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20 March 2018

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Inter-American Investment Corporation - Aa1 stable

Annual credit analysis

RATINGS

IIC

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

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OVERVIEW AND OUTLOOK

The credit profile of the Inter-American Investment Corporation (IIC, Aa1 stable) – commercially rebranded as IDB Invest – reflects its robust capitalization and adequate financial management, and strong asset performance despite its private sector focus. The institution's close relationship with the Inter-American Development Bank (IADB, Aaa stable) also supports the credit profile. The IIC's conservative risk management practices, which are often even more conservative than the institutional limits set in its charter, keep the Corporation's leverage low and capital adequacy ratios very strong.

The IIC's credit challenges stem from its mandated operations. In particular, this involves the IIC's lending operations to riskier segments of the private sector without sovereign guarantees and the moderate borrower, region, and sector concentration risks stemming from the portfolio.

The stable outlook reflects our view that the IIC will continue to effectively manage credit risks as it expands its mandate in a challenging operating environment in the countries where it carries out its lending and investment activities. The outlook also incorporates the moderate credit quality of the IIC's borrowers, as well as the country, regional and sector concentration risks of the lending and equity-investment portfolios that are present as in other multilateral development banks (MDBs) with similar business profiles.

Further upward credit pressures are limited by the challenging operating environment in which the IIC carries out its lending and investment activities, in addition to potential risks stemming from the Corporation's private sector focused operations. Although unlikely, the introduction of callable capital as an additional backstop for investors would enhance the IIC's credit profile and could place upward pressure on the rating.

Downward credit pressures would emerge should there be significant credit losses that materially affect the IIC's financial performance, or a weakening of the support from the IADB or highly-rated shareholders.

This credit analysis elaborates on the IIC's credit profile in terms of capital adequacy, liquidity and strength of member support, the three main analytical factors in our Supranational Rating Methodology.

Organizational structure and strategy

Private sector arm of the IADB group

The IIC was established in 1986 as part of the IADB group. Although the IIC is a member of the IADB group, the Corporation is legally autonomous, and its resources and management are separate from those of the IADB. The Corporation receives its share capital from 45 member countries with voting power proportional to each country's paid-in shares. All the powers of the Corporation are vested in its Board of Governors, which has delegated most of such powers to the Board of Executive Directors responsible for the conduct of the IIC's operations.

Its charter mandates the IIC to promote the economic development of regional member countries by encouraging the establishment, expansion, and modernization of private enterprises in Latin America and Caribbean (LAC). To fulfill its mandate, the IIC conducts operations with private-sector companies, state-owned enterprises, and financial institutions in the 26 LAC member countries, offering a range of financial products and services. The IIC does not seek to crowd out available financing from private sector entities, rather to supplement where it is lacking.

The products offered include direct loans, guarantees, debt securities, and equity investments as well as indirect lines of credit through local financial intermediaries that provide funding for corporate investments, refinancing, trade financing, and working capital to the target client. The IIC also provides structured loans, financing for private equity funds, and loans for supply chain support programs. All IIC loans are made without the benefit of a sovereign guarantee.

A renewed vision for private sector operations in the IADB group

The operational consolidation of IADB private sector activities into the IIC for purposes of supporting the implementation of the Renewed Vision for the activities of the IADB group with the private sector became effective on 1 January 2016.

Between 2013 and 2015 the IADB and IIC worked to develop a renewed vision for the activities of the IADB group with the private sector, which focuses on strengthening the development impact while also optimizing the use of resources and synergies between public and private sector activities. This effort resulted in the decision by the Boards of Governors of the IADB and IIC to expand the IIC's mandate to carry out the group's private sector operations. In terms of operational considerations, credit risk assessment resources for private sector activities will be consolidated at the IIC. On 30 March 2015, the Boards of Governors approved the reorganization and authorized a capital increase plan for the IIC.

There will be a transitional period, through 2022, until the IIC reaches a size that allows it to perform these new expected operations during which the IIC and the IADB will co-finance private sector operations. Once the transition period is completed, the IADB will stop financing the private sector although it will keep its previously originated private sector portfolio in its balance sheet until its maturity. The IADB will not transfer its private sector portfolio to the IIC but is expected to transfer capital on behalf of its member countries to the IIC. The IADB governors' approval of the IADB transfers on behalf of member countries will take into account the IADB's revised capital adequacy policy making sure that the Aaa credit rating of the IADB is safeguarded.

The annual installments of the capital increase began being paid in 2016. Co-financing of private sector lending with IADB also started that year. Risk assessment functions and loan originations are now carried out at the IIC. Over the coming years, we expect the IIC to increase its presence in the region with field offices and increased staff, allowing the Corporation to enhance its client interactions. Additionally, as part of its expanded mandate, the IIC has rebranded itself as IDB Invest.

Until 31 December 2015, the IADB group's private sector activities were carried out through the Structured and Corporate Finance Department (SCF) and the Opportunities for the Majority Sector (OMJ) of the IADB. The Multilateral Investment Fund (MIF), administered by the IADB, continues to carry out private sector activities.

CREDIT PROFILE

Our determination of a supranational's rating is based on three rating factors: capital adequacy, liquidity and strength of member support. For Multilateral Development Banks, the first two factors combine to form the assessment of intrinsic financial strength, which provides a preliminary rating range. The strength of member support can provide uplift to the preliminary rating range. For more information please see our Supranational Rating Methodology.

Capital adequacy: Very High

Factor 1

Scale	Very High	High	Medium	Low	Very Low	
+	■					-

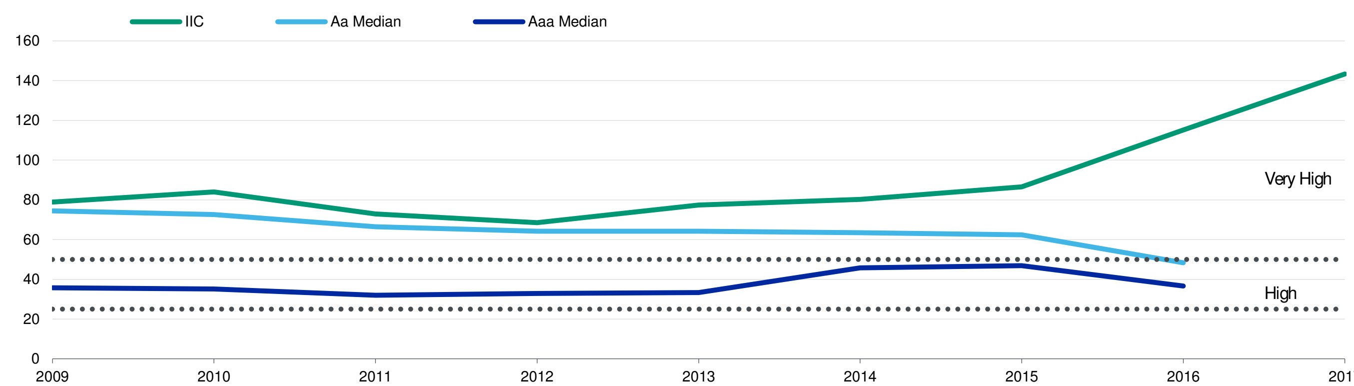
Capital adequacy assesses the solvency of an institution. The capital adequacy assessment considers the availability of capital to cover assets in light of their inherent credit risks, the degree to which the institution is leveraged and the risk that these assets could result in capital losses.

Very strong capital position results from policies that mitigate risks

Strong capitalization is a distinctive characteristic of the IIC's financial profile, which is necessary to mitigate the risks from its portfolio of loans and equity investments. Looking at the ratio of usable equity to loans and equity investments, the Corporation scores very high. At end-2017, the ratio stood at 143.5%, up from 115% in 2016. The strengthening of this ratio can be attributed mainly to the newly injected equity over the last two years. The ratio is currently at its highest level in more than a decade (see Exhibit 1) but is likely to come down in the coming years as a result of a primarily debt-funded increase in lending and investment. Nevertheless, we expect it to remain in the "Very High" range over the next few years.

Exhibit 1

Capitalization ratios remain strong, even compared to higher-rated MDBs
(Asset coverage ratio, calculated as usable equity divided by total development-related exposure, %)



Sources: IIC, Moody's Investors Service

The Corporation will always score strongly in the capital position assessment because of very conservative policies. Decisions involving the maximum amount of borrowings the Corporation can undertake (which are set at three times the sum of its subscribed capital, earned surplus and reserves in the Corporation's Charter[1]) effectively translate in minimum required capitalization of 25% weighing all assets (development-related assets + treasury portfolio + other assets) at 100% and taking into consideration contingent liabilities. Additionally, the long-term strategy set by management and the Board of Executive Directors implicitly sets a target capitalization ratio of approximately 33%. The IIC has consistently exceeded both guidelines.

Asset quality and portfolio concentration risks are main challenges

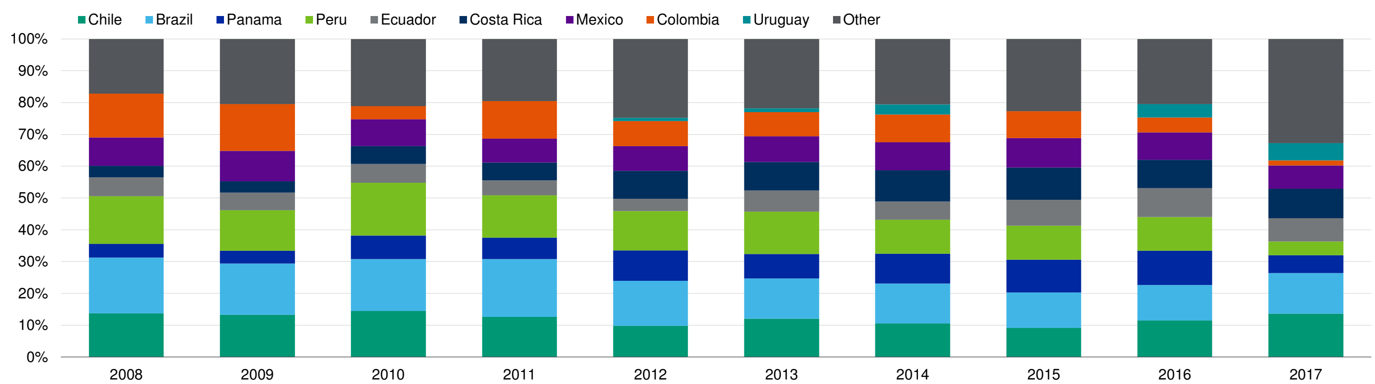
The credit profile of the IIC's loan portfolio reflects risks derived from its development mandate and the regional market segment it serves. These risks are the greatest challenge that the Corporation faces and it mitigates it through risk management policies and practices. Our key measure of borrower quality is the weighted average borrower rating, which, for the IIC, fell to B1 as of 31 December 2017 from Ba3 in 2015-16. The three-year average still qualifies as medium borrower quality.

In addition to the moderate strength of its debt clients, the IIC also faces moderate concentration risk in its portfolio. As a private sector focused MDB, it has significantly less concentration by individual exposure compared to public sector MDBs. The ten largest exposures by borrower represent 36% of the total portfolio, which scores medium. We expect that over time this type of concentration by client will likely fall as the Corporation grows.

The IIC is a regional MDB and, as such, faces regional concentration risk. However, its country concentration risk is low. The IIC is allowed to operate in 26 countries and, as of 31 December 2017, it had outstanding loan and equity operations in 22 of those countries. Exhibit 2 shows the country distribution of the IIC's loan and equity investments. Historically, the exposures of the top ten countries have accounted for about 80% of the total. Since 2012 these top ten exposures had become more evenly distributed, but in 2017 the IIC expanded its operations to other countries.

Exhibit 2

Low country concentration mitigates regional concentration risk
(% of total portfolio)

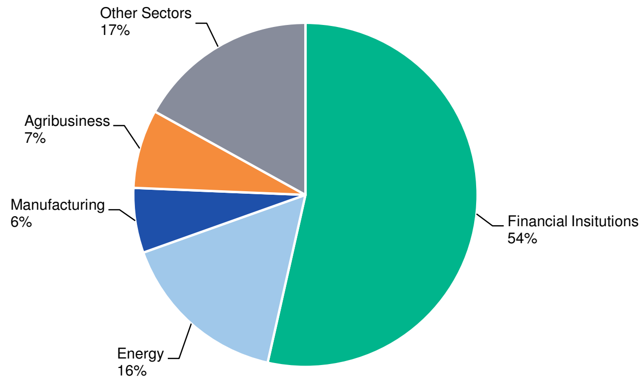


Sources: IIC, Moody's Investors Service

At year-end 2017, the IIC's largest aggregate exposures were in Chile (13.5%) and Brazil (13.0%). Exposure to Argentina had fallen over the past decade but jumped to 9.2% in 2017 – we expect operations in Argentina to gradually increase over the coming years.

The IIC also faces moderate sector concentration in its portfolio. Financial institutions continue to account for the bulk of the Corporation's portfolio, representing 56% of total outstanding loans and equity investments (see Exhibit 3) in 2017, but down from 67% in 2016. This shift reflects the Corporation's decision, as presented in its business plan, to increase direct financing. The IIC will likely always have moderate sector concentration because of its strategic use of financial institutions for on-financing to its target clients. It uses this strategy because it does not want to crowd out the private sector credit market and it can have a development impact on the financial sector as well as other private sector clients.

Exhibit 3
Moderate sector concentration results from strategic use of financial institutions
(% of total portfolio)

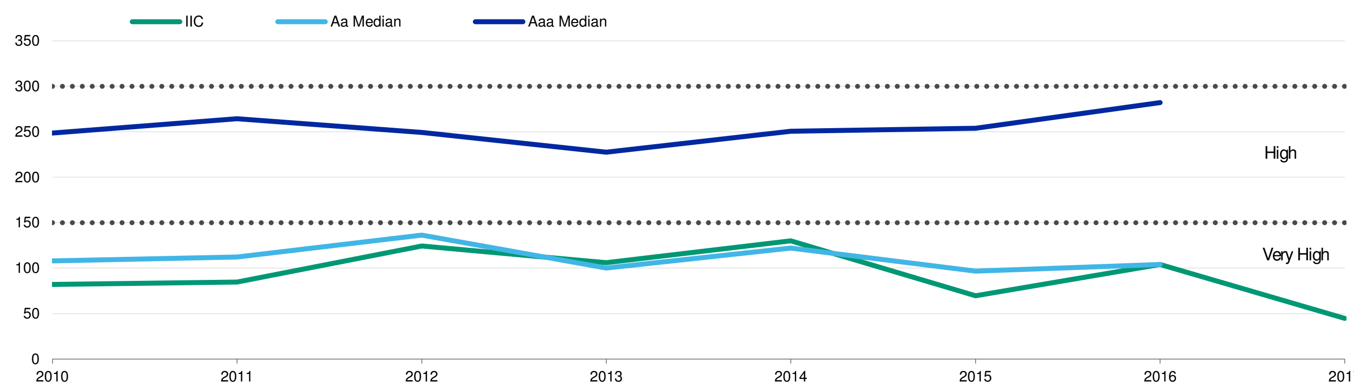


Source: IIC, Moody's Investors Service

Conservative leverage policies lead to very strong leverage metrics

The IIC's leverage scores very high as a result of its conservative debt policies. Our key indicator, debt-to-usable equity, was 45% at end-2017, down from 104% in 2016 (see Exhibit 4). The decrease in the ratio reflects the increase in equity as part of the general capital increase as well as the repayment of a $400 million note in 2017. The IIC has remained in line with the Aa-median and stronger than the Aaa-median.

Exhibit 4
Leverage is lower than most peers
(Debt-to-equity, %)



Sources: IIC, Moody's Investors Service

Despite the likely future increase in the leverage ratio, the Corporation will score very highly in this category over the next 3-5 years. It has a charter leverage limit of 3.0x the sum of its subscribed capital, earned surplus and reserves. Currently, management maintains a prudential target of 2.0x equity. This is relatively conservative and even if management allowed leverage to exceed the limit, compliance with the charter limit would keep it in the "High" category.

Strong asset performance despite private sector focus…

The Corporation's asset performance is very strong, which is notable for an MDB that lends to the private sector because it does not receive as significant of a positive impact from preferred creditor status as MDBs that lend to the public sector. At end-2017, the IIC's ratio of non-performing loans (NPL) after 90+ days to total loans outstanding was 0.9%, in line with the level in 2016 and lower than the peak of 2.0% recorded in 2014. The IIC recorded relatively low NPL ratios over the past decade when compared to other entities that focus on private sector develop operations. For example, the NPL ratio is less than half of the International Finance Corporation's (IFC, Aaa stable), which stood at 4.4% in FY2017.

As with many MDBs, the IIC's asset performance deteriorated during the global financial crisis and recession. During this time, the NPL ratio trended up from 0.1% in 2008 to its pre-2014 peak of 1.6% in 2011. However, that deterioration reversed in 2012 and 2013. As consistently the case, the coverage provided by loan-loss provisions remained ample with provisions amounting to over 2.0 times NPLs.

...will persist as indicated by internal rankings and improved risk management, despite regional headwinds

While the IIC will always have more volatility in its asset performance indicators compared to MDBs that direct their lending only to sovereigns, it is likely to score well in this category over the medium term. We make this assessment based on the IIC's internal credit risk rankings and improvements in the IIC's credit risk management.

The IIC's internal credit risk rankings are useful forward-looking indicators of asset performance. Mapped to the Moody's rating scale, IIC's weighted average borrower rating comes out at B1. Average borrower quality has been fairly stable for the IIC over the years, remaining in the Ba2-Ba3 range for over a decade – the drop to B1 last year is a result of its expansion of operations in Argentina. While the three-year average of Ba3 only qualifies as medium under our methodology, this is a relatively high asset quality level compared to other private-sector focused MDBs. Exposures to Caa1-equivalent and lower ratings make up only 2% of the loan portfolio.

The macroeconomic outlook for the region has weakened as a result of the commodity price shock and country-specific developments. Following a decade of very strong growth, we expect the pace of economic activity to recover but remain moderate across the region. This should moderate a potential deterioration in the IIC's development portfolio. Additionally, the strengthening in many of the Latin American sovereigns' creditworthiness, as reflected by higher ratings in 2018 relative to a decade ago, points to governments that have a greater capacity to implement policies to support overall economic performance. These factors have altered the inherent risk profile of the IIC's financing and equity investment operations.

The credit risk function that is tasked with assessing credit risks and to ensure adequate provisioning reports directly to the Chief Risk Officer. This function operates independently from other business lines' operations, which underscores its strength. The IIC has also worked to enhance its rating methodology, which will bolster its risk assessment functions as its portfolio increases over the next few years.

Liquidity: Very High

Factor 2

Scale | Very High | High | Medium | Low | Very Low

\+ -

A financial institution's liquidity is important in determining its shock absorption capacity. We evaluate the extent to which liquid assets cover debt service requirements and the stability of the institution's access to funding.

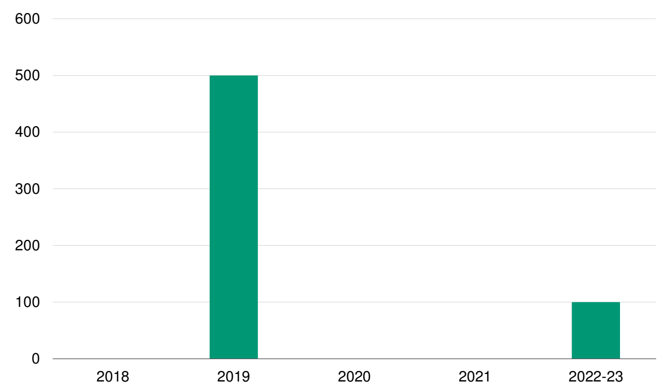
Strength of liquidity position stems from favorable debt profile and very strong liquidity policy

The IIC's liquidity position scores very strong because of a favorable debt service coverage metric. At the end of 2017, the ratio of short-term and currently-maturing long-term debt to liquid assets stood at 1.7% (reflecting the low level of debt repayments due in 2018). The decrease last year from a higher level of 33.7% in 2016 is related to the maturity of a $400 million note in 2017. Looking at the upcoming maturities, the debt service coverage ratio will likely remain volatile but still within the "Very High" score range over the coming years (see Exhibits 5 & 6). The strength of this ratio stems from the Corporation's low overall indebtedness, a favorable debt maturity structure and very strong liquidity policy.

Exhibit 5

Borrowings maturity profile

(USD million, as of December 2017)

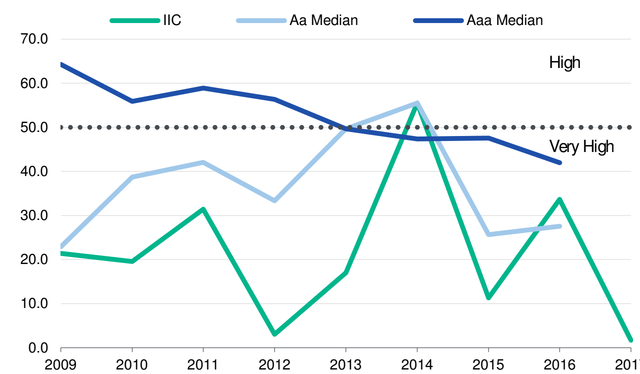


Source: IIC

Exhibit 6

Debt service coverage

(short-term and currently-maturing long-term debt, % of liquid assets)



Sources: IIC, Moody's Investors Service

The IIC updated its liquidity policy in December 2017. Under the new framework, the IIC calculates a Liquidity Coverage Ratio (LCR) that aims to assess its liquidity requirements under stressed conditions and also provides guidance for borrowing. The LCR considers the IIC's existing liquidity, which includes its treasury investments net of haircuts as well as the unused portions of committed lines rated Aa3 or higher. This is measured against the IIC's required liquidity under stress, which is based on the expected inflows and outflows net of haircuts in a stress scenario. A coverage period, in months, and a target LCR level are determined by management as part of the annual financial management planning presented to the Board. The LCR must exceed 105% (which includes a 5% buffer) for the liquidity requirements expected during the coverage period. Management presents updates of the LCR to the Board on a quarterly basis, and if the LCR falls below the target level it is required to present actions to improve the LCR. As of December 2017 the LCR was above 130% compared to the minimum 15 months of coverage required.

The IIC has a strong track record of complying with its liquidity policies, which contributes to strong debt service coverage ratios. We expect this to remain in place under the new framework.

In addition to its liquidity position, the Corporation has unutilized credit facilities with financial institutions for over $110 million, which, if and when required, operate as the equivalent of a back-stop liquidity facility. On top of this amount is the remaining $200 million from the IIC facility with the IADB. The facility was established in 1997 and was last renewed in 2015 allowing the Corporation to borrow until 2020. In August 2008, the IIC tapped the IADB facility for the first time, borrowing $100 million.[2] The ability to access resources from the facility confirms the strong support the Corporation receives from the IADB, a condition implicitly incorporated in the IIC's credit profile and captured by our ratings.

Strong market access at favorable terms

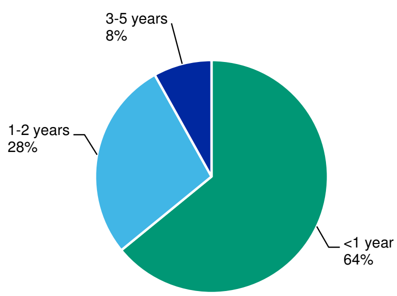
The IIC's market access scores strongly based on its low cost of borrowings. The Corporation's weighted average cost of borrowing was 1.8% at end-2017, up from 1.2% in 2016. The consistently low cost of borrowing over the past eight years is the result of low global interest rates and the Corporation's debt management. The IIC's borrowings consist of medium-term notes, bonds issued in domestic Latin American markets and revolving-credit facilities with financial institutions.

Given its strong liquidity position and the capital payments it received, the IIC did not access the markets in 2017. In February 2018, the IIC issued a MXN1,500 million ($81 million) 3-year bond in the Mexican market. Previously, in April 2016, the IIC issued a 3-year floating rate $500 million note at a rate of 3-month Libor plus 30 basis points. This was the largest debt issuance by the Corporation to date.

Liquid assets have short duration and high quality

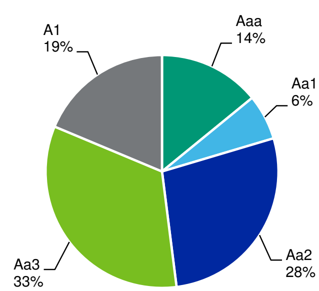
Because of its liquidity policy, the IIC manages its treasury portfolio so as to be able to rapidly mobilize its resources. The total liquidity portfolio in 2017 amounted to $1.2 billion, of which $1.1 billion were investment securities. The duration of this portfolio was 0.9 years (see Exhibit 7) and the weighted average rating was Aa2 (see Exhibit 8).

Exhibit 7
Liquid assets by tenure
% of total, 2017



Source: IIC

Exhibit 8
Liquid assets by rating
% of total, 2017



Source: IIC

Strength of member support: Medium

Factor 3
Scale

+	Very High	High	Medium	Low	Very Low	-

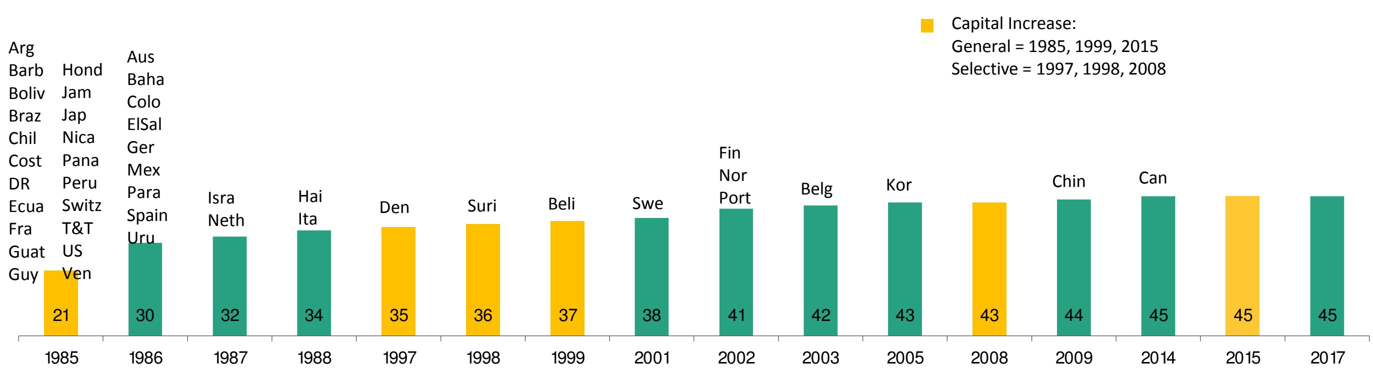
Contractual support primarily manifests itself in the callable capital pledge, which is a form of emergency support. Extraordinary support is a function of shareholders' ability and willingness to support the institution in ways other than callable capital. Strength of member support can increase the preliminary rating range determined by combining factors 1 and 2 by as many as three scores.

Lack of contractual support limits Factor 3 score but underlying member base is favorable

The IIC, unlike many other MDBs, does not have callable capital – 100% of its subscribed capital will ultimately be paid in. This capital structure results in a maximum "Medium" score for strength of member support in our methodology since the contractual support component is non-existent and only the extraordinary support component is present.

The Corporation was established with initial paid-in capital of $200 million in 1986 with 21 members (see Exhibit 9). All member countries agreed to a $500 million general capital increase (GCI) in 1999. Since then, the IIC received a series of selective capital increases to allow entry of new members and capital reallocations. In 2015, in the context of the reorganization initiative, the Corporation's Board of Governors approved the second GCI (GCI-II) to increase the organization's authorized capital stock by $2.03 billion. GCI-II includes two components: $1.3 billion in new capital contributions from existing member countries (Annex A) and $725 million in capital transfers from the IADB on behalf of its member countries (Annex B). Shares issued as part of GCI-II were sold at 62% above their nominal value, resulting in the creation of additional paid-in capital on the Corporation's balance sheet. The new shares authorized for issuance under Annex A were first offered to members on pro-rata basis. Although several high-profile members, most notably the United States and Germany, chose not to subscribe, all shares were ultimately allocated in proportions that would allow the Corporation to maintain the balance between regional and highly-rated non-regional members.

Exhibit 9
Steady increase in the number of non-regional members



Sources: IIC, Moody's Investors Service

The Corporation's paid-in capital will increase to $2.7 billion by 2025 as a result of the capital increase, with fresh contributions accounting for two thirds of the increase and IADB transfers on behalf of its member countries representing the remainder. As of December of last year, members had contributed $492 million in paid-in capital out of the $579 million corresponding to GCI-II's first two installments. Some $90 million are still due by regional members. Additionally, Colombia, Finland, Mexico and Spain have made advanced payments amounting to $85 million. In order to incentivize timely payment of future installments, beginning with the second installment the IIC will increase the price per shares not paid within their corresponding annual installment by 5% for each year of arrears.

At year-end 2017, paid-in capital was $1.28 billion compared with $857.8 million in 2016. In addition to ongoing contributions from previous capital increases, the Corporation's equity position was further boosted by positive financial results. Overall, the IIC's total equity[3] reached $1.44 billion last year from $1.02 billion in 2016.

In the context of the GCI-II, the US will remain the largest shareholder based on its paid-in capital, and hence will retain the largest voting power within the IIC Board. Because some members declined to subscribe to these types of shares, the remaining unsubscribed shares were picked up by other members, including some highly-rated non-regional members like Canada, China and Korea. These three governments will see their shareholding increase over the GCI-II process and will become part of the top 10 shareholders.

Combined, the 10 largest shareholders currently account for 70% of paid-in capital (see Exhibit 10). When measuring the concentration of members' shareholding using the Herfindahl-Hirschmann Index (HHI), the IIC scores low, which is supportive of the overall Factor 3 assessment.

Exhibit 10
Favorable ownership structure
(Ratings as of 31 December 2017; Paid-in capital contributions under Annex A shares schedule only)

2017	FC Govt Bond Rating	Subscribed Capital, $Mln.	% of Subscribed Capital	Paid-In Capital, $Mln.	% of Paid- In Capital
United States	Aaa/Stable	160.2	8.0	160.2	12.5
Mexico	A3/Negative	147.8	7.4	147.8	11.5
Argentina	B2/Stable	231.1	11.5	147.6	11.5
Brazil	Ba2/Negative	231.1	11.5	112.8	8.8
China	A1/Stable	150.0	7.5	67.5	5.3
Spain	Baa2/Stable	97.2	4.8	62.2	4.8
Korea	Aa2/Stable	133.2	6.6	60.0	4.7
Colombia	Baa2/Stable	59.2	2.9	59.2	4.6
Venezuela	Caa3/Negative	142.4	7.1	43.1	3.4
Peru	A3/Stable	70.8	3.5	43.0	3.4
10 Largest Shareholders[1]		1,423.1	70.8	903.5	70.4
All Shareholders	**A3**	**2,010.9**	**0.1**	**1,283.4**	
	Median	**Grand Total**	**HHI**	**Grand Total**	

[1] Based on paid-in capital
Sources: IIC, Moody's Investors Service

The IIC has a favorable member base structure because of its a mix of regional and non-regional members. The geographic diversity of members results in low financial and economic linkages, indicating that there is lower risk of contagion where one member's problems would cause several members to be unable to provide financial assistance to the IIC at the same. The IIC also has a low correlation among members and assets for two reasons: (i) the presence of non-regional members, and (ii) the IIC lends to the private sector and not to its members.

High extraordinary support results from members' moderate ability and reasserted willingness

We assess the IIC to have "High" extraordinary support from members based on assessments of moderate ability and high willingness among shareholders to support it. Our measure of ability to support, the weighted median shareholder rating was A3 in 2017, indicating a strong ability to support the Corporation. Looking at the 10 largest shareholders in Exhibit 11, there are several members that have had ratings volatility and negative pressure over the past few years, from Brazil and Venezuela to Spain, Japan and Italy. China's share is expected to increase significantly as a result of the reallocation exercise, becoming the fifth largest member in 2017 (up from seventh in 2016). Combined with Korea and Canada, who are also receiving additional reallocated shares, China's increased participation will likely allow the weighted median shareholder rating to rise by one or two notches in the coming year.

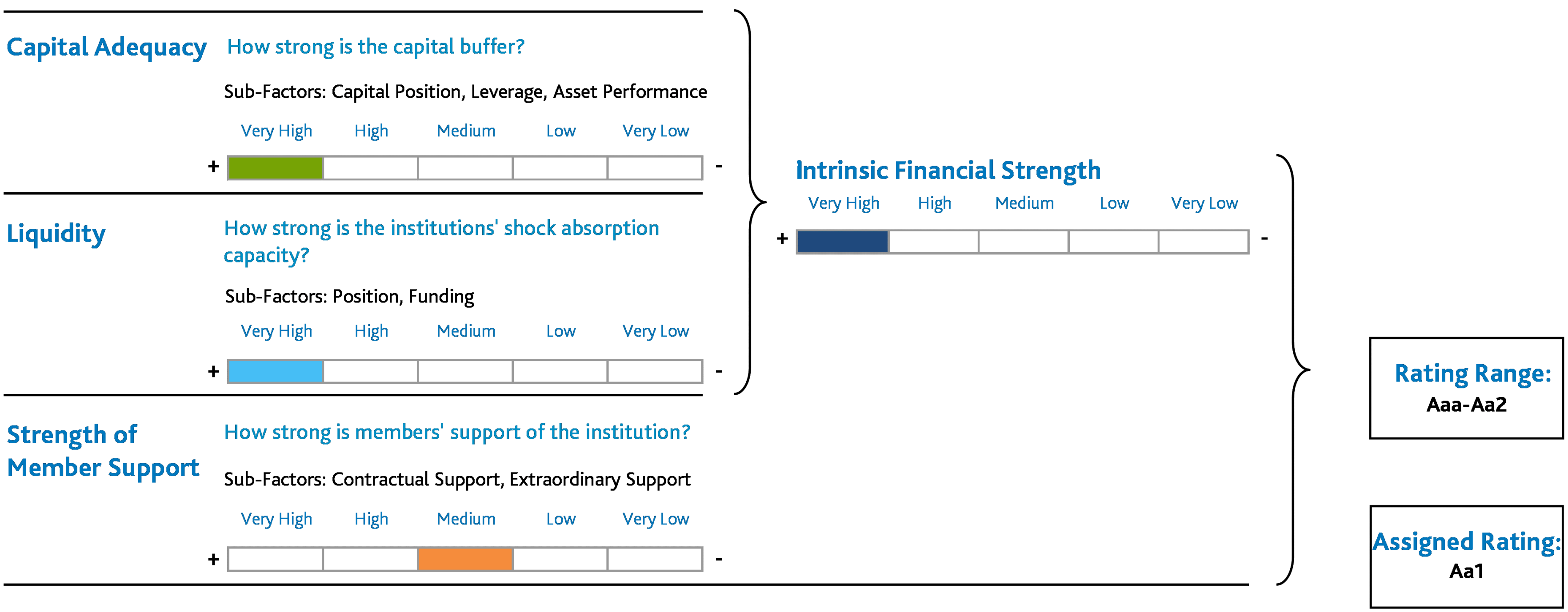
Meanwhile, shareholders' willingness to support the IIC scores high. The propensity of members to support the IIC during an instance where the IIC is the only MDB asking for assistance, is very high. Although several highly-rated, extra-regional members did not participate in GCI-II through new subscriptions, their shares were successfully reallocated among other member countries, primarily China, Canada, Korea and Spain. The interest by non-regional and highly-rated members as well as the strong interest of the majority of pre-existing members to increase their shareholding in the Corporation indicate continuing support of the IIC mandate and confirmation that members view the IIC as effectively meeting its mandate. Furthermore, with the IIC's balance sheet set to more than quadruple in the coming decade due to the reorganization and the GCI-II, the organization will be in a better position to have significant economic impact in the countries in which it operates.

Rating range

Combining the scores for individual factors provides an indicative rating range. While the information used to determine the grid mapping is mainly historical, our ratings incorporate expectations around future metrics and risk developments that may differ from the ones implied by the rating range. Thus, the rating process is deliberative and not mechanical, meaning that it depends on peer comparisons and should leave room for exceptional risk factors to be taken into account that may result in an assigned rating outside the indicative rating range. For more information please see our Supranational Rating Methodology.

Exhibit 11

Supranational rating metrics: Inter-American Investment Corporation (IIC)



Source: Moody's Investors Service

Comparatives

This section compares credit relevant information regarding the IIC with other supranational entities that we rate. It focuses on a comparison with supranationals within the same rating range and shows the relevant credit metrics and factor scores.

The IIC is small compared to Aa1 peers, but its capital adequacy metrics are stronger. Asset performance is strong compared to other MDBs that operate exclusively or primarily in the private sector (the IFC and ICD) and comparable to those that operate in the public sector. Its liquidity profile is relatively strong, while member support is weaker.

Exhibit 12

IIC's key peers

	Year	IIC	IFC	ICD*	CDB*	NADB*	CEB*	Aa Median*
Rating/Outlook		Aa1/STA	Aaa/STA	Aa3/STA	Aa1/STA	Aa1/STA	Aa1/STA	--
Total Assets (US$ million)	2017	2,185	92,254	2,576	1,599	1,813	26,988	6,472
Factor 1		**Very High**	**Very High**	**Medium**	**Very High**	**High**	**Very High**	**--**
Usable Equity/Gross Loans Outstanding + Equity Operations (%)[1]	2017	143.5	66.7	49.3	88.4	42.8	20.5	47.7
Debt/Usable Equity (%)[1]	2017	44.8	237.5	145.7	73.0	196.1	711.1	136.2
Gross NPLs/Gross Loans Outstanding (%)[2]	2017	0.9	4.4	14.5	0.5	0.0	0.0	0.0
Factor 2		**Very High**	**Very High**	**High**	**Very High**	**High**	**Very High**	**--**
ST Debt + CMLTD/Liquid Assets (%)[3]	2017	1.7	30.3	22.4	1.7	1.0	36.6	22.4
Bond-Implied Ratings (Long-Term Average)	2011-2017	--	Aa1	Baa2	A3	A1	Aa1	Aa3
Intrinsic Financial Strength (F1+F2)		**Very High**	**Very High**	**High**	**Very High**	**High**	**Very High**	**--**
Factor 3		**Medium**	**Medium**	**Medium**	**Very High**	**High**	**Medium**	**--**
Total Debt/Discounted Callable Capital (%)[4]	2017	--	--	--	111.9	22.0	507.2	111.9
Weighted Median Shareholder Rating (Year-End)	2017	A3	Aa2	Aa2	Baa3	A1	A2	A1
Rating Range (F1+F2+F3)		**Aaa-Aa2**	**Aaa-Aa2**	**Aa1-Aa3**	**Aaa-Aa2**	**Aaa-Aa2**	**Aaa-Aa2**	**--**

Notes:
[1] Usable equity is total shareholder's equity and excludes callable capital
[2] Non performing loans
[3] Short-term debt and currently maturing long-term debt
[4] Callable capital pledge by members rated Baa3 or higher, discounted by Moody's 30-year expected loss rates associated with ratings
* Reference year is 2016
Where:
IFC = International Finance Corporation; ICD = Islamic Corporation for the Development of the Private Sector; CDB = Caribbean Development Bank; NADB = North American Development Bank; CEB = Council of Europe Development Bank
Sources: Moody's Investors Service, MDB financial statements

DATA AND REFERENCES

Rating history

Exhibit 13

Inter-American Investment Corporation (IIC) [1]

	Issuer Rating		Senior Unsecured	Outlook	
	Long-term	Short-term			Date
Outlook Changed	--	--	--	STA	Mar-16
Rating Raised	Aa1	P-1	Aa1	--	Mar-16
Outlook Changed	--	--	--	POS	Apr-15
Rating Assigned	--	--	Aa2	--	Mar-12
Rating Assigned	--	P-1	--	--	Aug-08
Outlook Assigned	--	--	--	STA	Nov-03
Rating Assigned	Aa2	--	--	--	Oct-01

Notes: [1] Table excludes rating affirmations. Please visit the issuer page for Inter-American Investment Corporation on Moodys.com for the full rating history.
Source: Moody's Investors Service

Annual statistics

Inter-American Investment Corporation (IIC)

	2011	2012	2013	2014	2015	2016	2017
Balance Sheet, USD Thousands							
Assets							
Cash & Equivalents	59,254	28,438	18,273	7,571	14,946	23,459	20,755
Securities	429,656	725,345	734,342	955,914	513,661	1,251,454	1,171,565
Net Loans	947,934	1,014,265	979,603	979,259	924,526	819,498	908,492
Net Equity Investments	27,449	26,637	26,052	25,178	29,476	32,071	55,446
Other Assets	18,571	19,828	28,535	21,564	22,687	20,242	29,137
Total Assets	**1,482,864**	**1,814,513**	**1,786,805**	**1,989,486**	**1,505,296**	**2,146,724**	**2,185,395**
Liabilities							
Borrowings	658,504	969,358	903,502	1,099,241	598,456	1,062,383	646,741
Other Liabilities	46,614	66,575	31,477	45,108	49,516	62,359	94,074
Total Liabilities	**705,118**	**1,035,933**	**934,979**	**1,144,349**	**647,972**	**1,124,742**	**740,815**
Equity							
Subscribed Capital	704,800	689,790	704,400	705,900	1,253,520	1,512,480	1,512,480
Less: Other Adjustments	20,471	400	10,700	7,547	550,357	654,678	229,066
Equals: Paid-In Capital	684,329	689,390	693,700	698,353	703,163	857,802	1,283,414
Retained Earnings (Accumulated Loss)	132,044	137,604	156,810	170,144	173,146	190,917	208,471
Accumulated Other Comprehensive Income (Loss)	-38,627	-48,414	1,316	-23,360	-18,985	-26,737	-47,305
Total Equity	**777,746**	**778,580**	**851,826**	**845,137**	**857,324**	**1,021,982**	**1,444,580**

Sources: IIC, Moody's Investors Service

Inter-American Investment Corporation (IIC)

	2011	2012	2013	2014	2015	2016	2017
Income Statement, USD Thousands							
Net Interest Income	**33,410**	**33,588**	**38,997**	**39,494**	**41,770**	**38,138**	**44,371**
Interest Income	47,392	50,761	55,360	51,974	51,213	50,693	61,411
Interest Expense	13,982	17,173	16,363	12,480	9,443	12,555	17,040
Net Non-Interest Income	**5,772**	**12,598**	**12,933**	**9,077**	**4,967**	**57,410**	**86,961**
Income from Equity Investments	-1,746	794	4,386	-1,204	-4,763	-4,930	2,380
Other Income	7,518	11,804	8,547	10,281	9,730	62,340	84,581
Other Operating Expenses	**33,520**	**40,438**	**42,828**	**35,145**	**50,006**	**81,249**	**99,635**
Administrative, General, Staff	32,909	39,952	31,568	30,344	35,428	71,109	86,063
Grants & Programs	430	238	447	346	745	0	0
Other Expenses	181	248	10,813	4,455	13,833	10,140	13,572
Pre-Provision Income	**5,662**	**5,748**	**9,102**	**13,426**	**-3,269**	**14,299**	**31,697**
Loan Loss Provisions (Release)	-4,643	188	-10,104	92	-6,271	-3,472	14,143
Net Income (Loss)	**10,305**	**5,560**	**19,206**	**13,334**	**3,002**	**17,771**	**17,554**
Other Accounting Adjustments and Comprehensive Income	-26,568	-9,787	49,730	-24,676	4,375	-7,752	-20,568
Comprehensive Income (Loss)	**-16,263**	**-4,227**	**68,936**	**-11,342**	**7,377**	**10,019**	**-3,014**

Sources: IIC, Moody's Investors Service

Inter-American Investment Corporation (IIC)

	2011	2012	2013	2014	2015	2016	2017
Financial Ratios							
Capital Adequacy, %							
Usable Equity / (Loans + Equity)	72.9	68.6	77.5	80.3	86.5	115.3	143.5
Debt/Usable Equity	84.7	124.5	106.1	130.1	69.8	104.0	44.8
Allowance For Loan Losses / Gross NPLS	282.9	668.7	970.8	237.2	465.8	415.2	600.2
NPL Ratio: Non-Performing Loans / Gross Loans	1.5	0.6	0.5	2.0	0.8	1.0	0.9
Return On Average Assets	0.7	0.3	1.1	0.7	0.2	1.0	0.8
Interest Coverage Ratio (X)	1.7	1.3	2.2	2.1	1.3	2.4	2.0
Liquidity, %							
St Debt + CMLTD / Liquid Assets	31.4	3.0	17.0	55.5	11.0	33.7	1.7
Liquid Assets / Total Debt	68.1	73.6	78.9	87.7	88.3	120.0	184.4
Liquid Assets / Total Assets	30.2	39.3	39.9	48.4	35.1	59.4	54.6
Strength of Member Support, %							
Weighted Median Shareholder Rating (Year-End)	A2	Baa1	Baa1	A3	Baa2	A3	A3

Sources: IIC, Moody's Investors Service

Moody's related publications

» **Credit Opinion:** Inter-American Investment Corporation – Update following rating affirmation, outlook unchanged, 15 March 2018

» **Rating Action:** Moody's affirms the Inter-American Investment Corporation's Aa1 ratings; maintains stable outlook, 15 March 2018

» **Rating Methodology:** Multilateral Development Banks and Other Supranational Entities, 29 March 2017

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

Related websites and information sources

» The IIC website

MOODY'S has provided links or references to third party World Wide Websites or URLs ("Links or References") solely for your convenience in locating related information and services. The websites reached through these Links or References have not necessarily been reviewed by MOODY'S, and are maintained by a third party over which MOODY'S exercises no control. Accordingly, MOODY'S expressly disclaims any responsibility or liability for the content, the accuracy of the information, and/or quality of products or services provided by or advertised on any third party web site accessed via a Link or Reference. Moreover, a Link or Reference does not imply an endorsement of any third party, any website, or the products or services provided by any third party.

Endnotes

1 Management has set a lower prudential limit at 2x its net worth.

2 Accessing the facility allowed the Corporation to avoid tapping the markets during 2009, a period of widespread volatility in financial markets and uncertainty about the cost and availability of funding. Resources from the IADB facility enhanced the IIC's liquidity position and, additionally, extended the maturity profile of its financial obligations as borrowings from the facility are subject to 15-year repayments

3 Total Equity = Paid-in capital + Retained Earnings + Accumulated Other Comprehensive Income

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