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# Announcement of Periodic Review: Moody's Ratings announces completion of a periodic review of ratings of Inter-American Investment Corporation

14 Apr 2025

New York, April 14, 2025 -- Moody's Ratings (Moody's) has completed a periodic review of the ratings of Inter-American Investment Corporation (IDB Invest) and other ratings that are associated with this issuer.

The review was conducted through a rating committee held on 10 April 2025 in which we reassessed the appropriateness of the ratings in the context of the relevant principal methodology(ies), and recent developments.

This publication does not announce a credit rating action and is not an indication of whether or not a credit rating action is likely in the near future. Please see the Issuer page on https://ratings.moodys.com for the most updated credit rating action information and rating history.

Key Rating considerations and rationale are summarized below.

IDB Invest's ratings, including its Aa1 long term issuer rating, with stable outlook reflect its robust capitalization and strong asset performance in the context of its private-sector focus. The institution's high member support and close relationship with the Inter-American Development Bank (IADB, Aaa stable) also support its credit profile. IDB Invest's conservative risk management practices keep its capital adequacy and liquidity ratios strong.

In March 2024, IDB Invest's Board of Governors authorized its third general capital increase (GCI-III). Following two earlier capital increases that took place in 1999 for $500 million and then in 2015 for $2 billion, GCI-III aims to inject $3.5 billion of capital. At the end of the injection cycle in 2031, IDB Invest will have had its capital doubled. The additional capital will support a significant expansion of lending in Latin America and the Caribbean to address social and economic challenges that hinder growth and fuel inequality. Accordingly, effective 2025, IDB Invest will shift to a new impact-driven originate-to-share business model that will help bridge the gap between global and local investors. IDB Invest's operations are expected to gradually expand in the coming years, reaching a peak and sustainable lending levels in 2032.

IDB Invest ended 2024 with a lower leverage ratio than a year prior (defined as development-related assets and liquid assets rated A3 or lower to usable equity). Leverage fell from what was a historical peak of 273% in 2023 to 245% in 2024. This is somewhat comparable to the three-year average level of 226% for 2020-22, which saw significant increases in lending because of the pandemic. Moreover, in 2023, all new private-sector operations in the IADB Group were originated and recorded solely on IDB Invest's balance sheet due to the expiration of a co-financing period with the IADB on 1 January 2023. In contrast, assets only grew by a modest 3% in 2024, outpaced by a 14% capital expansion attributed to capital contributions as part of GCI-II as well as net and comprehensive income. We expect that IDB Invest's leverage ratio will remain broadly stable as it has reached a new steady state following the completion of GCI-II and that operations will ramp up again in the next few years, coinciding with the roll out of GCI-III. Approved by IDB Invest's Board of Governors in 2024, the GCI-III will increase capital by $3.5 billion over the next seven years, beginning in earnest in 2025.

The credit profile of IDB Invest is supported by its "a3" capital adequacy, reflecting the IDB Invest's strong capitalization levels that help mitigate the risks from its portfolio of loans to the private sector and equity investments. The IDB Invest's "aa2" liquidity and funding reflects its strong liquidity coverage and expanding market access across different regional markets in addition to a more established presence in the US; and "High" strength of member support that balances a lack of contractual support in the form of callable capital and a very strong willingness by members to expand its mandate and provide additional resources through a general capital increase.

The stable rating outlook reflects our expectation that IDB Invest's capital position will stabilize as it continues to expand on its new business model and its equity grows as part of the new capital increase process. Its robust credit risk management practices will continue to allow IDB Invest to maintain strong asset performance despite the risks posed by its operations within the private sector in Latin America and the Caribbean. Strong liquidity coverage and favorable market access will also support its credit profile.

Upward rating pressure is limited by the difficult operating environment in which IDB Invest carries out its lending and investment activities, and potential risks from its private-sector-focused operations. Although unlikely, the introduction of callable capital as an additional backstop for investors would enhance IDB Invest's credit profile.

Downward rating pressure would emerge if there were significant credit losses, for instance, from a more acutely difficult operating environment or a continued increase in leverage that pushes this metric closer to IDB Invest's policy limits, which would result in a sharp deterioration in capital adequacy. A weakening of support from its shareholders or the IADB would also weigh on its credit profile.

This document summarizes our view as of the publication date and will not be updated until the next periodic review announcement, which will incorporate material changes in credit circumstances (if any) during the intervening period.

The principal methodology used for this review was Multilateral Development Banks and Other Supranational Entities published in February 2024. Please see the Rating Methodologies page on https://ratings.moodys.com for a copy of this methodology.

This announcement applies only to EU rated, UK rated, EU endorsed and UK endorsed ratings. Non-EU rated, non-UK rated, non-EU endorsed and non-UK endorsed ratings may be referenced herein to the extent necessary, if they are part of the same organization list.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on https://ratings.moodys.com for the most updated credit rating action information and rating history.

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