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Getting the call up to AAA (for IDBINV bonds)

By Ethan Currie

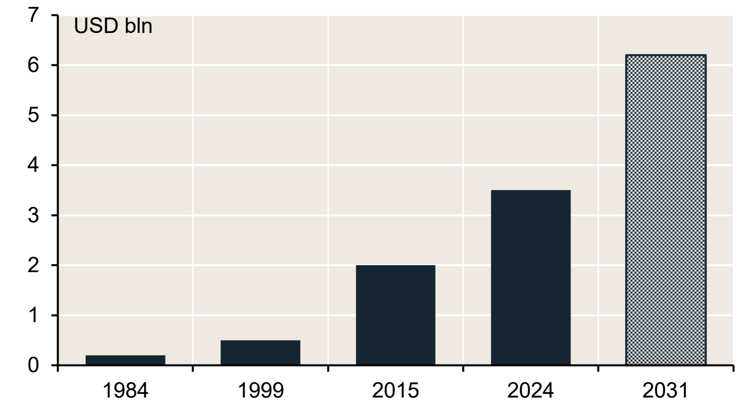
For SSA bonds, credit rating actions and liquidity are primary drivers / determinants of spread performance. Following its recent upgrade to AAA by **S&P**, this *Market View* revisits IDB Invest (ticker: IDBINV), an issuer we have examined **previously**, to assess its underlying credit profile. Importantly for bond investors, we highlight the continued growth and diversification of the IDBINV program, evaluating the RV dynamics supported by both credit quality and building liquidity. As always, we encourage investors to consult issuer material directly—IDB Invest's latest investor presentation can be found **here**.

Passing the midpoint of its fiscal year, IDB Invest's rating upgrade reflects continued strong shareholder support and prudent risk management. Notably, that's evident through its pivot to an *Originate-to-Share* model, which transfers portfolio risk and differentiates from a more traditional hold-to-maturity lending approach. Expanding loan operations have also driven a natural increase in capital market activity, with IDBINV benchmark bond issuance consistently stepping up. As a result, the bond stock has become increasingly liquid and diversified, with offerings across multiple tenors and currencies, attracting broad investor demand. Recently, a benchmark USD outing saw meaningful spread compression from IPTs and subsequently outperformed following the issuer's fresh AAA status in June.

Roughly a third of 2026 announced funding is yet to be completed as the issuer is appropriately advanced, implying additional near-term tests for investor appetite. To us, the credit rating tailwind and continued liquidity growth should see new issues well absorbed and allow for tight(er) G-spreads—outright and relative to key peers.

Chart 1: Capital steps up with strong shareholder support

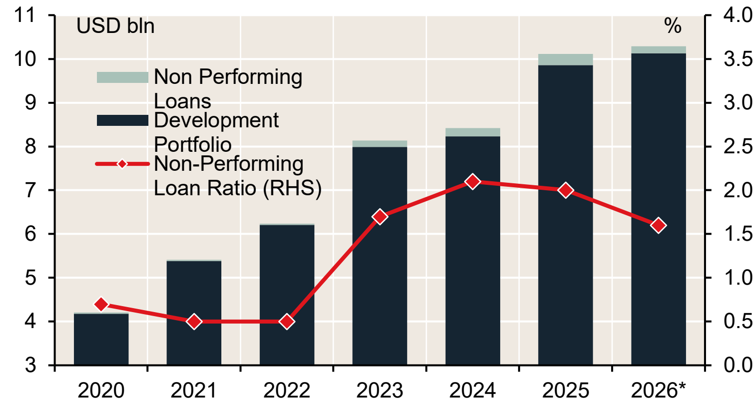
Approved general capital increases (GCI) since inception, paid-in cap trajectory



Source: NBC, IDBINV | Note: 1984 was initial capital, 2031 is IDBINV projection

Chart 2: Strong loan growth with prudent risk management

Development portfolio, non-performing loans and resulting ratio

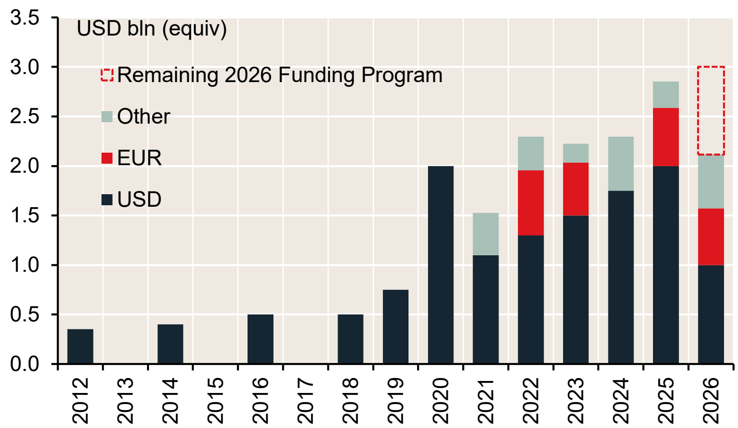


Source: NBC, IDBINV | Note: 2026 is as at Q1*

Ongoing (and diverse) shareholder support has been on display since IDB Invest's inception, most recently evidenced by a $3.5 billion capital increase in 2024 (100% subscribed), when the *Originate-to-Share* business model was adopted. IDB Invest's sound risk management practices continue to underpin the credit profile, another factor contributing to the AAA rating upgrade by S&P.

Chart 3: Steady and growing IDBINV bond supply…

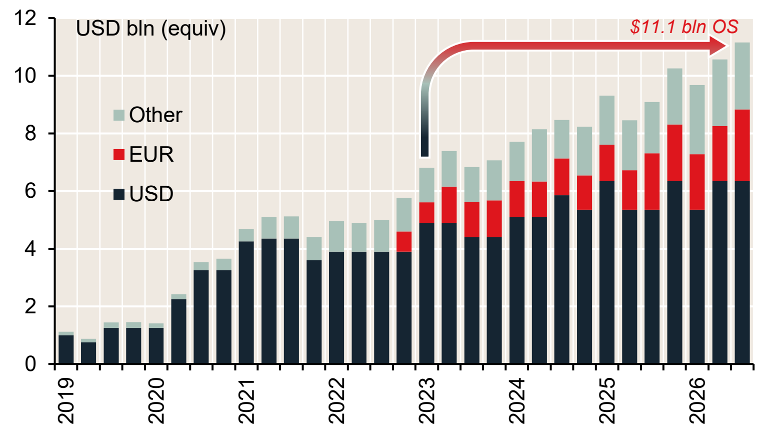
IDBINV gross bond supply



Source: NBC, Bloomberg | Note: Deals translated at deal date FX

Chart 4: …adding to an increasingly liquid bond stock

IDBINV bonds outstanding by currency

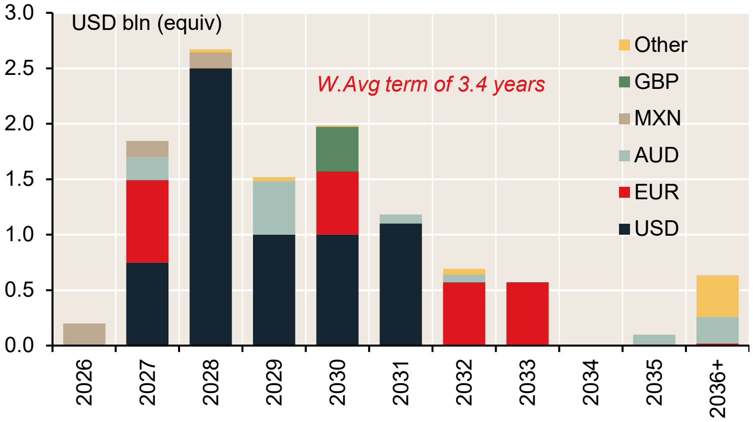


Source: NBC, Bloomberg | Note: Calendar year quarters; last bar denotes latest (7-July-26)

Growing operations have allowed for a consistent presence in the global capital markets. At the ~halfway point of this year, the issuer is well advanced on their 2026 funding program ($3.0 bln USD equiv), driven by four transactions in USD, EUR, GBP and CHF. Stepping into a consistent, and benchmark-focused issuance pattern, the IDBINV bond stock is growing increasingly liquid.

Chart 5: Regular issuance leaving well developed curve(s)

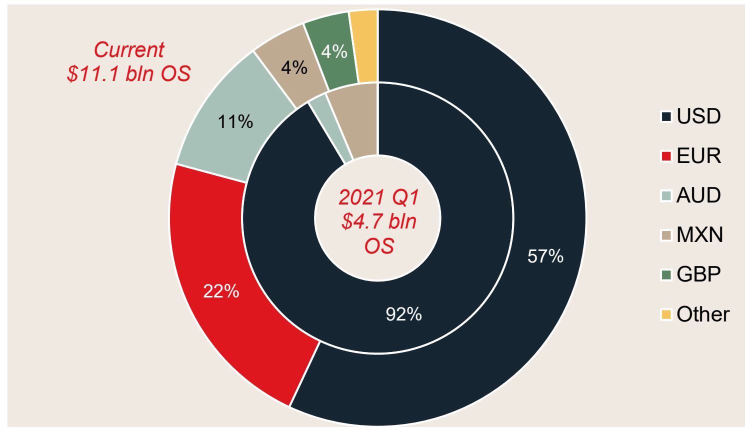
Debt distribution of outstanding IDBINV bonds



Source: NBC, Bloomberg | Note: Current issuer as defined by Bloomberg; USD equivalent

Chart 6: Currency diversification increasingly on display

Currency distribution of outstanding IDBINV bonds: Current and 5Y ago

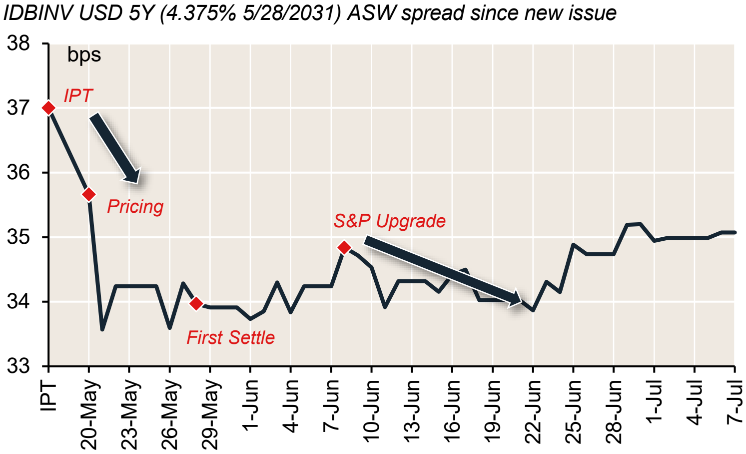


Source: NBC, Bloomberg | Note: Current issuer as defined by Bloomberg; USD equivalent

The most recent 5Y deal successfully placed a new benchmark bond on the IDBINV USD curve (2031) and extended the average term of the stock. Recently too, IDB Invest tapped the Swiss market for its inaugural CHF issuance. That continues a trend / institutional goal of increasingly diverse funding. A ~doubling in the bond stock in the last five years has seen all currency offerings deepen.

Chart 7: Spread compression (at issue and upgrade)

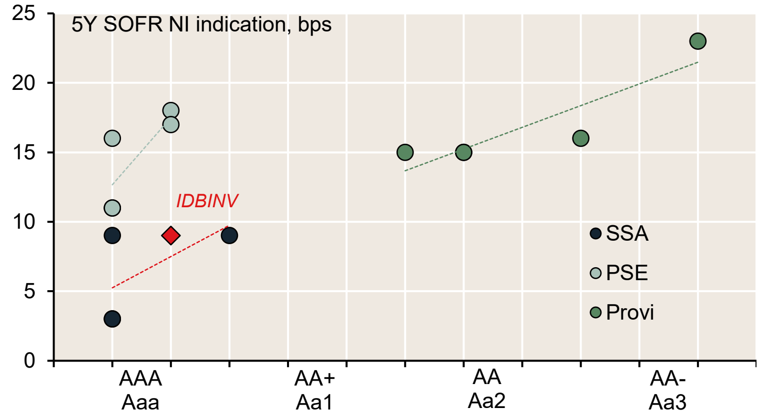
IDBINV USD 5Y (4.375% 5/28/2031) ASW spread since new issue



Source: NBC, Bloomberg | Note: Indicative (BVAL) pricing

Chart 8: Still, IDBINV offers pick to other highly rated SSAs

5Y SOFR spread indication for select SSA issuers and associated credit rating

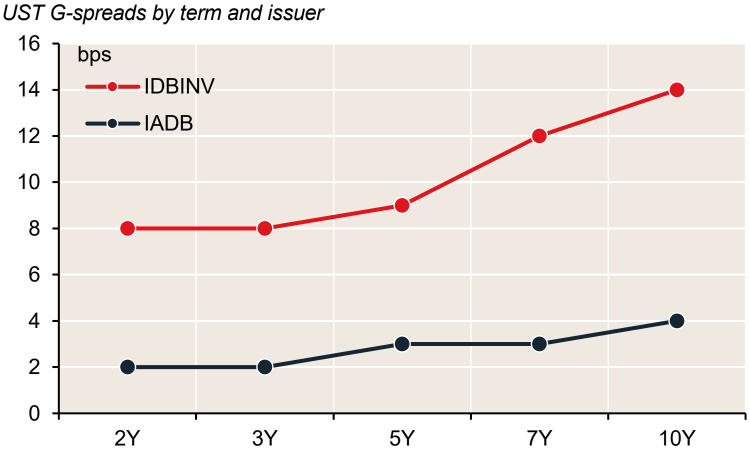


Source: NBC, Bloomberg | Note: Average of S&P / Moody's LT rating, controlling for outlook

IDBINV's latest 5Y USD deal priced at its tightest-ever spread for the institution (CT5 + 8.8 bps), drawing ~2.5x oversubscription. The issue compressed from IPTs and caught a second wind of performance following S&P's upgrade. An enhanced rating profile and improving liquidity creates scope for further spread compression from here (outright and vs other AAA peers).

Chart 9: Incremental yield in IDBINV across the curve

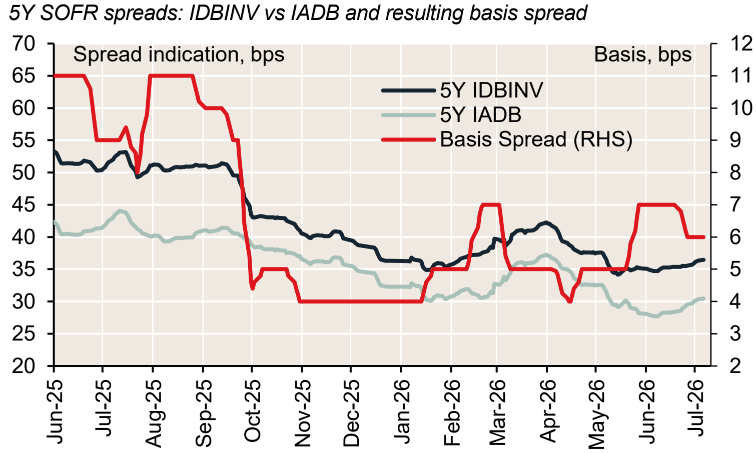
UST G-spreads by term and issuer



Source: NBC | Note: Based on constant maturity indications as at 7-July-2026

Chart 10: Scope for basis compression vs peers

5Y SOFR spreads: IDBINV vs IADB and resulting basis spread



Source: NBC | Note: Based on 5-day smoothed constant maturity indications

IDBINV bonds still offer an attractive yield pick over other AAA-rated SSA peers. That's true at every tenor, but especially so in the longer-end, where a relatively steeper credit curve vs USTs is evident. Still locationally attractive, we see scope for IDBINV basis to other SSA peers to compress further as liquidity builds in this SSA name.

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