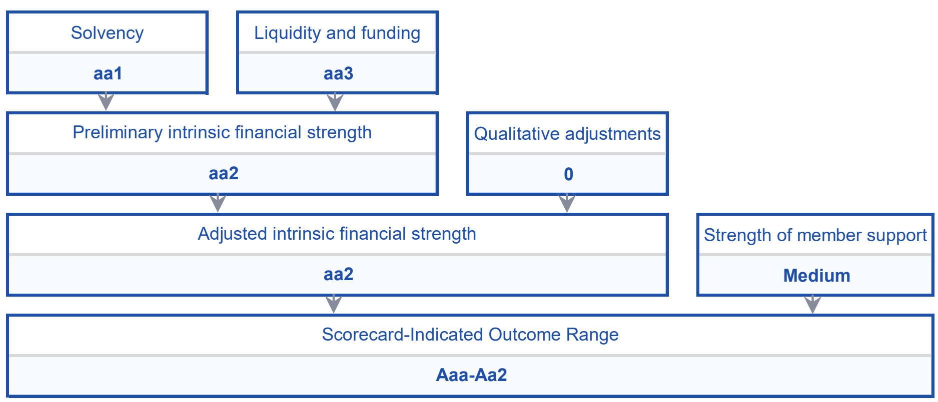
North American Development Bank – Aa1 stable

Update following rating affirmation, outlook changed to stable

Summary

North American Development Bank's (NADBank) credit profile reflects the bank's strong capital adequacy and liquidity, and high credit links with the United States (Aa1 stable) and Mexico (Baa3 stable), its two shareholders. The bank's coverage of its debt is very high, and its capital adequacy is strong compared with that of its peers we rate. Moreover, the geographic mandate along the US-Mexico border contributes to a relatively concentrated loan portfolio and member concentration risk.

Exhibit 1
NADBank's credit profile is determined by three factors



Source: Moody's Ratings

Credit strengths

» Very high capital adequacy, with a strong capital position compared with that of peers

» Very strong liquidity policy and coverage of debt service

» Strong asset performance and moderate portfolio quality

Credit challenges

» Member concentration risk because its shareholder base has only two governments

» High loan portfolio concentration by country because of the geographic mandate

» Narrower market access than similarly rated peers because of less frequent debt issuance

Rating outlook

The stable rating outlook reflects our expectation that NADBank will continue to receive strong support from its members, especially the US, along with ongoing capital contributions from Mexico. Our baseline factors in sustained shareholder commitment and policy relevance in addressing development needs in the US-Mexico border region, which will support the bank's capital position, liquidity buffers and overall credit profile over the medium term.

Factors that could lead to an upgrade

Upward rating pressure is limited because of the close links between NADBank's credit profile and that of its shareholders. An upgrade would require a substantial improvement in the members' credit quality and a significant increase in policy relevance, reflected in an expanded mandate and significantly higher shareholder support, including capital contributions beyond current expectations. This would need to be accompanied by the continued maintenance of very strong intrinsic financial strength, with capital adequacy and liquidity metrics remaining consistent with highly rated multilateral development banks as the balance sheet expands.

Factors that could lead to a downgrade

Downward pressure on NADBank's rating would emerge in the event of a weakening in the credit quality or capacity to provide support of its shareholders, particularly the United States as its highest-rated member, given the strong linkage between the bank's credit profile and that of its largest shareholder. Negative pressure would also arise if there were evidence of a reduced willingness by either member to support the institution, including a change in shareholder financial support or in the institution's mandate, particularly if policy shifts from shareholders indicate that long-term support may not be as strong or as forthcoming as it has been in the past. In addition, a significant deterioration in asset quality or financial performance would weigh on the bank's intrinsic financial strength.

Key indicators

Exhibit 2

NADBank	2020	2021	2022	2023	2024	2025
Total Assets (USD million)	2,177	2,115	1,994	2,288	2,402	2,522
Total Risk-Adjusted Assets (USD million)	-	-	-	-	1,100.3	1,031.3
Usable Equity (USD million) [1]	763.7	776.9	748.8	818.3	867.8	1,078.9
MAC Ratio [2]	-	-	-	-	79%	105%
Non-Performing Assets / DRA	0.0	0.0	0.0	0.1	0.0	0.1
Liquid Assets / ST Debt + CMLTD	19,150.5	727.7	21,255.8	20,555.7	964.1	947.5
Liquid Assets / Total Assets	46.3	53.4	56.1	47.3	51.7	47.5
Availability of Liquid Resources [3]	621.4	438.1	493.1	367.4	430.9	349.9
Weighted Average Shareholder Rating	A1	A1	A2	A2	A2	A3
Callable Capital / Gross Debt	419.6	440.9	498.3	415.4	397.0	389.5

[1] Usable equity is total shareholder's equity and excludes callable capital

[2] Usable equity / risk-adjusted assets

[3] Liquid assets / net cash outflows (Upcoming 18 months)

Source: Moody's Ratings

Profile

Headquartered in San Antonio, Texas, North American Development Bank (NADBank) was established in 1994 under the Agreement Between the Government of the United States of America and the Government of the United Mexican States concerning the establishment of Border Environment Cooperation Commission (BECC) and NADBank.[1]

The bank's main activity is its international program, through which it provides loans, grants, and technical assistance and training to border municipalities and private-sector companies in both Mexico and the US. To facilitate lending to Mexican borrowers in the public sector, the bank has one subsidiary, Corporacion Financiera de America del Norte (COFIDAN), of which it owns 99.95%. The Mexican government owns the remaining 0.05%. NADBank faces a high degree of geographic concentration risk because it only operates in two countries, with an additional forced concentration within a 400-kilometer north-south band.[2]

Detailed credit considerations

Our determination of a supranational's rating is based on three rating factors: solvency, liquidity and funding, and strength of member support. For multilateral financial institutions (MFIs), the first two factors combine to form the assessment of intrinsic financial strength, as shown in Exhibit 1. Additional factors, such as risks stemming from the operating environment or the quality of management, can also affect the intrinsic financial strength. The strength of member support is then incorporated to yield a rating range. For more information, please see our Multilateral Financial Institutions Methodology.

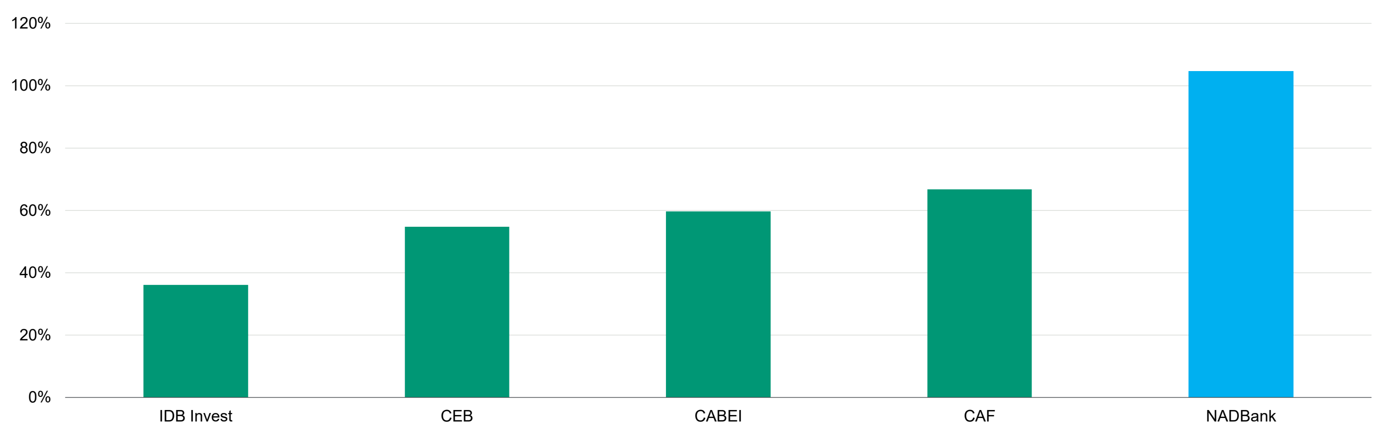
FACTOR 1: Solvency: aa1

NADBank's "aa1" solvency assessment reflects its strong capital adequacy, characterized by relatively low leverage, moderate portfolio credit quality compared with that of similarly rated peers, and strong asset performance. However, these strengths are balanced against the high concentration risk by country and sector. We expect these metrics to remain robust and relatively stable in the coming years as a result of the bank's strategic loan growth plans and incoming paid-in capital contributions.

Strong capital buffers and asset performance underpin NADBank's solvency profile

NADBank's MFI Adjusted Capital (MAC) ratio was 104.6% in 2025, well above the 75% threshold for an "aaa" score and among the strongest in its Aa-rated peer group (see Exhibit 3). Usable equity benefits from the continued inflow of paid-in capital contributions from the US and Mexico, moderate loan portfolio growth, and a consistent history of prepayments. Initially, we scored the bank's capital adequacy at "aaa" but then adjusted it to "aa2" to reflect a two-notch downward adjustment for loan portfolio concentration, because of NADBank's narrow geographic mandate (the US-Mexico border region) and sectoral focus (primarily environmental and municipal infrastructure).

Exhibit 3
NADBank's capital position is stronger than that of many Aa-rated peers
MAC ratio, 2025



Sources: MFIs and Moody's Ratings

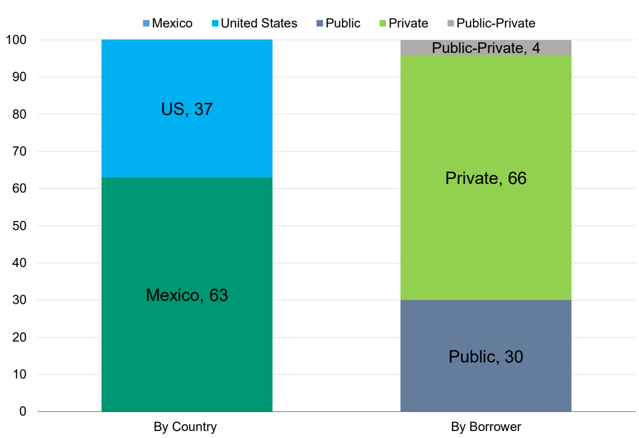
Paid-in capital inflows will continue to reinforce usable equity through 2028. In 2016, the governments of the US and Mexico agreed on a general capital increase (GCI) of $3 billion for the bank, doubling subscribed capital to $6 billion. In April 2020, the two shareholders agreed on a disbursement schedule that will increase paid-in capital to $855 million by year-end 2028 from $415 million as of December 2019. As of year-end 2025, paid-in capital had reached $715 million. In January 2025, Mexico made a payment of $46 million in paid-in capital and subscribed 30,667 shares of its GCI allocation (4,600 shares of paid-in capital, or $46 million, and 26,067 shares of callable capital, or $260.67 million). In June 2025, the US released $48 million of the US' previously restricted paid-in capital, which contributed to a substantial increase in equity. In September 2025, Mexico contributed additional $43 million and $72 million were released by the US, totaling $89 million contributed by Mexico and $120 million unrestricted by the US for fiscal year 2025. In 2026, the Government of Mexico is expected to make a new payment that will also result in the release of US' restricted paid-in capital.

The quality of NADBank's portfolio is relatively strong compared with that of other Aa-rated peers. Because of the bank's exposure to primarily private-sector borrowers in the US, about 14% of its portfolio benefits from high credit quality (equivalent to a rating of A3 or higher). Meanwhile, nearly 75% of the portfolio is rated in the Baa and Ba equivalent categories. Many of these loans are to public entities in Mexico, which receive federal government support through trusts that provide resources to repay the loans if necessary. Because no loans are provided to the two sovereign shareholders, nor do they benefit from explicit federal government guarantees, we do not apply a preferred creditor uplift. Because we expect development-related assets (DRAs) to grow gradually and maintain their relatively strong credit quality, the bank's MAC ratio is likely to remain strong over the next 2-3 years.

Among all the MDBs that we rate, NADBank faces the highest degree of geographic concentration risk because it only operates in the area around the Mexico-US border. As of year-end 2025, 63% of its loans were in Mexico. The bank also lends significantly to the private sector, with public-sector exposures (loans) accounting for 30% of the total in 2025 (see Exhibit 4). Over a decade ago, NADBank expanded its development operations in the renewable energy sector, including larger projects. In recent years, the bank has pursued a diversification strategy that has increased the share of water management-related projects, making it the second-largest sector (see Exhibit 5). Although we expect renewable energy projects to remain the largest share of the portfolio, especially if the opening of Mexico's electricity sector to more private investment boosts demand for NADBank's loans, the bank's strategy to increase its diversification metrics will likely be effective in reducing sector concentration.

Exhibit 4

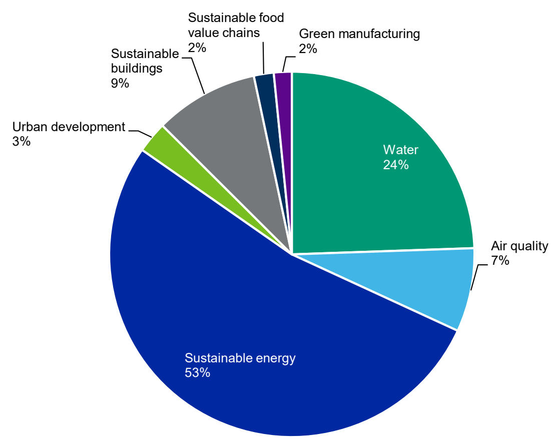
Portfolio is concentrated in Mexico and the private sector
(Loan portfolio by country and borrower in 2025, percentage of total)



Sources: NADBank and Moody's Ratings

Exhibit 5

Portfolio is concentrated in sustainable energy
(Loan portfolio by sector in 2025, percentage of total)



Sources: NADBank and Moody's Ratings

A track record of very low NPA supports "aaa" asset performance

NADBank's asset performance is a clear strength, scored at "aaa". Nonperforming assets (NPA) constituted only 0.13% of development assets in 2025, well within the "aaa" band, with no adverse trend and no signs of excessive development asset growth. In fiscal 2025, NADBank charged off a non-accrual loan with an allowance of $3.5 million. Additionally, a loan of $1.5 million was past due by more than 90 days as of year-end but returned to current status by May 2026. Nonperforming loans remained low at 0.1% of gross loans as of the end of fiscal 2025. NADBank's track record of negligible NPA reflects prudent underwriting, close borrower monitoring and the essential nature of the infrastructure projects it finances.

FACTOR 2: Liquidity and funding score: aa3

Our "aa3" liquidity and funding score for NADBank reflects its strong liquidity, one of its key strengths. Limited debt issuance and loan disbursements have led to the accumulation of a substantial liquidity buffer.

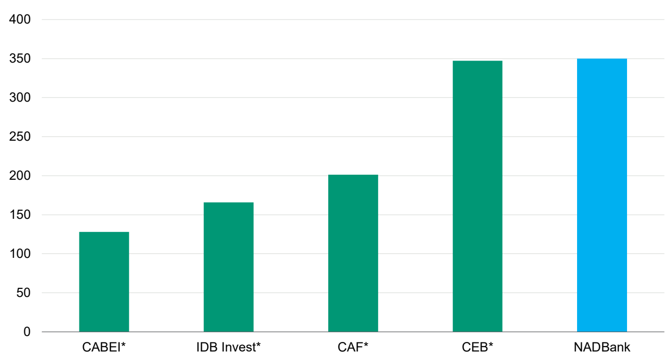
Liquidity coverage is very strong because of low borrowing needs

NADBank's liquidity policy requires that "the minimum amount of aggregate liquid asset holdings is equal to the highest consecutive 12 months of the following 18 months of expected debt-service obligations, plus committed net loan disbursements (if positive), plus projected operating expenses for the relevant fiscal year." The bank determines a minimum amount before the beginning of the fiscal year and can revise it during the year to account for major changes in the outlook.

NADBank's liquidity policy ensures that the bank compares favorably with most Aa-rated peers in terms of liquidity indicators. Its availability of liquid resources (net cash and liquid assets as a percentage of outflows expected over the next 18 months in a stress scenario without new market issuances or capital contributions from members) is among the highest across the MDBs we rate, earning an "aaa" score. Its liquid assets relative to maturing debt also rank among the strongest in its peer group, totaling 350% in 2025 (see Exhibit 6). This reflects NADBank's low leverage and well-spread maturity profile (see Exhibit 7), and its moderate growth plans, which keep its borrowing needs low.

Exhibit 6

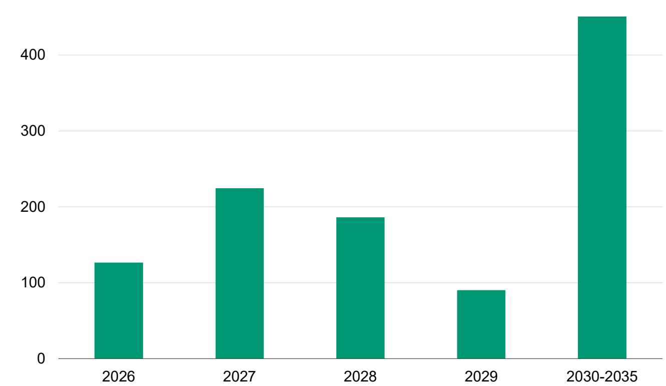
NADBank has a strong liquidity coverage
Availability of liquid resources, in percentage terms



*Data as of 2024.
Sources: MFIs and Moody's Ratings

Exhibit 7

Amortization profile is spaced out, reducing rollover risk
$ millions



Sources: NADBank and Moody's Ratings

Another factor supporting the long-term strength of the bank's liquidity is the presence of a debt-service reserve fund within its retained earnings. This fund has the highest priority for funding among the bank's reserve funds and is maintained at an amount equal to 12 months of interest due on the bank's outstanding debt at each fiscal year-end. The existence of this fund effectively puts aside a portion of total liquid assets for debt service, therefore complementing the liquidity policy and providing additional protection to bondholders.

Funding program is still limited compared with that of larger Aa-rated peers

NADBank's quality of funding indicator scores at "a," below the "aa" score that we assign to most of its Aa-rated peers given their longer established track record in issuing debt and larger borrowing programs. However, the bank is expected to regularly issue debt going forward to fund loan growth and debt refinancing. The Bank has also updated its green bond framework, originally established in 2018 and most recently updated in 2024, and may continue to issue green bonds while studying different issuance options that would facilitate more opportunistic market access.

NADBank's low leverage and small size have led to a modest borrowing program. The bank currently has seven bonds outstanding, issued in three currencies (US dollar, Swiss franc and Norwegian krone). It has also started borrowing in Mexican pesos, which will help diversify its investor base and increase efficiencies in currency management between its assets and liabilities. Despite these limitations, NADBank benefits from brand recognition in these markets, which has translated into favorable borrowing conditions. Additionally, the bank obtained approval from the Swiss National Bank to include NADBank bonds in the Repo Basket, so that local investors in Switzerland can use NADBank's securities as collateral.

Qualitative adjustments to intrinsic financial strength

Operating environment

We have not applied qualitative adjustments in our assessment of NADBank's credit profile related to its operating environment.

Quality of management

NADBank's quality of management is in line with the practices at the MDBs that we rate. In addition to having robust capital adequacy and liquidity risk policies, the bank's management has ensured compliance with these policies, which has resulted in strong credit metrics. NADBank has also made efforts to continue to enhance its risk management capabilities. For example, in 2021 the bank enhanced its internal credit risk assessment by implementing credit risk scorecard methodologies that evaluate financial and operating metrics relevant to the overall performance of the project or loan based on industry best practices.

FACTOR 3: Strength of member support score: Medium

NADBank's score of "Medium" for strength of member support reflects its shareholders' contractual commitment and ability to provide support in a stress scenario. We set the score below the indicative "High" score, reflecting the high member concentration and the risk that changes in domestic or bilateral policies may reduce their propensity to support the bank in the future. The two members have experienced increased fiscal pressures that have weighed on their credit profiles. Although we expect them to continue to support the bank in line with the ongoing GCI, these fiscal constraints may limit any additional support. Notably, the coverage provided by the pledged callable capital relative to NADBank's outstanding debt is very high.

Bilateral nature of NADBank increases credit links with shareholders

NADBank stands out from most peers because it operates exclusively in the US-Mexico border region and has only two shareholders: the US and Mexico. This implies high credit links between the bank and its two members. Although the bank is among the smaller multilateral financial institutions that we rate, the shareholders have supported the bank to foster the economic integration of the two countries and help address common environmental challenges.

Political factors, including those influencing policy changes within each country that affect the bank or pertain to bilateral relations between the two shareholders, play a significant role in our assessment of support. Although NADBank benefits from a direct connection to the administrations in both countries because its board consists of cabinet-level officials, any shifts in policies, whether domestic or related to the bilateral relationship — including the ongoing revision of the US-Mexico-Canada Agreement (USMCA) —, could affect the level of support provided to the bank.

Ordinary support remains strong but has declined because of increased fiscal pressures

Both members face increased fiscal pressures that have weighed on their own credit standing. Because of the recent downgrade of the US' rating to Aa1 stable from Aaa negative and several previous downgrades of Mexico's rating to Baa3 stable from A3 stable, the members' ability to support the bank, as denoted by a weighted average shareholder rating, has declined to A3 from A2. Although the already approved commitments to the bank remain manageable, these increased fiscal pressures in both countries may also affect their willingness to provide additional resources hereafter. Specifically, in the case of the US, the paid-in capital due as part of the ongoing GCI has already been provided, although a portion of its additional callable capital would still need to be approved.

Track record of support balances previously committed support with risks from policy changes in member countries

In 2016, the board of directors of NADBank and the governments of Mexico and the US agreed to increase subscribed capital to $6 billion from $3 billion, with both countries subscribing in equal amounts. This capital increase process experienced delays, and in 2020, following the ratification of the USMCA, which replaced the North American Free Trade Agreement (NAFTA), the shareholders agreed on a new payment schedule for the paid-in capital, with payments now scheduled to be completed by year-end 2028. The finalized paid-in capital disbursement schedule indicates that paid-in capital will increase to $855 million by year-end 2028 from $415 million as of December 2019.

The US disbursed all of its scheduled payments ahead of time, but most of the funds are deemed restricted from commitment and will be released over time, in accordance with the agreement between the shareholders. As of December 2025, the US' paid-in capital was $383 million. The remainder will be progressively recognized as paid-in capital in the balance sheet, in line with the agreed schedule. As of December 2025, Mexico's paid-in capital was $333 million, bringing the total paid-in capital to $715 million. During the first quarter of 2025, Mexico disbursed $46 million of paid-in capital, which led to the release of a portion of the US' restricted paid-in capital that was reflected as an increase in equity of about $100 million in 2025.

In addition to benefiting from the participation of various cabinet-level representatives from both countries on its board, NADBank is the only MDB that operates within the US. In the past, this has meant that the bank has received strong support from local political representatives. In addition to the support demonstrated through the ongoing capital increase, we expect NADBank's continued focus on increased participation in water management projects in the US-Mexico border region to enhance the developmental impact of the bank. NADBank's efforts to tackle challenges around the reliability of clean energy supply and droughts affecting water availability in this region will support the ongoing relocation of supply chains to the North American region in future years.

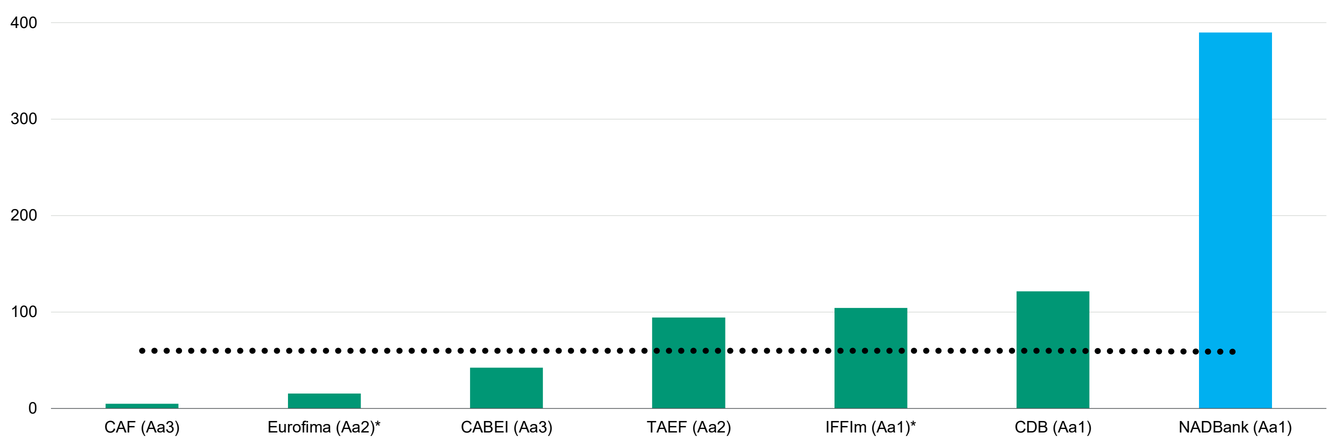
Callable capital continues to provide sizable protection to bondholders

The bank continues to benefit from substantial callable capital, which forms the basis of our contractual support assessment, for which NADBank scores "aaa." Our assessment takes the callable capital from both shareholders (Mexico and the US) and compares it with NADBank's total debt stock. NADBank's low leverage, coupled with the doubling of callable capital in 2016, means that the bank's capital coverage is the highest among the Aa-rated MDBs, at 389.5% as of 2025 (see Exhibit 8). Assuming that the shareholders do not amend or rescind their capital pledges in an adverse scenario, callable capital commitments offer sufficient absorption capacity to insulate bondholders from any possible credit losses, even if the debt burden were to more than triple from its current levels.

Exhibit 8

NADBank's contractual support is the strongest among Aa-rated peers

(Callable capital as a percentage of gross debt; dotted line shows the Aa-rated median in 2025, in percentage terms)



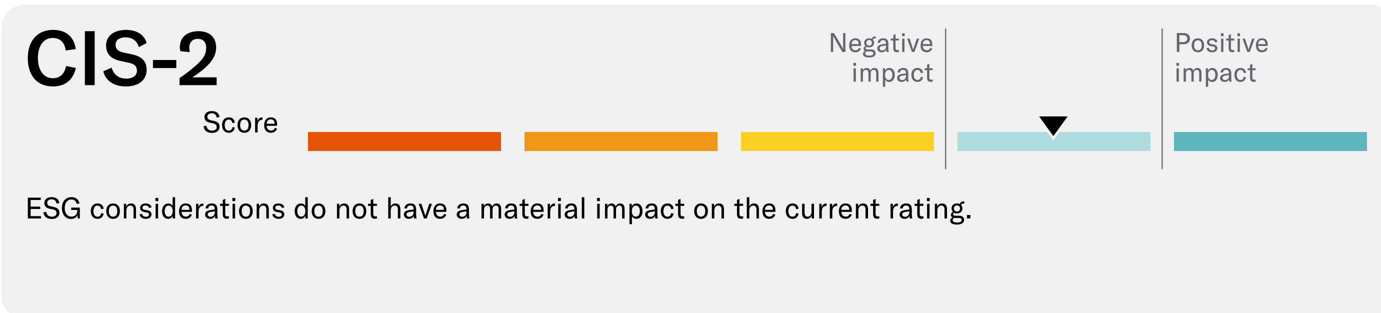
*Data as of 2024.

Sources: MFIs and Moody's Ratings

ESG considerations

North American Development Bank's ESG credit impact score is CIS-2

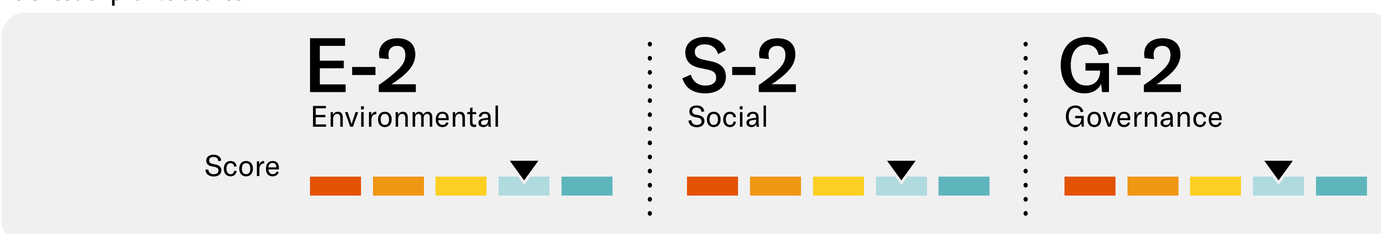
Exhibit 9
ESG credit impact score



Source: Moody's Ratings

NADBank's **CIS-2** credit impact score reflects low exposures to environmental, social and governance risks on its credit profile. Although potential changes in energy regulations in Mexico exposed NADBank risks to its asset quality and performance, the bank's focus on renewable energy and water management will remain key for its development mandate. The effective execution of this mandate also supports NADBank's social impact in its region of operations and highlights its robust governance.

Exhibit 10
ESG issuer profile scores



Source: Moody's Ratings

Environmental

NADBank's environmental issuer profile score is **E-2**, reflecting its strong environmental mandate and focus on financing clean energy projects. While this mandate supports environmental objectives, it also exposes the bank to carbon transition risks in Mexico, where government policies have prioritized the state-owned utility company, which relies more heavily on hydrocarbon-based electricity generation. Despite these challenges, NADBank continues to advance environmental sustainability by supporting initiatives that improve water management and air quality. These efforts contribute to the bank's broader objective of mitigating environmental risks along the US-Mexico border region.

Social

NADBank has a **S-2** social issuer profile score, in line with the broader sector. This assessment reflects our views of NADBank's strong customer relations and responsible production, which allow it to have important socioeconomic impact in its region of operations along the US-Mexico border region.

Governance

NADBank's governance issuer profile score is **G-2**, given its prudent risk management practices that help mitigate risks from its lending operations to sub-national governments and private sector entities. This balances moderately negative risk to the issuer profile from concentrated ownership with only two shareholders, namely the US and Mexico, that can at times foster cooperation but is also susceptible to political developments in both countries.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Recent developments

The bank maintains strong financial position amid continued capital accumulation and likely asset growth in Q1 2026

NADBank maintained a strong financial position in early 2026, with development assets broadly stable at $1.17 billion in Q1 2026 and total equity of around $1.08 billion, supported by the substantial capital contributions received in 2025. The bank's financial performance remained solid, with net operating income of $9.6 million in Q1 2026, while retained earnings increased to $341.3 million, further strengthening internal capital generation.

Management expects paid-in capital to continue to increase through 2028 under the GCI schedule, with paid-in capital projected to rise to $855 million by year-end 2028 from $715 million in 2025. At the same time, development assets are likely to increase to $1.52 billion by 2028 from $1.17 billion in 2025, driven in part by growing investment in water infrastructure projects. Management expects the bank to maintain strong capitalization and liquidity metrics while supporting higher lending activity over the coming years.

Portfolio diversification is evolving in line with NADBank's strategic plan

NADBank continues to implement its 2024-28 Strategic Plan, with its recent portfolio growth increasingly aligned with the bank's objective of expanding lending to water-related infrastructure projects while maintaining support for energy and other environmental investments. As of Q1 2026, development assets remained broadly stable at around $1.17 billion, while the share of water-sector loans increased to 27% of the portfolio from 21% in 2024, reflecting growing demand for water infrastructure investments across the US-Mexico border region.

The shift in portfolio composition supports NADBank's long-term diversification strategy. While energy projects continue to represent the largest sector exposure because of their typically larger size and portfolio concentration remains constrained by the bank's narrow geographic mandate, the share of energy loans declined to 51% in Q1 2026 from 60% in 2024. Management expects portfolio growth to be driven in part by new water-related projects, which should contribute to a more balanced sector mix over time.

Rating methodology and scorecard factors: NADBank - Aa1 stable

Factor / Subfactor	Metric	Initial score	Adjusted score	Assigned score
Factor 1: Solvency (50%)			aa1	aa1
Capital adequacy (30%)			aa2	
	MFI Adjusted Capital (MAC) ratio	aaa		
	Trend	0		
	Concentration	-2		
Asset performance (20%)			aaa	
	Non-performing assets	aaa		
	Trend	0		
	Excessive development asset growth	0		
Factor 2: Liquidity and funding (50%)			aa3	aa3
Liquid resources (15%)			aaa	
	Availability of liquid resources	aaa		
	Trend in coverage outflow	0		
	Access to extraordinary liquidity	0		
Quality of funding (35%)			a	
Preliminary intrinsic financial strength				aa2
Other adjustments				0
Operating environment		0		
Governance		0		
Adjusted intrinsic financial strength				aa2
Factor 3: Strength of member support (+3,+2,+1,0)			High	Medium
Ordinary support (70%)			baa2	
	Weighted average shareholder rating	A3		
	Track Record of Support and Policy Relevance	Medium		
	Large presence of highly-rated non-borrowing members	0		
	Diversification of shareholder base	0		
Extraordinary support (30%)				
	Contractual support	aaa	aaa	
	Strong enforcement mechanism	0		
	Payment enhancements	0		
Scorecard-Indicated Outcome Range				Aaa-Aa2
Rating Assigned				Aa1

Note: Our ratings are forward-looking and reflect our expectations for future financial and operating performance. However, historical results are helpful in understanding patterns and trends of an issuer's performance as well as for peer comparisons. Additional considerations that may not be captured when historical metrics are used in the scorecard may be reflected in differences between the adjusted and assigned factor scores. Furthermore, in our ratings we often incorporate directional views of risks and mitigants in a qualitative way. For more information please see our Multilateral Financial Institutions rating methodology.

Source: Moody's Ratings

Related websites and information sources

» Moody's Supranational webpage

» Moody's Sovereign and supranational rating list

» North American Development Bank webpage

Endnotes

1 BECC has since been merged with NADBank.

2 Pursuant to its charter, NADBank works closely with border communities, state agencies and other entities to develop affordable and self-sustaining projects. These initiatives focus on areas such as potable water, wastewater treatment and solid waste management, and on projects to improve air quality, conserve water, reduce energy consumption and develop renewable energy sources. In addition, they aim to combat climate change and transition to a greener economy. These efforts are concentrated within 100 kilometers (about 62 miles) north or 300 kilometers (about 186 miles) south of the international boundary between the two countries.

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