

Inter-American Investment Corporation (IDB Invest)

Update

Ratings

Foreign Currency

Long-Term IDR	AAA
Short-Term IDR	F1+

Outlook

Foreign-Currency Long-Term IDR	Stable
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Financial Data

IDB Invest

	31 Dec 17	31 Dec 16
Total assets (USDm)	2,185.4	2,146.7
Equity to assets (%)	66.1	47.6
Average rating of loans & guarantees	B+	BB-
Impaired loans ratio (%)	2.7	1.0
5 largest exposures to total exposure (%)	21.7	21.4
Share of non-sovereign exposure (%)	100.0	100.0

Key Rating Drivers

Intrinsic Credit Quality: Inter-American Investment Corporation (IDB Invest)'s intrinsic credit quality drives its 'AAA' Long-Term IDR. IDB Invest's solvency assessment of 'aaa', which considers its excellent capitalisation and low risk profile, and its liquidity assessment of 'aaa' result in an overall rating of 'AAA'. Our assessment of IDB Invest's operating environment as 'medium risk' does not result in any adjustment to its solvency assessment.

Excellent Capitalisation: Fitch assesses IDB Invest's capitalisation as 'excellent'. At 66.1% as of end-2017, IDB Invest has one of the highest equity/adjusted assets ratios among multilateral development banks (MDBs) rated 'AAA' by Fitch. Unlike most MDBs, all of IDB Invest's capital is paid-in. Given its 10-year capitalisation plan, capitalisation will remain a credit strength over the forecast horizon as IDB Invest expands its mandate to execute all private-sector operations for the IADB Group.

Low Credit Risks: In Fitch's view, IDB Invest's overall credit risk is low. Fitch estimates the weighted average rating of IDB Invest's loan portfolio at 'B+' as of end-2017. Historically, non-accrual loans have been maintained at manageable levels despite IDB Invest's focus on providing financing to small and medium-sized enterprises (SMEs). Under IDB Invest's current mandate, the proportion of direct loans to SMEs has declined substantially compared with prior years.

Excellent Risk Management: IDB Invest's risk management framework is assessed as 'excellent'. Although not subject to banking regulations, IDB Invest abides by its own prudential framework. Management carefully monitors capital adequacy, liquidity and credit risk through conservative risk-management policies based on self-imposed prudential ratios and limits, and consistently operates well within these guidelines. Updated risk management policies have been implemented to reflect internationally accepted standards for financial institutions.

Excellent Liquidity: Over our forecast horizon, IDB Invest's liquid assets/short-term debt ratio will remain well above 150%, the threshold within our criteria consistent with an 'excellent' assessment. The quality of treasury assets is 'strong', with 67% of the portfolio rated at 'AA-' or above at end-2017. The bank's sound liquidity profile is supported by its access to capital markets as well as alternative sources of liquidity.

No Support: Consistent with Fitch's *Supranationals Rating Criteria*, support from shareholders is not currently a factor in IDB Invest's overall rating, as the average rating of its key shareholders is 'BBB-' and there is no callable capital. IDB Invest's 'AAA' rating therefore solely reflects the intrinsic strengths of the bank.

Rating Sensitivities

Weaker Financial Profile: IDB Invest's ratings could be downgraded due to a prolonged and significant decline in capitalisation related to asset losses, unbalanced growth in operations, increased earnings volatility or failure to comply with paid-in capital contributions. A substantial decline in liquid assets/short-term debt coverage and a deterioration in the bank's ability to access other sources of liquidity would also be negative for creditworthiness.

Loss of Preferred Creditor Treatment: A stress situation in a member country that significantly affects asset quality or results in transfer and convertibility restrictions would be negative for IDB Invest's creditworthiness.

Related Research

Fitch Affirms Inter-American Investment Corp. (IDB Invest) at 'AAA'; Outlook Stable (February 2018)

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Inter-American Investment Corporation (IDB Invest)

Balance Sheet

	31 Dec 2017		31 Dec 2016		31 Dec 2015		31 Dec 2014	
	Year End USDm Original	As % of Assets Original	Year End USDm Original	As % of Assets Original	Year End USDm Restated	As % of Assets Restated	Year End USDm Restated	As % of Assets Restated
A. LOANS								
1. To / Guaranteed by Sovereigns	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. To / Guaranteed by public institutions	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. To / Guaranteed by Private Sector	958.2	43.85	854.4	39.80	961.3	63.86	1,027.2	51.65
4. Trade Financing Loans (memo)	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Other Loans	n.a.	-	n.a.	-	n.a.	-	n.a.	-
6. Loan Loss Reserves (deducted)	49.7	2.27	34.9	1.63	36.7	2.44	47.9	2.41
TOTAL A	908.5	41.57	819.5	38.17	924.6	61.42	979.3	49.24
B. OTHER EARNING ASSETS								
1. Deposits with Banks	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Securities held for Sale & Trading	1,171.6	53.61	1,251.5	58.30	513.6	34.12	916.0	46.06
3. Investment Debt Securities (incl. other invest.)	6.7	0.31	n.a.	-	n.a.	-	39.9	2.01
4. Equity Investments	48.7	2.23	32.1	1.50	29.5	1.96	25.2	1.27
5. Derivatives (incl. Fair-value of guarantees)	n.a.	-	n.a.	-	n.a.	-	n.a.	-
TOTAL B	1,227.0	56.15	1,283.6	59.79	543.1	36.08	981.1	49.33
C. TOTAL EARNING ASSETS (A+B)	2,135.5	97.72	2,103.1	97.97	1,467.7	97.50	1,960.4	98.57
D. FIXED ASSETS	n.a.	-	n.a.	-	n.a.	-	n.a.	-
E. NON-EARNING ASSETS								
1. Cash and Due from Banks	20.8	0.95	23.4	1.09	14.9	0.99	7.5	0.38
2. Other	29.1	1.33	20.2	0.94	22.7	1.51	20.9	1.05
F. TOTAL ASSETS	2,185.4	100.00	2,146.7	100.00	1,505.3	100.00	1,988.8	100.00
G. SHORT-TERM FUNDING								
1. Bank Borrowings (< 1 Year)	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Securities Issues (< 1 Year)	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Other (incl. Deposits)	20.3	0.93	428.8	19.97	57.8	3.84	534.0	26.85
TOTAL G	20.3	0.93	428.8	19.97	57.8	3.84	534.0	26.85
H. OTHER FUNDING								
1. Bank Borrowings (> 1 Year)	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Other Borrowings (incl. Securities Issues)	626.4	28.7	633.6	29.5	540.7	35.9	564.6	28.4
3. Subordinated Debt	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Hybrid Capital	n.a.	-	n.a.	-	n.a.	-	n.a.	-
TOTAL H	626.4	28.66	633.6	29.52	540.7	35.92	564.6	28.39
I. OTHER (Non-Int Bearing)								
1. Derivatives (incl. Fair value of guarantees)	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Fair value portion of debt	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Other (Non-Int Bearing)	94.1	4.31	62.3	2.90	49.5	3.29	45.1	2.27
TOTAL I	94.1	4.31	62.3	2.90	49.5	3.29	45.1	2.27
J. GENERAL PROVISIONS & RESERVES	n.a.	-	n.a.	-	n.a.	-	n.a.	-
L. EQUITY								
1. Preference Shares	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Subscribed Capital	2,014.0	92.16	2,010.9	93.67	1,591.9	105.75	705.9	35.49
3. Callable Capital	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
4. Arrears/Advances on Capital	(730.6)	(33.43)	(1,153.1)	(53.72)	(888.7)	(59.04)	(7.5)	(0.38)
5. Paid in Capital (memo)	1,283.4	58.73	857.8	39.96	703.2	46.71	698.4	35.12
6. Reserves (incl. Net Income for the year)	161.2	7.38	164.2	7.65	154.1	10.24	146.7	7.38
7. Fair-value revaluation reserve	n.a.	-	n.a.	-	n.a.	-	n.a.	-
TOTAL L	1,444.6	66.10	1,022.0	47.61	857.3	56.95	845.1	42.49
M. TOTAL LIABILITIES & EQUITY	2,185.4	100.00	2,146.7	100.00	1,505.3	100.00	1,988.8	100.00
Exchange rate	USD1 = USD1							

**Inter-American Investment Corporation (IDB Invest)
Income Statement**

	31 Dec 2017		31 Dec 2016		31 Dec 2015		31 Dec 2014	
	Year End USDm Original	As % of Earning Assets	Year End USDm Original	As % of Earning Assets	Year End USDm Restated	As % of Earning Assets	Year End USDm Restated	As % of Earning Assets
1. Interest Received	43.9	2.06	41.7	1.98	44.2	3.01	44.5	2.27
2. Interest Paid	17.0	0.80	12.6	0.60	9.4	0.64	12.5	0.64
3. NET INTEREST REVENUE	26.9	1.26	29.1	1.38	34.8	2.37	32.0	1.63
4. Other Operating Income	93.4	4.37	68.0	3.23	7.2	0.49	8.0	0.41
5. Other Income	8.7	0.4	2.4	0.1	(0.2)	0.0	8.0	0.4
6. Personnel Expenses	11.2	0.52	8.1	0.39	8.2	0.56	4.0	0.20
7. Other Non-Interest Expenses	86.1	4.03	71.1	3.38	36.2	2.47	30.3	1.55
8. Impairment charge	14.1	0.7	(3.5)	-0.2	(6.3)	-0.4	0.1	0.0
9. Other Provisions	0.0	0.0	6.0	0.3	0.7	0.0	0.3	0.0
10. PRE-DERIVATIVE OPERATING PROFIT	17.6	0.82	17.8	0.85	3.0	0.20	13.3	0.68
11. Net gains / (losses) on non-trading derivative instruments	n.a.	-	n.a.	-	n.a.	-	n.a.	-
12. POST-DERIVATIVE OPERATING PROFIT	17.6	0.82	17.8	0.85	3.0	0.20	13.3	0.68
13. Other income and expenses	n.a.	-	n.a.	-	n.a.	-	n.a.	-
14. NET INCOME	17.6	0.82	17.8	0.85	3.0	0.20	13.3	0.68
15. Fair value revaluations recognised in equity	n.a.	-	n.a.	-	n.a.	-	0.5	0.0
16. FITCH'S COMPREHENSIVE NET INCOME	17.6	0.82	17.8	0.85	3.0	0.20	13.8	0.70

**Inter-American Investment Corporation (IDB Invest)
Ratio Analysis**

	31 Dec 2017	31 Dec 2016	31 Dec 2015	31 Dec 2014
	Year End	Year End	Year End	Year End
	%	%	%	%
	Original	Original	Restated	Restated
I. PROFITABILITY LEVEL				
1. Net Income/Equity (av.)	1.4	1.9	0.4	1.6
2. Net Income/Total Assets (av.)	0.8	1.0	0.2	0.7
3. Net Interest Revenue + Commitment Fees / Gross Loans + Treasury Assets	1.3	1.6	2.0	1.7
4. Cost-Income Ratio	80.9	81.6	105.7	85.8
5. Income from Equity Investment / Equity Investment (av.)	5.9	3.6	-14.6	-3.5
6. Provisions / Average Total Banking Exposure (excl LCs)	1.5	0.3	-0.6	0.0
II. CAPITAL ADEQUACY				
1. Net Total Banking Exposure (excl LCs) / Subscribed Capital + Reserves	44.2	39.2	54.6	117.8
2. Equity/Adjusted Total Assets	66.1	47.6	57.0	42.5
3. Equity /Adjusted Total Assets + Guarantees	66.0	47.6	57.0	42.5
4. Paid-in capital / Subscribed capital	63.7	42.7	44.2	98.9
5. Internal Capital Generation after Distributions	1.4	1.9	0.4	1.6
III. LIQUIDITY				
1. Liquid Assets / Short-term debt	5,906.4	297.3	914.4	180.4
2. Treasury Assets / Total Assets	54.9	59.4	35.1	48.4
3. Treasury Assets IG + eligible non IG / Total Assets	54.9	59.4	35.1	48.4
4. Unimpaired Trade Financing Loans / Total Assets	n.a.	n.a.	n.a.	n.a.
5. Liquid Assets / Total Assets	54.9	59.4	35.1	48.4
6. Liquid Assets / Undisbursed Loans & Equity	479.0	979.9	247.5	598.0
IV. ASSET QUALITY				
1. Impaired Loans /Gross Loans	2.7	1.0	1.0	1.7
2. Loan Loss Reserves / Gross Loans	5.2	4.1	3.8	4.7
3. Total reserves / Gross Loans, Equity Investment & Guarantees	4.9	3.9	3.7	4.6
4. Loan Loss Reserves/Impaired Loans	189.0	396.6	367.0	281.8
V. LEVERAGE				
1. Debt/Equity	44.8	104.0	69.8	130.0
2. Debt/Subscribed Capital + Reserves	29.7	48.8	34.3	128.9
3. Debt/Callable Capital	n.a.	n.a.	n.a.	n.a.
4. Net Income + Interest Paid/Interest Paid	203.5	241.3	131.9	206.4

**Inter-American Investment Corporation (IDB Invest)
Spread Sheet Annex**

	31 Dec 2017	31 Dec 2016	31 Dec 2015	31 Dec 2014
	USDm	USDm	USDm	USDm
	Original	Original	Restated	Restated
1. LENDING OPERATIONS				
1. Loans outstanding	958.2	854.4	961.3	1,027.2
2. Undisbursed Loans	250.3	130.1	213.5	161.1
3. Approved Loans	1,063.7	442.9	325.9	367.3
4. Disbursed Loans	403.6	152.7	306.9	379.8
5. Loan Repayments	301.7	256.8	356.8	371.4
6. Net disbursements	101.9	-104.1	-49.9	8.4
Memo: Loans to Sovereigns	n.a.	n.a.	n.a.	n.a.
Memo: Loans to Non-Sovereigns	958.2	854.4	961.3	1,027.2
2. OTHER BANKING OPERATIONS				
1. Equity participations	48.7	32.1	29.5	25.2
2. Guarantees (off BS)	4.7	0.0	0.0	0.0
Memo: Guarantees to Sovereigns	0.0	0.0	0.0	0.0
Memo: Guarantees to Non-Sovereigns	4.7	0.0	0.0	0.0
3. TOTAL BANKING EXPOSURE (BS and off BS)				
1. Total banking exposure (Loans + Equity Participations + Guarantees (off BS))	1,011.6	886.5	990.8	1,052.4
2. Growth in total banking exposure	14.1	-10.5	-5.9	-0.6
Memo: Non Sovereign Exposure	1,011.6	886.5	990.8	1,052.4
Memo: LCs and other off BS credit commitments (not incl. in Total Banking Exposure)	n.a.	n.a.	n.a.	n.a.
4. SUPPORT				
1. Share of AAA / AA shareholders in callable capital	n.a.	n.a.	n.a.	n.a.
2. Share of A / BBB shareholders in callable capital	n.a.	n.a.	n.a.	n.a.
3. Share of Speculative Grade shareholders in callable capital	n.a.	n.a.	n.a.	n.a.
4. Rating of callable capital ensuring full coverage of net debt	1.0	1.0	1.0	1.0
5. Weighted Average Rating of Key Shareholders	BBB-	BBB-	BB	BB
5. BREAKDOWN OF BANKING PORTFOLIO				
1. Loans to Sovereigns / Total Banking Exposure	n.a.	n.a.	n.a.	n.a.
2. Loans to Non Sovereigns / Total Banking Exposure	94.7	96.4	97.0	97.6
3. Equity participation / Total Banking Exposure	4.8	3.6	3.0	2.4
4. Guarantees covering Sovereign risks / Total Banking Exposure	0.0	0.0	0.0	0.0
5. Guarantees covering Non-Sovereign risks / Total Banking Exposure	0.5	0.0	0.0	0.0
Memo: Non Sovereign Exposure [2.+3.+5.] / Total Banking Exposure	100.0	100.0	100.0	100.0
6. CONCENTRATION MEASURES				
1. Largest exposure	55.0	50.0	50.0	68.0
2. Five largest exposures	218.2	190.0	192.5	291.7
3. Largest exposure / Equity (%)	3.8	4.9	5.8	8.1
4. Five largest exposures / Equity (%)	15.1	18.6	22.5	34.5
5. Largest exposure / Total Banking Exposure (%)	5.4	5.6	5.1	6.5
6. Five largest exposures / Total Banking Exposure (%)	21.6	21.4	19.4	27.7
7. CREDIT RISK				
1. Average Rating of Loans & Guarantees	B+	BB-	BB-	BB+
2. Loans to Investment Grade Countries / Gross Loans	0.0	0.0	0.0	0.0
3. Loans to Sub-Investment Grade Countries / Gross Loans	0.0	0.0	0.0	0.0
4. Share of Treasury Assets rated AAA-AA	68.8	76.4	67.1	80.2
5. Average rating of treasury assets	AA-	AA-	AA-	AA-
8. LIQUIDITY				
1. Treasury Assets	1,199.1	1,274.9	528.5	963.4
2. Treasury Assets o/w IG + eligible non-IG	1,199.0	1,274.9	528.5	963.4
3. Unimpaired Trade Financing Loans	n.a.	n.a.	n.a.	n.a.
4. Unimpaired Trade Financing Loans - discounted 40%	n.a.	n.a.	n.a.	n.a.
5. Liquid Assets [2. + 4.]	1,199.0	1,274.9	528.5	963.4

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Related Criteria

[Supranationals Rating Criteria \(May 2018\)](#)