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S&P Global upgrades IIB long-term rating to A- with a stable outlook

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On March 7, 2019 international rating agency S&P Global upgraded long-term rating of International Investment Bank (IIB) to A- with a stable outlook. This is a first in 2019 and already a fifth positive rating action on the Bank since the beginning of 2018 from leading international rating agencies.

S&P underlines that the upgrade is based on a “moderate corporate risk profile and a very strong financial profile in accordance with renewed criteria of the agency” adopted within the framework of a revised MDBs rating methodology.

It is particularly noted that an improved assessment of the Bank’s risk profile reflects a progress achieved by IIB in positioning itself as a diversified development institution.

Among key factors leading to the upgrade S&P highlights the completion of a corporate governance reform, an increase in the European share in IIB paid-in capital, successful start of development strategy 2018-2022 implementation.

Agency gives high importance to the IIB shareholders’ decision to relocate its headquarters to Hungary, which will, among others, open new opportunities for the Bank with regards to growth in the scale of activities, lowering of the cost of funding in the international capital markets and further expansion of shareholder structure.

Highlighted positive trends include continuous and significant growth of the IIB European member states share in the loan portfolio and paid-in capital, corporate structure improvement due to an introduction of a three-tier governance system and a proportionate voting system on strategic decisions.

S&P also notes a high level of shareholder support with an approval of a new large-scale capitalization programme of the Bank until 2023 in the amount of 200 million euro. It is outlined that its timely and full implementation will serve as a confirmation of the utmost serious member states support of IIB and will be one of key factors influencing rating dynamics in the future.

Agency points at the increasing role of IIB in development of its shareholders’ economies, as well as an increasing level of its competitiveness. It has been highlighted that lending and investment activity growth is fully correspondent with the development strategy of the institution. S&P highly evaluates the Bank’s efforts in improving the risk management system and quality of assets, which led to a record low NPL level of 2%. It is significantly lower compared to development banks in the same peer group.

According to S&P analysts a “very strong” financial profile of the Bank is achieved by a high

level of capital adequacy and liquidity, as well as efficient funding operations. Liquidity management is characterized by a targeted progressive increase in high-rated A-AAA assets in the treasury portfolio that has been performed by IIB within the course of the last few years. As at the end of 2018 the share of such assets reached 57% and plans to be increased till 65% by the end of 2020.

The Bank's work aimed at an increase in international capital markets funding has also received positive evaluation, with a special emphasis on the diversification of geography, instruments and currencies.

"For the first time in its history IIB has become an institution with an average rating at an A level taking into account our ratings from Dagong, Moody's and now S&P. It is a victory for our Bank and a vivid example of the successfully chosen strategy and efficient work of our international team", **Chairperson of the IIB Management Board Nikolay Kosov stressed**, - "I also have to underline key role played by our shareholder countries. Their constructive joint position and increasing support allowed us to take timely historic decisions crucial for long-term successful operations. IIB gains significance, strength and recognition in all geographies of its presence with each passing day. I am glad that our efforts received acknowledgement yet again".