MOODY'S
RATINGS

Rating Action: Moody's Ratings changes North American Development Bank's outlook to stable from negative; affirms Aa1 ratings

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New York, July 16, 2026 -- Moody's Ratings (Moody's) has today changed the outlook on North American Development Bank (NADBank) to stable from negative and affirmed its long-term issuer and senior unsecured Aa1 ratings. The short-term issuer rating of the NADBank was affirmed at Prime-1 (P-1).

The change to a stable outlook from negative reflects diminished downside risks to our assessment of NADBank's strength of member support, particularly regarding the United States' willingness to support the bank. The release of previously paid capital and adherence to planned contributions under the ongoing general capital increase by the Government of United States of America (Aa1 stable) and Government of Mexico (Baa3 stable) governments – each holding 50% of subscribed capital – are signs of continued engagement. In a similar vein, the US federal government has reiterated its support for the bank in its congressional reporting and the bank has received written bipartisan support from congressional representatives and lower levels of government due to its important role in financing infrastructure and environmental priorities along the US–Mexico border.

The affirmation of the Aa1 rating reflects NADBank's strong intrinsic financial strength, supported by robust capital adequacy, very strong asset performance, and high liquidity buffers. Member support provides some further support to its credit profile. These strengths offset structural constraints related to the bank's geographical mandate along the border region, high sectoral concentration, and more narrow market access relative to peers.

RATINGS RATIONALE

RATIONALE FOR THE CHANGE TO STABLE OUTLOOK FROM NEGATIVE

The outlook change to stable from negative reflects reduced downside risks to NADBank's strength of member support, particularly from the US. Uncertainty following the review of US participation in international institutions has eased, and towards NADBank in particular via continued engagement evidenced by the release of paid-in capital, adherence to planned contributions under the general capital increase (GCI), and reaffirmation of the bank's policy role in supporting infrastructure and environmental priorities along the US–Mexico border.

Both shareholder governments met their capital commitments in 2025, and we expect this to continue to be the case through the end of the GCI process by 2028. Mexico has accelerated the pace of its contributions under the capital increase schedule despite its own fiscal challenges, and these contributions have supported further growth in the bank's capital base. We expect these capital flows to continue reinforcing solvency and liquidity over the medium term.

There is evidence that the bank continues to benefit from strong support from US legislators and local authorities for border water and environmental infrastructure projects, pointing to the bank's policy relevance across various levels of the US government. In our base case we assume that NADBank's mandate and its operations will remain unaffected by the more strained bilateral US-Mexico relations, following the US decision to not extend the US-Mexico-Canada Agreement (USMCA) on a long-term basis.

RATIONALE FOR AFFIRMING THE Aa1 RATING

The affirmation of the Aa1 ratings reflects NADBank's strong intrinsic financial strength. The bank's solvency metric is among the highest for rated multilateral financial institutions, supported by a MAC ratio of 105% in 2025, while asset performance remains very strong, with non-performing assets at 0.1% of development assets in 2025. Liquidity is also a key strength, with an availability of liquid resources ratio of about 350% in 2025. Continued member support via the GCI process will allow the bank to maintain a strong capital position as paid-in capital rises to $855 million by year-end 2028 from $715 million in 2025, while development assets increase gradually over the same period.

These strengths are balanced by a high degree of membership concentration, as NADBank only has two shareholders, which implies that its creditworthiness is more closely linked to the ability and willingness of its members to provide support to the entity. This results in a strong linkage in the bank's ratings trajectory with that of its members.

Another important challenge is related to high portfolio concentration by country and sector, a limited geographic mandate and more narrow market access than similarly rated peers. The bank has continued making progress towards portfolio diversification as directed by its 2024-28 business strategy, with the largest share of projects (just over 50% of total loans) still dedicated to renewable energy but with a growing share focused on water management that is now close to 30% of total loans.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) CONSIDERATIONS

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.

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.

NADBank has a S-2 social issuer profile score, in line with the broader sector. This assessment reflects Moody' 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.

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.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

WHAT COULD CHANGE THE RATING UP

Upward rating pressure is limited given the close linkage between NADBank's credit profile and that of its shareholders. An upgrade would require a significant improvement in the members' credit quality, as well as a material 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.

WHAT COULD CHANGE THE RATING DOWN

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.

The principal methodology used in these ratings was Multilateral Financial Institutions published in June 2026 and available at https://ratings.moodys.com/rmc-documents/468058. Alternatively, please see the Rating Methodologies page on https://ratings.moodys.com for a copy of this methodology.

The net effect of any adjustments applied to rating factor scores or scorecard outputs under the primary methodology(ies), if any, was not material to the ratings addressed in this announcement.

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