

14 JAN 2025

## Fitch Affirms IDB Invest at 'AAA'; Outlook Stable

Fitch Ratings - Frankfurt am Main - 14 Jan 2025: Fitch Ratings has affirmed Inter-American Investment Corporation's (IDB Invest) Long-Term Issuer Default Rating (IDR) at 'AAA' with a Stable Outlook.

A full list of rating actions is at the end of this rating action commentary.

### Key Rating Drivers

**SCP Drives Rating:** IDB Invest's 'AAA' Long-Term IDR reflects its Standalone Credit Profile (SCP) of 'aaa', underpinned by its solvency and liquidity assessments of 'aaa' and a 'medium' risk business environment. The Stable Outlook reflects our view that IDB Invest's SCP will remain consistent with a 'AAA' rating over the medium term. Strong growth in banking exposures and new capital payments from its shareholders will support the bank's 'excellent' capitalisation assessment.

**Capital Increase, New Business Model:** In March 2024, IDB Invest secured approval for a USD3.5 billion capital increase to facilitate its transition to a new business model, with member countries having until March 2026 to subscribe. The capital increase involves seven equal annual payments starting in November 2025 and concluding in 2031. The new business model will be gradually implemented in line with the received capital and is focussed on 'originate-to-share' projects, broadening product offerings and capacity to support riskier assets.

**Excellent Capitalisation, Reduced Buffers:** IDB Invest's 'excellent' capitalisation reflects both its 'excellent' Fitch's usable capital to risk-weighted assets (FRA) ratio (44% at end-September 2024) and equity/assets ratio (25.6%). Fitch expects the FRA ratio, which has greater weight under its Supranationals Rating Criteria, to decline over the medium term due to the increase in riskier activities, which will be partly offset by additional paid in capital. We expect both ratios to remain above the 'excellent' thresholds of 35% and 25%, respectively.

**'Low' Risks:** Fitch assesses IDB Invest's overall risk profile as 'low'. This is supported by the bank's 'very low' equity participation (3.8% of total banking exposure; TBE) and 'moderate' credit risk, as well as its 'excellent' risk management policies. Comprehensive limits on countries, sectors, and obligors are conservative and well managed. Most limits are based on a maximum economic capital utilisation or a percentage of the bank's equity. As of end-September 2024, the five largest banking exposures accounted for 10.8% of TBE, consistent with a 'very low' concentration risk assessment.

**NPLs Forecast to Increase:** Non-performing loans (NPLs) decreased to 1.9% as of end-September 2024 (vs. 2.3% at end-September 2023). IDB Invest's NPL rate is 'low' compared with other private sector-focused peers. Given the new business model plans to increase activities in riskier projects, Fitch expects NPLs to increase slightly in the medium term but for the overall level to remain within the 'low'

threshold (defined as 1-3% of total loans).

**Risk Transfers Support Credit Risk:** The use of unfunded credit protection (19% of loans) and synthetic securitisation (in September 2024 for the first time the bank securitised around USD1 billion of its loan portfolio and benefited from credit protection on a mezzanine tranche of USD96 million) have supported the improvement in IDB Invest's weighted average rating of loans and guarantees (WARLG) to 'BB+' as of end-September 2024 (from 'BB' in end-September 2023). Fitch expects the WARLG to slightly deteriorate within the 'BB' category over the medium term.

**Excellent Liquidity:** Fitch assesses IDB Invest's liquidity at 'aaa'. As of end-September 2024, liquid assets (including discounted short-term trade finance loans) decreased to 340.5% of short-term debt but were still well above the minimum 'excellent' threshold (above 150%). The credit quality of treasury assets is 'excellent', with the bulk invested in 'AAA' to 'AA' rated assets (90.7% of total). The bank's liquidity assessment is also supported by its increasing access to capital markets. The bank raised USD2.4 billion in medium- and long-term bond issuances in 2024.

**Medium Risk Business Environment:** We assess IDB Invest's overall business environment as 'medium risk', which does not translate into an adjustment from our solvency or liquidity assessments of 'aaa'. IDB Invest's 'medium-risk' business profile is affected by its 'high' risk strategy and private sector focus. In addition, our assessment captures the increased importance of the bank's policy mandate, as the largest private-sector focused multilateral development bank in Latin America and Caribbean, and its 'medium-risk' operating environment.

**Mexican National Scale Rating:** IDB Invest's Long-Term IDR is materially above Mexico's sovereign rating (BBB-/Stable), therefore the bank's rating on the Mexican National Rating scale is 'AAA(mex)'

## RATING SENSITIVITIES

**Factors that could, individually or collectively, lead to negative rating action/downgrade:**

- **Solvency (Credit Risk):** Increased credit risk, potentially driven by sustained higher levels of NPLs (above 3%) and/or a decline in the average rating of loans and guarantees below the 'BB' category.
- **Solvency (Capitalisation):** Decline in capitalisation metrics beyond Fitch's current expectations; with an FRA ratio close to or below 35% and/or an equity to assets and guarantees ratio sustained at a level close to or below 15%. This could be driven by losses, rapid growth in banking operations, delays in capital payments and/or a significant increase in risk-weighted assets.

**Solvency (Capitalisation/Business Profile):** In the unlikely event that a major shareholder withdrew from IADB in a way that significantly affects its capitalisation or business profile.

**Factors that could, individually or collectively, lead to positive rating action/upgrade:**

- The ratings are at the highest level on Fitch's scale and cannot be upgraded.

## REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

### ESG Considerations

IDB Invest has an ESG Relevance Score of '4' for Rule of Law, Institutional & Regulatory Quality. All supranationals attract a score of '4'. Supranationals are neither subject to bank regulation nor supervised by an external authority. Instead, supranationals comply with their own set of rules. Fitch pays particular attention to internal prudential policies, including compliance with these policies. This has a negative impact on the credit profile, and is relevant to the rating[s] in conjunction with other factors.

IDB Invest has an ESG Relevance Score of '4' for Exposure to Social Impacts. IDB's policy response to the coronavirus crisis was one of the largest policy responses of the MDBs in the portfolio (in comparison with initial lending plans for 2020). This has diminished the capital buffers of the bank. This has a negative impact on the credit profile, and is relevant to the ratings in conjunction with other factors.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

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## Rating Actions

ENTITY/DEBT	RATING		RECOVERY	PRIOR
Inter-American Investment Corporation (IDB Invest)	LT IDR	AAA	Affirmed	AAA
	ST IDR	F1+	Affirmed	F1+
• senior unsecured	LT	AAA	Affirmed	AAA
• senior unsecured	Natl LT	AAA(mex)	Affirmed	AAA(mex)

## RATINGS KEY OUTLOOK WATCH

POSITIVE		
NEGATIVE		
EVOLVING		
STABLE		

## Applicable Criteria

[Metodología de Calificaciones en Escala Nacional \(pub.22 Dec 2020\)](#)

[Metodología de Calificación de Supranacionales \(pub.12 May 2023\)](#)

[National Scale Rating Criteria \(pub.22 Dec 2020\)](#)

## Additional Disclosures

### Solicitation Status

## Endorsement Status

Inter-American Investment Corporation (IDB Invest)    EU Issued, UK Endorsed

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The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Fitch also provides information on best-case rating upgrade scenarios and worst-case rating downgrade scenarios (defined as the 99th percentile of rating transitions, measured in each direction) for international credit ratings, based on historical performance. A simple average across asset classes presents best-case upgrades of 4 notches and worst-case downgrades of 8 notches at the 99th percentile. For more details on sector-specific best- and worst-case scenario credit ratings, please see [Best- and Worst-Case Measures](#) under the Rating Performance page on Fitch's website.

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