

Inter-American Development Bank

Update

Ratings

Long-Term IDR	AAA
Short-Term IDR	F1+

Outlook

Long-Term IDR	Stable
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Financial Data

Inter-American Development Bank

	30 Jun 17	31 Dec 16
Total assets (USDm)	126,020	113,325
Total equity (USDm)	31,987	26,460
Net income (USDm)	304	848
RoA (%)	1.0	0.8
RoE (%)	4.2	3.3
Equity/adjusted assets (%)	26.1	24.2
Share of non-sovereign guaranteed loan portfolio (%)	6.9	7.2
Impaired loans ratio (%)	0.6	0.6

Key Rating Drivers

High Levels of Liquidity: Inter-American Development Bank's (IADB) liquidity profile is a key credit strength. Liquidity buffers have benefited from a more conservative policy, adopted in 2015, to maintain liquidity coverage of 100% of the coming 12-month net cash needs. At end-June 2017, treasury assets covered short-term debt by 220.6%, compared to an average of 174.2% in 2013-2015.

Strong Capitalisation: In addition to a five-year capital increase of USD1.7 billion concluded in 2017, IADB's paid-in capital increased by USD5.2 billion in early 2017 subsequent to the absorption of assets and liabilities of its concessional lending arm, the Fund for Special Operations. This resulted in an increase in the ratio of equity to assets (less derivatives) to 25.7% at end-September 2017 from 24.2% at end-2016.

Stable Earnings: Solvency levels are supported by IADB's stable profitability, and its ability to adjust the margins on its loan and guarantee portfolio. While IADB's balance sheet has grown by an average of 5.4% annually since 2013, this growth has been offset by a rate of internal capital generation averaging 5.3% during the same period.

Low Credit Risk Exposure: IADB's impaired loans have historically been stable, ranging between 0.4% and 0.6% of total loans since 2013. Sovereign-guaranteed loans continue to account for the vast majority of total lending (93% of total exposure at end-September 2017). IADB's USD2.0 billion exposure (2.3% of gross loans) to the Venezuelan sovereign (rated 'RD' since 14 November 2017) is mitigated by the bank's adequate reserves and capital buffers as well as its preferred-creditor status, which has been tested in the Argentina debt crisis.

High Loan Concentration: The bank's loan concentration remains a credit weakness. However, through the use of off-balance-sheet loan exposure swaps (exposure exchange agreements) with other multilateral development banks, IADB's total exposure to its five largest borrowers (Brazil, Mexico, Argentina, Colombia and Ecuador) declines from 60.0% of gross loans to 55.7% at end-June 2017.

'Medium Risk' Environment: IADB's business environment is assessed as 'medium risk', and translates into a one-notch credit uplift. The assessment is informed by Fitch's view of IADB's 'low-risk' business profile, reflecting its high-quality governance, prudent strategy, low exposure to the private sector, and the large size of its banking portfolio. This is partly offset by Fitch Ratings' view of its 'medium-risk' Latin American operating environment, considering the credit quality, political risk and business climate of the region.

Strong Shareholder Support: Although not needed for IADB to achieve its 'AAA' IDR, shareholder support remains high, as evidenced by the timely disbursement of paid-in capital as well as a USD64.3 billion increase in callable capital since 2012. Callable capital from 'AAA' rated shareholders amounted to USD61.4 billion at end-June 2017, fully covering IADB's net debt of USD55.6 billion (gross debt less treasury holdings rated 'AA-' or above).

Rating Sensitivities

Worsening Intrinsic and Support Factors: A downgrade of IADB's ratings would require a decline in the assessment of both intrinsic and extraordinary support factors, such as a prolonged and significant decline in capitalisation accompanied by less than full coverage of IADB's net debt by callable capital from 'AAA'-rated shareholders.

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Inter-American Development Bank Balance Sheet

	30 Jun 2017		31 Dec 2016		31 Dec 2015		31 Dec 2014		31 Dec 2013	
	6 Months - Interim	As % of	Year End	As % of	Year End	As % of	Year End	As % of	Year End	As % of
	USDm	Assets	USDm	Assets	USDm	Assets	USDm	Assets	USDm	Assets
	Original	Original	Original	Original	Original	Original	Original	Original	Original	Original
A. LOANS										
1. To / Guaranteed by Sovereigns	80,822.0	64.13	76,022.0	67.08	72,765.0	65.47	68,614.0	64.55	65,044.0	67.05
2. To / Guaranteed by public institutions	n.a.	-	n.a.	-	n.a.	-	n.a.	-	0.0	0.00
3. To / Guaranteed by Private Sector	6,007.0	4.77	5,930.0	5.23	5,980.0	5.38	5,971.0	5.62	5,635.0	5.81
4. Trade Financing Loans (memo)	n.a.	-	n.a.	-	n.a.	-	n.a.	-	0.0	0.00
5. Other Loans	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
6. Loan Loss Reserves (deducted)	537.0	0.43	532.0	0.47	444.0	0.40	370.0	0.35	244.0	0.25
TOTAL A	86,292.0	68.47	81,420.0	71.85	78,301.0	70.45	74,215.0	69.82	70,435.0	72.61
B. OTHER EARNING ASSETS										
1. Deposits with Banks	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Securities held for Sale & Trading	35,025.0	27.79	27,292.0	24.08	27,901.0	25.10	27,395.0	25.77	21,015.0	21.66
3. Investment Debt Securities (incl. other invest.)	n.a.	-	n.a.	-	n.a.	-	0.0	0.00	0.0	0.00
4. Equity Investments	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
5. Derivatives (incl. Fair-value of guarantees)	1,652.0	1.31	2,054.0	1.81	2,224.0	2.00	2,861.0	2.69	3,440.0	3.55
TOTAL B	36,677.0	29.10	29,346.0	25.90	30,125.0	27.11	30,256.0	28.46	24,455.0	25.21
C. TOTAL EARNING ASSETS (A+B)	122,969.0	97.58	110,766.0	97.74	108,426.0	97.56	104,471.0	98.28	94,890.0	97.82
D. FIXED ASSETS	n.a.	-	431.0	0.38	401.0	0.36	378.0	0.36	354.0	0.36
E. NON-EARNING ASSETS										
1. Cash and Due from Banks	935.0	0.74	599.0	0.53	641.0	0.58	535.0	0.50	421.0	0.43
2. Other	2,116.0	1.68	1,529.0	1.35	1,671.0	1.50	915.0	0.86	1,342.0	1.38
F. TOTAL ASSETS	126,020.0	100.00	113,325.0	100.00	111,139.0	100.00	106,299.0	100.00	97,007.0	100.00
G. SHORT-TERM FUNDING										
1. Bank Borrowings (< 1 Year)	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Securities Issues (< 1 Year)	15,877.1	12.60	12,280.0	10.84	13,892.0	12.50	14,724.0	13.85	11,682.0	12.04
3. Other (incl. Deposits)	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
TOTAL G	15,877.1	12.60	12,280.0	10.84	13,892.0	12.50	14,724.0	13.85	11,682.0	12.04
H. OTHER FUNDING										
1. Bank Borrowings (> 1 Year)	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Other Borrowings (incl. Securities Issues)	71,876.9	57.0	68,046.0	60.0	65,268.0	58.7	62,585.0	58.9	57,019.0	58.8
3. Subordinated Debt	n.a.	-	n.a.	-	n.a.	-	n.a.	-	0.0	0.0
4. Hybrid Capital	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
TOTAL H	71,876.9	57.04	68,046.0	60.05	65,268.0	58.73	62,585.0	58.88	57,019.0	58.78
I. OTHER (Non-Int Bearing)										
1. Derivatives (incl. Fair value of guarantees)	3,231.0	2.56	3,843.0	3.39	3,615.0	3.25	2,669.0	2.51	2,774.0	2.86
2. Fair value portion of debt	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Other (Non-Int Bearing)	3,048.0	2.42	2,696.0	2.38	3,111.0	2.80	2,624.0	2.47	1,982.0	2.04
TOTAL I	6,279.0	4.98	6,539.0	5.77	6,726.0	6.05	5,293.0	4.98	4,756.0	4.90
J. GENERAL PROVISIONS & RESERVES										
L. EQUITY	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
1. Preference Shares	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Subscribed Capital	176,752.0	140.26	170,940.0	150.84	156,939.0	141.21	144,258.0	135.71	128,781.0	132.75
3. Callable Capital	(164,901.0)	(130.85)	(164,901.0)	(145.51)	(151,240.0)	(136.08)	(138,901.0)	(130.67)	(123,840.0)	(127.66)
4. Arrears/Advances on Capital	(9.0)	(0.01)	(24.0)	(0.02)	(75.0)	(0.07)	(84.0)	(0.08)	(1.0)	(0.00)
5. Paid in Capital (memo)	11,851.0	9.40	6,039.0	5.33	5,699.0	5.13	5,357.0	5.04	4,940.0	5.09
6. Reserves (incl. Net Income for the year)	20,145.0	15.99	20,445.0	18.04	19,629.0	17.66	18,424.0	17.33	18,610.0	19.18
7. Fair-value revaluation reserve	n.a.	-	n.a.	-	n.a.	-	n.a.	-	0.0	0.00
TOTAL L	31,987.0	25.38	26,460.0	23.35	25,253.0	22.72	23,697.0	22.29	23,550.0	24.28
M. TOTAL LIABILITIES & EQUITY	126,020.0	100.00	113,325.0	100.00	111,139.0	100.00	106,299.0	100.00	97,007.0	100.00
Exchange rate	USD1 = USD1		USD1 = USD1		USD1 = USD1		USD1 = USD1		USD1 = USD1	

Related Criteria

Supranationals Rating Criteria (May 2017)

Inter-American Development Bank Income Statement

	30 Jun 2017		31 Dec 2016		31 Dec 2015		31 Dec 2014		31 Dec 2013	
	6 Months - Interim	As % of	Year End	As % of	Year End	As % of	Year End	As % of	Year End	As % of
	USDm	Earning	USDm	Earning	USDm	Earning	USDm	Earning	USDm	Earning
	Original	Assets	Original	Assets	Original	Assets	Original	Assets	Original	Assets
1. Interest Received	1,447.0	2.37	2,546.0	2.30	1,985.0	1.83	1,777.0	1.70	2,017.0	2.13
2. Interest Paid	502.0	0.82	797.0	0.72	409.0	0.38	398.0	0.38	401.0	0.42
3. NET INTEREST REVENUE	945.0	1.55	1,749.0	1.58	1,576.0	1.45	1,379.0	1.32	1,616.0	1.70
4. Other Operating Income	24.0	0.04	163.0	0.15	56.0	0.05	122.0	0.12	243.0	0.26
5. Other Income	(17.0)	0.0	(67.0)	-0.1	(74.0)	-0.1	(63.0)	-0.1	(107.0)	-0.1
6. Personnel Expenses	n.a.	-	390.0	0.35	503.0	0.46	419.0	0.40	591.0	0.62
7. Other Non-Interest Expenses	330.0	0.54	286.0	0.26	265.0	0.24	249.0	0.24	222.0	0.23
8. Impairment charge	16.0	0.0	142.0	0.1	73.0	0.1	118.0	0.1	58.0	0.1
9. Other Provisions	n.a.	-	n.a.	-	n.a.	-	0.0	0.0	0.0	0.0
10. PRE-DERIVATIVE OPERATING PROFIT	606.0	0.99	1,027.0	0.93	717.0	0.66	652.0	0.62	881.0	0.93
11. Net gains / (losses) on non-trading derivative instruments	(302.0)	-0.5	(179.0)	-0.2	443.0	0.4	96.0	0.1	626.0	0.7
12. POST-DERIVATIVE OPERATING PROFIT	304.0	0.50	848.0	0.77	1,160.0	1.07	748.0	0.72	1,507.0	1.59
13. Other income and expenses	n.a.	-	0.0	0.0	(200.0)	-0.2	(200.0)	-0.2	(200.0)	-0.2
14. NET INCOME	304.0	0.50	848.0	0.77	960.0	0.89	548.0	0.52	1,307.0	1.38
15. Fair value revaluations recognised in equity	n.a.	-	261.0	0.2	229.0	0.2	(750.0)	-0.7	1,506.0	1.6
16. FITCH'S COMPREHENSIVE NET INCOME	304.0	0.50	1,109.0	1.00	1,189.0	1.10	(202.0)	(0.19)	2,813.0	2.96

Inter-American Development Bank Ratio Analysis

	30 Jun 2017	31 Dec 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013
	6 Months - Interim	Year End	Year End	Year End	Year End
	%	%	%	%	%
	Original	Original	Original	Original	Original
I. PROFITABILITY LEVEL					
1. Net Income/Equity (av.)	4.2	3.3	3.9	2.3	6.0
2. Net Income/Total Assets (av.)	1.0	0.8	0.9	0.5	1.4
3. Net Interest Revenue + Commitment Fees / Gross Loans + Treasury Assets + Guarantees (av.)	3.2	1.6	1.5	1.4	1.8
4. Cost-Income Ratio ^a	34.1	35.4	47.1	44.5	43.7
5. Income from Equity Investment / Equity Investment (av.)	n.a.	n.a.	n.a.	n.a.	n.a.
6. Provisions / Average Total Banking Exposure (excl LCs)	0.1	0.2	0.1	0.2	0.1
II. CAPITAL ADEQUACY					
1. Net Total Banking Exposure (excl LCs) / Subscribed Capital + Reserves	44.0	42.7	44.5	45.8	48.4
2. Equity/Adjusted Total Assets	26.1	24.2	23.5	22.9	25.0
3. Equity /Adjusted Total Assets + Guarantees	26.0	24.1	23.4	22.8	24.8
4. Paid-in capital / Subscribed capital	6.7	3.5	3.6	3.7	3.8
5. Internal Capital Generation after Distributions	1.0	4.3	4.9	-0.9	12.8
III. LIQUIDITY					
1. Liquid Assets / Short-term debt	221.5	223.3	197.6	172.1	168.1
2. Treasury Assets / Total Assets	28.5	24.6	25.7	26.3	22.1
3. Treasury Assets IG + eligible non IG / Total Assets	27.9	24.2	24.7	23.8	20.2
4. Unimpaired Trade Financing Loans / Total Assets	n.a.	n.a.	n.a.	n.a.	0.0
5. Liquid Assets / Total Assets	27.9	24.2	24.7	23.8	20.2
6. Liquid Assets / Undisbursed Loans & Equity	n.a.	n.a.	n.a.	n.a.	n.a.
IV. ASSET QUALITY					
1. Impaired Loans /Gross Loans	0.6	0.6	0.6	0.5	0.4
2. Loan Loss Reserves / Gross Loans	0.6	0.7	0.6	0.5	0.4
3. Total reserves / Gross Loans, Equity Investment & Guarantees	0.6	0.7	0.6	0.5	0.3
4. Loan Loss Reserves/Impaired Loans	106.8	107.7	95.3	93.9	78.7
V. LEVERAGE					
1. Debt/Equity	274.3	303.6	313.5	326.2	291.7
2. Debt/Subscribed Capital + Reserves	44.6	42.0	44.8	47.5	46.6
3. Debt/Callable Capital	53.2	48.7	52.3	55.7	55.5
4. Net Income + Interest Paid/Interest Paid	160.6	206.4	334.7	237.7	425.9

^a Fitch's Cost to Income Ratio differs from the company's. Under Fitch's methodology, Cost includes postretirement benefits and Income includes net trading gains.

Inter-American Development Bank Spread Sheet Annex

	30 Jun 2017	31 Dec 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013
	USDm Original	USDm Original	USDm Original	USDm Original	USDm Original
1. LENDING OPERATIONS					
1. Loans outstanding	86,829.0	81,952.0	78,745.0	74,585.0	70,679.0
2. Undisbursed Loans	29,354.0	30,007.0	30,711.0	31,601.0	29,207.0
3. Approved Loans	2,390.0	10,803.0	10,404.0	12,652.0	13,290.0
4. Disbursed Loans	3,086.0	9,600.0	9,719.0	9,423.0	10,558.0
5. Loan Repayments	4,006.0	6,023.0	5,132.0	5,213.0	8,462.0
6. Net disbursements	-920.0	3,577.0	4,587.0	4,210.0	2,096.0
Memo: Loans to Sovereigns	80,822.0	76,022.0	72,765.0	68,614.0	65,044.0
Memo: Loans to Non-Sovereigns	6,007.0	5,930.0	5,980.0	5,971.0	5,635.0
2. OTHER BANKING OPERATIONS					
1. Equity participations	n.a.	0.0	0.0	0.0	0.0
2. Guarantees (off BS)	245.0	230.0	207.0	251.0	871.0
Memo: Guarantees to Sovereigns	63.0	60.0	60.0	60.0	325.0
Memo: Guarantees to Non-Sovereigns	182.0	170.0	147.0	191.0	546.0
3. TOTAL BANKING EXPOSURE (BS and off BS)					
1. Total banking exposure (Loans + Equity Participations + Guarantees (off BS))	87,074.0	82,182.0	78,952.0	74,836.0	71,550.0
2. Growth in total banking exposure	10.0	4.1	5.5	4.6	3.1
Memo: Non Sovereign Exposure	6,189.0	6,100.0	6,127.0	6,162.0	6,181.0
Memo: LCs and other off BS credit commitments (not incl. in Total Banking Exposure)	n.a.	n.a.	n.a.	n.a.	n.a.
4. SUPPORT					
1. Share of AAA / AA shareholders in callable capital	40.8	40.8	43.9	39.9	42.4
2. Share of A / BBB shareholders in callable capital	26.3	26.3	23.3	37.0	36.0
3. Share of Speculative Grade shareholders in callable capital	32.9	32.9	32.8	21.6	21.6
4. Rating of callable capital ensuring full coverage of net debt	21.0	21.0	20.0	20.0	20.0
5. Weighted Average Rating of Key Shareholders	16.0	16.0	15.0	15.0	16.0
5. BREAKDOWN OF BANKING PORTFOLIO					
1. Loans to Sovereigns / Total Banking Exposure	92.8	92.5	92.2	91.7	90.9
2. Loans to Non Sovereigns / Total Banking Exposure	6.9	7.2	7.6	8.0	7.9
3. Equity participation / Total Banking Exposure	n.a.	0.0	0.0	0.0	0.0
4. Guarantees covering Sovereign risks / Total Banking Exposure	0.1	0.1	0.1	0.1	0.5
5. Guarantees covering Non-Sovereign risks / Total Banking Exposure	0.2	0.2	0.2	0.3	0.8
Memo: Non Sovereign Exposure [2.+3.+5.] / Total Banking Exposure	7.1	7.4	7.8	8.2	8.6
6. CONCENTRATION MEASURES					
1. Largest exposure	13,424.0	12,946.0	12,877.5	13,572.1	12,678.0
2. Five largest exposures	47,971.0	47,761.0	46,380.8	47,870.5	45,271.0
3. Largest exposure / Equity (%)	42.0	48.9	51.0	57.3	53.8
4. Five largest exposures / Equity (%)	150.0	180.5	183.7	202.0	192.2
5. Largest exposure / Total Banking Exposure (%)	15.4	15.8	16.3	18.1	17.7
6. Five largest exposures / Total Banking Exposure (%)	55.1	58.1	58.8	64.0	63.3
7. CREDIT RISK					
1. Average Rating of Loans & Guarantees	10.0	10.0	10.0	10.0	10.0
2. Loans to Investment Grade Borrowers / Gross Loans	35.2	36.0	35.8	54.1	56.0
3. Loans to Sub-Investment Grade Borrowers / Gross Loans	57.9	55.9	55.8	37.1	44.0
4. Share of Treasury Assets rated AAA-AA	89.2	86.7	86.8	90.7	91.6
5. Average rating of treasury assets	n.a.	n.a.	n.a.	n.a.	n.a.
8. LIQUIDITY					
1. Treasury Assets	35,960.0	27,891.0	28,542.0	27,930.0	21,436.0
2. Treasury Assets o/w IG + eligible non-IG	35,160.0	27,417.0	27,448.6	25,344.0	19,636.0
3. Unimpaired Trade Financing Loans	n.a.	n.a.	n.a.	n.a.	0.0
4. Unimpaired Trade Financing Loans - discounted 40%	n.a.	n.a.	n.a.	n.a.	0.0
5. Liquid Assets [2. + 4.]	35,160.0	27,417.0	27,448.6	25,344.0	19,636.0

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