# New Development Bank

NEWDEV

**Nicholas Cullum**
Credit Analyst
+44 20 7597 8844
Nicholas.Cullum@uk.daiwacm.com

**William Hahn**
Senior Credit Analyst
+44 20 7597 8355
William.Hahn@uk.daiwacm.com

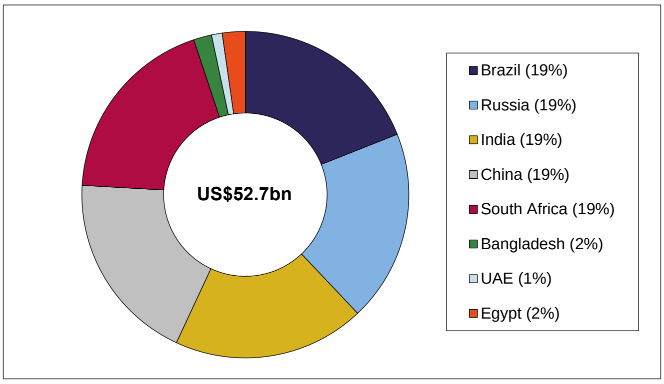
| Agency | Issuer Rating LT | ST | Outlook |
|---|---|---|---|
| S&P | AA+ | A-1+ | Stable |
| Fitch | AA | F1+ | Stable |
| JCR | AAA | - | Stable |

Source: S&P, Fitch, JCR

## Background and Ownership

The New Development Bank (NDB) is a multilateral development bank (MDB) headquartered in Shanghai. It was established in 2014 by the founding members of the 'BRICS' group (Brazil, Russia, India, China and South Africa) and since then the membership of NDB has been expanded to four more member countries. It has an authorised capital of US$100bn and subscribed capital of US$53bn. Each founding member holds 19% of the share capital and the remaining 5% is distributed across the new member states that include the UAE, Bangladesh and Egypt. Algeria is NDB's most recent member, having joined in May, but it does not hold any share capital yet. Additionally, Uruguay are designated as a 'prospective member' pending the submission of the state's consent letter to join NDB. Generally, membership is open to all members of the United Nations and any future expansion is envisaged to have a mix of advanced and emerging countries that provide geographic and economic diversity. Nevertheless, the combined voting power of NDB's founding members will be maintained at a minimum of 55%.

**Shareholder Subscribed Capital by Member State**




*Source: Company reports*

## Main Purpose and Support

NDB was formed to mobilise resources for infrastructure and sustainable development projects in the BRICS states and other emerging economies and developing countries (EMDCs), complementing the efforts of existing multilateral and regional financial institutions. It aims to address the financing gap for infrastructure developments in EMDCs that is estimated to be around US$12trn between 2021-2030. NDB supports public and private projects through loans, guarantees, equity participation and other financial services. With regards to its governance structure, the highest decision-making authority is vested in the Board of Governors (BoG) which typically consists of finance ministers from each of the member countries. The BoG are responsible for major policy decisions such as the admission of new members, capital subscriptions, or earnings distributions. The Board of Directors (BoD) on the other hand prescribe the general operations and policies of the bank (i.e. project approvals, budget considerations).

On a rotational, five-year basis the BoG elect a President and Vice-president(s) from one of the founding BRICS members, responsible for day to day operations and the execution of Board decisions. Affirmation of key policy decisions by the BoG is subject to receiving a 'special majority', defined as: (1) a positive vote from four of the five founding members; and (2) a positive vote of two-thirds of members' total voting power. No single NDB member has veto-power in the decision-making process. Shareholder support for the institution is likely strong, considering the high proportion of paid-in capital to subscribed capital (1Q25: 20%), compared to similarly-rated peers. Furthermore, for all founding members (excluding China), the financial commitment to NDB represents the largest stake in any MDB, making support more likely. NDB also benefit from preferred creditor status (PCS) in its member countries, albeit this does not represent a legally-binding guarantee of repayment under a payment event.

### 2022-2026 Strategy and Russia Exposures

NDB's five-year strategic plan targets enhancements in the bank's capacity to mobilise resources at scale, finance diversified types of projects and a commitment to building out the institution via membership expansion and enhancements in governance structures, among other things. Furthermore, commitments to sustainability have broadened from primarily being linked to sustainable development projects, to include projects that address climate change mitigation and adaptation, thus being better-aligned with global best practices and industry peers.

| Strategy | 2022-26 Targets | FY23 |
|---|---|---|
| Mobilising Resources | Provide US$30bn in total volume of approved financing from the balance sheet | US$2.8bn |
| | Extend 30% of total financing in local currencies | 21% |
| Financing for Impact | Provide 30% of total financing to non-sovereign operations | 11% |
| | Co-finance 20% of projects with partner MDBs | - |
| | Direct 40% of total financing to projects contributing to climate change mitigation and adaptation, including energy transition | 25% |
| Institution Building | Increase female representation to 40% of professional and managerial staff | 35% |

*Source: Company reports*

In March 2022, NDB announced that it would put all existing and planned transactions in Russia on hold, shortly after Russia's invasion of Ukraine. As of FY24, exposures to Russian-domiciled entities accounted for ~6% of total assets (US$1.8bn), of which two-thirds corresponded to the government or are government guaranteed. Exposures to international organisations with Russian holdings amounted to US$0.2bn. NDB have prudently managed these exposures by closely assessing expected credit losses and provisions accordingly. Russia were set to assume the rotating presidency in mid-2025, but have relinquished the position and have instead supported an extension of the incumbent Brazilian presidency for a further five years (until mid-2030).

## Financial Strength Indicators

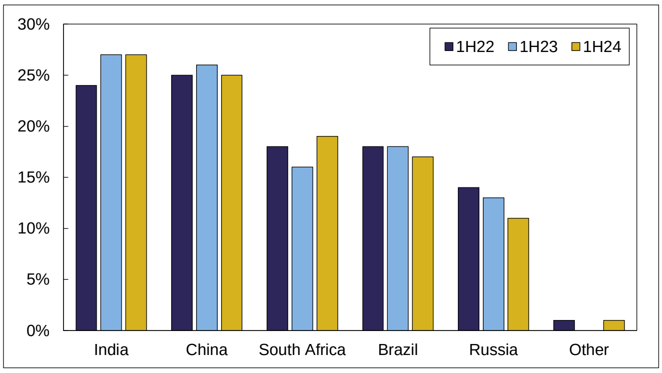
**Funding and Liquidity** – At 1Q25, NDB's balance sheet stood at US$33.5bn, 43% funded by debt securities in issue and 37% by equity. The bank established its first EMTN programme in 2019 for US$50bn. NDB also utilises short-term funding facilities in the form of euro-commercial paper (ECP) for cash management purposes, eligible for up to US$8bn. As of June 2025, US dollar bonds under the EMTN programme account for half of outstanding benchmark issues, followed by Chinese yuan (48%) and South African rand (1%).

| Key Data | | | |
|---|---|---|---|
| Balance Sheet (US$bn) | 1Q25 | FY24 | FY23 |
| Total Assets | 33.5 | 31.5 | 28.8 |
| Gross Loans | 19.8 | 19.7 | 17.9 |
| Debt Securities | 14.3 | 12.6 | 12.7 |
| Total Equity | 12.4 | 12.2 | 11.6 |
| Capital Structure (US$bn) | | | |
| Paid-in Capital | 10.5 | 10.5 | 10.5 |
| Callable Capital | 42.2 | 42.2 | 42.2 |
| Subscribed Capital | 52.7 | 52.7 | 52.7 |
| Key Ratios (%) | | | |
| Debt / Equity | 115.9 | 102.6 | 108.8 |
| Paid-in / Subscribed | 20.0 | 20.0 | 20.0 |
| Callable Capital / Debt | 293.9 | 335.7 | 332.7 |
| Return on Assets | 1.8 | 2.0 | 2.1 |
| Return on Equity | 4.8 | 5.0 | 5.3 |

*Source: Company reports*

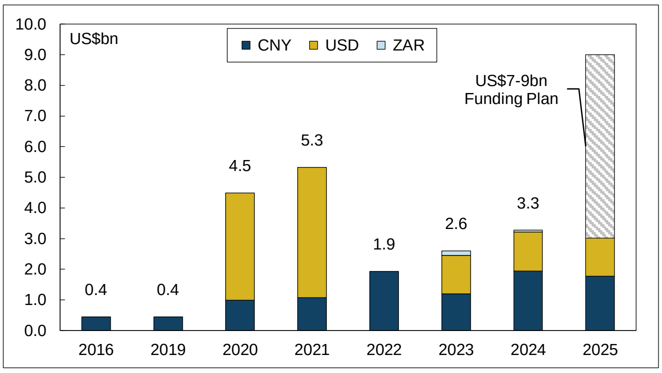
USD benchmark issuances have been limited since 2022, with NDB only tapping long-term dollar markets once per year (average size of US$1.25bn). Lower dollar issuance volumes are thought to be linked to NDB's residual Russian assets, which are considered problematic by financial institutions and underwriters due to potential sanctions implications. These exposures are likely resulting in higher borrowing costs due to investors requiring higher risk premiums. Access to dollar funding is important for NDB as a large proportion of infrastructure projects and cross-border payments are concluded in the currency, thus raising the risk of funding gaps. To safeguard access to international capital markets, NDB have implemented additional 'use of proceeds' clauses in recent benchmark dollar issuances, stipulating that proceeds would exclusively be allocated to lending operations in BRICS nations, excluding Russia. Furthermore, Chinese regulators approved the issue of yuan-denominated bonds and the conversion of proceeds into USD under a swap arrangement for a domestic issuance volume of up to CN¥40bn (US$5.5bn equivalent). Elevated dollar funding costs as a function of the higher-for-longer rates environment and higher risk premiums have incentivised NDB to seek greater yuan issuance, bridging the funding gap that has emerged.

### Loan Portfolio Distribution by Country




*Source: Company reports*

### Benchmark Bond Issuance Volumes by Currency




*Source: As of June 03 2025; Company reports*

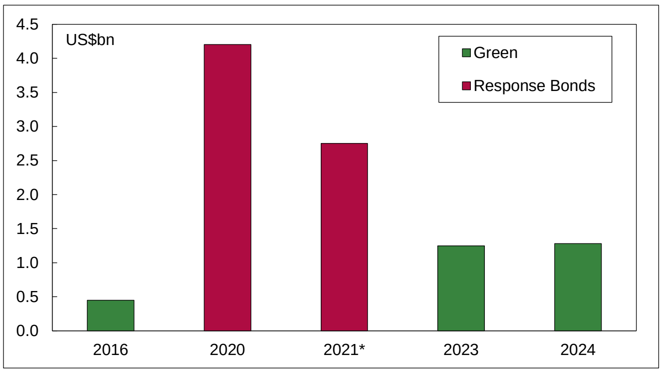
As of June 2025, NDB have come to market with three benchmark bonds for a combined US$3bn at a weighted average maturity of 3.5-years, 59% of which is denominated in CNY and the remainder in USD. YTD issuance represents just over 40% of the lower bound of NDB's planned US$7-9bn funding target for 2025, which in and of itself would mark a record amount since the banks' inception. The bank's liquidity is solid, with the treasury investment portfolio accounting for 42% of total assets, 90% of which are required to be rated 'A-' or higher. The bank operates well-within its own requirement for its treasury portfolio to be able to cover between 110-150% of forthcoming 12-month outflows (FY24: 149%).

**Capitalisation –** Relative to MDB peers, the bank has a strong level of paid-in share capital (US$10.5bn; including amounts outstanding), equivalent to 20% of the total subscribed share capital of US$52.7bn. Alongside reserves and retained earnings, total members' equity stands at US$12.4bn, equivalent to a prudent 37% of the balance sheet total and above NDB's own internal threshold of 25%. All BRICS nations have provided in full their respective paid-in capital amounts whilst the UAE, Bangladesh and Egypt have an aggregated outstanding amount of US$352mn. This will be settled over a series of instalments, the first of which is due in 1Q26 for US$92mn. Egypt's inclusion as a member-state in 2023 resulted in a US$1.2bn positive contribution to the group's subscribed capital, and a similar amount is expected in 2H25 following Algeria's formal inclusion as a member in May. So far, NDB's membership expansion has not meaningfully diluted existing share capital of founding members, which is only slightly reduced by 5 percentage points across the five BRICS nations.

## ESG Activities and Funding

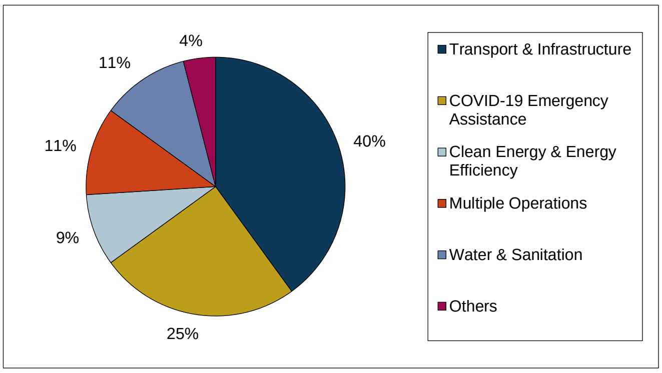
Financing for sustainable development is a key pillar of NDB's overall mandate, as it aims to deliver a transformative impact in aiding member countries achieve development goals aligned with both the 2030 Agenda for Sustainable Development and the Paris Agreement. Total financing for both infrastructure and sustainable development projects amount to US$35bn across 105 projects (US$39bn cumulatively since inception), mainly allocated towards transport infrastructure (40%), COVID-19 emergency assistance (25%), water & sanitation (11%) and clean energy and efficiency (9%). Specific to sustainable development, NDB aim to direct 40% of total financing to projects contributing to climate change mitigation and adaptation between 2022-26 (FY23: 25%). To support its sustainable finance ambitions, NDB released its Sustainable Financing Policy framework in 2016 (revised in 2020). The framework covers the bank's principles, governing the use and management of green, social and sustainability bonds, and promoting eligible sustainable objectives. The framework is supported by a second opinion from Sustainalytics confirming its credibility and alignment with the four core components of the ICMA Green Bond Principles (GBP) and Social Bond Principles (SBP). In July 2016, NDB tapped capital markets for the first time via a CN¥3bn green bond, marking the first time an MDB issued a green bond in the China Interbank Bond Market. Since then, NDB have issued approximately US$10bn in sustainable bonds across approximately 30 benchmark transactions. These include roughly US$7bn in COVID-response social bonds, US$2.75bn of which are dual-purpose with sustainable development activities.

### ESG Medium-to-Long Term Funding Issuance Profile




*Source: *Dual-purpose response and sustainable bonds; Company reports; Bloomberg*

### Financing by Project Type




*Source: As of FY24; Company reports*

## Rating Agencies' Views

**S&P (May-24):** NDB's 'AA+/A-1+' rating and stable outlook were affirmed, as the agency expects the development bank to continue to play a crucial role in funding infrastructure in member countries, supported by its extremely strong financial profile. NDB remains vulnerable to adverse geopolitical developments from the ongoing Russia-Ukraine war albeit, adapted its funding profile by raising from a diversified pool of investors in Chinese and South African markets as a means of countering the higher cost of funding in public USD markets compared to pre-war levels. S&P advise that ratings could be elevated if NDB were to continue to commit to diversification via geographical expansion and a more evenly balanced loan portfolio, with active disbursements to new members. Ratings could come under pressure if: (1) current shareholders withdraw their membership; (2) NDB were to deviate from its commitment to discontinue new lending activities in Russia were to de-comply with international sanctions; (3) funding and liquidity ratios were to deteriorate with respect to similarly-rated peers.

**Fitch (May-25):** Fitch expects NDB to be able to implement its medium-term strategy, including expanding its balance sheet and attracting new shareholders despite the negative impact of geopolitics on its operations. Loan exposures to Russia remains a risk, although despite Western sanctions, Russian borrowers have consistently met their payment obligations to the bank. NDB has used a mechanism set up with an international financial institution to convert rouble payments into USD. High BRICS concentration represents a rating weakness, with recent membership expansion to Bangladesh, Egypt, and the UAE (including Uruguay and Algeria when completed) expected to ease concentration risk.

### Recent Benchmark Transactions

| Issue Date | Security | Tenor at Issue | Size (m) | IPT/IPG (bps) | Final Spread (bps) | Coupon (%) | Yield (%) | Book (m)/cov. |
|---|---|---|---|---|---|---|---|---|
| 25/07/24 | Snr. Unsecured | 3Y | CN¥8,000 | - | - | 2.030 | - | CN¥13,600 / 1.7x |
| 07/11/24 | (Green) Snr. Unsecured | 3Y | US$1,250 | SOFR MS+90 | SOFR MS+80 | 4.677 | 4.677 | $2,450 / 2.0x |
| 16/01/25 | Snr. Unsecured | 5Y | CN¥6,000 | - | - | 1.700 | - | CN¥8,000 / 1.3x |
| 31/03/25 | Snr. Unsecured | 3Y | US$1,250 | SOFR MS+75 | SOFR MS+65 | 4,375 | 4.420 | $2,000 / 1.6x |
| 10/04/25 | Snr. Unsecured | 3Y | CN¥7,000 | - | - | 1.820 | - | CN¥9,000 / 1.3x |

*Source: Bloomberg, Bondradar*

*This is an issuer profile and contains factual statements only. All statements are sourced from the New Development Banks financial reports, which can be found at* [https://www.ndb.int/investor-relations/](https://www.ndb.int/investor-relations/)

Daiwa Capital Markets

# Credit Research

## Key contacts

| | | |
|---|---|---|
| ***London*** | | |
| *Head of Research* | *Chris Scicluna* | +44 20 7597 8326 |
| *Head of Financials, Supras/Sub-sovereigns & Agencies, ESG* | *William Hahn* | +44 20 7597 8321 |
| *Credit Analyst* | *Nicholas Cullum* | +44 20 7597 8844 |
| | | |
| *Head of Translation, Economic and Credit* | *Maki Duffield* | +44-20 7597 8101 |
| | | |
| ***Tokyo*** | | |
| *Chief Credit Analyst, Banks, Non-Japanese/Financials* | *Fumio Taki* | +81 3 5555 8787 |
| *Local government, Government agency* | *Koji Hamada* | +81 3 5555 8791 |
| *Real Estate, REIT, Non-Banks, Telecommunication Services* | *Takao Matsuzaka* | +81 3 5555 8763 |
| *Non-Japanese/Corporates* | *Stefan Tudor* | +81 3 5555 8754 |
| *Insurance, Non-Japanese/Financials* | *Yuki Sakamoto* | +81 3 5555 8756 |
| *Chemicals, Iron & Steel, Marine Transportation, Pulp & Paper, Oil, Rail Transportation* | *Kazuaki Fujita* | +81 3 5555 8765 |
| *Rail Transportation, Foods, Pharmaceuticals, Air Transportation* | *Kotaro Kusaka* | +81 3 5555 8779 |
| *Automobiles, Power, Electronics* | *Hiroki Uchida* | +81 3 5555 8693 |
| | | |
| *International Credit* | | |
| *Non-Japanese/Financials* | *Fumio Taki* | +81 3 5555 8787 |
| *Non-Japanese/Financials* | *Hiroaki Fujioka* | +81 3 5555 8761 |
| *Non-Japanese/Corporates* | *Stefan Tudor* | +81 3 5555 8754 |
| | | |
| *ESG* | | |
| *Chief Strategist of Securitization* | *Koji Matsushita* | +81 3 5555 8778 |
| *Chief Market Strategist* | *Shun Otani* | +81 3 5555 8764 |
| *Chief Analyst* | *Takao Matsuzaka* | +81 3 5555 8763 |
| *Economist* | *Kaori Ichikawa* | +81 3 5555 8758 |

## DAIR <GO>

All of the research published by the London and New York research teams is available on our Bloomberg page at DAIR <GO>.

## Access our research at: http://www.uk.daiwacm.com/ficc-research/research-reports

Daiwa Capital Markets

**IMPORTANT**

This report is provided as a reference for making investment decisions and is not intended to be a solicitation for investment. Investment decisions should be made at your own discretion and risk. Content herein is based on information available at the time the report was prepared and may be amended or otherwise changed in the future without notice. We make no representations as to the accuracy or completeness. Daiwa Securities Co. Ltd. retains all rights related to the content of this report, which may not be redistributed or otherwise transmitted without prior consent.

**Ratings**

Issues are rated 1, 2, 3, 4, or 5 as follows:
1: Outperform TOPIX/benchmark index by more than 15% over the next 12 months.
2: Outperform TOPIX/benchmark index by 5-15% over the next 12 months.
3: Out/underperform TOPIX/benchmark index by less than 5% over the next 12 months.
4: Underperform TOPIX/benchmark index by 5-15% over the next 12 months.
5: Underperform TOPIX/benchmark index by more than 15% over the next 12 months.

Benchmark index: TOPIX for Japan, S&P 500 for US, STOXX Europe 600 for Europe, HSI for Hong Kong, STI for Singapore, KOSPI for Korea, TWII for Taiwan, and S&P/ASX 200 for Australia.

**Target Prices**

Daiwa Securities Co. Ltd. sets target prices based on its analysts' earnings estimates for subject companies. Risks to target prices include, but are not limited to, unexpected significant changes in subject companies' earnings trends and the macroeconomic environment.

**Disclosures related to Daiwa Securities**

Please refer to https://drp.daiwa.co.jp/rp-daiwa/direct/reportDisclaimer/e_disclaimer.pdf for information on conflicts of interest for Daiwa Securities, securities held by Daiwa Securities, companies for which Daiwa Securities or foreign affiliates of Daiwa Securities Group have acted as a lead underwriter, and other disclosures concerning individual companies. If you need more information on this matter, please contact the Research Production Department of Daiwa Securities.

**Explanatory Document of Unregistered Credit Ratings**

This report may use credit ratings assigned by rating agencies that are not registered with Japan's Financial Services Agency pursuant to Article 66, Paragraph 27 of the Financial Instruments and Exchange Act. Please review the relevant disclaimer regarding credit ratings issued by such agencies at: https://drp.daiwa.co.jp/rp-daiwa/direct/reportDisclaimer/credit_ratings.pdf. If you need more information on this matter, please contact the Research Production Department of Daiwa Securities.

**Notification items pursuant to Article 37 of the Financial Instruments and Exchange Law**

(This Notification is only applicable to where report is distributed by Daiwa Securities Co. Ltd.)
If you decide to enter into a business arrangement with our company based on the information described in this report, we ask you to pay close attention to the following items.

- In addition to the purchase price of a financial instrument, our company will collect a trading commission* for each transaction as agreed beforehand with you. Since commissions may be included in the purchase price or may not be charged for certain transactions, we recommend that you confirm the commission for each transaction. In some cases, our company also may charge a maximum of ¥2 million per year as a standing proxy fee for our deposit of your securities, if you are a non-resident.
- For derivative and margin transactions etc., our company may require collateral or margin requirements in accordance with an agreement made beforehand with you. Ordinarily in such cases, the amount of the transaction will be in excess of the required collateral or margin requirements**.
- There is a risk that you will incur losses on your transactions due to changes in the market price of financial instruments based on fluctuations in interest rates, exchange rates, stock prices, real estate prices, commodity prices, and others. In addition, depending on the content of the transaction, the loss could exceed the amount of the collateral or margin requirements.
- There may be a difference between bid price etc. and ask price etc. of OTC derivatives handled by our company.
- Before engaging in any trading, please thoroughly confirm accounting and tax treatments regarding your trading in financial instruments with such experts as certified public accountants.

* The amount of the trading commission cannot be stated here in advance because it will be determined between our company and you based on current market conditions and the content of each transaction etc.
** The ratio of margin requirements etc. to the amount of the transaction cannot be stated here in advance because it will be determined between our company and you based on current market conditions and the content of each transaction etc.

When making an actual transaction, please be sure to carefully read the materials presented to you prior to the execution of agreement, and to take responsibility for your own decisions regarding the signing of the agreement with our company.

Corporate Name: Daiwa Securities Co. Ltd.
Registered: Financial Instruments Business Operator, Chief of Kanto Local Finance Bureau (Kin-sho) No.108
Memberships: Japan Securities Dealers Association, The Financial Futures Association of Japan, Japan Investment Advisers Association, Type II Financial Instruments Firms Association, Japan Security Token Offering Association