FitchRatings

Supranational
Italy

International Fund for Agricultural Development (IFAD)

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+

Outlooks

Long-Term IDR	Stable

Financial Data

	End-2021	End-2022
Total assets (USDm)	10,596	10,240
Equity to assets (%)	81.0	77.8
Fitch's usable capital to risk-weighted assets (FRA, %)	76.3	62.6
Average rating of loans and guarantees	B+	B
Impaired loans (% of total loans)	2.5	2.1
5 largest exposures to total exposure (%)	27.7	28.2
Share of non-sovereign exposure (%)	0.0	0.0
Net income/equity (%)	-3.8	-5.1
Average rating of key shareholders	AA	AA

Source: Fitch Ratings, IFAD

Applicable Criteria

Supranationals Rating Criteria (April 2023)

Related Research

Fitch Affirms IFAD at 'AA+'; Outlook Stable (September 2023)

Click here for more Fitch Ratings content on International Fund for Agricultural Development (IFAD)

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Key Rating Drivers

SCP Underpins Rating: The International Fund for Agricultural Development's (IFAD) 'AA+' Long-Term Issuer Default Rating continues to be anchored on its Standalone Credit Profile (SCP). IFAD's SCP assessment is driven by its solvency (aa+) and liquidity (aa+) profiles, which are unchanged from 2022. The medium risk business environment does not translate into any notch adjustment to the rating. Fitch Ratings' assessment of IFAD's shareholders' capacity and propensity to support does not provide any uplift above our assessment of its SCP.

IFAD13 Replenishment Launched: IFAD's main financial resources are contributions from its member states, paid through three-year replenishment cycles, with the most significant contributors the G8 countries, including the US (AA+/Stable), Germany (AAA/Stable) and Italy (BBB/Stable). The fund's current replenishment cycle, IFAD12 (which runs from 2022–2024), is expected to be around USD1.3 billion, which is an increase from the previous cycle (IFAD11: USD1.1 billion).

IFAD13 (which runs from 2025–2027) was launched in February 2023, with some pledges received in advance. The fourth and final consultation session for IFAD13 will take place in December 2023, which is when most member countries will announce their pledges, with further pledges expected during the Governing Council meeting in February 2024. Until that point, the likely size of the IFAD13 replenishment is unclear.

'Excellent' Capitalisation Underpins Solvency: Fitch expects IFAD's equity/assets ratio will continue to far exceed the 25% 'excellent' threshold over the medium term. As of end-2022, this ratio was around 78%. Our assessment is also supported by the fund's usable capital/risk-weighted assets ratio, which also far exceeds the 35% 'excellent' threshold. IFAD is inherently loss-making due to its business model, but this is offset by the paid-in contributions it receives from member states.

Credit Risk Assessment Unchanged: Nonperforming loans (NPLs) represented 2.1% of total loans at end-2022. As of June 2023, four sovereigns were classified as NPLs to IFAD (North Korea, Lebanon 'RD'), Venezuela and Yemen). Relative to 2022's review, Lebanon (0.1% of total loans) is now classified as nonperforming, meanwhile Somalia (0.3% of loans) is performing and is excluded from this NPL metric.

Treasury Portfolio Quality Improving: Liquidity is a rating strength for IFAD, with the liquidity profile assessed at 'aa+', unchanged from the 2022 review. The quality of IFAD's treasury asset portfolio improved over the past 24 months, with an increased share of 'AAA' to 'AA' rated treasury assets (78% in 2022 vs. 72% in 2020). This continued improvement reflects changes to the fund's liquidity and investment guidelines, which became active at the start of IFAD12.

Medium Risk Business Environment: IFAD's business environment is unchanged from 2022 and is deemed 'medium risk', which translates into a zero-notch adjustment to the solvency assessment of 'aa+', leading to a SCP of 'aa+'. Our assessment of IFAD's 'low risk' business profile is driven by the 'low risk' quality of governance, supported by the large share of non-borrowing member states and the absence of one overly dominant contributor. Our 'high risk' assessment of IFAD's operating environment reflects the relatively high share of low-income countries within the distribution of IFAD's countries of operations.

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
IFAD	aa+	aa+	aa+	0	aa+	AA	0	0	AA+

SCP – Standalone Credit Profile
Source: Fitch Ratings

Rating Sensitivities

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

- **Solvency (Risk):** Worse-than-expected impact of the current deterioration in the economic environment on the fund's loan portfolio, leading to a higher loan impairment ratio (above 6%) and/or weaker credit quality of the loan portfolio than currently expected.
- **Business Environment (Business Profile):** A deterioration in the fund's business profile, which could lead to a negative revision of our current 'low' risk assessment. For example, this could stem from any potential weakening in our assessment of the fund's strategy risk in the context of the transition towards a more levered balance sheet.

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

- **Solvency (Risk):** Resilience of the loan portfolio, resulting in a stronger credit risk profile than currently anticipated, particularly an improvement in the fund's loan impairment ratio relative to Fitch's expectations, to a level commensurate with a 'very low' assessment and an improvement in the average rating of the loan portfolio.
- **Liquidity:** An improvement in our assessment of IFAD's access to capital markets (currently 'weak') following regular public issuance under the euro medium-term note programme could lead to a positive adjustment to the liquidity assessment.

Given the solvency and liquidity assessments are at the same level (aa+), they would both need a positive revision to result in any upward rating pressure on the Long-Term Issuer Default Rating.

- **Business Environment (Business Profile):** Improvement in our assessment of IFAD's business profile, driven by a successful transition towards a gradual increase in leverage, diversification of funding sources and exposure to middle-income borrowers, while adhering to the revised risk management framework.

Business Environment

Our overall assessment of IFAD's Business Environment is 'medium risk', which balances a 'low' risk business profile and a 'high' risk operating environment.

Brief Issuer Profile

Formed in December 1977, IFAD is a Specialized UN Agency and the only multilateral development institution focused exclusively on transforming remote, rural economies and food systems. Most of the world's poorest and hungry people live in rural areas, and IFAD invests in rural areas to promote prosperity, food security and economic resilience to local communities. IFAD provides highly concessional loans and grants to developing countries.

Headquartered in Rome, IFAD has a well-diversified shareholder base, with 177 member countries. IFAD's largest contributors are the US, United Kingdom, Germany, Netherlands and Italy. Ukraine is expected to become the 178th member country.

Unlike most other multilateral development banks (MDBs) that Fitch rates, IFAD does not have capital (paid-in or callable). Instead, it is supported through pledges from its members every three years through replenishment cycles.

Business Profile

Fitch assesses IFAD's business profile as 'low' risk to reflect the following:

As of end-2022, IFAD's total banking portfolio (including loans + equity participations + guarantees) was USD8.3 billion. This is assessed as a 'medium risk', in line with the threshold of TBE between USD5 billion–USD30 billion, as outlined in the criteria.

The main governance structure of IFAD is unchanged from last year and is as follows:

- IFAD's member states have the ultimate decision-making power on all matters including policy, finances and membership.
- Member states govern IFAD through the Governing Council (IFAD's main decision-making body open to all member states), which meets annually, and the Executive Board (consisting of a subset of member states responsible for overseeing the general operations of IFAD and for approving its programme of work), which meets three times a year. The Executive Board consists of 18 members: eight member states from List A, four member states from List B and six member states from List C.
- The president chairs the Executive Board and is responsible for overall management of the fund. The president is selected by the member states on a four-year term that is renewable once.

Voting rights are divided between two types of vote, membership and contribution votes. Membership votes are allocated on the basis of membership of the fund, with each member receiving an equal number of shares. Contribution votes are allocated according to each member states' payments to IFAD's replenishment programmes.

Whilst IFAD operations focus directly with sovereigns (typically seen as lower risk than the non-sovereign sector), its business model means that it is inherently loss-making and unlike most MDBs, which make a small profit and accumulate reserves, IFAD makes continual losses and builds up an accumulated deficit. IFAD's business model factors this in, in that the bank regularly receives paid-in contributions from shareholders in the form of loss-absorbing equity. However, this exposes IFAD to political and potentially operational risk of continued receipt of these additional contributions every three years. For that reason, IFAD's overall strategy is deemed 'medium risk'.

Non-sovereign exposure accounted for 0% of IFAD's total banking exposure at end-2022 and, as such, is treated as a 'low risk' within our rating framework, – with the 'low risk' threshold being less than 10%, as outlined in the criteria.

IFAD is recognised as a specialised UN agency and is seen as important for its shareholders to support key development goals set by the international community. Given IFAD is a well-recognised, specialised UN agency and is the only international financial institution specifically focused on global food security, we view the importance of the mandate as 'low risk'.

Operating Environment

Fitch assesses IFAD's operating environment as 'high risk', reflecting the following:

- The non-weighted average rating of IFAD's countries of operation is 'B', driven primarily by the sovereign ratings of the heavily indebted poor countries to which IFAD extends its financing options. A large portion of IFAD's countries of operations are unrated by Fitch, Moody's or Standard & Poor's and, as such, we have conservatively assigned a 'CCC' rating to these countries. In line with our approach across the MDBs portfolio, we therefore assign a 'high risk' to IFAD's credit quality of the countries of operation.
- Income per capita in the countries of operations is assessed as 'high risk'. Using World Bank Indicators, IFAD's average GDP per capita in its countries of operations was USD3,803 in 2022, lower than that of OPEC Fund (USD7,165), which is assessed 'medium risk'.
- Overall political risk and business climate in the countries of operations is 'high risk'. When looking at peers, using World Bank data on a percent rank basis, IFAD's profile is more closely aligned with a 'high risk' profile, rather than the 'medium risk' profiles of the International Bank for Reconstruction and Development (IBRD) or the Asian Development Bank.
- Political risk and business climate in the head office country is assessed as 'low risk'. Using World Bank indicators, this 'low risk' is commensurate with Italy relative to the head offices of other supranational issuers in our rated portfolio, such as OPEC Fund (based in Vienna), which is also deemed a 'low risk' country of head office.

IFAD benefits from privileges and immunities from governments, as well as benefitting from preferred creditor status (PCS), given IFAD's majority sovereign loan book. IFAD is also recognised as an official UN Agency and benefits from privileges and immunities accordingly.

Solvency

Fitch assesses IFAD's overall solvency assessment at 'aa+'.

Capitalisation

Capitalisation is a clear strength for the rating, with an equity/adjusted assets ratio of 78% as of end-2022.

We anticipate a deterioration of capitalisation driven by a mild increase in lending (c.USD1 billion over the coming three years) and a relatively stable level of equity, with the inherently loss-making structure of IFAD offsetting the paid-in contributions it receives from shareholders. This forecast of 70%–75% is significantly higher than the 25% 'excellent' threshold in the criteria.

Fitch's usable capital to risk-weighted assets ratio (FRAR): Usable capital includes shareholders' equity plus a portion (10%) of callable capital subscribed by shareholders rated 'AAA'/'AA'. Weighted assets include loans, guarantees, equity participations and other assets; weights are inspired by the Basel Committee's Standard Approach.

For MDBs providing concessional loans, Fitch applies a negative adjustment to members' equity for the computation of the usable capital to risk-weighted assets ratio. This adjustment reflects the opportunity cost incurred by the MDB for extending loans at a rate below the 'risk-free' rate (the yield on US Treasurys) for an equivalent maturity. It is based on the characteristics of the concessional loans granted by the bank, in particular the interest rate, maturity and length of the grace period.

For IFAD, the FRAR was calculated as 63% as of end-2022. Similar to our expectations for the equity/assets ratio, we also forecast a slight deterioration of the FRA to around 55%–60% over the medium term, still comfortably above the 35% 'excellent' threshold outlined in the *Supranationals Rating Criteria*.

Peer Comparison: Capital Ratios and Profitability

	IFAD (AA+)		IBRD (AAA)	CDB (AA+)	OPEC Fund (AA+)
	End-2022	Projection[a]	End-6M22	End-9M22	End-2022
Equity/adjusted assets (%)	77.8	70-75	18.2	43.0	90.9
Usable capital/risk-weighted assets (FRA, %)	62.6	55-60	58.0	62.5	105.6
Net income/average equity	-5.1	-3/-5	-	-11.8	1.1

[a]Medium-term projections, forecast range. IFAD – International Bank for Agriculture Development. IBRD – International Bank for Reconstruction and Development. CDB – Caribbean Development Bank.
Source: Fitch Ratings, multilateral development banks

Risks

Risks Assessment

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

Source: Fitch Ratings

Our overall assessment of risks is 'low', which reflects the following:

IFAD has a well-diversified lending portfolio, with the average rating of loans at 'B'. This is one-notch lower than 2022 (B+), which reflects a series of sovereign downgrades across the portfolio, including Pakistan, which is IFAD's fifth-largest exposure.

Over the past 15 years, nine countries have reached non-accrual status with IFAD, most of which also defaulted at to other MDBs: Somalia (defaulted to the International Development Association [IDA]), Venezuela (Inter-American Development Bank), Yemen (Islamic Development Bank [IsDB]), Zimbabwe (IDA/IBRD/African Development Bank [AfDB]), Democratic Republic of Congo (IDA) , Guinea Bissau (IsDB/AfDB). Zimbabwe (in arrears to IBRD) is current with its payments to IFAD.

When looking at preferred-creditor status (PCS), IFAD's share of non-sovereign exposure is less than 20% as IFAD exclusively lends directly to sovereign borrowers, and its relative default rate using data from the past 10 years is low. As such, we make a '+3' notch adjustment to IFAD's average rating of loans, increasing the average rating from 'B' pre-PCS to 'BB' post-PCS adjustment.

As of June 2023, four sovereigns are in arrears greater than 180 days in IFAD's lending portfolio; North Korea (0.6% of portfolio), Lebanon (0.1%), Venezuela (0.1%) and Yemen (1.5%). These four impairments total 2.1% of total banking exposure, which in line with Fitch's criteria would equate to a 'low' risk assessment (1%- 3%).

When looking at the forecasts for NPLs, Fitch, in line with IFAD's expectations, assumes that over the forecast period, the NPL rate will rise above the 3% 'low' threshold, into the 'medium' risk assessment level. The loan portfolio is well diversified, with 109 sovereign borrowers.

According to Fitch's supranational rating criteria, IFAD's concentration risk is deemed to be 'low', as the bank's five largest exposures (China, India, Bangladesh, Ethiopia and Pakistan) account for 28% of total banking exposure. Fitch, in line with forecasts shared by IFAD, expects concentration to remain constant over the coming years at approximately 30%. The 'low' risk threshold for concentration is between 20%–40%, so IFAD is quite comfortable within at this assessment level.

IFAD does not, nor do we expect it to, make any equity investments.

Interest Rate Risk: Although very limited, the introduction of borrowing activities generated potential interest rate risk. This is mitigated by ensuring that the lending terms of IFAD's financial liabilities are matched against the terms of on-lent funds.

Currency Risk: IFAD conducts its operations in various currencies. However, IFAD's currency risk is mitigated by ensuring that commitments for undisbursed loans and grants (mainly denominated in Special Drawing Rights [SDR]) are supported by assets denominated in the SDR basket of currencies. Fluctuations in the USD/SDR exchange rate create a degree of volatility in IFAD's accounts, as accounting records are in US dollars. This retranslation of assets between USD/SDR creates unrealized gains/losses in IFAD's income statement. However, over the past 15 years, exchange rate fluctuations have historically netted out. These are unrealized gains and losses and do not have repercussions on IFAD's financial stability.

IFAD's risk management framework is 'strong' and is based on two fundamental pillars: capital management and liquidity management.

IFAD has a very comprehensive set of internal policies that govern its risk management framework. IFAD's key financial policies relate to liquidity management (minimum liquidity ratio), capital adequacy policy and the integrated borrowing framework and are broadly in line with MDBs' peers best practices.

We assess IFAD's risk management as 'strong' rather than 'excellent' owing to the fact that as the fund transitions towards a more levered operating model over the medium term, new policies are being put in place, against which we do not have a track record of the fund's operating performance.

Peer Comparison: Risks

	IFAD (AA+)		IBRD (AAA)	CDB (AA+)	OPEC Fund (AA+)
	End-2022	Projection[a]	End-6M22	End-9M22	End-2022
Estimated average rating of loans & guarantees	B	B	BB+	B-	B+
Impaired loans/gross loans (%)	2.1	3-4	0.2	0.1	1.4
Five largest exposures/total banking exposure (%)	28.2	25-30	35.5	53.3	22.1
Equity stakes/total banking exposure (%)	0.0	0.0	0.0	0.0	2.2

[a]Medium-term projections, forecast range. IFAD – International Bank for Agriculture Development. IBRD – International Bank for Reconstruction and Development. CDB – Caribbean Development Bank.
Source: Fitch Ratings, multilateral development banks

Liquidity Analysis

Liquidity Assessment

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

Source: Fitch Ratings

Fitch assesses IFAD's liquidity at 'aa+'.

Liquid Assets to Short-Term Debt

Liquidity is a rating strength for IFAD.

As of 31 December 2022, IFAD had USD1,883 million of outstanding debt, of which only USD46 million was short term. The liquid assets portfolio was just over USD1.4 billion, so this liquidity buffer is comfortably in the 'excellent' threshold. Although we expect the bank's leverage to continue to increase in the coming years, it will remain at a relatively negligible level and we continue to forecast the liquidity buffer to exceed 1,000%.

Quality of Treasury Assets

IFAD's treasury asset portfolio consists mostly of highly rated, low yielding, liquid instruments. The currency composition includes mostly U.S. dollars and euros. The investment policy stipulates that each investment must be rated at least 'A-'.

The relative share of 'AAA' to 'AA' rated treasury assets has increased to 78.3% at end-2022 from 72.0% in 2020, particularly driven by IFAD's new investment policy statement introduced in 2020. This made two main changes to the previous policy and has become active at the start of IFAD12:

- **Asset Quality:** Share of fixed-income investments in rating category 'AA-' and above should be at least 60%.
- **Rating Definition:** From the best rating to the minimum of two out of the CRA3s. Following the second consecutive year of improvement in the quality of the treasury portfolio, Fitch has revised its assessment to 'excellent' from 'strong'.

Access to Capital Market, Alternative Source of Liquidity

IFAD has not tapped international capital markets. Its main funding source continues to be its replenishment contributions from member states. However, IFAD is taking steps to further diversify its funding profile and borrowing instruments, and the fund expects to continue to issue private placements over the medium to long term as an additional borrowing instrument to complement bilateral loans.

In 2014, IFAD started leveraging its balance sheet by entering into bilateral loan agreements with two state-supported institutions, the French Development Bank and the German KfW Development Bank, and with Canada. Most recently, in 2022, IFAD signed a loan with the European Investment Bank.

In 2017, the fund introduced concessional partner loans (CPL), which are concessional loans from members that aim to follow the concessional features of IFAD's loans. The maturities of the CPLs are either 25 or 40 years, matching IFAD's blend and highly concessional loans. Under the CPL framework, later integrated into the integrated borrowing framework, IFAD has borrowed at highly concessional terms from three members, France, India and Finland, for a total amount of USD132 million.

Fitch assigned a 'AA+' rating to IFAD's euro medium-term note programme in November 2021. Under this programme, IFAD has executed four private placement transactions in the last two years.

As IFAD continues to transition to a hybrid funding structure, Fitch understands that it will continue to issue private placements under its Sustainable Development Finance Framework to meet the funding targets of the ongoing replenishment.

Peer Comparison: Liquidity

	IFAD (AA+)		IBRD (AAA)	CDB (AA+)	OPEC Fund (AA+)
	End-2022	Projection[a]	End-6M22	End-9M22	End-2022
Liquid assets/short-term debt (%)	1,000+	1,000+	189.6	801.3	1,000+
Share of treasury assets rated AA- & above (%)	78.3	70-80	72.2	83.1	88.4

[a]Medium-term projections, forecast range. IFAD – International Bank for Agriculture Development. IBRD – International Bank for Reconstruction and Development. CDB – Caribbean Development Bank.
Source: Fitch Ratings, multilateral development banks

Shareholder Support

IFAD's support rating is assessed at 'aa'.

This assessment is anchored on the weighted average rating of IFAD's key contributors. An assessment of a 'strong' propensity to support the institution leads to a '0' notch adjustment on the average rating of key shareholders, resulting in an overall support rating of 'aa'

Capacity to Provide Extraordinary Support

IFAD has no callable capital and so we do not consider the rating factor coverage of net debt by callable capital in our analysis.

Given the lack of callable capital, when assessing extraordinary support provided to IFAD by its contributors, we consider the weighted average rating of IFAD's key shareholders, which is assessed as 'aa'.

With 11.2% of contributions to IFAD, the US is the bank's largest contributor, with the other key shareholders as Japan, Germany, Netherlands, Italy, the UK, Canada and Sweden, which cumulatively make up more than 50% of shareholder contributions.

Propensity to Provide Extraordinary Support

Fitch views IFAD's member states' propensity to support as strong primarily based on the large paid-in capital subscription that its members sign up to every three years as part of the replenishment programme. In advance of the payment of contributions, all shareholders issue joint statements of support, confirming their willingness to continue to financially support IFAD.

Peer Comparison: Shareholder Support

	IFAD (AA+)		IBRD (AAA)	CDB (AA+)	OPEC Fund (AA+)
	End-2022	Projection[a]	End-6M22	End-9M22	End-2022
Coverage of net debt by callable capital	NC	NC	A	BBB-	NC
Average rating of key shareholders	AA	AA	AA-	BB	BBB+
Propensity to support	0	0	0	0	-1

[a]Medium-term projections. IFAD – International Bank for Agriculture Development. IBRD – International Bank for Reconstruction and Development. CDB – Caribbean Development Bank. NC – Not Covered.
Source: Fitch Ratings, multilateral development banks

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

International Fund for Agricultural Development (IFAD)

Supranational ESG Navigator
Supranational

Credit-Relevant ESG Derivation

International Fund for Agricultural Development (IFAD) has 2 ESG rating drivers and 5 ESG potential rating drivers

- \+ International Fund for Agricultural Development (IFAD) has exposure to borrowers with limited access to external funding sources and/or extend concessional loans which, in combination with other factors, impacts the rating.
- International Fund for Agricultural Development (IFAD) 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.
- International Fund for Agricultural Development (IFAD) has exposure to social pressure to provide support at times of crisis but this has very low impact on the rating.
- International Fund for Agricultural Development (IFAD) has exposure to risk around the execution/predictability of its strategy but this has very low impact on the rating.
- International Fund for Agricultural Development (IFAD) has exposure to board independence and effectiveness, ownership composition but this has very low impact on the rating.
- International Fund for Agricultural Development (IFAD) has exposure to quality of financial reporting and medium-term financial forecasts 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 result in 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	4	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	3	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

	31 Dec 22 Year end (USDm) Original	31 Dec 21 Year end (USDm) Restated	31 Dec 20 Year end (USDm) Original
A. Loans			
1. To/guaranteed by sovereigns	8,258.2	8,234.1	6,880.8
2. To/guaranteed by public institutions	—	—	—
3. To/guaranteed by private sector	—	—	—
4. Trade financing loans (memo)	—	—	—
5. Other loans	—	—	—
6. Loan loss reserves (deducted)	260.2	123.4	105.5
A. Loans, total	**7,998.0**	**8,110.7**	**6,775.3**
B. Other earning assets			
1. Deposits with banks	—	—	—
2. Securities held for sale and trading	1,031.7	929.8	839.6
3. Investment debt securities (including other investments)	—	—	—
4. Equity investments	—	—	—
5. Derivatives (including fair value of guarantees)	—	—	—
B. Other earning assets, total	**1,031.7**	**929.8**	**839.6**
C. Total earning assets (A+B)	**9,029.7**	**9,040.5**	**7,614.9**
D. Fixed assets	**90.4**	**96.4**	**113.0**
E. Non-earning assets			
1. Cash and due from banks	413.2	474.9	325.8
2. Other	706.6	984.5	552.4
F. Total assets	**10,239.9**	**10,596.3**	**8,606.1**
G. Short-term funding			
1. Bank borrowings (< 1 year)	—	—	—
2. Securities issues (< 1 year)	—	—	—
3. Other (including deposits)	47.6	37.0	35.8
G. Short-term funding, total	**47.6**	**37.0**	**35.8**
H. Other funding			
1. Bank borrowings (> 1 year)	—	—	—
2. Other borrowings (including securities issues)	1,835.1	1,490.4	1,118.7
3. Subordinated debt	—	—	—
4. Hybrid capital	—	—	—
H. Other funding, total	**1,835.1**	**1,490.4**	**1,118.7**
I. Other (non-interest-bearing)			
1. Derivatives (including fair value of guarantees)	—	—	—
2. Fair value portion of debt	—	—	—
3. Other (non-interest bearing)	391.4	484.7	525.6
I. Other (non-interest bearing), total	**391.4**	**484.7**	**525.6**
J. General provisions and reserves	**—**	**—**	**—**
L. Equity			
1. Preference shares	—	—	—
2. Subscribed capital	10,164.4	10,083.6	9,146.7
3. Callable capital	0.0	0.0	0.0
4. Arrears/advances on capital	0.0	0.0	0.0
5. Paid in capital (memo)	—	—	—
6. Reserves (including net income for the year)	-2,198.6	-1,499.4	-2,220.7
7. Fair-value revaluation reserve	—	—	—
K. Equity, total	**7,965.8**	**8,584.2**	**6,926.0**
M. Total liabilities and equity	**10,239.9**	**10,596.3**	**8,606.1**

Source: Fitch Ratings, Fitch Solutions

Income Statement

	31 Dec 22 Year end (USDm) Original	31 Dec 21 Year end (USDm) Restated	31 Dec 20 Year end (USDm) Original
1. Interest received	86.5	79.4	74.4
2. Interest paid	23.3	7.5	2.6
3. Net interest revenue (1. - 2.)	**63.2**	**71.9**	**71.8**
4. Other operating income	-340.2	-216.1	251.4
5. Other income	-199.3	-148.7	-165.9
6. Personnel expenses	116.5	116.2	99.6
7. Other non-interest expenses	107.1	99.6	82.0
8. Impairment charge	35.7	-1.7	16.6
9. Other provisions	—	—	—
10. Pre-derivative operating profit (3. + 4. + 5.) - (6. + 7. + 8. + 9.)	**-735.6**	**-507.0**	**-40.9**
11. Net gains/(losses) on non-trading derivative instruments	—	—	—
12. Post-derivative operating profit (10. + 11.)	**-735.6**	**-507.0**	**-40.9**
13. Other income and expenses	—	—	—
14. Net income (12. + 13.)	**-735.6**	**-507.0**	**-40.9**
15. Fair value revaluations recognised in equity	62.2	11.5	-13.5
16. Fitch's comprehensive net income (14. + 15.)	**-673.4**	**-495.5**	**-54.4**

Source: Fitch Ratings, Fitch Solutions

Ratio Analysis

	31 Dec 22 Year end (%) Original	31 Dec 21 Year end (%) Restated	31 Dec 20 Year end (%) Original
I. Profitability level			
1. Net income/equity (average)	-5.1	-3.6	-0.6
2. Cost/income ratio	-80.7	-149.7	56.2
II. Capital adequacy			
1. Usable capital/risk-weighted assets (FRA ratio)	62.6	76.3	68.6
2. Equity/adjusted total assets + guarantees	77.8	81.0	80.5
3. Paid-in capital/subscribed capital	—	—	—
4. Internal capital generation after distributions	—	—	—
III. Liquidity			
1. Liquid assets/short-term debt	1,000+	1,000+	3,254.2
2. Share of treasury assets rated 'AAA' to 'AA'	78.3	80.7	72.4
3. Treasury assets/total assets	14.1	13.3	13.5
4. Treasury assets investment grade + eligible non-investment grade/total assets	13.6	12.8	13.5
5. Liquid assets/total assets	13.6	12.8	13.5
IV. Asset quality			
1. Impaired loans/gross loans	2.1	2.5	2.6
2. Loan loss reserves/gross loans	3.2	1.5	1.5
3. Loan loss reserves/Impaired loans	147.8	60.1	59.0
V. Leverage			
1. Debt/equity	23.6	17.8	16.7
2. Debt/callable capital	—	—	—

Source: Fitch Ratings, Fitch Solutions

Annex

	31 Dec 22 (USDm) Original	31 Dec 21 (USDm) Restated	31 Dec 20 (USDm) Original
1. Lending operations			
1. Loans outstanding	8,258.2	8,234.1	6,880.8
2. Disbursed loans	736.0	663.0	558.4
3. Loan repayments	356.0	362.0	390.5
4. Net disbursements	380.0	301.0	167.9
Memo: Loans to sovereigns	8,258.2	8,234.1	6,880.8
Memo: Loans to non-sovereigns	0.0	0.0	0.0
2. Other banking operations			
1. Equity participations	—	—	—
2. Guarantees (off balance sheet)	—	—	—
Memo: Guarantees to sovereigns	—	—	—
Memo: Guarantees to non-sovereigns	—	—	—
3. Total banking exposure (balance sheet and off balance sheet)			
1. Total banking exposure (loans + equity participations + guarantees (off balance sheet))	8,258.2	8,234.1	6,880.8
2. Growth in total banking exposure	0.3	19.7	8.4
Memo: Non-sovereign exposure	0.0	0.0	0.0
4. Support			
1. Share of 'AAA' to 'AA' shareholders in callable capital	—	—	—
2. Rating of callable capital ensuring full coverage of net debt	NC	NC	NC
3. Weighted average rating of key shareholders	AA	AA	AA-
5. Breakdown of banking portfolio			
1. Loans to sovereigns/total banking exposure	100.0	100.0	100.0
2. Loans to non-sovereigns total banking exposure	0.0	0.0	0.0
3. Equity participation/total banking exposure	—	—	—
4. Guarantees covering sovereign risks/total banking exposure	—	—	—
5. Guarantees covering non-sovereign risks/total banking exposure	—	—	—
Memo: Non-sovereign exposure (2. + 3. + 5.)/total banking exposure	0.0	0.0	0.0
6. Concentration measures			
1. Largest exposure/equity (%)	6.9	6.5	8.3
2. Five largest exposures/equity (%)	29.2	26.6	32.5
3. Largest exposure/total banking exposure (%)	6.7	6.8	8.3
4. Five largest exposures/total banking exposure (%)	28.2	27.7	32.7
7. Credit risk			
1. Average rating of loans and guarantees	B	B+	B+
2. Loans to investment-grade borrowers/gross loans	17.6	18.0	22.0
3. Loans to sub-investment-grade borrowers/gross loans	82.4	82.0	78.0
8. Liquidity			
1. Treasury assets	1,444.9	1,404.7	1,165.4
2. Treasury assets of which investment grade + eligible non-investment grade	1,395.0	1,361.0	1,165.0
3. Unimpaired short-term trade financing loans	—	—	—
4. Unimpaired short-term trade financing loans - discounted 40%	—	—	—
5. Liquid assets (2. + 4.)	1,395.0	1,361.0	1,165.0

NC – Not Covered
Source: Fitch Ratings, Fitch Solutions

SOLICITATION & PARTICIPATION STATUS

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