Annual Report

2017

IDB Invest

The 2017 Annual Report of the Inter-American Investment Corporation
(hereinafter referred to as "IDB Invest")

The operational data presented in this document is based on the combined non-sovereign guaranteed portfolio of the Inter-American Development Bank (IDB) and IDB Invest referred to hereinafter as IDB Group for the purposes of this Annual Report. The Financial Highlights, Financial Results and Financial Statements Appendix refer to IDB Invest only.

Operational Highlights

$ in millions	Year ended December 31 2017
Approvals	
Number of projects	**234**
Loans	126
Guarantees	103
Equity investments	4
Debt securities	1
Amount	**$3,204**
Loans	$2,652
Guarantees	$502
Equity investments	$45
Debt securities	$5
Group C&D countries (based on amount)	**23.2%**
Disbursements	
Disbursements	**$2,014**
Transactions	**233**
Development Assets Portfolio	
Active portfolio	**$7,051**
Active portfolio for Group C&D countries (based on amount)	**44.6%**
Basic Mobilization	
Core mobilization	$2,054
Committed amount	$2,425
Core mobilization ratio (times)	0.8
Advisory Services	
Percentage of approvals for climate finance[1]	36%
Mobilization of donor resources for blended finance – climate & gender[1]	$215
Percentage of projects with gender outcomes[2]	15%
Number of new client engagements for advisory services	23

[1]Includes IDB cross-booked, donor trust funds and technical cooperation approved amounts; excludes B Loans.
[2]Projects that score a "Somewhat," "Yes" or "Exceptional" on Development Outcome and/or Additionality Gender Indicator in the DELTA. Excludes Trade Finance Facilitation Program (TFFP) approvals and transactions approved without DELTA assessment.

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Luis Alberto Moreno
Chairman
Board of Executive Directors

Letter of Transmittal

Chairman of the Board of Governors
Inter-American Investment Corporation
(IDB Invest)
Washington, D.C.

Mr. Chairman:

Pursuant to the provisions of the Agreement Establishing the Inter-American Investment Corporation, I am pleased to transmit its Annual Report for the year 2017, along with audited financial statements, including the balance sheet as of December 31, 2017, and 2016, and related statements for the financial years concluded on those dates.

In 2015 we tackled the challenge of consolidating the IDB Group's non-sovereign guaranteed operations into a single window in order to provide better service and maximize its impact on regional development. This process had an important milestone in 2017 with the launching of a new corporate identity, which as of Nov. 3, 2017 operates under the IDB Invest brand, reflecting how we wish to present ourselves to the world.

> "IDB Invest became the leading multilateral lender in terms of investments in renewable energy, underscoring our commitment to the region's future and its sustainability."

With a broader mandate, IDB Invest leverages the experience and knowledge of the private sector accrued by the IDB Group. We offer a single entry point for private and state-owned enterprises and seek to position ourselves as a responsible and reliable partner that is agile, flexible, innovative and close to its clients.

IDB Invest closed 2017 with a financing volume of $3.2 billion, which went to support 234 lending and capital investment operations and mobilized $2.05 billion worth of third-party resources. It also approved $215 million for blended finance services.

In 2017 this novel approach enabled IDB Invest to become the leading multilateral lender in terms of investments in renewable energy in Latin America and the Caribbean, underscoring our commitment to the region's future and its sustainability. These results reflect the dedication of our new management team, our staff, the leadership of our Board of Executive Directors, and the firm support of our donors, member countries and strategic partners from around the world.

IDB Invest will continue to enhance its capacity to improve and expand its support to businesses that create wealth, jobs, and better living standards in Latin America and the Caribbean. So begins a new chapter in our institutional history in which our new brand embodies the IDB Group's revitalized vision of creating new business and development opportunities for our region through the private sector.

Sincerely,

Luis Alberto Moreno
Chairman, Board of Executive Directors
Inter-American Investment Corporation (IDB Invest)

James P. Scriven
Chief Executive Officer
IDB Invest

Letter from the CEO

We are living in a **new era for global development financing** that is advancing at exponential speed. Faced with this new scenario, we want to be the solutions bank that serves Latin America and the Caribbean's private sector while promoting inclusive and sustainable growth.

The **big challenges** facing our region force us to pursue new frontiers and new ways of doing business. Cities need more sustainable infrastructure so we can connect better and adapt to events such as natural disasters. Farmers are looking for more sophisticated agricultural techniques. The banking system must tackle the fintech phenomenon to navigate the digital era. In this context our clients demand new financial tools to facilitate investments that benefit our region's countries. IDB Invest seeks to provide these solutions.

> "Our clients demand new financial tools to facilitate investments that benefit our region's countries. IDB Invest seeks to provide these solutions."

In **2015 we launched a restructuring** aimed at accelerating development through the private sector. And in 2017 we completed this process with a new brand that combines the IDB's confidence and history with the flexibility and agility that the region's private businesses seek.

During 2017 we **achieved IDB Group synergies** to leverage the IDB's experience and dialogue with the governments in our region and maximize our impact. We worked alongside the public sector to create the business environment and the regulatory frameworks that are needed to finance private sector projects. Additionally, we created a single IDB Group window to facilitate the creation and execution of public-private partnerships.

We focused on **key sectors for sustainable development** such as infrastructure, energy, agribusiness, manufacturing and tourism. During the year we also concentrated on **diversifying our products** and linking our assets to the capital markets. We got institutional investors on board with products such as B Bonds

> **"We concentrated on diversifying our products and linking our assets to the capital markets."**

in order to show that investments in emerging markets could outperform those in developed markets. To foster solid growth and create more jobs, we are generating more capital and quasi-capital products, such as mezzanine and subordinate debt. In addition, this year we offered more local currency financing, so borrowers can pay using the money generated by their cash flows.

Yet, we know that there is liquidity and that the private sector needs more than capital to conduct business that impacts development. This is why in 2017 we focused on providing **advice and knowledge** to our clients. For example, we sought ways to incorporate **climate and gender equality** as cross-cutting business issues. We believe that adding value is what sets us apart and helps us foster sustainable growth in the region.

Given the increasing complexity and growth of new sectors in our operations, we have developed tools to **manage risk and ensure prudent growth**, including a risk appetite framework. We have sought new ways to assess environmental, social, and governance sustainability in our projects. We expect to **continue generating IDB Group synergies**, also leveraging the **Multilateral Investments Fund (MIF)**, a key partner in regional innovation.

> **"We sought ways to incorporate climate and gender equality as cross-cutting business issues."**

Lastly, in 2017 we endeavored to be more agile, flexible and client focused through our **operational excellence** exercise that is improving our internal processes, cross-team collaboration and transactional experience. We are evolving from a Washington, DC-based organization into a Latin America and Caribbean one, **increasing our presence from 16 to 26 borrowing member countries** to get closer to our clients. It is they and their development impact that motivates us to be a cyclical and countercyclical force in Latin America and the Caribbean. In 2018 we will continue uncovering new and better solutions to invest in the future of our region.

James P. Scriven
CEO
IDB Invest

Recap of 2017

The 10 milestones that marked 2017

The merge-out of the IDB Group private sector defined a new institutional journey aimed at fully leveraging public-private synergies within the IDB Group. By the end of 2017, we can already see the impact of such changes.

1. We launched our new commercial brand

As part of our consolidation process, in November 2017 IDB Invest became the commercial brand of the Inter-American Investment Corporation. This brand launching was the culmination of the reorganization of the IDB Group private sector operations initiated in 2015.

The change reflects our wish to be as dynamic as the region we serve and to be an institution committed to economic growth and social inclusion due to our firm belief that the private sector can and must be a powerful force driving economic progress and social wellbeing.

"We have a new name, but more important still, a new way of thinking. We are investing in the private sector, investing in the future of our region."

More information at IDB Invest Culture

2. We were bolder in infrastructure

The market is recognizing us with more awards than ever. We were bolder in infrastructure, increasing our footprint in renewable energy, transport, water and sanitation and social infrastructure.

More information at Acknowledgments

3. We created new products for the market

We have increased our flexibility, creating value-added products and solutions tailor made to our clients' needs, such as **B Bonds, local currency loans, guarantees for infrastructure debentures, mezzanine, warehouse financing and supply chain** to finance projects with high impact on the region's development.

More information at Outstanding Projects

4. We mobilized more than ever

The year 2017 was historical. Our ability to mobilize increased 140% since 2016, reaching $2.05 billion and attracting newcomers who participated for the first time in project financing in Latin America and the Caribbean. This also solidified our role as the principal infrastructure bank for Latin America and the Caribbean.

More information at Mobilization

5. We opened new sectors to financing

In 2017 we made our portfolio available to new sectors to better meet the needs of our clients in Latin America and the Caribbean. We now have a special team for **telecommunication, media and technology; agribusiness; tourism; water and sanitation; and social infrastructure** investments.

More information at New Sectors

6. We opened our regional hubs

To be closer to our clients, we continued to develop our strategy of regional presence, opening three of the four planned regional hubs.

More information at IDB Invest Culture

7. We measured development effectiveness and generated knowledge

We continued to create innovative development effectiveness standards. We developed the Impact Toolbox, which makes operational the three pillars of strategic selectivity, systemic impact and development effectiveness. We also honed our Development Effectiveness Framework to structure, implement, monitor and evaluate our operations and to learn from them. This allows us to generate knowledge for IDB Invest, our clients, and society at large.

More information at Development Results

8. We committed ourselves to Gender Equality

To close the year, together with the Inter-American Development Bank (IDB), we launched the “100% Committed to Gender Equality” campaign, aimed at raising employee and client awareness of the importance of gender equality and of its positive impact on business in the region. In addition, in November we achieved the EDGE Certification, EDGE Assess, to make public our commitment and development action plan to gender equality.

More information at IDB Invest Culture

9. We supported the development of South America’s first geothermal plant

In 2017 we managed a loan financed by the Clean Technology Fund (CTF) for Enel Green Power Chile to cover the drilling cost of the exploratory phase of Cerro Pabellón, a project that will help reduce carbon emissions by more than 166,000 tons per year.

More information at Focus on Sustainability

10. We invested in the future of Latin America and the Caribbean

We developed the “CREA TU FUTURO” (CREATE YOUR FUTURE) program to recruit and include young professionals who are motivated to contribute to our organization’s efforts to promote sustainable development in the region.

More information at IDB Invest Culture

Financing

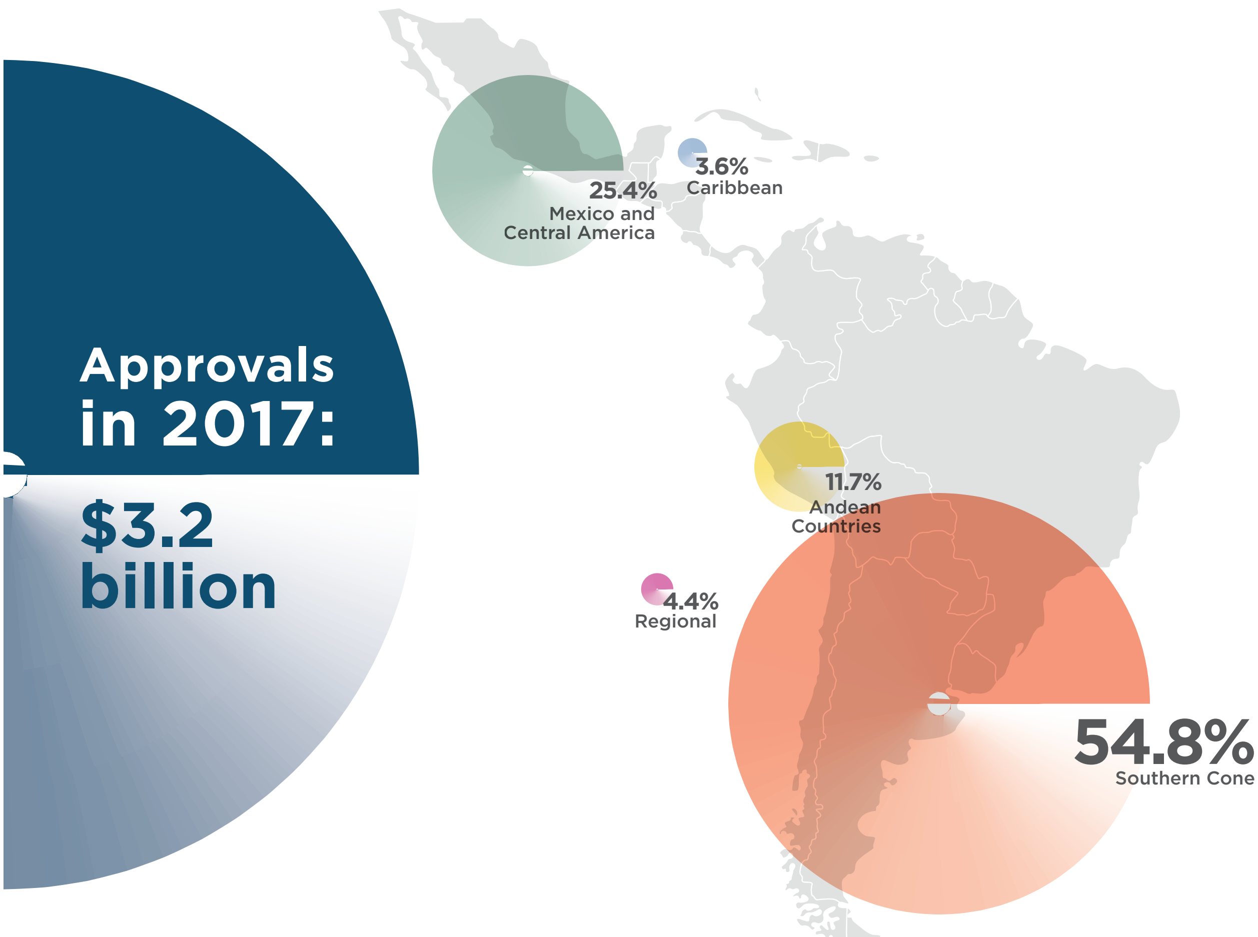
During fiscal year 2017, IDB Invest focused on customer service while maintaining the operational strategy launched in 2016 with a portfolio strongly weighted towards the infrastructure and corporates sectors.

We approved 234 projects for a total of $3.20 billion, of which 23% were in Group C and D countries — 36% to the infrastructure and energy sector, 23,4% in Trade Finance sector, and 22,2% to the financial institutions sector. Of the total approved, $2.14 billion was recorded on the IDB books and $1.06 billion on the IDB Invest books.

Management allocated substantial resources to meet the large volume of pending closings and disbursements. This effort was successful, with $2.29 billion of disbursements and guarantees issued in 2017. As a result, the combined IDB and IDB Invest portfolio reached $7.05 billion.

Asset quality remains stable. Additionally, **by the end of December 2017, IDB Invest was managing about $3.49 billion in B loans and $588 million in third-party funds**. These amounts added to treasury assets put the value of our managed assets portfolio at $12.4 billion.

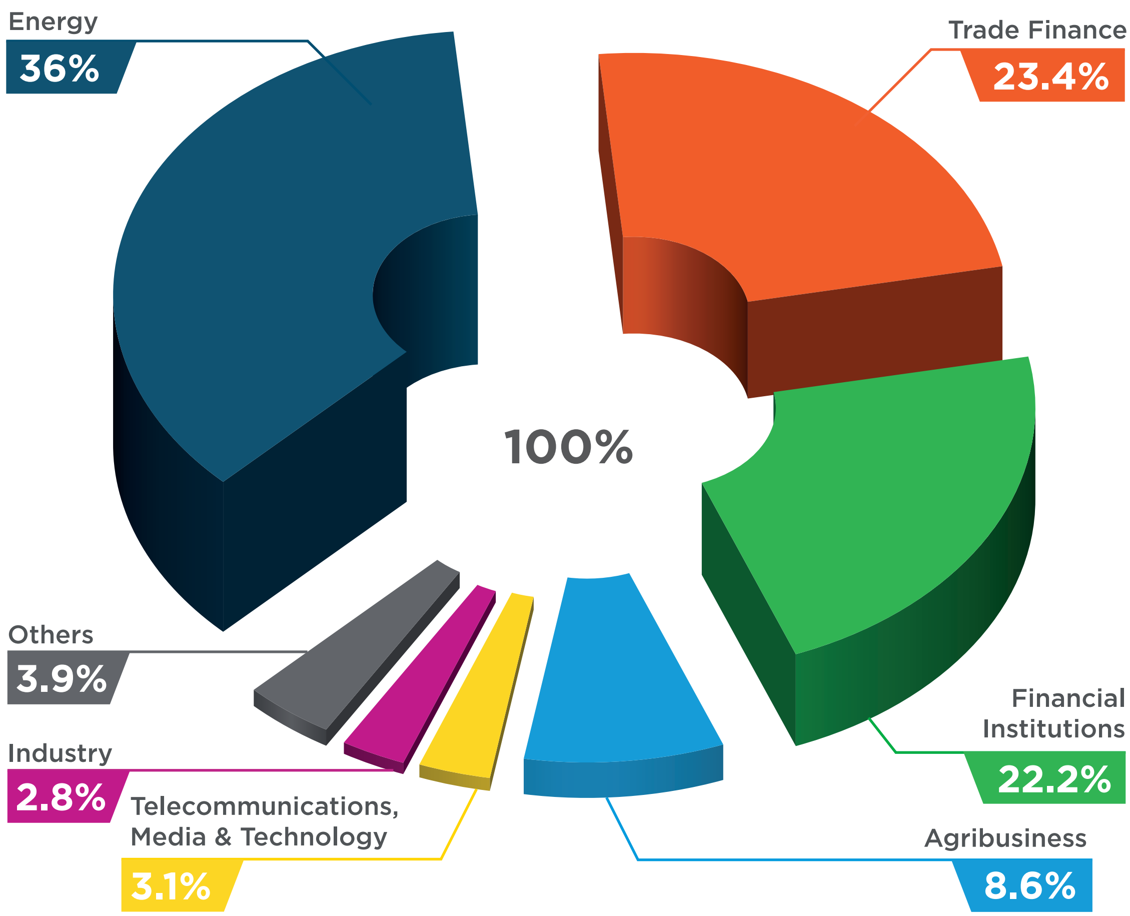
APPROVALS BY REGION



Region	Approved Amount %
Southern Cone	54.8%
Mexico and Central America	25.4%
Andean Countries	11.7%
Regional	4.4%
Caribbean	3.6%
Total	**100%**

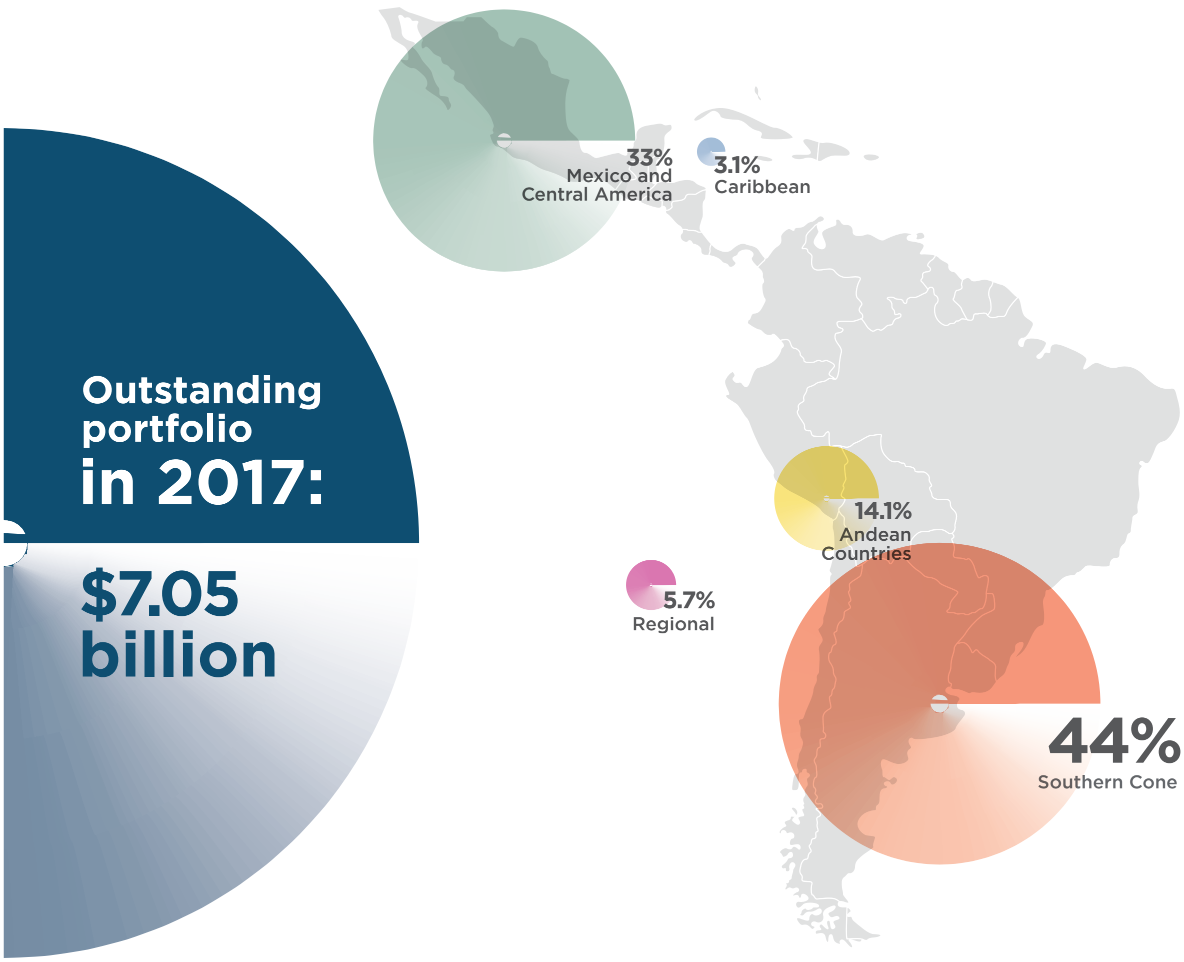
*Percentages may not total 100 due to rounding.

APPROVALS BY SECTOR



Sector	Approved Amount %
Energy	36%
Trade Finance	23.4%
Financial Institutions	22.2%
Agribusiness	8.6%
Telecommunications, Media & Technology	3.1%
Industry	2.8%
Others	3.9%
Total	**100%**

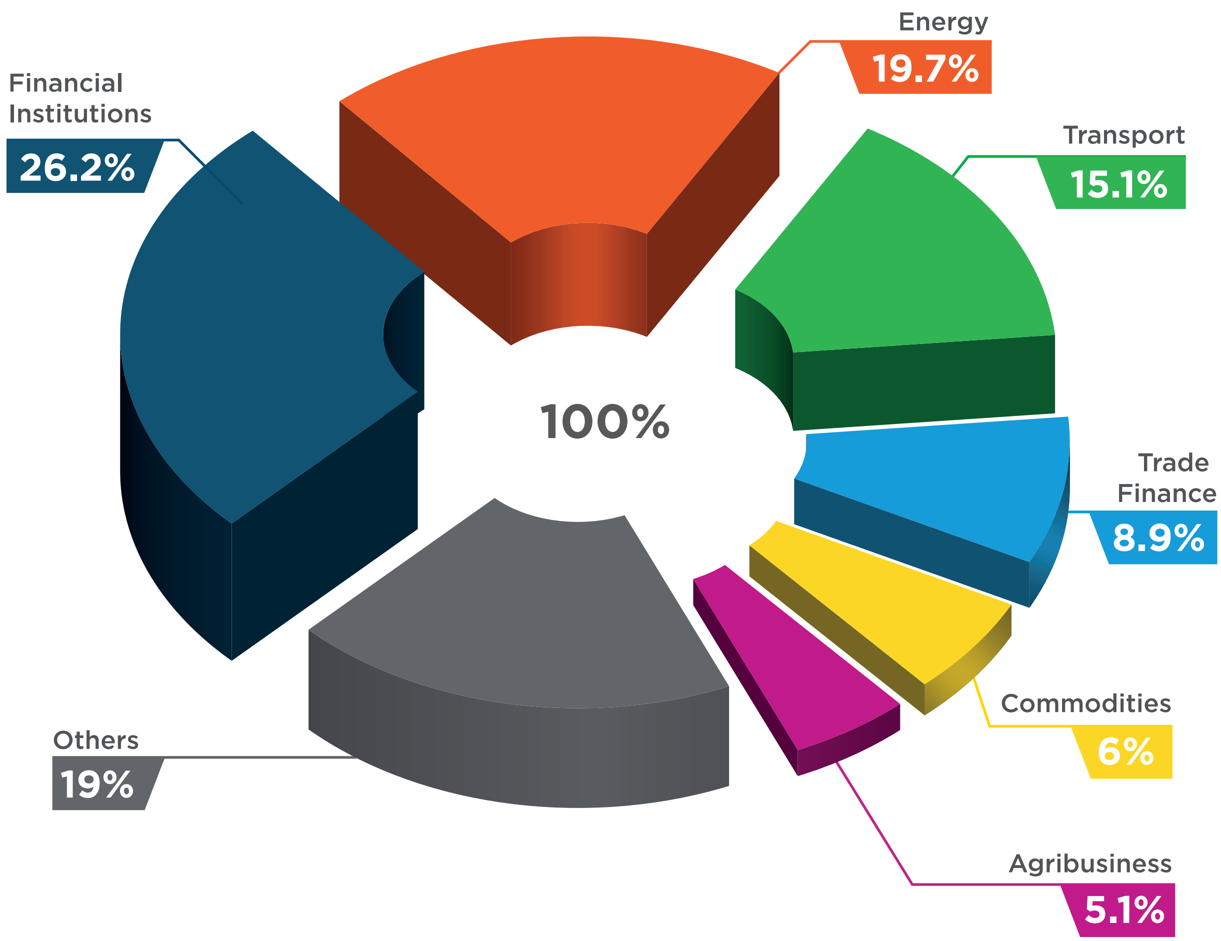
OUTSTANDING PORTFOLIO BY REGION



Region	Outstanding Amount %
Southern Cone	44%
Mexico and Central America	33%
Andean Countries	14.1%
Regional	5.7%
Caribbean	3.1%
Total	**100%**

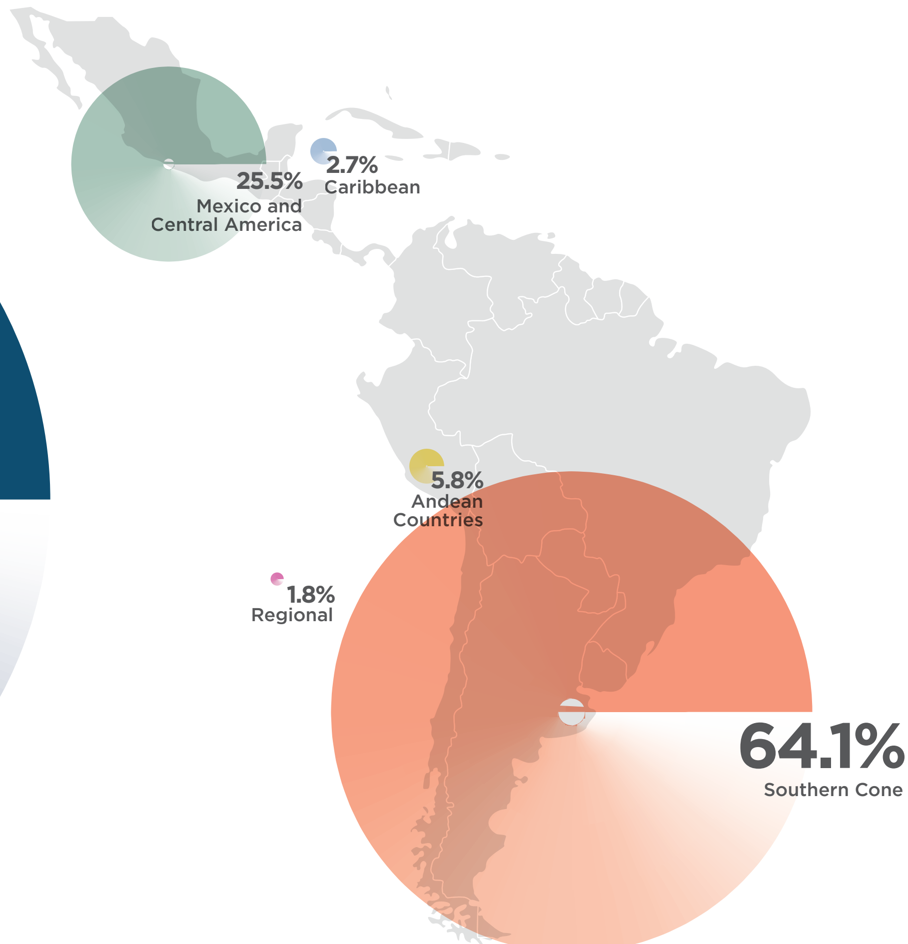
*Percentages may not total 100 due to rounding.

OUTSTANDING PORTFOLIO BY SECTOR



Sector	Outstanding amount %
Financial Institutions	26.2%
Energy	19.7%
Transport	15.1%
Trade Finance	8.9%
Commodities	6%
Agribusiness	5.1%
Others	19%
Total	100%

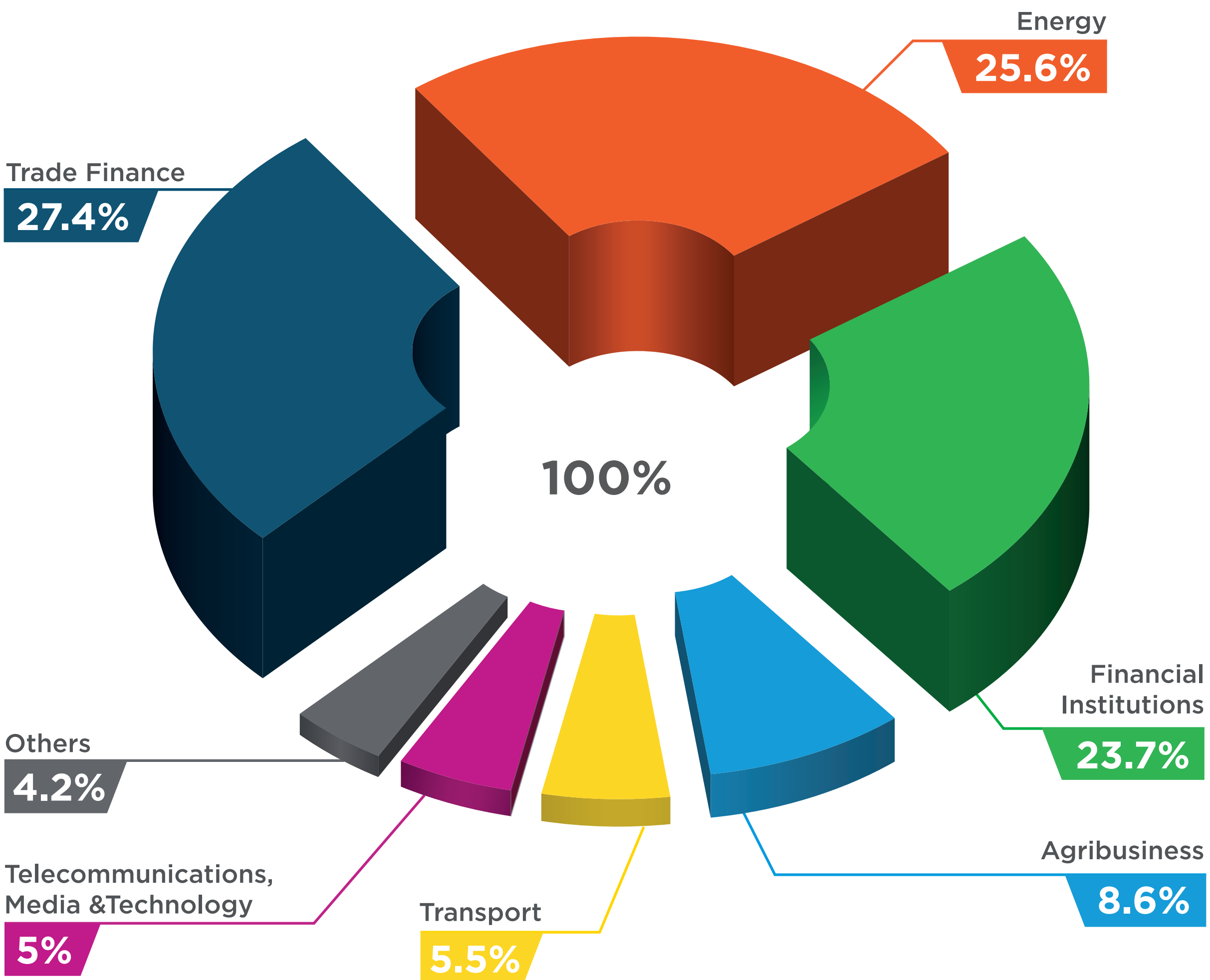
DISBURSEMENTS BY REGION



	Region	Disbursed Amount %
	Southern Cone	64.1%
	Mexico and Central America	25.5%
	Andean Countries	5.8%
	Caribbean	2.7%
	Regional	1.8%
	Total	**100%**

*Percentages may not total 100 due to rounding.

DISBURSEMENTS BY SECTOR



Sector	Disbursed Amount %
Trade Finance	27.4%
Energy	25.6%
Financial Institutions	23.7%
Agribusiness	8.6%
Transport	5.5%
Telecommunications, Media & Technology	5%
Others	4.2%
Total	100%

Mobilization

During 2017, IDB Invest's ability to leverage third party funds towards development projects in the region increased dramatically, reaching $2.05 billion, compared with $860.1 million in 2016. Growth was evident not only in the volume of mobilized resources but there was also a significant increase in the number of participating institutional investors, with the addition of new players who had never financed projects in the region before.

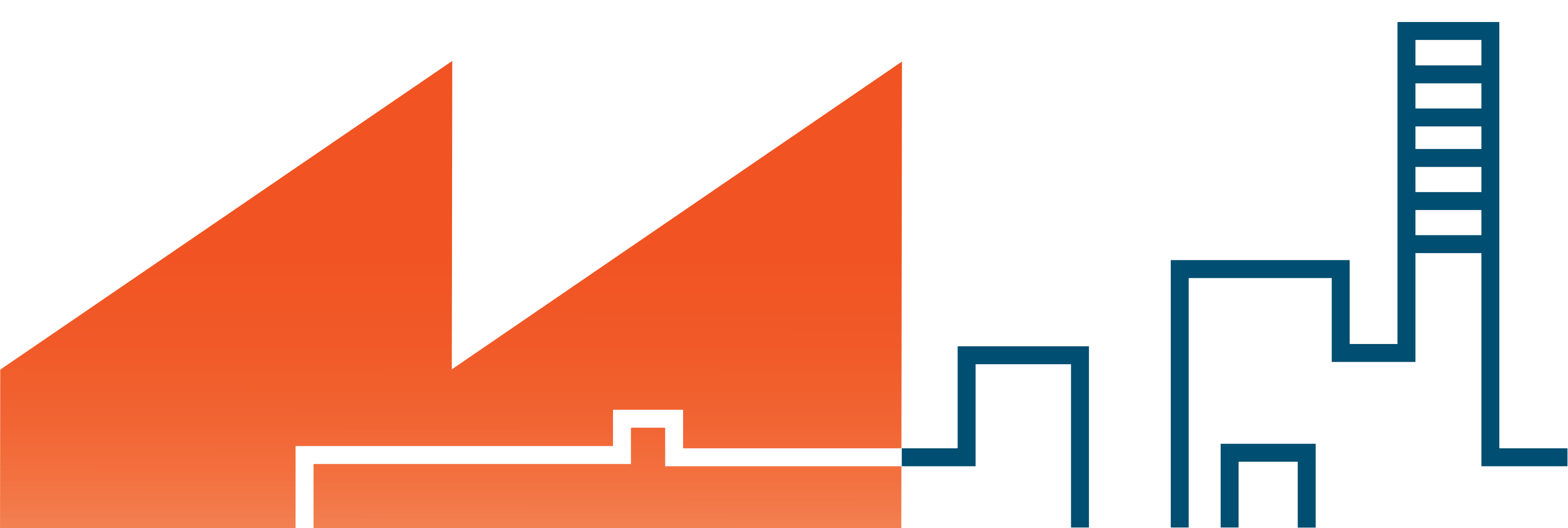
The investor base we have worked with has a variety of interests and origins. In 2017, the funds came from 12 different countries from throughout the Americas, Europe, and Asia. This has helped raise the subscription amounts and the financing terms, to the benefit of our clients. It is important to note that the funds mobilized from new partners during 2017 represents 27% of the total mobilized. Additionally, mobilization efforts were particularly noteworthy in infrastructure and energy, a key sector for development in the region, where the mobilized amount tripled from 2016 levels to reach $1.26 billion.

Among the projects that were mobilized in 2017, two stand out for their novelty: the Ituango hydroelectric project carried out with the Colombian public utility EPM and the lending to the financial institution Banco do Brasil.

The Ituango operation is Colombia's largest hydroelectric project. Its goal is to expand renewable energy in Colombia, underscoring IDB Invest's commitment to climate change mitigation. This project's financing package includes a $300 million A loan from IDB Invest, as well as a $50 million loan from the IDB Invest-administered China Co-Financing Fund for Latin America and the Caribbean, and a $650 million B loan from international commercial banks and institutional investors (CDPQ, KFW IPEX, BNP Paribas, ICBC, Sumitomo Mitsui Banking Corporation, BBVA and Banco Santander). The financing offers a term of 12 years for the A loan, and a 12-year and an eight-year tranche for the B loan. **Mobilization through IDB Invest allowed the customer to access new financial relations that proved critical for the launching of the project.**

For its part, the financial package for Banco do Brasil was that bank's first-ever operation involving A/B loans from a multilateral institution. **It was a significant step for IDB Invest as well—we arranged the largest B-loan for a financial institution in our region, bringing resources to Brazil during a difficult time in the market**. This operation consists of a $100 million A loan from IDB Invest for a five-year term and a $400 million B loan for a two-year term from HSBC, Mizuho, National Bank of Kuwait, Banco Santander, Standard Chartered and Wells Fargo. The A loan will provide support to micro, small and medium enterprises (MSMEs) that operate in neglected areas of the country, particularly in the northeastern region, whereas the B loan will go to finance MSMEs throughout the country.

New Sectors



AGRIBUSINESS

AGRIBUSINESS

Agriculture needs to double its current output levels to be able to feed the world in 2050. We at IDB Invest know that one of the best ways to meet this challenge is supporting agribusiness value chains in Latin America and the Caribbean so they can raise productivity and take advantage of the fact that our region has nearly one-third of the world's arable land and fresh water.

To reach out to these value chains, during 2017 we worked with anchor companies. This has allowed us to expand our presence in the region's agribusiness sector and at the same time improve productivity and innovation as well as corporate, social, environmental and governance sustainability. We ended the year with agribusiness projects both approved and in the pipeline in 17 of the region's 26 countries, including small island countries like Jamaica and Haiti.

> "In 2017 we financed the world's largest soybean plant, one of the most important agribusiness operations in Latin America and the Caribbean."

We also sought to generate more value in agribusiness and its community, supporting companies that generate a high impact on the sector's development. This is why we financed Renova, the world's biggest soybean processing plant, through a complex financing structuring that involved nine lending partners to increase its crushing capacity from 20,000 to 30,000 metric tons per day.

TELECOMMUNICATIONS

TELECOMMUNICATIONS

In Latin America and the Caribbean, the number of internet users **is less than 50% of the population**. Yet, we know that broadband is the key infrastructure of the 21st Century: by providing access to all kinds of digital services and fostering innovation, broadband connectivity has become a key factor in the development of the private sector and of any economy. For this reason, in 2017 we made it our objective to improve communications coverage, capacity and affordability.

To help telecommunication companies improve connectivity in Latin America and the Caribbean, we developed innovative financial structures. We did so because communications and information technology have the potential to increase GDP and productivity, reduce costs and boost the private sector's ability to innovate.

> “We helped Argentina's Telecom Personal expand its broadband service throughout the country.”

We granted a $100 million loan to help Argentina's Telecom Personal expand its broadband service throughout the country, including rural areas.

Featured Projects

DANPER
(Corporates)

Over the past 50 years, greenhouse gas (GHG) emissions from agriculture, forestry and other land use **have nearly doubled** and are expected to continue to grow. At IDB Invest we know that to tackle issues such as climate change and growing consumer demand, there is a need to increase Latin America and the Caribbean's sustainable food production.

> "Investing in more gender equality and sustainability for agribusiness in Peru."

For example, in Peru agribusiness generated $5.1 billion in export returns between January and November 2017, according to **Peru's Exporters Association**. However, for agribusiness to continue to grow, Peruvian firms need to invest in social and environmental standards, modernize their industrial processes and gain access to long-term financing.

Seeking to strengthen the agribusiness value chain and its export potential, IDB Invest approved a $20.7 million loan for Danper to help it boost production in a sustainable and inclusive way. Besides being one of the country's leading agribusiness exporters, this is the only Peruvian agribusiness company with an EDGE certification, one of the world's most distinguished standards, which validates the equality of men and women in the workplace.

Danper will use the IDB Invest loan to expand strategic crops for its business with a drip irrigation system that will allow it to reduce water costs and increase output. This financing will also help the company create more than 5,000 additional jobs, particularly at La Libertad, an area with high poverty and unemployment rates. It is worth noting that a high percentage of the new jobs will go to women, in line with Danper's recruiting practices aimed at boosting female participation in agribusiness.

> "Second loan granted to Danper by IDB Invest due to its high impact on Peru's agribusiness development."

Danper stands out as an example of how the agribusiness industry in Latin America and the Caribbean can grow in a sustainable way, adapting to new market challenges in an inclusive and equitable fashion and strengthening the role of women in the sector.

IMPACT ON DEVELOPMENT

Promotion of sustainable agriculture in water, soil and energy resource management

Benefits people from vulnerable areas and groups

Promotes gender equality and women empowerment

Benefits neglected communities

Adapts business to climate change and has positive effects on environmental impact

CAMPO PALOMAS

(Infrastructure)

The future holds challenges for the energy industry, such as constant oil price instability or the permanent increase in demand, which **could double in the next 20 years**. For many, the key to meeting these challenges is the use of renewable sources, which currently account for nearly 60% of the energy matrix.

In most countries, this change has helped increase stability. For example, in 2004 Uruguay derived 60% of its power from hydroelectric dams and 40% from fossil fuels, but this output was not enough to meet domestic demand. This led the country to import nearly $1 billion worth of energy between 2004 and 2012 to meet its needs, which increased prices overall and caused carbon emissions to soar, according to the country's **Industry, Energy and Mining Ministry**.

> “We supported Uruguay's energy matrix change through innovative infrastructure financing structures.”

Seeking a solution, IDB Invest worked alongside the IDB and Uruguay to transform its energy matrix through legislative reforms and new financial structures, which together could open up the electricity generation market to the private sector and boost interest in renewable energy auctions. To refinance the Campo Palomas wind farm — a project that adds 70 megawatts of renewable energy to Uruguay's energy matrix — IDB Invest helped facilitate the issuance of an innovative B Bond for $135.8 million.

This operation enhanced capital markets' interest in Uruguay's budding nonconventional renewable energies and elicited widespread interest among international institutional investors, which resulted in an oversubscription. Additionally, the project obtained a green bonds certification from DNV-GL and a Baa3 international rating from Moody's.

The B Bond's success was partly due to the strength of the contractual framework and the work done in the country to change its energy matrix. These two elements helped our efforts to implement the best innovations in infrastructure financing.

IMPACT ON DEVELOPMENT

Diversification of Uruguay's energy matrix

285-gigawatt reduction (approx.) in energy generated by thermal and hydroelectric plants

168,150-ton reduction of carbon emissions per year

Mobilization of institutional investors for renewable energy projects

TIGO: ADDED VALUE SOLUTIONS

(Corporates)

Another of the challenges facing Latin America and the Caribbean is the lack of reliable digital connectivity. In Paraguay, there are more mobile phone connections than there are people. However, there is a very low level of mobile broadband penetration, with substandard quality of services and relatively high prices.

Seeking to reduce the digital divide, IDB Group is supporting the investment in broadband infrastructure in Paraguay. It allowed for the expansion of Telefónica Celular del Paraguay's (Tigo) 3G network and a new 4G LTE network in Asuncion, Ciudad del Este, San Lorenzo and surrounding areas. The company will also improve internet access in rural areas, reaching out to underserved communities.

IDB Group provided a AAA rated credit guarantee to a loan provided by the Social Security Institute (IPS, after its Spanish initials), for the equivalent of 402 billion guaranis. This innovative financing structure allowed the company to fill a financing gap with resources not otherwise available in the local market. The transaction also paves the way for short-term IPS resources diversification.

> "We supported local currency financing to leverage public resources towards private sector."

IMPACT ON DEVELOPMENT

Fosters social inclusion

Reduces inequality

Increases productivity and innovation

Promotes infrastructure for development

Boosts private goods and basic services supply as well as income generation opportunities

BANCO DO BRASIL

(Financial Institutions)

Micro, small, and mid-sized enterprises (MSMEs) play a key role in the Latin American and Caribbean economy. Yet, they find growth hard to come by due to a finance gap of between $210 billion and $250 billion, according to the Enterprise Finance Gap database.

In countries like Brazil, this problem is particularly serious for the agribusiness sector, which accounts for 17% of the country's gross domestic product (GDP) and 18% of employment opportunities. In particular, the importance of micro agribusiness enterprises is such that in some areas in Brazil they represent between 38% and 62% of the total number of companies in the sector.

> "Mobilizing resources and empowering micro and small agribusiness."

However, the current economic scenario makes it even harder for micro and small enterprises to access financing. Between 2014 and 2016, the active loan portfolio to this type of company dropped four percentage points, and approved loans declined eight percentage points, according to the Central Bank of Brazil's Credit Report System. In addition, the available financial products are offering increasingly shorter repayment terms, often impossible to meet for this type of company.

To finance more micro and small agribusiness enterprises, in 2017 we formed a strategic alliance with Banco do Brasil. The project channeled a total of $500 million to help the bank finance MSMEs linked to the agribusiness value chain with gross annual sales of up to 25 million reals.

With this project IDB Invest mobilized $400 million in international banking resources through an A/B loan that was crucial for Banco do Brasil.

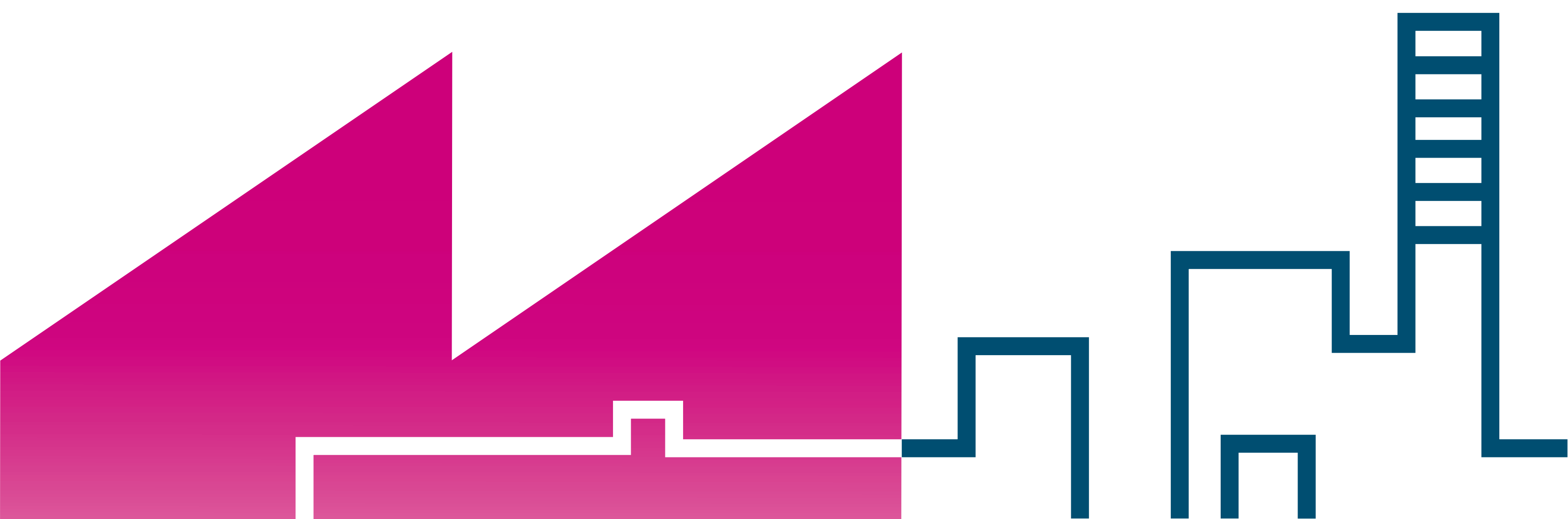
The strategy with Banco do Brasil opens the door to financing to a segment that is not being fully served, with tailor-made products and advice that allow it to be better prepared to meet the financial institutions' requirements.

PROJECT HIGHLIGHTS

Counter cyclical role

The biggest IDB Invest mobilization to Financial Markets

Development Outcomes



DEVELOPMENT OUTCOMES

Impact on development is one of the pillars of our work at IDB Invest. The Development Effectiveness Framework (DEF) covers all project cycle stages —from origination to final assessment, including structuring, approval, and monitoring. DEF includes a set of tools that allows IDB Invest to learn from its operations and generate impact on development beyond direct financing, adding value to operations, clients, and the society at large in Latin America and the Caribbean.

During its second year of operations, IDB Invest has continued to use the Development Effectiveness Learning Tracking and Assessment (DELTA) tool in every operation, assigning scores according to their potential impact on development and additionality. DELTA implementation ensures that projects stay aligned with IDB Invest and country institutional priorities. It also sets standards for project monitoring and evaluation. DELTA has proved its efficacy in guiding project design and preparation and as a management tool to help select projects.

DELTA's median score for projects approved in 2017 was 8.1, 0.4 points above 2016 levels. The median score by segment was 8.7 in Infrastructure, 7.1 in Financial Institutions, and 8.0 in Corporates.

IDB Invest makes continuous improvements to its DEF to ensure it remains on the frontier of the development effectiveness standards. In 2017 DELTA was launched for the Trade Financing Facilitation Program (TFFP) at pilot stage. This new tool adapts itself to the program's nature and will help IDB Invest choose operations with greater impact and additionality. The tool will be revised and fully implemented in 2018.

Another key 2017 feature was the development of DELTA during the supervision stage. DELTA on supervision monitors and reports, in the Annual Supervision Report (ASR), the impact of operations under execution on development, producing indicators that allow their regular follow-up. The data collected during the project's life cycle is systematized, allowing us to analyze development results at portfolio, sector and country level, among others, adding value and contributing to the continued improvement of IDB Invest's effectiveness.

IDB Invest continued to learn from its operational experience by evaluating projects. During 2017, it evaluated 37 projects that reached operational maturity in 2016 through Expanded Supervision Reports (XSR). XSRs evaluate the extent to which a project was effective in terms of result achievement, efficiency, alignment with local needs, and sustainability. Additionally, IDB Invest has continued to enhance the set of projects that include impact assessments; these assessments tackle investment performance attribution and provide information that helps improve the design of future investments. During 2017, IDB Invest launched five additional impact evaluations.

Finally, in 2017 the IDB Group's first **Development Effectiveness Overview** (DEO) was launched. IDB Invest continues to prepare reports to support both project origination and structuring.

Sustainability Approach

SUSTAINABILITY APPROACH

We at IDB Invest want sustainability to be present throughout our work, both within our organization and in our clients' projects. In 2017, our goal was adding value in terms of private sector sustainability in Latin America and the Caribbean with innovation and training in the environment, social and governance areas. We believe that investing in sustainability is a smart decision for business and one that improves performance. We have worked hand in hand with sector leaders who, through strategic alliances, have allowed us to become, among other things, the world's leading multilateral development bank in terms of climate change, according to the **2016 Joint Report on Multilateral Development Banks' Climate Finance**.

> "There is ample evidence to show how financial performance is directly linked to the handling of environmental, social and governance factors. Helping our customers follow this path and bring sustainability is a long-term investment for their growth."

CERRO PABELLÓN

CERRO PABELLÓN: Added value at the end of the world

In 2017, the IDB Group invested in Cerro Pabellón, the first geothermal plant in Chile and in South America. A project reflecting sustainability and located in the Atacama Desert, the plant is 4,500 meters above sea level and has two power stations with a combined capacity of 50 megawatts. It also reduces carbon-equivalent emissions by about 166,000 tons per year. In addition to being the world's highest-elevation geothermal plant, it has been granted the "Sello de Excelencia" (Seal of Excellence) by Chile's Environment Ministry, allowing it to quantify, reduce and neutralize greenhouse gases through its Huella Chile (Chile Footprint) program.

IDB Invest provided support for the development of Cerro Pabellón at a critical stage with a $30 million loan to Enel Green Power Chile, the company in charge of the project. The loan, financed by the IDB Invest-managed Clean Technology Fund (CTF), was used during the exploration phase to drill ten production and reinjection wells, which are the source of geothermal steam that powers the plant to generate clean energy.

It is worth noting that during the drilling of geothermal wells there typically is little or no financing available due to low success rates and elevated levels of technical risk. Using IDB Invest-leveraged CTF funds, we mitigated that risk with an innovative structure where financing can become a grant if the well's drilling success criteria are met. In the Cerro Pabellón case, every well was successful, exceeding their energy generation capacity by more than 35%.

Cerro Pabellón is a model sustainable project in the use of technology, environmental impact minimization, and "shared value" with adjacent communities. Since the project was surrounded by six indigenous communities that could be potentially affected, for the Enel team **it was vital to optimize its development impact** and minimize possible environmental effects and geographical complexities. To this end, the company worked hand in hand with the community to clarify any doubts and define ways of working together. These are communities with limited resources who face a scarcity of water, fight for flora and fauna conservation, have been affected by mining in the area, and that typically lack a steady source of income. The company devised a shared-value plan to promote the area's improvement focused on local indigenous communities, providing adequate tools and the necessary resources for their successful development.

During this time, the company managed to provide access to energy 24/7 to the Ollagüe and Toconce communities and continues to work to do the same for the remaining four communities. During the construction phase of the project, the shared value plan fostered the development of microenterprises in the community. These included a cleaning company, a minimarket within the Cerro Pabellón campsite, a company that provides snacks to all project workers, a firm dedicated to transporting workers, and two laundry service providers. Together, they have created more than 40 jobs for community members, most of them women.

> "The work done together with IDB Invest has allowed us to generate synergies during the implementation of methodologies, standards, and actions related to shared value designed by the company."
>
> ***Enel Green Power Chile***

Furthermore, Enel has hired and trained 12 people in environmental issues to work as indigenous heritage supervisors during the construction phase of the plant and the transmission line. It is also financing social development as well as economic, tourist, and education projects. Through social coordinators, the company has trained micro-entrepreneurs to help them manage their micro-companies using best international standard practices. These coordinators are also organizing a job fair to give continuity to these entrepreneurs' businesses as suppliers to other mining companies in the area after Cerro Pabellón work is completed.

ENVIRONMENT

INNOVATION

Climate change financing: Events such as natural disasters hit Latin America and the Caribbean hard in 2017, directly affecting the private sector's continuity and productivity. To combat this situation, we developed a tool that in two simple steps detects all investments vulnerable to climate change effects, identifies specific risks, and issues recommendations to improve project resilience. This scanning system, which adapts the IDB approach to the private sector needs, will allow us to design and implement specific measures to improve our operations.

> "We used big data to monitor deforestation processes and other environmental and social risks and to gauge and prevent risks in projects both in our portfolio and those of our clients."

A tool to protect biodiversity: To detect the potential impact of our projects on biodiversity, in 2017 we began to use a variety of geo-referenced databases. These enable the creation of specific maps to determine whether our projects are in protected or sensitive areas such as special bird protection zones, Alliance for Zero Extinction (AZE) sites, or locations with endemic or endangered species. With this information at hand, we can minimize a project's adverse effects on biodiversity.

CAPACITY BUILDING

Environmental risk management as a business opportunity: Because we know it is imperative that our clients have the ability and knowledge to develop an environmental and social management plan that is robust and adequate for their needs, we held an in-person workshop for our clients for several years during **"Sustainability Week."** In 2017, to meet their training needs in a timely fashion, we devised a self-guided online training course. This course was designed to respond to the operational requirements of specific financial intermediaries with low environmental risk, but it is also open to the public at large. To date there are more than 500 registered participants, and it has issued more than 100 certificates of proficiency on the preparation of basic environmental management plans.

CHECK OUT OUR COURSE HERE

ALLIANCES

Big data to combat deforestation: Today, technology allows us and our clients to manage risk in a more comprehensive way. In 2017 we joined forces with the World Resources Institute (WRI), who created the Global Forest Watch Pro (GFW) in association with the private sector, non-profit organizations and banking institutions. This platform uses satellite imaging to monitor deforestation processes and other environmental and social risks. It also allows overlapping of individual project locations with geo-referenced data sets to obtain nearly real-time alerts about possible environmental damage. The use of big data offers a new, simpler and faster perspective about system risks that might affect a bank's portfolio or an agribusiness' supply chain. At IDB Invest we are testing this tool in Paraguay with four local banks who are our clients.

READ MORE ABOUT THIS TOOL HERE

Best practices in wind energy: In 2017 we organized with the Government of Argentina the "Good Environmental and Social Practices for the Wind Sector" workshop in Buenos Aires which drew attendants from all sectors—public, private, non-governmental organizations, and academia. The workshop focused on managing the impact of wind farms on biodiversity and their alignment with international standards to improve the chances this sector's projects will receive funding from multilateral financing banks. Additionally, we are working alongside the International Finance Corporation (IFC) on the recommendations issued by this workshop, together with Argentina's Energy and Mining Ministry. Our goal is to develop products that help influence and improve sustainability of the country's RenovAr program of open renewable energy auctions.

We measured financial institutions' sustainability: During 2017 working with the Fundación Vida Silvestre (Wildlife Foundation), we held the Second Survey of Sustainability in Argentina's Financial Institutions. Its main goal was to support and foster sustainable finances in the region. Twenty-three banks, 15 of them from the private sector, participated in the study.

SOCIAL

INNOVATION

Generating sustainable communities: Kingston Freeport Terminal Limited (KFTL), the management company of the Kingston harbor, joined forces with us to spark development in Jamaica. The challenge was to increase employment opportunities for nearby fishermen and create a sustainable ecosystem during the modernization of the cargo terminal. This task, undertaken with the participation of the whole community, enabled KFTL to offer additional work for the local fishermen and launch a plan to guarantee fish survivability and the wellbeing of the ecosystem.

> "Creating sustainable communities through private sector development means leveraging change and innovation so that our most vulnerable interest groups can acquire the tools they need to improve their livelihoods."

CAPACITY BUILDING

Women: Charge!: At Kingston harbor, the KFTL concessionaire decided to focus on development with gender equality. With advice from IDB Invest, it launched a program to train women willing to operate loading machinery at the docks—a job typically performed by men. Today, the concessionaire sends all women selected for the job to France for training.

Sustainable finances: During **"Sustainability Week"** we organized a workshop on Environmental and Social Risks for the Financial Sector that provided training using case studies and group dynamics to more than 85 participants from 16 countries in the region. Launched 17 years ago, this initiative has become a tradition in the region and has positioned IDB Invest as a leader in environmental and social risk management training for the financial sector in Latin America and the Caribbean.

ALLIANCES

Closer to the community: In 2017 we focused on strengthening our links with non-governmental organizations (NGOs), developing productive relations with the civil society, and fostering dialogue and sustainable development solutions. We are now in permanent talks with a team comprising organizations with a strong interest in citizen consultation and human rights protection with the objective of improving collaboration between IDB Invest and the civil society. In this scenario, we share our working style, policies and processes, while they help us gain a better understanding of the causes of their concerns about the impact of these projects on their communities.

Support for the palm sector's supply chain: For palm oil producers, the sustainability of their business is critical. Yet, because of the risks associated with their activity, they find it extremely hard to access financing. This is why in 2017 we joined forces with the Dutch Development Bank (FMO) and the Roundtable on Sustainable Palm Oil (RSPO) to support the supply chain of the Oleana company's efforts to obtain RSPO certification, a move that will help them expand their export capabilities, comply with environmental standards, and boost their activities' sustainability. This backing will help them meet some key certification requirements, such as environmental and social studies, geo-referenced mapping of their properties, training, audits, and facilities' management plans.

CORPORATE GOVERNANCE

INNOVATION

New Corporate Governance guidelines: In 2017 we created and established IDB Invest's Corporate Governance Guidelines and a new Corporate Governance Methodology for transaction analysis. This has allowed us to set technical standards and incorporate them into our review of all our operations, leading to improved project assessment, more transparency, and a more efficient use of corporate governance resources, including a detailed analysis of higher risk level transactions.

New Corporate Governance tools: As part of the new Governance Methodology, we created five specific toolboxes for corporate project diligence, infrastructure, financial institutions, funds, and state-owned companies. The new tools include simplified questionnaires to be incorporated into the online platform, new detailed questionnaires, and progress matrices with corporate governance practice evolution. The entire system is self-explanatory, with instructions to facilitate enhanced comprehension.

CAPACITY BUILDING

Corporate Governance in practice: During **"Sustainability Week"** we organized a Corporate Government Symposium where using case studies and group dynamics we offered training and awareness development and presented solutions and corporate governance cases to more than 30 companies and 71 attendants from 10 countries in the region. This event, which is held every year, has proved critical to consolidate the added value of good governance for the financial results and long-term sustainability of companies in the region.

Corporate Governance in Brazil: Our organization has contributed to the creation of Brazil's Corporate Governance Code. To this end, we were invited to provide training and capacity building on the code and the benefits it will bring to the capital market in Brazil. We delivered a presentation at the code's launching event organized by the Brazilian Institute of Corporate Governance (IBGC, after its Portuguese initials) at the Transferable Securities Commission (CVM, Brazil's watchdog agency), as well as at IBGC's Annual Corporate Governance Congress. These events were attended by 130 and 700 people, respectively.

> "Good corporate governance practices contribute to clients' long-term competitiveness and sustainability, generating economic growth and good development results."

ALLIANCES

Global Strategy: IDB Invest is part of a working group comprised of eight development financial institutions (DFIs) managing the Corporate Governance Development Framework (CGDF), a global initiative providing a common vision of how to tackle corporate governance's risks and opportunities. This framework has been adopted by 35 DFIs from around the world. As a member of the group, IDB Invest is in charge of facilitating the implementation of the Development Framework and of the annual progress report, among other issues.

Regional dialogue: We also participated in the global policy dialogue through the OECD's Latin American Roundtable on Corporate Governance aimed at reaching progress consistent with the G20/OECD's Corporate Governance Principles. As part of this work, we are involved in the Roundtable taskforce on Latin American Equity Market Development, which started operations in 2017.

IDB Invest Culture

WE INVEST IN A NEW CULTURE

In times of exponential growth, IDB Invest is a client-oriented organization that is constantly innovating and leveraging strategic alliances to expand its impact on development in Latin America and the Caribbean with people who are passionate about their mission and accountable for results and operational excellence. We are a new multilateral organization that is growing and constantly evolving. And with it, so is our own culture.

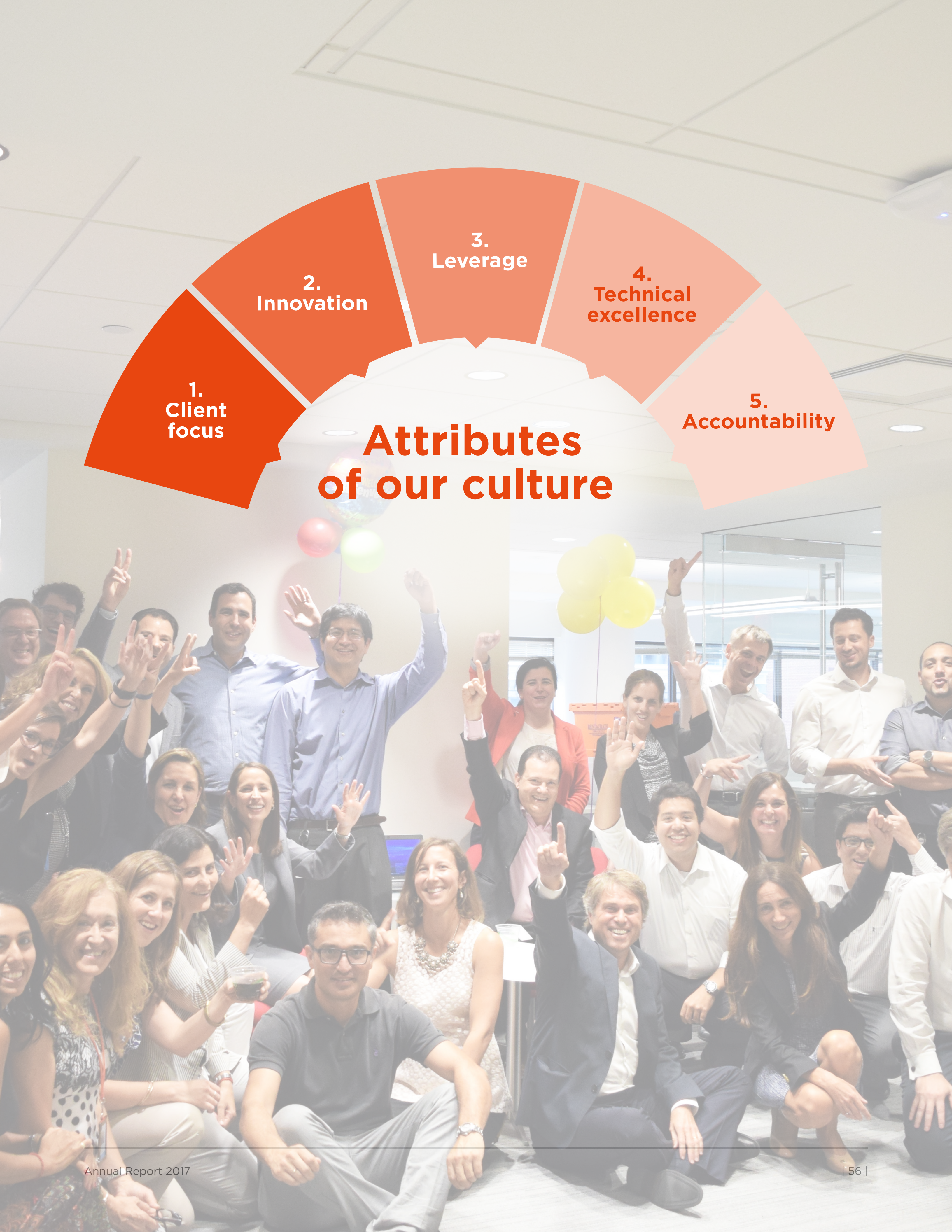
WE LAUNCHED OUR NEW BRAND

IDB Invest aims to be the best ally for corporations in Latin America and the Caribbean. To achieve this goal, the IDB Group in 2015 launched a process of consolidation of the windows working with the region's private sector. This process concluded on November 3, 2017, when the Inter-American Investment Corporation launched its new brand, IDB Invest.

> "The only way to build the future is to invest in it."

Our new brand reflects the flexibility and agility that we strive to achieve every day to be ever more focused on our clients. We are looking to the future with enthusiasm. We are ready to tackle current challenges, meeting the demands of new sectors, providing innovative financial and non-financial solutions, and expanding our presence in the 26 countries of our region.

Attributes of our culture



Regional presence

In 2017 we established a regional presence strategy to be closer to our clients, gain a better understanding of markets, and improve our products' quality and delivery. Today we have offices in 26 countries in addition to our Washington, D.C., Headquarters, and we have opened three of our four regional hubs.

Washington, D.C.
Strategic planning center focused on all administrative and financial functions, where all high-level decisions are made.

Country Offices
Principal client contact point.

Regional Hubs
Generate economies of scale, leveraging the IDB Group's public-private synergies, and boost IDB Invest's ability to generate new businesses.
*To be opened

BUILDING A CULTURE OF IMPACT

ACKNOWLEDGEMENTS

We are the greenest development bank

With 36% of its investments on climate financing, IDB Invest is today the greenest multilateral development bank, according to the **Joint Report on Multilateral Development Banks' Climate Finance**.

Best LatAm Renewable Deal of the Year award

In 2017, the Project Finance International (PFI) publication recognized the financing to Aela Energía for the construction of three wind farms in Chile with the "LatAm Renewable Deal of the Year" award. With a planned combined generation capacity of 332 megawatts of energy, the project will foster the country's economic development and contribute to its energy matrix diversification.

Awards to our projects in South America

Bonds & Loans publication recognized three of our projects among the best deals in the region:

> Campo Palomas: "Project Finance Deal of the Year"
> El Corti Wind Farm: "Power Finance Deal of the Year"
> Renova: "Natural Resources Finance Deal of the Year"

Awards to our infrastructure projects

IJGlobal has named four of our infrastructure projects among the best in Latin America and the Caribbean:

> Melo-Tacuarembo: "Latin America Transmission/Distribution Deal of the Year"
> Pirapora: "Latin America Multisource Financing Deal of the Year"
> Solem Solar PV Complex: "Latin America Solar Deal of the Year"
> Aela: "Latin America Onshore Wind Deal of the Year"

Award to our operation in the Jamaica

Latin Finance recognized our operation Kingston Container Terminal: "Best Port Financing."

100% Committed to Gender Equality

At IDB Invest we believe that gender equality is key to promote thriving societies and markets, vigorous communities, and people who reach their full potential. As IDB Group, we wish to help foster inclusion in Latin America and the Caribbean and to reduce its gender gap. In 2017 we launched the "100% Committed to Gender Equality" campaign as IDB Group. We share stories from our clients that show how gender equality practices have increased the impact on development and led to better business results.

Additionally, in November we received the Assess level of EDGE Certification (Economic Dividends for Gender Equality), joining IDB and other multilateral development banks which are actively fostering gender-equal workplaces. This achievement reflects our strong gender composition when compared to other international finance institution's, share of women in junior and senior management positions.

VISIT THE #EQUIDADTOTAL SOCIAL WALL

CREA TU FUTURO

To invest in the talent of Latin America and the Caribbean, in 2017 we launched "CREA TU FUTURO" (CREATE YOUR FUTURE), a program aimed at attracting young professionals willing to contribute to the region's sustainable development and tackle tomorrow's challenges. More than 700 candidates have applied for the 18 open positions to work with us at IDB Invest.

This 36-month program will allow young professionals to make two rotations of approximately 18 months each at our Washington, D.C., Headquarters or at any of the region's 26 Country Offices.

Selected candidates for the CREA TU FUTURO (Create your future) program, with IDB President, Luis Alberto Moreno; IDB Invest Chief Executive Officer, James Scriven; and IDB Invest Chief Investment Officer, Gema Sacristán.

Quality of life and work

Open Spaces

In 2017 we inaugurated our new open space for the Investment Operations Department. This initiative aims to promote teamwork and an innovative, collaborative culture. We also inaugurated new open space offices in our regional hub in Buenos Aires, Argentina, placing public and private sector specialists side by side to further public-private cooperation.

From left to right: Jaime García Alba, Team Leader of Advisory Services and Blended Finance; Gema Sacristán, Chief Investment Officer; Marco Shiva, Team Leader of Business Support; Javier Rodríguez de Colmenares, Division Chief of Infrastructure and Energy; and Aitor Ezcurra, Division Chief of Corporates.

Alternative Work Schedules

At IDB Invest we care about the balance between work and personal commitments. This is why we have alternative work arrangements that allow our team to adjust their work schedules to meet their personal responsibilities.

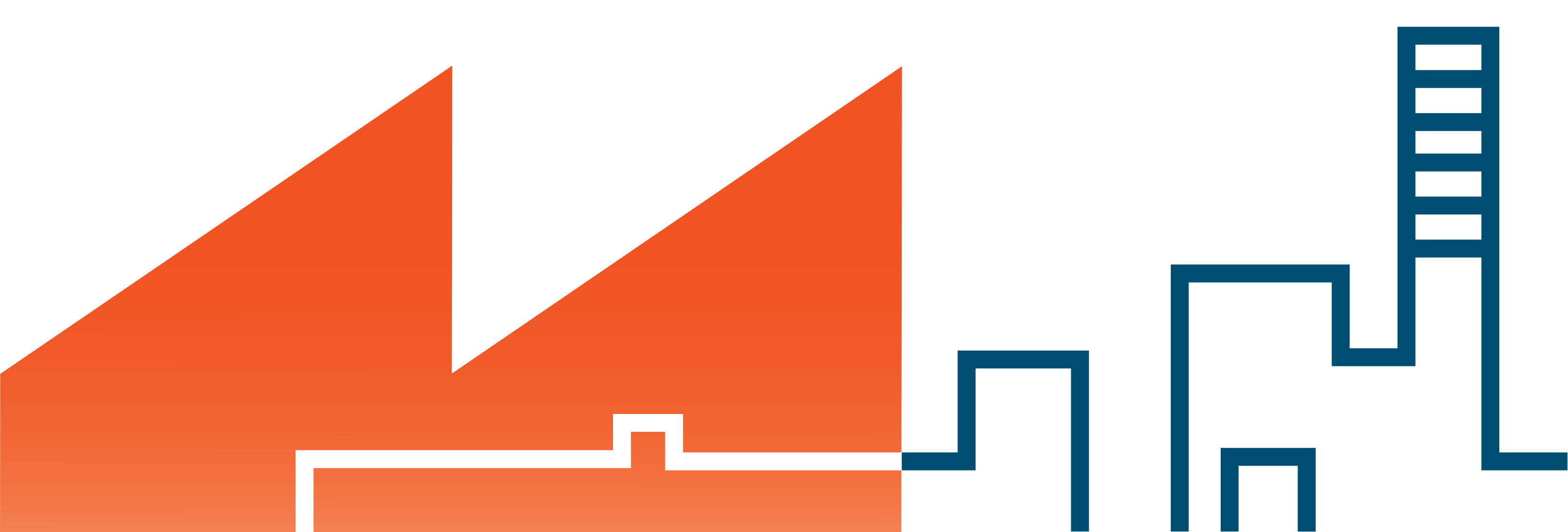
Runners club and sports activities

Last year at Headquarters, we held our runners program where joggers got together once a week to run in Washington, D.C. We also launched the “Get fit” program, inviting all staff to participate in an afternoon of sport activities that included walking, racing, and volleyball, tennis and soccer games.

Knowledge Week

One of the main challenges of building a new culture is to immerse in it, which is what we did during Knowledge Week 2017. At the event we shared stories about our work and performed activities with colleagues from throughout the region and the IDB to learn about our new sectors, successful projects and best practices in an atmosphere of comradery.

Operations in 2017



$ in thousands

Loans			
Country	**Name**	**Sector**	**Amount**
Argentina	Renova	Agribusiness	75,000
	Banco Supervielle SME Partnership	Financial Institutions	40,000
	Banco CMF SME Financing Partnership	Financial Institutions	15,000
	Corti Wind Project	Energy	50,000
	La Castellana Wind Project	Energy	31,000
	Achiras Wind Project	Energy	20,000
	Terminal Zarate Expansion Program	Transport	15,000
	San Juan Solar Power Project	Energy	11,000
Bahamas	Arawak Port Expansion and Energy Efficiency Program	Transport	3,000
	GBUC Smart Water Meter Investment Program	Water and Sanitation	4,500
Brazil	Santa Adélia	Agribusiness	30,000
	Vale do Parana	Agribusiness	25,000
	Durli Brazil	Industry	16,000
	Banco do Brasil	Financial Institutions	100,000
	Pirapora I Solar PV Project	Energy	72,696
	Porto de Sergipe LNG-to-Power Plant	Energy	238,000
Chile	NSO AGRO	Agribusiness	10,000
	Incofin II (Renewal)	Financial Institutions	4,500
	Eurocapital IV (Renewal)	Financial Institutions	9,800
	FACTOTAL SME Financing Partnership	Financial Institutions	10,000
	Incofin SME Financing Partnership	Financial Institutions	10,000
	Tanner leasing and factoring SMES	Financial Institutions	30,000
	Aela Wind Power Project	Energy	175,000
Colombia	MAREAUTO Colombia	Other	10,000
	Davivienda Colombia	Financial Institutions	200,000
Dominican Republic	Tropicalia Sustainable Tourism	Tourism	40,000
	BHD Leon Loan to Women Led PYMEs	Financial Institutions	50,000
Ecuador	Farmaenlace	Other	5,000
	Grupo Oleana	Agribusiness	11,100
	COMANDATO - INNACENSA	Industry	22,400
	MAREAUTO Ecuador	Other	10,000

$ in thousands

Loans			
Country	**Name**	**Sector**	**Amount**
El Salvador	CASSA	Agribusiness	10,000
	Banco Agricola SME Partnership	Financial Institutions	18,000
Honduras	Banpais	Financial Institutions	8,000
Jamaica	Jamaica Broilers	Agribusiness	17,000
Mexico	CIMARRON	Agribusiness	12,000
	EFactor/Axtel Approved Payables Financing	Telecommunications, Media & Technology	40,000
	Cubico Alten Solar PV Project	Energy	90,500
	Solar Rooftop 4All	Financial Institutions	104,971
	Guanajuato Solar PV	Energy	20,430
	Villanueva I & II and Don José Solar Projects	Energy	125,000
Nicaragua	Global CTG	Agribusiness	4,000
	Hogarama	Other	400
	CDN-INCECA	Trade	13,000
Panama	Metrobank SME	Financial Institutions	20,000
Paraguay	Nucleo S.A.	Telecommunications, Media & Technology	60,000
	Durli Paraguay	Industry	6,000
Peru	DANPER II	Agribusiness	20,700
	MAREAUTO Peru	Other	10,000
	Gandules Inc. S.A.C.	Agribusiness	15,000
Regional	Santa Fé	Transport	5,000
	Eco-business Fund for Latin America and the Caribbean	Financial Institutions	40,000
	Fitesa Expansion	Industry	44,500
	LAAD	Agribusiness	45,000
	Local Currency Fund II expansion	Financial Institutions	10,000
Uruguay	Melo Tacuarembo Transmission Line	Energy	38,096
	La Jacinta Long-Term B Bond	Energy	7,200
			2,128,793

$ in thousands

Guarantees			
Country	Name	Sector	Amount
Brazil	Atlantic	Energy	38,976
	Pirapora I - Phase II	Energy	100,802
	Atlantic II	Energy	129,597
Paraguay	Banco Familiar SME Financing Partnership	Financial Institutions	5,000
			274,375

Equity			
Country	Name	Sector	Amount
Brazil	Bozano Growth Capital Fund	Private Firms and SME Development	10,300
Colombia	MAS Equity Partners	Financial Institutions	10,000
Mexico	Capital Indigo Private Debt	Financial Institutions	24,173
Regional	Torrecom	Telecommunications, Media & Technology	695
			45,168

Debt Securities			
Country	Name	Sector	Amount
Uruguay	Campo Palomas long-term B-Bond	Energy	4,780
			4,780

$ in thousands

TFFP Program – Loans		
Country	**Name**	**Amount**
Argentina	Banco de Galicia y Buenos Aires S.A.	23,752
	Banco de Inversion y Comercio Exterior S.A.	29,919
	Banco Industrial S.A.	9,047
Brazil	Banco Industrial do Brasil S.A.	1,000
	Banco Sofisa S.A.	18,000
	Banco Daycoval S.A.	20,000
	Banco ABC Brasil S.A.	100,000
	Banco Santander (Brasil) S.A.	30,000
Chile	BANCO INTERNACIONAL	15,000
Costa Rica	Banco Lafise, S.A.	10,000
	Banco Nacional de Costa Rica	3,000
Ecuador	Banco de la Produccion S.A. Produbanco	23,500
	Banco de Guayaquil S.A.	8,500
	Banco del Pacifico S.A.	10,000
Guatemala	Banco Agromercantil de Guatemala, S.A.	19,281
	Banco Industrial, S.A.	130,000
	Banco Internacional, S.A.	20,000
	Banco Promerica S.A.	1,635
Honduras	Banco Atlantida S.A.	1,000
	Banco Financiera Centroamericana, S.A.	7,000
Nicaragua	Banco de la Producción, S.A. (Banpro)	18,805
	Banco de Finanzas S.A.	4,255
Panama	Banco Aliado, S.A.	3,465
	Towerbank International Inc.	5,900
	Banco Internacional de Costa Rica S.A.	15,000
Paraguay	Banco Continental S.A.E.C.A.	8,000
	Banco para la Comercialización y la Produccion S.A.	1,000
Peru	Banco Interamericano de Finanzas S.A.	14,000
		551,058

$ in thousands

TFFP Program- Guarantees		
Country	**Name**	**Amount**
Argentina	Banco Santander Rio S.A.	3,854
	Banco Supervielle S.A.	384
	Banco de Galicia y Buenos Aires S.A.	29,295
	Banco Macro S.A.	20,000
	Banco CMF S.A.	3,266
	Banco Industrial S.A.	13,029
Bolivia	Banco Bisa S.A.	1,006
Brazil	Banco Daycoval S.A.	27,450
	Banco Industrial do Brasil S.A.	12,005
Dominican Republic	Banco Multiple Santa Cruz, S.A.	1,961
Ecuador	Banco de Guayaquil S.A.	3,500
El Salvador	Banco Agrícola S.A.	7,500
	Banco Promerica, Sociedad Anonima	5,875
Honduras	Banco Financiera Comercial Hondurena S.A.	30,000
	Banco Lafise Honduras S.A.	4,550
	Banco Hondureno del Café S.A.	550
Nicaragua	BANCO LAFISE BANCENTRO, S.A.	15,994
	Banco de la Producción, S.A. (Banpro)	1,395
	Banco de Finanzas S.A.	2,290
Panama	Multibank Inc.	5,000
	Banco Aliado, S.A.	1,016
	Banco Internacional de Costa Rica S.A.	5,000
Paraguay	Banco Continental S.A.E.C.A.	4,304
		199,225

Institutional Governance

45 Member Countries

ARGENTINA AUSTRIA BAHAMAS BARBADOS BELGIUM BELIZE

BOLIVIA BRAZIL CANADA CHILE CHINA COLOMBIA

COSTA RICA DENMARK DOMINICAN REPUBLIC ECUADOR

EL SALVADOR FINLAND FRANCE GERMANY GUATEMALA

GUYANA HAITI HONDURAS ISRAEL ITALY JAMAICA JAPAN

KOREA MEXICO THE NETHERLANDS NICARAGUA NORWAY

PANAMA PARAGUAY PERU PORTUGAL SPAIN SURINAME

SWEDEN SWITZERLAND TRINIDAD AND TOBAGO

UNITED STATES OF AMERICA URUGUAY VENEZUELA

MANDATE

The mandate of the Inter-American Investment Corporation, which starting November 3, 2017, operates under the IDB Invest brand, is to maximize its impact on development within a long-term financial sustainability framework.

MISSION

IDB Invest promotes the economic development of its regional developing member countries by encouraging the establishment, expansion, and modernization of private enterprises.

BOARD OF GOVERNORS

All the powers of the Inter-American Investment Corporation are vested in its Board of Governors, consisting of one governor and one alternate governor appointed by each member country. Among the powers of the Board of Governors that cannot be delegated to the Board of Executive Directors are the admission of new member countries, the engagement of external auditors, approval of the Inter-American Investment Corporation's financial statements, and amendment of the Agreement Establishing the Inter-American Investment Corporation.

BOARD OF EXECUTIVE DIRECTORS

The Board of Executive Directors is responsible for the conduct of the operations of IDB Invest and exercises all the powers granted to it under the Agreement Establishing the Inter-American Investment Corporation or delegated to it by the Board of Governors. The Board of Executive Directors establishes the basic organizational structure of IDB Invest. It also approves the budget of the institution. The 13 executive directors and their alternate executive directors serve three-year terms and represent one or more of the Inter-American Investment Corporation's member countries.

The Executive Committee of the Board of Executive Directors is composed of one person who is the director or alternate appointed by the member country having the largest number of shares in the Inter-American Investment Corporation, two persons from among the directors representing the regional developing member countries of the Inter-American Investment Corporation; and one person from the directors representing the other member countries. All Inter-American Investment Corporation, loans to and investments in companies located in member countries are subject to the consideration of this Committee.

MANAGEMENT

The President of the IDB is, ex-officio, Chairman of the Board of Executive Directors of the Inter-American Investment Corporation. He presides over meetings of the Board of Executive Directors but does not have the right to vote except in the case of a tie. He may participate in meetings of the Board of Governors but does not have voting rights.

The Chief Executive Officer of IDB Invest is appointed by the Board of Executive Directors by a four-fifths majority of the total voting power on the recommendation of the Chairman of the Board of Executive Directors.

Under the direction of the Board of Executive Directors and the general supervision of the Chairman of the Board of Executive Directors, the Chief Executive Officer handles the day-to-day business of IDB Invest. In consultation with the Board of Executive Directors and the Chairman of the Board of Executive Directors, he is responsible for the organization, appointment and dismissal of the executive officers and staff. The Chief Executive Officer participates in meetings of the Board of Executive Directors.

The Chief Executive Officer also establishes IDB Invest's operational structure and may modify it to keep pace with the organization's changing needs.

STAFF

To fulfill its development mission, IDB Invest has 263 staff members (207 internationals, 54 nationals, and 2 TCNs[1]) distributed in 13 divisions and six teams. Twenty percent of the employees are located in 21 of the region's 26 offices: Argentina, Bahamas, Barbados, Brazil, Bolivia, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Honduras, Haiti, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Trinidad and Tobago, and Uruguay. The remaining officials are located at IDB Invest headquarters in Washington, D.C.

As of December 31, 2017, among the 263 staff are 83 investment officials working directly on IDB Invest loan origination.

[1]TCN: Refers to positions of third-country national officials specifically created to work at IDB Invest regional hubs.

Compensation Structure for IDB Invest Headquarters Staff[1], December 31, 2017

Level	Position	Minimum	Maximum	Count of Staff	% of Staff	Average Salary	Average Benefits[2]
EXE	Executive	$205,600	$415,400	6	2.8%	$305,256	$128,208
A	Leadership	$160,900	$289,500	11	5.2%	$211,346	$92,965
B	Technical	$139,700	$251,400	32	15.2%	$171,669	$72,101
C	Technical	$116,100	$209,000	50	23.7%	$142,846	$59,995
D	Technical	$86,600	$172,800	83	39.3%	$106,739	$44,830
E	Technical	$71,200	$114,100	20	9.5%	$82,222	$34,533
F	Business Support	$51,100	$76,600	6	2.8%	$60,984	$25,613
G	Business Support	$44,500	$66,500	3	1.4%	$72,831	$30,589
				211	**100%**		

[1] Members of the IIC Board of Executive Directors, including executive directors, alternate executive directors, senior counselors, and counselors, as well as the chairman of the Board of Executive Directors, are compensated by the IDB Group.
[2] Includes staff leave, end-of-service payment, medical and life insurance and other non-salary benefits, such as home leave, tax, relocation and repatriation expenses, dependency allowance, and education allowance.

Executive Directors and Alternate Executive Directors (as of December 2017)

	Executive Director	Alternate Executive Director
Argentina and Haití	Raúl Novoa	
Austria, Belgium, China, Germany, Italy, and The Netherlands	Stefania Antonella Bazzoni	Johannes Smeets
Bahamas, Barbados, Guyana, Jamaica, and Trinidad and Tobago	Jerry Christopher Butler	Cheryl Anita Morris-Skeete
Belize, Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua	José Mauricio Silva	Francisco José Mayorga Balladares
Bolivia, Paraguay, and Uruguay	Marcelo Bisogno	Hugo Rafael Cáceres Agüero
Brazil and Suriname	Antonio Henrique Pinheiro Silveira	Frederico Gonzaga Jayme Junior
Canada, Denmark, Finland, France, Norway, Sweden, and Switzerland	Lasse Antero Klemola	Patrick Jean Hervé
Chile and Peru	Patricia María Miloslavich Hart	Alex Foxley
Colombia and Ecuador	Sergio Díaz Granados	Maria Soledad Barrera Altamirano
Dominican Republic and Mexico	Bosco Martí Ascencio	Carlos Augusto Pared Vidal
Israel, Japan, Korea, Portugal, and Spain	Alicia Montalvo Santamaría	Toshiyuki Yasui
Panama and Venezuela	Armando José León Rojas	Fernando Ernesto de León de Alba
United States of America	Mark Edward Lopes	

EXECUTIVE DIRECTORS AND ALTERNATE EXECUTIVE DIRECTORS

First Row, left to right:
Mark Edward Lopes (USA)
Maria Soledad Barrera Altamirano (Ecuador)
Alex Foxley (Chile)
Bosco Martí Ascencio (Mexico)
Alicia Montalvo Santamaría (Spain)
Toshiyuki Yasui (Japan)
José Mauricio Silva (El Salvador)

Second row, left to right:
Hugo Rafael Cáceres Agüero (Paraguay)
Fernando Ernesto de León de Alba (Panama)
Patricia María Miloslavich Hart (Peru)
Jerry Christopher Butler (Bahamas)
Carlos Augusto Pared Vidal (Dominican Republic)
Stefania Antonella Bazzoni (Italy)

Third row, left to right:
Johannes Smeets (The Netherlands)
Lasse Antero Klemola (Finland)
Sergio Díaz Granados (Colombia)
Patrick Jean Hervé (France)
Armando José León Rojas (Venezuela)

Not pictured:
Raúl Novoa (Argentina)
Cheryl Anita Morris-Skeete (Barbados)
Antonio Henrique Pinheiro Silveira (Brazil)
Frederico Gonzaga Jayme Junior (Brazil)
Francisco José Mayorga Balladares (Nicaragua)
Marcelo Bisogno (Uruguay)

MANAGEMENT

First row, left to right:

Rosemary Jeronimides
General Counsel

Christian Novak
Chief Risk Officer

Rocio Palafox
Chief Finance and Administration Officer

Second row, left to right:

Orlando Ferreira
Chief Strategy Officer

Gema Sacristán
Chief Investment Officer

James P. Scriven
Chief Executive Officer

Financial Results

Financial Highlights

$ in thousands					Year ended December 31
	2017*	2016	2015	2014	2013
Statement of Income					
Total income	**148,372**	114,134	56,897	61,340	68,342
Total income, net of interest expense	**131,332**	101,579	47,454	48,860	51,979
Total operating expenses	**99,635**	81,249	50,006	34,799	42,381
Net income	**17,554**	17,771	3,002	13,334	19,206
Balance Sheet					
Net loan and equity investments	**963,938**	851,569	954,002	1,004,437	1,005,655
Total assets	**2,185,395**	2,146,724	1,505,296	1,989,486	1,786,805
Borrowings and long-term debt	**646,741**	1,062,383	598,456	1,099,241	903,502
Equity	**1,444,580**	1,021,982	857,324	845,137	851,826
Ratios					
Return on average assets	**0.8%**	1.0%	0.2%	0.7%	1.1%
Return on average equity	**1.4%**	1.9%	0.4%	1.6%	2.4%
Debt to equity	**45%**	104%	70%	130%	106%
Equity to assets	**66%**	48%	57%	43%	48%
Liquidity to total assets	**55%**	59%	35%	46%	40%

* Please note that the income statement presentation was refined in IDB Invest's 2017 financial statements. In this table, the Total income and Total income, net of interest expense line items for 2017 have been modified to conform to the prior year presentation for comparability.

FINANCIAL RESULTS

In 2017, the Corporation accomplished key initiatives to strengthen the private sector operations of the IDB Group and reorient operations towards new lines of business with a focus on consolidation for growth. These key initiatives included, among others, the expansion of the presence in the field and operational excellence initiatives. Further, the Corporation launched its new brand in November 2017 and now refers to its operations as IDB Invest.

The Corporation's net income of $17.6 million in 2017 remains stable (compared to $17.8 million for 2016). This marks fifteen years of consecutive profits. During 2017, the Corporation's total capital grew by 41%, from $1.0 billion in 2016 to $1.4 billion in 2017. This increase in the Corporation's capital base resulted from $425.6 million in capital contributions and positive retained earnings from current year net income.

During 2017, the Corporation continued its focus on the strategic reorientation of operations in new priority sectors, specifically infrastructure, as well as the expansion of new product offerings, notably the Trade Finance and Facility Program (TFFP), purchased debt securities (also known as B Bonds) and guarantees. In the fourth quarter of 2017, the Corporation's gross development-related assets (DRA), measured as gross loans, equity investments and purchased debt securities, grew from $0.9 billion in 2016 to $1.0 billion in 2017. In addition, undisbursed commitments related to DRAs increased 92% from the prior year, providing further evidence of anticipated growth forward in the Corporation's portfolio.

Total income, net of borrowing expenses, amounted to $117.2 million in 2017, $18.2 million higher than in 2016. The increase in total income compared to the prior year is primarily related to higher income from administrative fees for managing the IDB's growing private sector portfolio — an increase of $12.3 million, higher income from the investment securities portfolio — an increase of $10.0 million, higher income from mobilization of third party funds — an increase of $5.0 million, and higher income from DRAs — an increase of $4.4 million that were partially offset by an increase of $17.6 million in loan loss provisions. Conversely, operating expenses increased from $81.2 million in 2016 to $99.6 million in 2017, reflecting higher administrative expenses, which increased by $15.0 million mainly due to an increase in workforce which was in line with the expected growth of the institution, both in the Washington, D.C., office and particularly in the field offices.

ASSET QUALITY

The Corporation maintained a quality portfolio in 2017. The main indicators of asset quality remained generally stable and the Latin America and the Caribbean region showed modest signs of economic recovery that are expected to continue into 2018. The ratio of impaired loans to loan portfolio outstanding increased slightly from 1.0% in 2016 to 2.8% in 2017. The Corporation's loan loss provision coverage is two times the impaired loans outstanding.

CAPITAL, LEVERAGE AND LIQUIDITY ADEQUACY

The Corporation established a comprehensive risk management framework during 2017 to strengthen the institution's risk management practices and policies that included, among others, the Board approval of the Corporation's Risk Appetite Policy, Capital Adequacy Policy and Liquidity Policy.

The IIC's solvency ratios remained very strong in 2017. Its capital-to-total-assets ratio increased to 66% as of December 2017 mainly driven by the increase in paid-in capital of $425.6 million. The IIC's liquidity ratios remained strong with a liquidity-to-total-assets ratio of 55% in 2017 and a liquidity-to-financial-debt ratio of 184% in 2017. The liabilities-to-capital ratio (also referred to as debt-to-equity ratio) decreased to less than 1.0 in 2017 staying well below the maximum level of 3.0 established by the Agreement Establishing the IIC.

PENSION AND POST RETIREMENT BENEFIT PLANS

The IIC's Pension Plans are 83% funded ($38.7 million underfunded) and the Post Retirement Benefit Plan (PRBP) is 92% funded ($15.9 million underfunded) as of December 31, 2017. The funded status of the Pension Plans decreased $11.5 million and the PRBP decreased $13.80 million from 2016. The changes to the funded status of the Pension Plans and the PRBP were driven by a decrease in the discount rates of 52bps and 55bps, respectively, as a result of current economic and financial conditions, resulting in a higher actuarial value of the plans' projected liabilities. This decrease was partially offset by positive real returns on plan assets of 12.25% for the Pension Plan and 12.24% for the PRBP driven by strong capital markets' performance in 2017.

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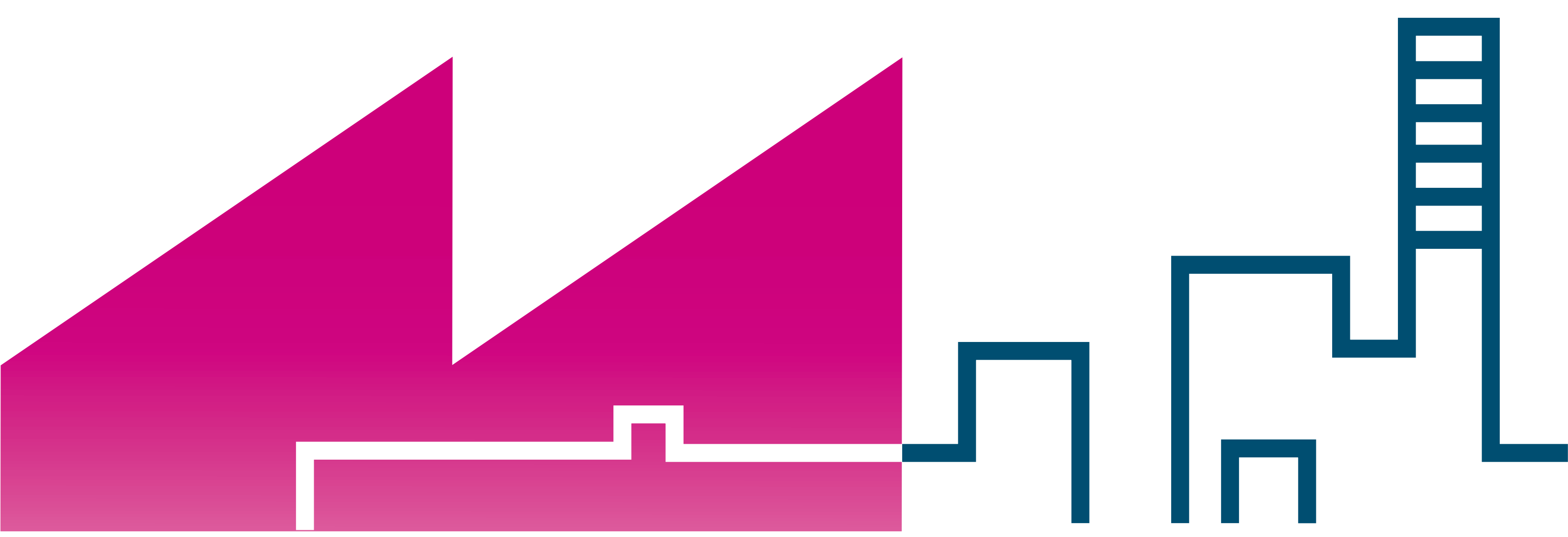
Appendix
Financial Statements



INTER-AMERICAN INVESTMENT CORPORATION

Financial Statements
as of December 31, 2017 and 2016

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

The Board of Governors
Inter-American Investment Corporation:

We have audited the accompanying financial statements of Inter-American Investment Corporation (the Corporation), which comprise the balance sheets as of December 31, 2017 and 2016, and the related statements of income, comprehensive income/(loss), changes in capital and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Inter-American Investment Corporation as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

March 6, 2018

INTER-AMERICAN INVESTMENT CORPORATION

BALANCE SHEET

USD Thousands	December 31 2017	December 31 2016
ASSETS		
Cash and cash equivalents	$ 20,755	$ 23,459
Investment securities		
Trading – Notes 3 and 9	140,514	445,782
Available-for-sale – Notes 3 and 9	1,031,051	805,672
	1,171,565	1,251,454
Development related investments		
Loans	958,177	854,436
Less Allowance for losses	(49,685)	(34,938)
	908,492	819,498
Equity investments ($35,674 and $16,688 carried at fair value, respectively)	48,723	32,071
Debt securities	6,723	-
Total development related investments – Notes 4 and 9	963,938	851,569
Receivables and other assets – Note 5	29,137	20,242
Total assets	**$ 2,185,395**	**$ 2,146,724**
LIABILITIES AND CAPITAL		
Accounts payable and other liabilities – Note 6	$ 91,628	$ 59,363
Interest and commitment fees payable	2,446	2,996
Borrowings – Note 7	646,741	1,062,383
Total liabilities	**740,815**	**1,124,742**
Capital		
Subscribed capital	1,512,480	1,512,480
Additional paid-in capital	501,531	498,378
Receivable from members	(730,597)	(1,153,056)
Total paid-in capital – Note 8	1,283,414	857,802
Retained earnings	208,471	190,917
Accumulated other comprehensive income/(loss)	(47,305)	(26,737)
Total capital	**1,444,580**	**1,021,982**
Total liabilities and capital	**$ 2,185,395**	**$ 2,146,724**

The accompanying notes are an integral part of these financial statements.

INTER-AMERICAN INVESTMENT CORPORATION

STATEMENT OF INCOME

USD Thousands	Year ended December 31 2017		Year ended December 31 2016	
INCOME				
Investment securities – Notes 3 and 9	$	21,862	$	11,848
Loans and development related debt securities – Notes 4 and 9				
Interest and fees		43,930		41,715
Other income		3,648		2,696
(Provision)/release of provision for loan and guarantee losses		(14,143)		3,472
		33,435		47,883
Equity investments – Notes 4 and 9				
Changes in fair value		1,499		46
Gain/(loss) on sale, net		703		179
Dividends		178		876
Other-than-temporary impairment losses on equity investments		-		(6,031)
		2,380		(4,930)
Income from development related investments		35,815		42,953
Other income				
Service fees from related parties – Note 11		69,059		55,616
Other income		7,493		1,158
		76,552		56,774
Total income		**134,229**		**111,575**
Borrowing expenses – Note 7		(17,040)		(12,555)
Total income/(loss), net of borrowing expenses		**117,189**		**99,020**
OPERATING EXPENSES				
Administrative		86,063		71,109
Pension Plans and Postretirement Benefit Plan expense – Note 12		11,211		8,081
(Gain)/loss on foreign exchange transactions, net		16		488
Other expenses		2,345		1,571
Total operating expenses		**99,635**		**81,249**
Net income	**$**	**17,554**	**$**	**17,771**

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME/(LOSS) AND CHANGES IN CAPITAL

STATEMENT OF COMPREHENSIVE INCOME/(LOSS)

USD Thousands	Year ended December 31 2017	2016
Net income	$ 17,554	$ 17,771
Other comprehensive income/(loss)		
Recognition of changes in assets/liabilities under the Pension Plans and Postretirement Benefit Plan – Note 12	(23,154)	(5,999)
Unrealized gain/(loss) on available-for sale securities – Notes 3 and 4	2,586	(1,753)
Total other comprehensive income/(loss)	(20,568)	(7,752)
Comprehensive income/(loss)	**$ (3,014)**	**$ 10,019**

STATEMENT OF CHANGES IN CAPITAL

USD Thousands	Subscribed shares	Total paid-in capital	Retained earnings	Accumulated other comprehensive income/(loss)	Total capital
As of December 31, 2015	**125,352**	**$ 703,163**	**$ 173,146**	**$ (18,985)**	**$ 857,324**
Year ended December 31, 2016					
Net income		-	17,771	-	17,771
Other comprehensive income/(loss)		-	-	(7,752)	(7,752)
Change in subscribed shares	25,896				
Payments received for capital stock subscribed		154,639	-	-	154,639
As of December 31, 2016	**151,248**	**$ 857,802**	**$ 190,917**	**$ (26,737)**	**$ 1,021,982**
Year ended December 31, 2017					
Net income		-	17,554	-	17,554
Other comprehensive income/(loss)		-	-	(20,568)	(20,568)
Change in subscribed shares	-				
Payments received for capital stock subscribed		425,612	-	-	425,612
As of December 31, 2017	**151,248**	**$ 1,283,414**	**$ 208,471**	**$ (47,305)**	**$ 1,444,580**

The accompanying notes are an integral part of these financial statements.

INTER-AMERICAN INVESTMENT CORPORATION

STATEMENT OF CASH FLOWS

USD Thousands	Year ended December 31 2017	Year ended December 31 2016
CASH FLOWS FROM INVESTING ACTIVITIES		
Loan disbursements	$ (403,559)	$ (152,660)
Equity disbursements	(14,398)	(9,181)
Loan repayments	301,691	256,817
Returns of equity investments	2,595	377
Debt securities purchases	(6,790)	-
Debt securities repayments	67	-
Available-for-sale securities		
Purchases	(575,096)	(585,517)
Sales and maturities	347,538	255,638
Capital expenditures	(9,087)	(3,329)
Proceeds from sales of recovered assets	1,376	1,731
Net cash provided by/(used in) investing activities	**$ (355,663)**	**$ (236,124)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds/(repayments) of borrowings, net	(418,547)	469,105
Capital subscriptions	425,612	154,639
Net cash provided by/(used in) financing activities	**$ 7,065**	**$ 623,744**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	17,554	17,771
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:		
Change in fair value of equity fund investments	(1,499)	(46)
Provision for loans and guarantees	14,143	(3,472)
Change in fair value of trading investment securities	(3,503)	(2,188)
Realized (gain)/loss on sales of equity investments	(703)	(179)
Change in receivables and other assets	(3,600)	1,496
Change in accounts payable and other liabilities	6,414	6,913
Change in Pension Plans and Postretirement Benefit Plan, net	2,114	1,119
Trading investment securities		
Purchases	(1,636,305)	(1,598,933)
Sales and maturities	1,945,262	1,187,545
Other, net	5,929	10,663
Net cash provided by/(used in) operating activities	**$ 345,806**	**$ (379,311)**
Net effect of exchange rate changes on cash and cash equivalents	88	204
Net increase/(decrease) in cash and cash equivalents	(2,704)	8,513
Cash and cash equivalents as of January 1	23,459	14,946
Cash and cash equivalents as of December 31	**$ 20,755**	**$ 23,459**
Supplemental disclosure:		
Interest paid during the period	$ 17,178	$ 10,876

The accompanying notes are an integral part of these financial statements.

Entity and Operations

The Inter-American Investment Corporation (the IIC or Corporation), an international organization, was established in 1986 and began operations in 1989 with the mission of promoting the economic development of its regional developing member countries, which are located in Latin America and the Caribbean, by encouraging the establishment, expansion, and modernization of private enterprises in such a way as to supplement the activities of the Inter-American Development Bank (IDB). The Corporation provides financing through loans, investments in debt securities, guarantees and equity investments where sufficient capital is not otherwise available on adequate terms in the market. The Corporation also arranges additional project funding from other investors and lenders, either through joint financing or through loan syndications, loan participations and guarantees. In addition, the Corporation provides financial and technical advisory services to clients. As of the date hereof, 45 member countries have subscribed to share capital in the Corporation. The Corporation conducts its operations principally in United States dollars, and operates within 26 of its member countries, all of which are located in Latin America and the Caribbean (the Regional Developing Member Countries). In November 2017, the Corporation adopted a new brand and now refers to itself as IDB Invest. This rebranding did not entail a change in the legal name of the Corporation. The Corporation is an autonomous international organization and a member of the Inter-American Development Bank Group (the IDB Group), which also includes the IDB and the Multilateral Investment Fund (MIF).

On March 30, 2015, the Boards of Governors of the Corporation and the IDB approved the transfer to the Corporation of all operational and administrative functions associated with the IDB private sector and non-sovereign guaranteed (NSG) activities (the IDBG NSG Reform) to better serve the Region, clients and partners, and to maximize developmental impact. The IDBG NSG Reform was effective on January 1, 2016. Since the effective date, the Corporation and the IDB entered into service level agreements (SLAs) whereby the Corporation provides certain services to the IDB and the IDB provides certain services to the Corporation. These services are further described in Note 11.

1. Basis of Presentation

The accounting and reporting policies conform to financial statements prepared in accordance with generally accepted accounting principles in the United States of America (US GAAP). References to US GAAP issued by the Financial Accounting Standards Board (FASB) in these notes are to the FASB Accounting Standards Codification, sometimes referred to as the Codification or ASC.

All amounts presented in the accompanying financial statements and notes are expressed, unless otherwise indicated, in thousands of dollars of the United States of America (U.S. dollars, USD, or $), which is the Corporation's functional and reporting currency.

2. Summary of Significant Accounting Policies

Use of estimates – The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. A significant degree of judgment has been used in the determination of the adequacy of the allowance for losses on loans, the provision for guarantee losses, the evaluation for other-than-temporary impairment on available-for-sale debt and direct equity securities, the evaluation for other-than-temporary impairment for held-to-maturity debt securities, the fair value of investment securities, loan and equity investments, debt securities, borrowings, and the determination of the net periodic benefit cost from pension and postretirement benefit plans and the present value of benefit obligations. There are inherent risks and uncertainties related to the Corporation's operations including the potential impacts of changing economic conditions on the Corporation's clients and the global investment markets that could have an adverse effect on the financial position of the Corporation.

Cash and cash equivalents – Highly liquid investment instruments purchased with original maturities of three months or less, other than those held as trading securities, are considered cash equivalents. The Corporation may hold cash deposits in excess of Federal Deposit Insurance Corporation (FDIC) insured limits. In addition, cash and cash equivalents includes restricted cash related to third party project origination costs. As of December 31, 2017, the Corporation's cash and cash equivalents includes restricted cash of $90 ($234 as of December 31, 2016).

Investment securities – As part of its overall portfolio management strategy, the Corporation invests in debt securities issued by corporations, governments, supranationals and agencies. These investments may include fixed and floating rate bonds, notes, bills, certificates of deposit, commercial paper, and mutual funds.

Investment securities are classified based on management's intention on the date of purchase. Purchases and sales of investment securities are recorded on a trade date basis. The first-in, first-out method is used to determine the cost basis of securities sold. The investment portfolio classified as trading is recorded at fair value with unrealized gains and losses reported in income from Investment securities[1]. All other securities are classified as available-for-sale and carried at fair value with net unrealized gains or losses included in Accumulated other comprehensive income/(loss). Interest and dividends on securities, amortization of premiums, accretion of discounts, and realized gains and losses from both trading and available-for-sale securities are reported in income from Investment securities.

Available-for-sale securities are evaluated for other-than-temporary impairment. The Corporation considers various factors in determining whether a decline in fair value is other-than-temporary including the issuer's financial condition, the effects of changes in interest rates or credit spreads, the expected recovery period, and other quantitative and qualitative information. The evaluation of securities for impairment is a process subject to estimation, judgment and uncertainty and is intended to determine whether declines in fair value of investment securities should be recognized in current period earnings. The risks and uncertainties include changes in general economic conditions and future changes in assessments of the aforementioned factors. It is expected that such factors will change in the future. For impairments that are deemed to be other-than-temporary, the credit portion of the loss is recognized in earnings and the non-credit portion is recognized in Accumulated other comprehensive income/(loss).

Loans – Loans are recorded as assets when disbursed and are carried at the principal amount outstanding adjusted for allowance for losses. The Corporation may obtain collateral security or third-party guarantees.

[1] References to captions in the financial statements are identified by the name of the caption beginning with a capital letter every time they appear in the notes to the financial statements.

The Corporation classifies its loan portfolio as either financial institution loans or corporate loans. Corporate loans are extended to enterprises operating in a variety of sectors further detailed in Note 4. The Corporation's loans may be secured or unsecured. Secured loans may be guaranteed by mortgages and other forms of collateral security, as well as third-party guarantees.

Allowance for losses on loans – The allowance for loan losses represents management's estimate of incurred losses in the loan portfolio as of the balance sheet date and is recorded as a reduction of loans. Changes in the allowance for loan losses are recorded through the (Provision)/release of provision for loan and guarantee losses in the statement of income. Considerable judgment is required to estimate the allowance for losses including determination of appropriate risk ratings, potential severity of losses, expected performance of individual loans, economic conditions in Latin America and the Caribbean and various other factors. The Corporation believes that the allowance for loan losses is adequate as of the balance sheet date; however, future changes to the allowance for loan losses may be necessary based on changes in any of the factors discussed herein.

The allowance for losses on loans reflects estimates of both probable losses inherent in the portfolio but not yet specifically identifiable (collective provision) and identified probable losses (specific provision).

For the collective provision, the allowance for loan losses is established via an internal credit risk classification system that estimates the probable loss inherent in the portfolio based on various analyses. The collective provision for each loan exposure considers: (i) the probability of default rate for each risk category and the applicable loss emergence period; (ii) the amount of credit exposure in each of these categories; and (iii) the loss given default (LGD) ratio.

Each loan is individually monitored and rated by assigning an applicable probability of default rate and an LGD ratio on at least an annual basis.

- Probability of Default — A scorecard is completed that contemplates a variety of borrower-specific considerations including, but not limited to: past experience and available market information, country risk, historical loss experience for similar credits, the risk of correlation or contagion of losses between markets, nonperformance under sponsor guarantees and support agreements, as well as an analysis of the financial statements and other information provided by the borrower. The scorecard result produces an internal risk rating that is comparable to a long-term issuer credit rating published by Standard & Poor's (S&P).

- Loss Given Default — The Corporation calculates an LGD ratio for each individual loan or guarantee. A scorecard is completed that contemplates a variety of transaction-specific considerations for each loan or guarantee exposure, including, but not limited to: the seniority of the instrument, the collateral type, third party guarantees and jurisdiction risk or creditor rights under the law of the respective country. The scorecard produces an LGD ratio that is calibrated using empirical evidence of over 20 years of historical loss data collected by S&P.

The Corporation utilizes these external inputs to calculate the allowance for loan losses because of the Corporation's limited historical loss experience, relatively small volume of business (less than 250 loans), and variation in loan size, sector and geographic dispersion of the portfolio.

For the specific provision and for loans evaluated for impairment, the determination of the allowance for identified probable losses reflects management's best judgment of the creditworthiness of the borrower and is established based upon the periodic review of individual loans. This estimate considers all available evidence including, as appropriate, the present value of the expected future cash flows discounted at the loan's contractual effective rate, the fair value of collateral less disposal costs, and other market data. Because of the purpose of the Corporation and the nature of the loans, secondary market values are usually not available.

The Corporation considers a loan impaired when, based on current information and events, it is probable that the Corporation will be unable to collect all amounts due according to the loan's contractual terms. Information and events considered in determining that a loan is impaired include the borrower's financial difficulties, the borrower's competitive position in the marketplace, the risk associated with the underlying collateral, the willingness and capacity of the sponsor who organized the project to support the investment, the borrower's management team, as well as geopolitical conflict and macroeconomic crises. Further, when a borrower experiences financial difficulty due to either economic or legal reasons, it is unable to meet all contractual cash flows and is granted a concession in a modified loan agreement, the Corporation considers this loan to be a troubled debt restructuring. Additional information is included in Note 4.

Loans are written off when the Corporation has exhausted all possible means of recovery, by reducing the loan and related allowance for losses on loans. Such reductions in the allowance are partially offset by recoveries, if any, associated with previously written off loans.

Revenue recognition on loans – Interest and fees are recognized in the periods in which they are earned. A loan is generally placed in nonaccrual status when collectability is in doubt or payments of interest or principal are past due more than 90 days. The Corporation does not recognize income on loans in nonaccrual status, and any uncollected interest accrued on a loan placed in nonaccrual status is reversed out of income and is thereafter recognized as income only when the payment is received, and is returned to accrual status once management has concluded that the borrower's ability to make periodic interest and principal payments has been demonstrated. Interest not previously recognized but capitalized as part of a debt restructuring is recorded as deferred income, included in Accounts payable and other liabilities in the balance sheet, and credited to income only when the related principal is received. Such capitalization is considered in the computation of the Allowance for losses on loans in the balance sheet.

Net loan origination fees and costs, included in Receivables and other assets in the balance sheet, are deferred and amortized over the life of the loan on a straight-line basis, which approximates how costs would be reflected under the effective interest method.

Equity investments – Equity investments include ownership interests in limited partnerships and similar fund structures (LPs) and direct equity investments primarily in small and medium-sized enterprises and financial institutions.

Direct equity investments for which the Corporation maintains specific ownership accounts—and for which the Corporation does not have a controlling financial interest or significant influence—are carried at cost less impairment, if any, or if these investments are listed in markets that provide readily determinable fair values, these investments are accounted for as available-for-sale securities at fair value with unrealized gains and losses reported in Other comprehensive income/(loss) in accordance with ASC 320. Direct equity investments are assessed for impairment at least annually on the basis of the latest financial information, operating performance and other relevant information including macroeconomic conditions, specific industry trends, the historical performance of the company, and the Corporation's intent to hold the investment for an extended period. When impairment is identified and is deemed to be other-than-temporary, the investment is written down to the fair value, which becomes the new carrying value for the investment. Impairment losses are not reversed for subsequent recoveries in fair value of the investment unless sold at a gain.

For LPs, the Corporation has elected fair value accounting under ASC Topic 825. As a practical expedient, the Corporation relies on the net asset value (NAV) as reported by the LP manager for the fair value measurement. The NAVs that have been provided by the LP manager are derived from the fair values of the underlying investments as of the reporting date. Investments for which NAV is used as a fair value (a) do not have a readily determinable fair value and (b) either prepare financial statements consistent with the measurement principles of an investment company or have attributes of an investment company.

Revenue recognition on equity investments – Dividends and profit participations received from equity investments that are accounted for under the cost less impairment method are recorded as income when such distributions are declared and paid. Gains on the sale or redemption of equity investments accounted for under the cost less impairment method are recorded as income at disposition.

For LPs carried at fair value under the fair value option, unrealized gains and losses are considered in the determination of NAV and recorded as Changes in fair value of equity investments in the statement of income. Disbursements and distributions are recorded as changes to the outstanding balance of LPs and reflected as such in Equity investments in the balance sheet.

Development related investments in debt securities - Debt securities in the development related investment portfolio are classified as held-to-maturity and carried at amortized cost in the balance sheet. These debt securities are assessed for other-than-temporary impairment periodically. Interest on debt securities is included in Income from development related investments in the statement of income.

Variable interest entities – ASC Topic 810, *Consolidation*, provides for consolidation when a reporting entity is the primary beneficiary of a variable interest entity (VIE), or if an entity does not meet the definitional elements of a VIE, consolidation is required if a reporting entity has a controlling financial interest and/or holds a majority voting interest in an entity. The Corporation has concluded that it is not the primary beneficiary for any VIEs. Additionally, the Corporation does not have a significant variable interest in any VIE, which would require disclosure. Similarly, the Corporation does not hold a controlling financial interest or majority voting interest in any other entity, and it does not have significant influence over any entities.

Revenue recognition for service fees – A series of service level agreements (SLAs) define the nature of the services and corresponding fees for services provided to the IDB. The most significant of these services relates to loan origination and servicing performed on the IDB's behalf. Revenue is recognized when services are rendered, as the corresponding fees are determinable, and collection is reasonably assured. Similarly, the Corporation receives project administration and general administrative fees for services provided to several special purpose trust funds affiliated with the Corporation or the IDB. Additional information about related-party transactions is included in Note 11.

Guarantees – The Corporation offers credit guarantees covering, on a risk-sharing basis, third party obligations on loans undertaken for or securities issued in support of projects located within a member country to enhance their credit standing and enable them to complete a wide variety of business transactions. These financial guarantees are commitments issued by the Corporation to guarantee payment performance by a borrower to a third party. The Corporation's policy for requiring collateral security with respect to these instruments and the types of collateral security held is generally the same as for loans. Guarantees are regarded as issued when the Corporation executes the guarantee agreement, outstanding when the underlying financial obligation of the third party is incurred, and called when the Corporation's obligation under the guarantee has been invoked. There are two obligations associated with the guarantees: (1) the stand-ready obligation to perform; and (2) the contingent obligation to make future payments. The stand-ready obligation to perform is recognized at the issuance date at fair value. The contingent liability associated with the financial guarantee is recognized when it is probable that the guarantee will be called and when the amount of the guarantee can be reasonably estimated. Any stand-ready and contingent liabilities associated with guarantees are included in Accounts payable and other liabilities in the balance sheet. In the event the guarantees are called, the amount disbursed is recorded as a loan investment and specific reserves are established based on the estimated probable loss. Income is earned as the Corporation is released from risk.

Borrowings – To ensure funds are available for its operational liquidity needs, the Corporation accesses the international capital markets, offering its debt securities to investors. The Corporation's borrowings are carried at amortized cost. The amortization of premiums and accretion of discounts is calculated following a methodology that approximates the effective interest method, and is included in Borrowings expense in the statement of income.

The unamortized balance of the borrowing issuance costs related to a recognized debt liability is included as a direct deduction from the carrying amount of the debt liability in Borrowings in the balance sheet.

Interest expense on borrowings is recognized on an accrual basis and is included in Borrowings expense in the statement of income.

Fixed and intangible assets – Fixed and intangible assets (software costs) are presented at cost less accumulated depreciation and amortization and are included in Receivables and other assets in the balance sheet. Depreciation and amortization are recognized using the straight-line method over the estimated useful lives of the assets, which range from three to seven years. Additional information about fixed and intangible assets is included in Note 5.

Foreign currency transactions – Monetary assets and liabilities denominated in currencies other than the United States dollar are translated into U.S. dollars at market exchange rates in effect on the balance sheet dates. Revenues and expenses are translated at rates that approximate monthly weighted average exchange rates. Resulting gains and losses are included in (Gain)/loss on foreign exchange transactions, net, in the statement of income.

Fair value measurements – The Codification requires entities to disclose information about recurring and non-recurring fair value measurements, as well as the fair value of financial instruments.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transfer between market participants at the measurement date under current market conditions. Fair value measurement further assumes that a transaction to sell the asset or assume a liability takes place either in the principal market or, in the absence of a principal market, in the most advantageous market for the asset or liability.

In determining fair value, the Corporation uses various valuation approaches, including market, income and/or cost approaches. The Codification establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Corporation. Unobservable inputs are inputs that reflect the Corporation's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

- Level 1— Unadjusted quoted prices for identical assets or liabilities in active markets.

  Assets and liabilities utilizing Level 1 inputs include investment securities that are actively traded and primarily include debt securities of the United States government and agencies.

- Level 2—Valuations based on quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities that are not actively traded; or pricing models for which all significant inputs are observable, directly or indirectly, for substantially the full term of the asset or liability.

  Assets and liabilities utilizing Level 2 inputs include investment securities that are not actively traded, and primarily include investments in obligations of banks, governments and agencies or instrumentalities other than the United States, sovereigns, local and regional governments, corporate bonds, and structured borrowings.

- Level 3—Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

  Assets utilizing Level 3 inputs include loans, direct equity investments and development related debt securities that are also measured for impairment.

The availability of observable inputs is affected by a wide variety of factors, including, for example, the type of product, and other characteristics particular to the transaction. To the extent fair value is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

Fair value for the majority of the Corporation's financial instruments is derived using pricing models. Pricing models take into account the contract terms (including maturity) as well as multiple inputs, including, where applicable, interest rate yield curves, credit spreads, creditworthiness of the counterparty, option volatility, and currency rates. In accordance with ASC Topic 820, *Fair Value Measurements*, the impact of the Corporation's own credit spreads would also be considered when measuring the fair value of liabilities. Where appropriate, valuation adjustments are made to account for various factors, including bid-ask spreads, credit quality, and market liquidity. These adjustments are applied on a consistent basis and are based upon observable inputs, where available.

Loan participations – The Corporation mobilizes funds from commercial banks and other financial institutions (Participants) by facilitating loan participations, without recourse. These loan participations are administered and serviced by the Corporation on behalf of the Participants in exchange for a fee. These mobilization fees are reported as Other income in the statement of income. The disbursed and outstanding balances of loan participations that meet the applicable accounting criteria are accounted for as sales and are not included in the Corporation's balance sheet. As of December 31, 2017, there were $1,839 ($1,082 as of December 31, 2016) in outstanding loan participations.

Pension and postretirement benefits – The IDB Group has three defined benefit pension plans: the Staff Retirement Plan (SRP), the Complementary Staff Retirement Plan (CSRP), and the Local Retirement Plan (LRP) (the Pension Plans and LRP), covering staff of the IDB Group entities. Under the Pension Plans and LRP, benefits are based on years of service and level of compensation, and they are funded by contributions from employees, the Corporation and the IDB, in accordance with the provisions of the Pension Plans and LRP. Any and all contributions to the Pension Plans and LRP are irrevocable and are held separately in retirement funds solely for the payment of benefits under the Pension Plans and LRP.

The IDB Group also provides certain health care, tax reimbursement and other benefits to retirees. Staff who retire, receive a monthly pension from the IDB or the Corporation, and meet certain requirements, are eligible for postretirement benefits under the Postretirement Benefit Plan (PRBP). Retirees contribute toward the PRBP based on an established premium schedule. The Corporation and the IDB contribute the remainder of the actuarially determined cost of future health care and other benefits. While all contributions and all other assets and income of the PRBP remain the property of the Corporation and the IDB, they are held and administered separately and apart from the other property and assets of each employer solely for the purpose of payment of benefits under the PRBP.

Since both the IDB and the Corporation are sponsors of the SRP, CSRP (the Pension Plans) and PRBP, each employer presents its respective share of these plans. The amounts presented reflect the Corporation's proportionate share of costs, assets, and obligations of these Pension Plans and PRBP in accordance with ASC Topic 715, *Compensation – Retirement Benefits*. The net periodic benefit costs allocated to the Corporation are included in Pension Plans and Postretirement Benefit Plan expense in the statement of income. The funded status of the Pension Plans and the PRBP is included in Receivables and other assets when the respective plan is in a funded status and included in Accounts payable and other liabilities when the respective plan is in an unfunded status in the balance sheet. Additional information about the Pension Plans and PRBP is included in Note 12.

Taxes – The Corporation, its property, other assets, income, and the operations and transactions it carries out pursuant to the Agreement Establishing the Inter-American Investment Corporation are immune from all taxation and from all custom duties in its member countries. The Corporation is also immune from any obligation relating to the payment, withholding or collection of any tax or duty in its member countries.

Accounting and financial reporting developments – In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU or Update) 2014-9, *Revenue* *from Contracts with Customers (Topic 606),* which supersedes the previous revenue recognition requirements and guidance. This new guidance does not apply to financial instruments nor guarantees. Supplemental guidance has been issued in the form of additional ASUs related to the revenue recognition topic. For the Corporation, this Update is effective in 2019 and for interim periods in 2020. The Corporation is currently assessing the impact that this Update will have on its financial statements.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments-Overall: Recognition and Measurement of Financial Assets and Financial Liabilities*. The changes to the current GAAP model primarily affect accounting for equity investments and presentation and disclosure requirements for financial instruments. Accounting for other financial instruments, such as loans, investments in debt securities, and other financial liabilities is largely unchanged. For the Corporation, this Update is effective in 2019 and for interim periods in 2020. The Corporation is currently assessing the impact of this Update on its financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The FASB issued this Update to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. To meet this objective, the FASB has amended the Codification and created Topic 842 that supersedes *Topic 840, Leases*. The key change from previous US GAAP and Topic 840 is the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous US GAAP. The core principle of Topic 842 is that a lessee should recognize the assets and liabilities that arise from leases in the balance sheet. For the Corporation, this Update is effective in 2020 and for interim periods in 2021. The Corporation is currently assessing the impact that this Update will have on its financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The amendments in this Update affect entities holding financial assets and net investments in leases that are not accounted for at fair value through net income. The amendments affect loans, debt securities, trade receivables, net investments in leases, off-balance sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. The amendments replace the incurred loss impairment methodology in current US GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to determine credit loss estimates. The use of forecasted information incorporates more timely information in the estimate of expected credit loss that will be more useful to users of the financial statements. For the Corporation, this Update is effective in 2021 and for interim periods in 2022. Early adoption is permitted and is under consideration. The amendments in this Update are applied through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective (that is, a modified-retrospective approach). The Corporation is currently assessing the impact that this Update will have on its financial statements.

In March 2017, the FASB issued ASU 2017-07, *Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. The amendments in this Update require that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are required to be presented in the statement of income separately from the service cost. For the Corporation, this Update is effective in 2019 and for interim periods in 2020.

(dollars in thousands, unless otherwise indicated)

In March 2017, the FASB issued ASU 2017-08, *Receivables – Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization of Purchased Callable Debt Securities*. The amendment in this Update shortens the amortization period to the earliest call date for certain purchased callable debt securities held at a premium. For the Corporation, this Update is effective in 2020 and for interim periods in 2021. The Corporation is currently assessing the impact that this Update will have on its financial statements.

3. Investment Securities

Trading securities consist of the following:

	December 31	
USD Thousands	2017	2016
Corporate securities	$ 98,679	$ 306,661
Government securities	41,835	36,651
Agency securities	-	32,853
Supranational securities	-	69,617
	$ 140,514	**$ 445,782**

Net unrealized losses on trading securities were $41 for the year ended December 31, 2017 ($755 net unrealized gains for the year ended December 31, 2016) and are presented in income from Investment securities in the statement of income.

The fair value of available-for-sale securities is as follows:

	December 31, 2017			
USD Thousands	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Corporate securities	$ 787,223	$ 2,165	$ (2,679)	$ 786,709
Agency securities	197,986	7	(1,147)	196,846
Government securities	29,894	-	(271)	29,623
Supranational securities	18,096	-	(223)	17,873
	$ 1,033,199	**$ 2,172**	**$ (4,320)**	**$ 1,031,051**

	December 31, 2016			
USD Thousands	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Corporate securities	$ 658,661	$ 578	$ (2,226)	$ 657,013
Agency securities	98,982	157	(104)	99,035
Government securities	49,813	7	(196)	49,624
	$ 807,456	**$ 742**	**$ (2,526)**	**$ 805,672**

(dollars in thousands, unless otherwise indicated)

The length of time that individual available-for-sale securities have been in a continuous unrealized loss position is as follows:

	December 31, 2017					
	Less than 12 months		12 months or more		Total	
USD Thousands	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
Corporate securities	$ 288,923	$ (1,582)	$ 110,395	$ (1,097)	$ 399,318	$ (2,679)
Agency securities	131,957	(1,034)	54,889	(113)	186,846	(1,147)
Government securities	-	-	29,623	(271)	29,623	(271)
Supranational securities	17,873	(223)	-	-	17,873	(223)
	$ 438,753	**$ (2,839)**	**$ 194,907**	**$ (1,481)**	**$ 633,660**	**$ (4,320)**

	December 31, 2016					
	Less than 12 months		12 months or more		Total	
USD Thousands	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
Corporate securities	$ 315,492	$ (2,079)	$ 42,852	$ (147)	$ 358,344	$ (2,226)
Agency securities	54,926	(104)	-	-	54,926	(104)
Government securities	29,626	(196)			29,626	(196)
	$ 400,044	**$ (2,379)**	**$ 42,852**	**$ (147)**	**$ 442,896**	**$ (2,526)**

Changes in available-for-sale investment securities recognized in Other comprehensive income/(loss) are as follows:

	Year ended December 31	
USD Thousands	2017	2016
Unrealized gains/(losses) during the period	$ (113)	$ (1,371)
Reclassification of (gains)/losses to net income	(252)	(382)
Total recognized in Other comprehensive income/(loss) related to available-for-sale investment securities	**$ (365)**	**$ (1,753)**

Proceeds from the sale of available-for-sale securities were $186,537 during the year ended December 31, 2017 ($108,037 during the year ended December 31, 2016). Gross realized gains were $507 and gross realized losses were $255 from the sale of available-for-sale securities during the year ended December 31, 2017 (gross realized gains were $394 and gross realized losses were $12 from the sale of available-for-sale securities during the year ended December 31, 2016).

The Corporation maintains a strict credit policy that all investment securities must be high quality credit rated investment grade. As of December 31, 2017, all unrealized losses in the investment securities are the result of temporary pricing movements in the current market environment and no other-than-temporary credit impairment was recognized for the year ended December 31, 2017. Further, for securities in an unrealized loss position, the Corporation does not have the intent to sell securities within the available-for-sale portfolio and it is more likely than not that the Corporation will not be required to sell prior to recovery of the non-credit portion recognized in Accumulated other comprehensive income/(loss).

(dollars in thousands, unless otherwise indicated)

The maturity structure of available-for-sale securities is as follows:

	December 31	
USD Thousands	2017	2016
Within one year	$ 207,904	$ 218,998
Between one and five years	823,147	586,674
	$ 1,031,051	**$ 805,672**

For the year ended December 31, 2017, interest income, net of amortization of premiums and accretion of discounts, was $17,481 ($8,978 for the year ended December 31, 2016).

4. Development Related Investments

The Corporation has specific metrics for concentrations and monitors its development related investments for credit performance, market risk and any potential related effects of geographic concentrations. As of December 31, 2017, the Corporation’s largest aggregate investment exposures were in Chile, Brazil and Argentina (Chile, Brazil and Panama as of December 31, 2016). The Corporation has development related investments with operations in multiple countries that include loan and equity investment exposures designated as Regional in the following table.

(dollars in thousands, unless otherwise indicated)

The distribution of the outstanding portfolio by country and by sector is as follows:

	December 31						
USD Thousands	2017				2016		
	Loan	Equity	Debt securities	Total	Loan	Equity	Total
Chile	$ 136,208	$ 632	$ -	$ 136,840	$ 100,218	$ 1,325	$ 101,543
Brazil	128,500	3,714	-	132,214	96,987	1,739	98,726
Argentina	93,213	-	-	93,213	10,476	138	10,614
Costa Rica	88,227	-	-	88,227	78,801	-	78,801
Ecuador	74,168	-	-	74,168	80,276	-	80,276
Mexico	60,183	12,854	-	73,037	66,520	9,801	76,321
Guatemala	65,732	-	-	65,732	14,021	-	14,021
Uruguay	54,930	-	6,723	61,653	37,624	-	37,624
Panama	56,343	-	-	56,343	96,325	-	96,325
Regional	24,923	25,776	-	50,699	15,885	15,337	31,222
Peru	43,714	-	-	43,714	93,902	-	93,902
Nicaragua	29,192	-	-	29,192	25,016	-	25,016
Honduras	23,983	-	-	23,983	18,339	-	18,339
El Salvador	20,369	-	-	20,369	27,807	-	27,807
Colombia	13,862	2,625	-	16,487	41,501	431	41,932
Paraguay	10,542	-	-	10,542	17,982	-	17,982
Suriname	9,286	-	-	9,286	10,000	-	10,000
Dominican Republic	9,019	-	-	9,019	8,948	-	8,948
Jamaica	6,820	-	-	6,820	6,952	-	6,952
Haiti	5,287	-	-	5,287	5,869	-	5,869
Bolivia	831	3,122	-	3,953	542	3,300	3,842
Bahamas	2,845	-	-	2,845	445	-	445
	$ 958,177	**$ 48,723**	**$ 6,723**	**$ 1,013,623**	**$ 854,436**	**$ 32,071**	**$ 886,507**
Financial Institutions	$ 536,765	$ 33,618	$ -	$ 570,383	$ 589,284	$ 20,490	$ 609,774
Energy	178,549	-	6,723	185,272	78,532	-	78,532
Agriculture and Rural Development	82,207	-	-	82,207	46,900	-	46,900
Industry	55,474	-	-	55,474	76,936	5,000	81,936
Transport	47,806	-	-	47,806	25,662	-	25,662
Science and Technology	20,415	4,695	-	25,110	5,528	4,000	9,528
Urban Development and Housing	8,595	5,410	-	14,005	2,033	2,581	4,614
Sustainable Tourism	12,375	-	-	12,375	13,252	-	13,252
Other	11,193	-	-	11,193	-	-	-
Private Firms and SME Development	-	5,000	-	5,000	2,227	-	2,227
Health	4,798	-	-	4,798	4,497	-	4,497
Water and Sanitation	-	-	-	-	9,033	-	9,033
Education	-	-	-	-	552	-	552
	$ 958,177	**$ 48,723**	**$ 6,723**	**$ 1,013,623**	**$ 854,436**	**$ 32,071**	**$ 886,507**

(dollars in thousands, unless otherwise indicated)

Development related investment portfolio

The Corporation's development related investments are the result of lending and investing activities that include loans, direct equity investments and LP investments, debt securities and guarantees that promote the economic development of the Corporation's Regional Developing Member Countries through the establishment, expansion and modernization of private enterprises. The Corporation's portfolio is classified as financial institutions and corporates. All development related investments are individually evaluated for purposes of monitoring and evaluating credit performance and market risk.

The distribution of the outstanding portfolio by investment type is as follows:

	December 31, 2017		
USD Thousands	Financial institutions	Corporates	Total
Loan	$ 536,765	$ 421,412	$ 958,177
Equity	33,618	15,105	48,723
Debt securities	-	6,723	6,723
	$ 570,383	**$ 443,240**	**$ 1,013,623**

	December 31, 2016		
USD Thousands	Financial institutions	Corporates	Total
Loan	$ 589,284	$ 265,152	$ 854,436
Equity	20,490	11,581	32,071
	$ 609,774	**$ 276,733**	**$ 886,507**

Loan and equity investments committed but not disbursed (net of cancellations) are summarized below:

USD Thousands	December 31, 2017
Loan	$ 222,594
Equity	27,659
	$ 250,253

Loans

Loans accrue interest at fixed and variable rates. The unpaid principal balance of the fixed rate loan portfolio amounted to $184,678 as of December 31, 2017 ($157,600 as of December 31, 2016). Variable rate loans generally reprice within one year.

(dollars in thousands, unless otherwise indicated)

An age analysis, based on contractual terms, of loans at amortized cost by type is as follows:

	December 31, 2017						
USD Thousands	1-90 Days Past Due & Accruing	1-90 Days Past Due & Non-Accruing	> 90 days Past Due and Accruing	> 90 days Past Due and Nonaccruing	Total past due	Current loans	Loan portfolio
Financial institutions	$ -	$ -	$ -	$ -	$ -	$ 536,765	$ 536,765
Corporate	4,444	7,351	474	8,278	20,547	400,865	421,412
Total	**$ 4,444**	**$ 7,351**	**$ 474**	**$ 8,278**	**$ 20,547**	**$ 937,630**	**$ 958,177**
As % of loan portfolio	0.46%	0.77%	0.05%	0.86%	2.14%	97.86%	100.00%
Allowance for loan losses	$ (49,685)						
Coverage					241.81%		5.19%

	December 31, 2016						
USD Thousands	1-90 Days Past Due & Accruing	1-90 Days Past Due & Non-Accruing	> 90 days Past Due and Accruing	> 90 days Past Due and Nonaccruing	Total past due	Current loans	Loan portfolio
Financial institutions	$ -	$ -	$ -	$ -	$ -	$ 589,284	$ 589,284
Corporate	6,254	226	315	8,414	15,209	249,943	265,152
Total	**$ 6,254**	**$ 226**	**$ 315**	**$ 8,414**	**$ 15,209**	**$ 839,227**	**$ 854,436**
As % of loan portfolio	0.73%	0.03%	0.04%	0.98%	1.78%	98.22%	100.00%
Allowance for loan losses	$ (34,938)						
Coverage					229.72%		4.09%

Nonaccrual loans on which the accrual of interest has been discontinued totaled $20,943 as of December 31, 2017 ($8,640 as of December 31, 2016). Nonaccrual loans that are current totaled $5,314 as of December 31, 2017 ($172 as of December 31, 2016). A current nonaccrual loan is a loan that was placed in nonaccrual status where the borrower is now current on payments but for which ongoing monitoring is necessary to determine whether the borrower has sufficiently demonstrated performance before returning the loan to accrual status. Interest income collected and interest income recognized on loans in nonaccrual status for the year ended December 31, 2017, was $33 ($142 for the year ended December 31, 2016).

The recorded investment in nonaccruing loans at amortized cost is summarized by investment type as follows:

	December 31	
USD Thousands	2017	2016
Corporate	$ 20,943	$ 8,640
Total nonaccrual loans	**$ 20,943**	**$ 8,640**
Loan portfolio	$ 958,177	$ 854,436
Nonaccrual/loan portfolio	2.19%	1.01%
Allowance for loan losses	$ (49,685)	$ (34,938)
Coverage of nonaccrual	237.24%	404.38%

(dollars in thousands, unless otherwise indicated)

The maturity structure of disbursed loans outstanding is:

	December 31					
	2017			2016		
USD Thousands	Principal outstanding		Weighted average rate	Principal outstanding		Weighted average rate
Due in one year or less	$	278,348	4.39%	$	263,139	4.44%
Due after one year through five years		500,199	5.24%		496,567	4.55%
Due after five years and thereafter		179,630	6.26%		94,730	6.08%
	$	**958,177**		**$**	**854,436**	

The investment in impaired loans as of December 31, 2017, was $26,575 ($8,811 as of December 31, 2016). The average investment in impaired loans for the year ended December 31, 2017, was $14,184 ($9,447 for the year ended December 31, 2016). The total amount of the allowance related to impaired loans as of December 31, 2017 and 2016, was $13,104 and $6,361, respectively. There were no loan modifications in 2017 that met the criteria to be classified as a troubled debt restructuring. During 2016, there was one troubled debt restructuring for a loan classified as impaired with an outstanding balance of $2,272 and a specific allowance for loan losses of $2,051, and this loan is considered within the impaired loans as of December 31, 2017.

Changes in the allowance for loan losses by investment type are summarized below:

USD Thousands	December 31, 2017			December 31, 2016		
	Financial institutions	Corporates	Total	Financial institutions	Corporates	Total
Balance as of January 1	$ (17,601)	$ (17,337)	$ (34,938)	$ (18,031)	$ (18,715)	$ (36,746)
Loans written off, net	-	481	481	-	67	67
Recoveries	(73)	(1,303)	(1,376)	(1,504)	(227)	(1,731)
(Provision)/release of provision for loan losses *	(3,354)	(10,498)	(13,852)	1,934	1,538	3,472
Balance as of December 31	**$ (21,028)**	**$ (28,657)**	**$ (49,685)**	**$ (17,601)**	**$ (17,337)**	**$ (34,938)**

* Does not include changes in provision for guarantee losses that are recorded in the same line item in the statement of income.

A summary of loans at amortized cost by credit quality indicator and investment type is as follows:

Credit Quality Indicator	Internal Credit Risk Classification Range	Description
Very Strong	aa- or higher	An obligor in these categories has a very strong capacity to meet its financial commitment.
Strong	a+, a, a-	An obligor in these categories has a strong capacity to meet its financial commitment.
Adequate	bbb+, bbb, bbb-	An obligor in these categories exhibits an adequate financial profile. However, adverse economic conditions or changing circumstances are more likely to lead to a weakening of the obligor's capacity to meet its financial obligations.
Moderate	bb+, bb, bb-	An obligor in these categories can face major uncertainties or exposures to adverse business, financial, or economic conditions that could lead to its inadequate capacity to meet its financial obligations.
Weak	b+, b, b-	An obligor in these categories is more vulnerable to nonpayment than obligations rated bb-, but the obligor currently has the capacity to meet its financial obligations. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial obligations.
Very Weak	ccc+ or lower	An obligor in these categories faces significant challenges, and default may also already be a virtual certainty. The obligor is currently vulnerable to nonpayment, and is dependent upon favorable business, financial, and economic conditions for the obligor to meet its financial obligations. In the event of adverse business, financial, or economic conditions, the obligor is not likely to have the capacity to meet its financial obligations.

USD Thousands	December 31, 2017		
	Financial institutions	**Corporate**	**Total**
Internal Credit Quality Indicator			
Adequate	$ 122,443	$ 10,112	$ 132,555
Moderate	293,497	110,500	403,997
Weak	104,453	260,413	364,866
Very Weak	16,372	40,387	56,759
Total	**$ 536,765**	**$ 421,412**	**$ 958,177**

USD Thousands	December 31, 2016		
	Financial institutions	**Corporate**	**Total**
Internal Credit Quality Indicator			
Adequate	$ 228,019	$ -	$ 228,019
Moderate	262,582	27,915	290,497
Weak	98,683	217,456	316,139
Very Weak	-	19,781	19,781
Total	**$ 589,284**	**$ 265,152**	**$ 854,436**

Equity investments

As of December 31, 2017, there were four direct equity investments carried at cost less impairment (six as of December 31, 2016) with a carrying value of $13,049 ($15,383 as of December 31, 2016). As of December 31, 2017, there was one equity investment classified as available-for-sale and recorded at fair value of $5,410 with unrealized gains of $2,951 recognized in Other comprehensive income/(loss). There were no other-than-temporary impairment losses on the Corporation’s direct equity investments for the year ended December 31, 2017 ($6,031 for the year ended December 31, 2016, all credit related).

As of December 31, 2017, there were eleven investments in LPs recorded at fair value based on NAV of $30,264 (eleven at fair value of $16,688 as of December 31, 2016). Investments in LPs may generally be liquidated over a period of 10 years with up to two one-year extensions.

Debt securities

During 2017, the Corporation purchased one debt security issued at par with a carrying value of $6,723 as of December 31, 2017 (none as of December 31, 2016) classified as a held-to-maturity security. There was no evidence of other-than-temporary impairment losses for the year ended December 31, 2017. For the year ended December 31, 2017, interest income was $152. The contractual maturity for this debt security is in 2036.

(dollars in thousands, unless otherwise indicated)

Guarantees

From time to time, the Corporation may provide financial guarantees for various purposes in return for a guarantee fee. Guarantees entered into by the Corporation generally have maturities consistent with those of the loan portfolio. As of December 31, 2017, the Corporation had one guarantee contract outstanding (none as of December 31, 2016). No notices of default have been received since inception of the Corporation's guarantee program.

The maximum potential exposure, which represents the amounts that could be lost under the guarantees in the event there were a total default by the guaranteed party without taking into consideration possible recoveries under recourse provisions or from collateral held or pledged, amounted to $4,706 as of December 31, 2017. The provision for losses on guarantees in the statement of income is $291 as of December 31, 2017. The estimated fair value of the guarantee liability is $469 as of December 31, 2017.

5. Receivables and Other Assets

Receivables and other assets are summarized below:

USD Thousands	December 31 2017	December 31 2016
Fixed and intangible assets	$ 9,510	$ 4,100
Receiveables and other assets	8,058	6,838
Interest receivable on development related investments	7,213	6,457
Interest receivable on investment securities	4,356	2,847
Total receivables and other assets	**$ 29,137**	**$ 20,242**

6. Accounts Payable and Other Liabilities

Accounts payable and other liabilities are summarized below:

USD Thousands	December 31 2017	December 31 2016
Pension Plan, net liability	$ 38,693	$ 27,181
Deferred revenue	18,097	14,929
Postretirement Benefit Plan, net liability	15,854	2,098
Employment benefits payable	7,808	9,031
Due to IDB, net	7,236	762
Accounts payable and other liabilities	3,940	5,362
Total accounts payables and other liabilities	**$ 91,628**	**$ 59,363**

As of December 31, 2017, and 2016, the Pension Plans net liability reflects the underfunded status of the Pension Plans. As of December 31, 2017, and 2016, the Postretirement Benefit Plan net liability reflects the underfunded status of the Plan. Refer to Note 12. Deferred revenue includes service fees collected from related parties. Additional information about the Corporation's related party transactions is included in Note 11.

(dollars in thousands, unless otherwise indicated)

7. Borrowings

Borrowings outstanding by currency are as follows:

USD Thousands	December 31			
	2017		2016	
	Amount outstanding	Weighted average cost	Amount outstanding	Weighted average cost
U.S. dollar	$ 626,398	1.64%	$ 1,032,785	1.08%
Mexican peso	20,343	7.49%	29,099	4.86%
Euro	-	-	499	0.71%
Total borrowings	**$ 646,741**		**$ 1,062,383**	

Since 1997, the Corporation has maintained a renewable credit facility with the IDB amounting to $300,000 that has been renewed four times and expires in November 2020. In August 2008, the Corporation borrowed $100,000 under this facility and $200,000 remains available for disbursement. The outstanding borrowing under this facility is due in 2023.

As of December 31, 2017, the Corporation has one foreign-currency credit facility amounting to $50,857 (1 billion Mexican pesos) with an outstanding amount of $20,343 (400 million Mexican pesos) and $30,514 remain available (600 million Mexican pesos). This borrowing is due to be repaid in February 2018. This renewable facility expires in April 2018.

The Corporation has an $80,000 U.S. dollar credit facility available. No amounts were drawn on this facility as of December 31, 2017 or 2016. The credit facility expired in January 2018 and was not renewed.

On April 27, 2016, the Corporation issued $500,000 U.S. dollar denominated, 3-month LIBOR plus 0.30% notes under its EMTN Program, maturing in 2019. Interest on the notes is payable quarterly.

The maturity structure of borrowings outstanding, gross of debt issuance costs, is as follows:

USD Thousands	2018	2019	2020	2021	2022	Through 2023
Borrowings	$ 20,343	$500,000	$ -	$ 26,667	$ -	$ 100,000
	$ 20,343	**$500,000**	**$ -**	**$ 26,667**	**$ -**	**$ 100,000**

For the year ended December 31, 2017, Borrowings expense includes interest expense of $16,898 that includes the amortization of debt issuance costs of $279 ($12,266 for the year ended December 31, 2016 that includes debt issuance costs of $260). The unamortized balance of the Corporation’s debt issuance cost amounts to $269 as of December 31, 2017 ($548 as of December 31, 2016) and is presented as a reduction to Borrowings.

8. Capital

The Corporation's original authorized share capital was increased to $705.9 million, equivalent to 70,590 shares, through a $500 million general capital increase approved in 1999 (GCI-I), and several special increases. These increases allocated a total of $505.9 million for subscriptions by new and existing member countries, with a par value and issuance price of $10,000 actual dollars per share.

On March 30, 2015, the IIC's Board of Governors authorized the Second General Capital Increase (GCI-II) for $2.03 billion. The capital increase is comprised of: (i) $1.305 billion in capital to be paid by the IIC shareholders during the 2016-2022 period; and (ii) annual transfers from the IDB, on behalf of its shareholders, to be paid to the Corporation during the period 2018-2025, totaling $725 million for the entire period, and conditional upon annual approval by the IDB Board of Governors. The GCI–II increases the authorized capital stock by 125,474 shares – 80,662 shares corresponding to capital contributions payable by the countries (Annex A Shares) and 44,812 shares corresponding to transfers from the IDB on behalf of its member countries (Annex B Shares) – with a share issuance price of $16,178.60 actual dollars per share. With this capital increase, total authorized shares amount to 196,064.

As of December 31, 2016, all Annex A Shares had been subscribed. Subscribed shares are recorded on the date of the subscription instrument at the share issuance price and are expected to be paid in over time. Payments are due on October 31 of each year from 2016 to 2022, per a payment plan determined and communicated by Management to each subscribing country. The price for Annex A Shares not paid within their corresponding annual installment are adjusted to reflect a 5% increase for each year of arrears; except that, shares corresponding to the first installment which are fully paid in by the end of the second installment shall not be subject to price adjustment. This price adjustment is recorded to Additional paid-in capital and to Receivable from members in the Capital section in the balance sheet. The Board of Executive Directors is authorized to extend payment deadlines. Capital contributions of approximately $152 million were received under GCI-II during the year ended December 31, 2016. Additional capital contributions of $426 million were received during the year ended December 31, 2017 for a total of $578 million in contributions corresponding to Annex A Shares of GCI-II.

Under the Agreement Establishing the Inter-American Investment Corporation, any member may withdraw from the Corporation, which shall become effective on the date specified in the notice but in no event prior to six months from the delivery date of such notice. Even after withdrawing, a member shall remain liable for all obligations to the Corporation to which it was subject on the date of delivery of the withdrawal notice. In the event a member withdraws, the Corporation and the member may agree to the repurchase of the shares of said member on terms appropriate under the circumstances. If such agreement is not reached within three months of the withdrawal notice, or within a term agreed upon between both parties, the repurchase price of the member's shares shall be equal to the book value on the date when the member ceases to belong to the Corporation, such book value to be determined by the audited financial statements. Payment for shares shall be made in such installments, times, and currencies as the Corporation shall determine, taking into account its financial position.

(dollars in thousands, unless otherwise indicated)

The following table lists the capital stock subscribed and subscriptions receivable from members:

December 31

	Capital Stock						Voting Power	
	Shares*	**Amount subscribed at par value**	**Additional paid-in capital ****	**Receivable from members *****	**Total paid in capital**	**Percent of total paid in capital**	**Number of votes**	**Percent of total votes**
		USD Thousands						
Argentina	17,376	$ 173,760	$ 57,610	$ 83,727	$ 147,643	11.50	10,152	10.50
Austria	887	8,870	3,349	4,886	7,333	0.57	585	0.60
Bahamas	308	3,080	1,016	1,492	2,604	0.20	180	0.19
Barbados	220	2,200	738	1,443	1,495	0.12	131	0.14
Belgium	169	1,690	-	-	1,690	0.13	169	0.17
Belize	101	1,010	-	-	1,010	0.08	101	0.10
Bolivia	1,398	13,980	4,622	6,730	11,872	0.93	982	1.02
Brazil	17,376	173,760	58,714	119,631	112,843	8.79	8,682	8.98
Canada	4,088	40,880	24,331	35,399	29,812	2.32	1,900	1.96
Chile	4,456	44,560	15,156	22,052	37,664	2.94	2,548	2.63
China	9,330	93,300	56,682	82,478	67,504	5.26	4,232	4.38
Colombia	4,456	44,560	14,643	-	59,203	4.61	3,138	3.24
Costa Rica	671	6,710	2,207	3,351	5,566	0.43	463	0.48
Denmark	1,071	10,710	-	-	10,710	0.84	1,071	1.11
Dominican Republic	933	9,330	3,070	4,470	7,930	0.62	547	0.57
Ecuador	942	9,420	3,120	4,546	7,994	0.62	661	0.68
El Salvador	671	6,710	2,281	5,851	3,140	0.24	314	0.32
Finland	1,021	10,210	3,880	-	14,090	1.10	671	0.69
France	2,868	28,680	4,362	6,374	26,668	2.08	2,474	2.56
Germany	1,334	13,340	-	-	13,340	1.04	1,334	1.38
Guatemala	897	8,970	2,947	4,319	7,598	0.59	630	0.65
Guyana	256	2,560	840	1,230	2,170	0.17	180	0.19
Haiti	671	6,710	2,281	5,851	3,140	0.24	314	0.32
Honduras	671	6,710	2,270	3,284	5,696	0.44	314	0.32
Israel	391	3,910	1,347	2,006	3,251	0.25	267	0.28
Italy	4,619	46,190	15,181	22,116	39,255	3.06	3,252	3.36
Jamaica	420	4,200	-	-	4,200	0.33	420	0.44
Japan	4,950	49,500	15,187	22,132	42,555	3.32	3,582	3.70
Korea	8,293	82,930	50,275	73,175	60,030	4.68	3,770	3.90
Mexico	11,124	111,240	36,559	-	147,799	11.52	7,835	8.10
Netherlands	1,071	10,710	-	-	10,710	0.83	1,071	1.11
Nicaragua	671	6,710	2,206	3,220	5,696	0.44	472	0.49
Norway	1,016	10,160	3,849	5,614	8,395	0.65	669	0.69
Panama	972	9,720	3,985	5,808	7,897	0.62	613	0.63
Paraguay	705	7,050	2,336	3,430	5,956	0.46	493	0.51
Peru	5,172	51,720	19,067	27,763	43,024	3.35	3,456	3.57
Portugal	389	3,890	1,279	1,893	3,276	0.26	272	0.28
Spain	6,962	69,620	27,618	35,063	62,175	4.84	4,478	4.63
Suriname	101	1,010	-	-	1,010	0.08	101	0.10
Sweden	946	9,460	3,417	4,999	7,878	0.61	637	0.66
Switzerland	2,288	22,880	7,519	10,953	19,446	1.52	1,611	1.67
Trinidad and Tobago	671	6,710	2,281	5,851	3,140	0.25	314	0.33
United States	16,019	160,190	-	-	160,190	12.48	16,019	16.56
Uruguay	1,849	18,490	6,098	8,882	15,706	1.23	1,300	1.35
Venezuela	10,448	104,480	39,208	100,578	43,110	3.36	4,311	4.46
Total 2017	**151,248**	**$ 1,512,480**	**$ 501,531**	**$ 730,597**	**$ 1,283,414**	**100**	**96,716**	**100**
Total 2016	**151,248**	**$ 1,512,480**	**$ 498,378**	**$ 1,153,056**	**$ 857,802**		**79,123**	

* The table does not reflect Annex B Shares, which are conditional upon approval of transfers by the IDB Board of Governors.
** Represents the amount in addition to par value subscribed by member countries under GCI-II.
*** Represents receivable from members under GCI-II.

(dollars in thousands, unless otherwise indicated)

9. Fair Value Measurements

The Corporation's assets recorded at fair value have been categorized based on a fair value hierarchy in accordance with ASC Topic 820.

Fair value of Financial Instruments

The following fair value hierarchy tables present information about the Corporation's financial instruments:

USD Thousands	Balance as of December 31, 2017	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Recurring (R) - Nonrecurring (N) - Disclosure Only (D)
INVESTMENT SECURITIES					
Corporate securities	$ 885,388	$ -	$ 885,388	$ -	R
Agency securities	196,846	-	196,846	-	R
Government securities	71,458	-	71,458	-	R
Supranational securities	17,873	-	17,873	-	R
LOANS					
Amortized cost	632,205	-	-	632,205	D
Impaired	26,575	-	-	26,575	N
EQUITY INVESTMENTS					
Available for sale	5,410	5,410	-	-	R
Equities at NAV*	30,264	-	-	-	R
DEBT SECURITIES	6,723	-	-	6,723	D
GUARANTEES	469	-	-	469	N
BORROWINGS*	548,496	-	548,496	-	D

* Equities at NAV as practical expedient are not classified within the fair value hierarchy.

USD Thousands	Balance as of December 31, 2016	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Recurring (R) - Nonrecurring (N) - Disclosure Only (D)
INVESTMENT SECURITIES					
Corporate securities	$ 963,674	$ -	$ 963,674	$ -	R
Agency securities	131,888	-	131,888	-	R
Government securities	86,275	-	86,275	-	R
Supranational securities	69,617	-	69,617	-	R
LOANS					
Amortized cost	369,336	-	-	369,336	D
Impaired	8,811	-	-	8,811	N
EQUITY INVESTMENTS					
Available for sale	-	-	-	-	R
Equities at NAV*	16,688	-	-	-	R
BORROWINGS	965,318	-	965,318	-	D

* Equities at NAV as practical expedient are not classified within the fair value hierarchy.

The Corporation has disclosed the fair value for those loans for which it is practicable to estimate fair value using observable and unobservable inputs and for those instances where loan impairment is indicated in the fair value hierarchy table above. As of December 31, 2017, the carrying value of the remainder of the loan portfolio, without accrued interest, was $340,271 ($493,936 as of December 31, 2016). Interest rates on the remainder of the loan portfolio range from 1.50% to 16.00% (1.50% to 16.00% as of December 31, 2016) and maturities that range from less than 1 year to 20 years (less than 1 year to 19 years as of December 31, 2016).

The carrying value of equity investments reported at cost amounted to $13,049 as of December 31, 2017 ($15,383 as of December 31, 2016). For the Corporation's direct equity investments carried at cost, it is not practicable to accurately measure the fair value for disclosure purposes except for those instances where other-than-temporary impairment is indicated and in such instances is disclosed in the fair value hierarchy table above.

(dollars in thousands, unless otherwise indicated)

The following table presents gains and losses due to changes in fair value, including foreign currency impact, for financial instruments measured at fair value on a recurring basis for the year ended December 31, 2017:

USD Thousands		Changes in fair value included in earnings
Corporate securities	$	2,210
Government securities		890
Supranational securities		474
Agency securities		181
Limited partnerships		1,499
	$	**5,254**

The following table presents gains and losses due to changes in fair value, including foreign currency impact, for financial instruments measured at fair value on a recurring basis for the year ended December 31, 2016:

USD Thousands		Changes in fair value included in earnings
Corporate securities	$	1,642
Government securities		543
Supranational securities		178
Agency securities		207
Limited partnerships		74
	$	**2,644**

There were no transfers between levels during the year ended December 31, 2017 (none during the year ended December 31, 2016).

The following methods and assumptions are used by management in estimating the fair value of the Corporation's financial instruments:

Cash and cash equivalents: The carrying amount reported in the balance sheet approximates fair value.

Investment securities: Fair values for investment securities are valued based on quoted prices in active markets for identical assets or liabilities or prices derived from alternative pricing models when these prices are not available from market vendors. These methodologies apply to certain investments in non-U.S. government obligations, agencies, supranationals and corporate bonds. Also included are commercial paper (CP) and certificates of deposit (CD) issued under large U.S. based CP or CD programs. For investments for which prices and other relevant information, generated by market transactions involving identical or comparable assets, are not available, the income approach valuation has been employed, using yield curves, bond or credit default swap spreads, and recovery rates based on collateral values as key inputs.

Loans: The Corporation's methodology to measure the fair value of those loans for which a combination of observable and unobservable inputs is generally available, requires the use of estimates and present value calculations of future cash flows. The fair value of loans is estimated using recently executed transactions, market price quotations (where observable), and market observable credit default swap levels along with proprietary valuation models where such transactions and quotations are unobservable. Determining future cash flows for fair value estimation purposes is subjective and imprecise, and minor changes in assumptions or methodologies may materially affect the estimated values. The lack of objective pricing standards adds a greater degree of subjectivity and volatility to these derived or estimated fair values.

Equity investments: The Corporation purchases the share capital of eligible private sector enterprises and also invests in LPs. In most cases, market prices are not available, and alternate valuation techniques require a significant degree of judgment.

> ***Direct equity investments carried at cost:*** The Corporation's methodology to measure the fair value of impaired direct equities at cost requires the use of estimates and present value calculations of future cash flows. The Corporation relies on third-party valuation specialists when available, internal estimates, or a combination of both.
>
> ***Available-for-sale direct equity investments:*** Available-for-sale equity investments are valued using quoted prices.
>
> ***Equity investments in LPs:*** As a practical expedient, the Corporation relies on the NAV as reported by the fund manager for the fair value measurement. The NAVs that have been reported by the fund manager are derived from the fair values of the underlying investments as of the reporting date. Generally, LPs have finite lives and the Corporation does not sell or redeem its investments in LPs. Proceeds are distributed to the Corporation as the LPs sell the underlying investee company. Adjustments to the net asset value are made when evidence indicates that fair value differs significantly from net asset value.

Development related investments in debt securities: The Corporation purchases debt securities in corporate bonds. As of December 31, 2017, the Corporation held one purchased debt security in a corporate bond with a carrying value that approximates the fair value.

Borrowings: The Corporation's borrowings are recorded at historical amounts. The fair value of the Corporation's borrowings is estimated using either quoted market prices or discounted cash flow analyses based on the Corporation's current borrowing rates for similar types of borrowing arrangements and includes all of the Corporation's borrowings except for the IDB borrowing.

Guarantees: The present value of the guarantee fee approximates fair value.

Other assets and liabilities: The carrying value of financial instruments included in Receivables and other assets, and Accounts payable and other liabilities approximates fair value due to their liquid or short-term nature.

10. Contingencies

In the ordinary course of business, the Corporation is defendant or codefendant or party in various litigation matters inherent to and typical of the operations in which it is engaged. In the opinion of the Corporation's management, the ultimate resolution of these legal proceedings would not have a material adverse effect on the financial position, results of operations, or cash flows.

11. Related Party Transactions

Co-financing Arrangements

Following the IDBG NSG Reform, NSG activities are originated by the Corporation and largely co-financed by the Corporation and the IDB. The Corporation and the IDB maintain separate legal and economic interests in their respective share of the loan principal balance for a co-financed loan. The Corporation's portion is defined as a percentage of the overall transaction subject to certain minimum amounts as agreed between the Corporation and the IDB.

Service Level Agreements with the IDB

The SLAs with the IDB outline the duration, scope of work, roles and responsibilities, remuneration, and performance metrics of each institution.

The Corporation earns revenue from an annual renewable SLA under which the Corporation provides loan origination, credit risk evaluation and monitoring, and other loan administration services for the IDB related to its private sector operations. The Corporation recognized revenue of $63,706 for providing these services for the year ended December 31, 2017 ($51,368 for the year ended December 31, 2016). These amounts are included in Service fees from related parties in the statement of income.

The Corporation purchases various general and administrative services from the IDB under a series of annual renewable SLAs. The Corporation incurred expenses of $11,178 for receiving these SLA services from the IDB for the year ended December 31, 2017 ($7,844 for the year ended December 31, 2016) that are included in Administrative expenses in the statement of income.

The Corporation also receives payroll services from the IDB. Payables due to the IDB were $7,236 as of December 31, 2017 ($762 as of December 31, 2016) related to total services provided by the IDB. Refer to Note 6.

(dollars in thousands, unless otherwise indicated)

Office Space

The Corporation has entered into office space leases with the IDB. Expenses incurred for those leases amounted to $4,065 during the year ended December 31, 2017 ($3,751 for the year ended December 31, 2016). The current lease agreements with the IDB will expire between 2020 and 2022.

Expected payments under the current lease agreements with the IDB are as follows:

USD Thousands	2018	2019	2020	2021	2022
Office space	$ 4,159	$ 4,159	$ 4,159	$ 89	$ 20
	$ 4,159	**$ 4,159**	**$ 4,159**	**$ 89**	**$ 20**

Other Transactions with the IDB Group Entities

The Corporation also earned $900 to provide advisory services to IDB Group entities for the year ended December 31, 2017 ($100 for the year ended December 31, 2016).

As of December 31, 2017, and 2016, the Corporation had borrowed $100,000 from the IDB credit facility. Refer to Note 7.

Management of External Funds

The Corporation administers on behalf of other entities, which include donors and member countries, funds restricted for specific uses that include the co-financing of certain projects, technical studies for borrowers, project-related studies, and research and training programs. These funds are held in trust by the Corporation and are not commingled with the Corporation's funds, nor are they included in the assets of the Corporation. The Corporation receives a management fee that is generally a percentage of the funds received. This fee is included in Service fees from related parties in the statement of income.

In addition to the aforementioned IIC Donor Funds under Administration, effective January 1, 2016, the Corporation has access to certain IDB funds and funds administered by the IDB used mainly to co-finance projects between the Corporation and the IDB and to fund technical assistance activities, as described below.

General Access and Administration Agreement with the IDB related to IDB Trust Funds (Access Agreement)

The IDB provides project administration and general administrative services for special purpose trust funds administered by the IDB and on behalf of the trust fund donors (the Trust Funds). Certain of the Trust Funds have private sector and NSG operations. Consequent to the IDBG NSG Reform, the Corporation entered into an Access Agreement that provides for an allocation of Trust Fund fees to the Corporation. Such fees are intended to cover internal and external costs associated with administering the NSG activities for the Trust Funds and related operations over the expected lives of the Trust Funds and the underlying operations that range from 15 to 20 years. Costs expected to be incurred approximate the allocable fee and no profit is recognized for the provision of these services.

The Trust Fund organizational documents provide for either the payment of a lump sum or scheduled payments. The timing of the payments may not correspond to the incurrence of the related costs. During 2017, the IDB remitted a payment of $1,858 for project administration and general services ($10,480 in 2016). Revenue related to these services is recognized on an annual basis. For the year ended December 31, 2017, the Corporation recognized revenue related to providing services of $1,773 ($1,258 for the year ended December 31, 2016). As of December 31, 2017, the Corporation has deferred revenue of $9,307 related to these services ($9,222 as of December 31, 2016), which will be recognized as revenue as services are provided over a 15 to 20-year period. Deferred revenue is presented as a component of Accounts payable and other liabilities in the balance sheet.

12. Pension and Postretirement Benefit Plans

Since both the IDB and the Corporation are sponsors of the SRP, CSRP and PRBP, each employer presents its respective share of these plans. The amounts presented reflect the Corporation's proportionate share of costs, assets, and obligations of these Pension Plans in accordance with ASC Topic 715, *Compensation – Retirement Benefits*.

Consequent to the IDBG NSG Reform, 92 staff were transferred from the IDB to the Corporation on January 1, 2016 resulting in an increase to the Corporation's pension cost allocation and its corresponding share of the plan assets and liabilities.

(dollars in thousands, unless otherwise indicated)

Obligations and funded status

The Corporation uses a December 31 measurement date for the Pension Plans and the PRBP. The following table summarizes the change in benefit obligation, change in plan assets, funded status of the Pension Plans and the PRBP, and the amounts recognized in the balance sheet:

	Pension Plans		PRBP	
USD Thousands	2017	2016	2017	2016
Reconciliation of benefit obligation				
Obligation as of January 1	$ (181,602)	$ (109,059)	$ (115,988)	$ (62,753)
Service cost	(9,668)	(7,760)	(4,454)	(3,756)
Interest cost	(7,291)	(6,487)	(5,000)	(4,201)
Participants' contributions	(2,693)	(2,104)	-	-
Net transfers between IDB and IIC	(4,455)	(54,593)	(3,379)	(39,666)
Actuarial gains/(losses)	(23,264)	(4,200)	(24,846)	(6,621)
Benefits paid	2,721	2,601	870	1,019
Retiree Part D subsidy	-	-	(9)	(10)
Obligation as of December 31	(226,252)	(181,602)	(152,806)	(115,988)
Reconciliation of fair value of plan assets				
Fair value of plan assets as of January 1	154,421	84,953	113,890	64,699
Net transfers between IDB and IIC	4,455	54,593	3,379	39,666
Actual return on plan assets	23,183	11,051	16,975	7,894
Benefits paid	(2,721)	(2,601)	(870)	(1,019)
Participants' contributions	2,693	2,104	-	-
Employer contributions	5,528	4,321	3,578	2,650
Fair value of plan assets as of December 31	187,559	154,421	136,952	113,890
Funded status				
Funded/(Underfunded) status as of December 31	(38,693)	(27,181)	(15,854)	(2,098)
Net amount recognized as of December 31	$ (38,693)	$ (27,181)	$ (15,854)	$ (2,098)
Amounts recognized as (liabilities)/assets consist of:				
Plan benefits assets/(liabilities)	(38,693)	(27,181)	(15,854)	(2,098)
Net amount recognized as of December 31	**$ (38,693)**	**$ (27,181)**	**$ (15,854)**	**$ (2,098)**
Amounts recognized in accumulated other comprehensive income consist of:				
Net actuarial gains/(losses)	22,549	13,477	28,206	14,550
Prior service costs	-	-	(2,621)	(3,047)
Net initial asset	-	-	-	-
Net amount recognized as of December 31	**$ 22,549**	**$ 13,477**	**$ 25,585**	**$ 11,503**

The accumulated benefit obligation attributable to the Corporation for the Pension Plans, which excludes the effect of future salary increases was $181,648 and $144,737 as of December 31, 2017 and 2016, respectively.

(dollars in thousands, unless otherwise indicated)

Components of net periodic benefit cost

Net periodic benefit cost recognized in Pension Plans and PRBP expense in the statement of income consists of the following components:

	Pension Plans		PRBP	
	Year ended December 31		Year ended December 31	
USD Thousands	2017	2016	2017	2016
Service cost	$ 9,668	$ 7,760	$ 4,454	$ 3,756
Interest cost	7,291	6,487	5,000	4,201
Expected return on plan assets	(9,283)	(8,189)	(6,808)	(5,943)
Amortization of:				
Unrecognized net actuarial loss	292	24	1,023	411
Prior service (credit)/cost	-	-	(426)	(426)
Net periodic benefit cost	**$ 7,968**	**$ 6,082**	**$ 3,243**	**$ 1,999**

Other changes in plan assets and benefit obligations recognized in Other comprehensive income/(loss):

	Pension Plans		PRBP	
	Year ended December 31		Year ended December 31	
USD Thousands	2017	2016	2017	2016
Net actuarial (gain)/loss	$ 9,364	$ 1,338	$ 14,679	$ 4,670
Amortization of:				
Unrecognized net actuarial loss	(292)	(24)	(1,023)	(411)
Prior service (credit)/cost	-	-	426	426
Total recognized in Other comprehensive (income)/loss	**$ 9,072**	**$ 1,314**	**$ 14,082**	**$ 4,685**
Total recognized in Net periodic benefit cost and Other comprehensive (income)/loss	**$ 17,040**	**$ 7,396**	**$ 17,325**	**$ 6,684**

The estimated net actuarial gain or loss, prior service cost, and net initial obligation for the Pension Plans and the PRBP that will be amortized from accumulated other comprehensive income into net periodic benefit cost during 2018 is $1,565 for the Pension Plans and $10,859 for the PRBP.

Actuarial assumptions

The actuarial assumptions used in the Pension Plans and PRBP are based on financial market interest rates, past experience, and Management’s best estimate of future benefit changes and economic conditions. Changes in these assumptions will impact future benefit costs and obligations. Actuarial gains and losses occur when actual results are different from expected results. Unrecognized actuarial gains and losses that exceed 10% of the greater of the benefit obligation or market-related value of the plan assets at the beginning of 2017 are amortized over the average remaining service period of active participants expected to receive benefits under the Pension Plans and PRBP, which approximates 11.9 and 13.4 years, respectively.

Unrecognized prior service credit is amortized over 8.45 years for the PRBP.

The weighted-average assumptions used to determine the benefit obligation and the net periodic benefit cost were as follows:

(dollars in thousands, unless otherwise indicated)

	Pension Plans		PRBP	
	2017	2016	2017	2016
Weighted average assumptions used to determine benefit obligation as of December 31				
Discount rate	3.54%	4.06%	3.61%	4.16%
Rate of compensation increase	4.14%	4.15%		
Inflation rate	2.20%	2.22%	2.20%	2.22%

	Pension Plans		PRBP	
	2017	2016	2017	2016
Weighted average assumptions used to determine net periodic benefit cost for years ended December 31				
Discount rate	4.06%	4.24%	4.16%	4.35%
Expected long-term return on plan assets	6.25%	6.25%	6.25%	6.25%
Rate of compensation increase	4.15%	4.11%		

The expected long-term return on the Pension Plans and PRBP's assets represents Management's best estimate, after surveying external investment specialists, of the expected long-term (10 years or more) forward-looking rates of return of the asset categories employed by the Pension Plans and PRBP, weighted by the Pension Plans and PRBP's investment policy asset allocations. Accumulated and projected benefit obligations are measured as the present value of expected payments. The discount rate used is selected in reference to the year-end yield of AA corporate bonds within the approved Citigroup Pension Liability index, with maturities that correspond to the payment of benefits. For the assumed rate of inflation, the Corporation has established a process by which a range of inputs is reviewed, including 10-year forward looking expert opinion forecasts, the average of the 10 year and 30 year U.S. Treasury Inflation Protected Securities (U.S. TIPS) breakeven inflation rate, and historical averages.

For participants assumed to retire in the United States, the accumulated postretirement benefit obligation was determined using the following health care cost trend rates at December 31:

	PRBP	
	2017	2016
Rate to which the cost trend rate is expected to decline (ultimate trend rate)	4.50%	4.50%
Year that the rate reaches the ultimate trend rate	2023	2023
Health care cost trend rate assumed for next year		
Medical, Non-Medicare	5.50%	6.00%
Medical, Medicare	3.25%	3.50%
Prescription drugs	8.00%	9.00%
Dental	4.50%	4.50%
Retirement cost outside U.S. *	7.00%	8.00%

* Refers to all services provided to participants assumed to retire outside the United States.

For those participants assumed to retire outside of the United States, a 7.00% and 8.00% health care cost trend rate was used for 2017 and 2016, respectively with an ultimate trend rate of 4.50% in 2023.

(dollars in thousands, unless otherwise indicated)

Assumed health care cost trend rates have a significant effect on the amounts reported for the PRBP. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	One-percentage-point increase		One-percentage-point decrease	
	Year ended December 31			
USD Thousands	2017	2016	2017	2016
Effect on total of service and interest cost components	$ 3,028	$ 2,446	$ (2,099)	$ (1,701)
Effect on postretirement benefit obligation	39,988	29,554	(28,487)	(21,137)

Pension Plans and PRBP Assets

The assets of the Pension Plans and the PRBP are managed primarily by investment managers employed by the IDB who are provided with investment guidelines that take into account the Pension Plans and PRBP investment policies. Investment policies with long-term strategic asset allocations have been developed so that there is an expectation of sufficient returns to meet long-term funding needs. The policies allocate 65% of the Pension Plans portfolio to growth-oriented assets (the Return Strategies), and 35% of assets to nominal and inflation-indexed U.S. fixed income (the Liabilities Hedging Strategies), to partially hedge the interest rate and inflation exposure in the Pension Plans and PRBP's liabilities, and to protect against disinflation.

In 2017, the Pension Committee approved a new Investment Policy Statement (IPS). The new IPS complies with the IDB's Risk Appetite (RA) and Long-term Funding (LTF) policies. The new IPS Strategic Asset Allocation (SAA) includes three new assets classes (Public Infrastructure, Private Infrastructure and Tactical Asset Allocation), and eliminates Commodities Futures. The new SAA will be implemented after appropriate investment vehicles are identified and approved by the Managing Committee, over the next 12 to 18 months.

The Pension Plans' Return Strategies allocate 42% to a well- diversified pool of developed and emerging markets equities, approximately 3% to emerging markets debt, 3% to public real estate, 5% to private real estate, and 2% to high-yield fixed income. The Pension Plans' Liabilities Hedging Strategies allocates 4% to core fixed-income, 27% to long-duration fixed income and 4% to U.S. inflation-indexed securities.

The PRBP's Return Strategies allocate 54% to a well-diversified pool of developed and emerging markets equities, 3% to emerging markets debt, 3% to commodity index futures, 3% to public real estate, and 2% to high-yield fixed income. The PRBP's Liabilities Hedging Strategies allocates 15% to long-duration fixed income, 5% to core fixed income and 15% to U.S. inflation-indexed securities.

(dollars in thousands, unless otherwise indicated)

The investment policy target allocations as of December 31, 2017, are as follows:

	Pension Plans	PRBP
U.S. equities	20%	26%
Non-U.S. equities	18%	24%
U.S. inflation-indexed bonds	4%	15%
Long-duration fixed income bonds	27%	15%
Core fixed income	4%	5%
Emerging markets equities	4%	4%
Emerging markets debt	3%	3%
Commodity index futures	0%	3%
High-yield fixed income	2%	2%
Public real estate	3%	3%
Private real estate	5%	0%
Public Infrastructure	2%	0%
Private Infrastructure	3%	0%
Tactical Asset Allocation	5%	0%

Investment and asset class risk is managed by the continuous monitoring of each asset category level and investment manager. The investment managers are generally not allowed to invest more than 5% of their respective portfolios in the securities of a single issuer other than the U.S. Government. The use of derivatives by an investment manager for the Pension Plans and PRBP is limited, and subject to specific approval by the Managing Committees of the Pension Plans and PRBP.

Effective January 1, 2015, the IDB Board of Executive Directors approved the Long-Term Funding Policy for the Pension Plan and the PRBP that established stable contribution rates of 20% and 12%, respectively, for a five-year initial term. The Corporation adopted the use of the stable contribution rates effective January 1, 2016. Corporation contributions made in excess (deficit) of the actuary's theoretical contribution rate are allocated (withdrawn) to (from) the Stabilization Reserve Funds (Reserve Funds). The Target Strategic Asset Allocation for the Reserve Funds is 50% cash and 50% Core Fixed Income.

The following tables set forth the categories of investments of the Pension Plans and the PRBP as of December 31, 2017 and 2016, which are measured at fair value and presented together with their weighted average allocation, by level within the fair value hierarchy. As required by the fair value measurements accounting framework, these investments are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

(dollars in thousands, unless otherwise indicated)

	Pension Plans			
USD Thousands	Level 1	Level 2	December 31, 2017	Weighted average allocations
Equity securities				
U.S. equities	$ 9,024	$ -	$ 9,024	4%
Non - U.S. equities	21,583	-	21,583	11%
Public real state	5,464	-	5,464	3%
Government and diversified bonds				
Long duration U.S. Government and Agency bonds	15,006	-	15,006	8%
Long duration diversified bonds	405	18,187	18,592	9%
High yield debt	147	3,213	3,360	2%
U.S. inflation-indexed bonds	16,720	-	16,720	9%
Short-term investment securities	1,102	(71)	1,031	1%
	$ 69,451	**$ 21,329**	**$ 90,780**	
Investment measured at NAV				
Equity securities				
U.S. equities			35,322	19%
Non - U.S. equities			19,453	10%
Emerging markets equities			7,926	4%
Government and diversified bonds				
Long duration U.S. Government and Agency bonds			5,299	3%
Core fixed income funds			15,532	8%
Emerging markets debt			5,437	3%
Real estate investments funds				
Private real state			5,310	3%
Commodity index futures			51	0%
Short-term investment securities			5,340	3%
			$ 190,450	**100%**
Other assets / (liabilities), net *			(2,891)	
			$ 187,559	

* Includes receivables and payables carried at amounts that approximate fair value.

(dollars in thousands, unless otherwise indicated)

USD Thousands	Pension Plans Level 1	Level 2	December 31, 2016	Weighted average allocations
Equity securities				
U.S. equities	$ 7,700	$ -	$ 7,700	5%
Non - U.S. equities	17,416	-	17,416	11%
Public real state	3,043	-	3,043	2%
Government and diversified bonds				
Long duration U.S. Government and Agency bonds	7,979	-	7,979	5%
Long duration diversified bonds	300	11,669	11,969	8%
High yield debt	-	2,904	2,904	2%
U.S. inflation-indexed bonds	22,180	-	22,180	14%
Short-term investment securities	2,477	319	2,796	2%
	$ 61,095	**$ 14,892**	**$ 75,987**	
Investment measured at NAV				
Equity securities				
U.S. equities			30,465	20%
Non - U.S. equities			18,547	11%
Emerging markets equities			5,877	4%
Government and diversified bonds				
Long duration U.S. Government and Agency bonds			2,976	2%
Core fixed income funds			8,701	6%
Emerging markets debt			4,422	3%
Real estate investments funds				
Private real state			4,655	3%
Commodity index futures			48	0%
Short-term investment securities			2,846	2%
			$ 154,524	**100%**
Other assets / (liabilities), net *			(103)	
			$ 154,421	

* Includes receivables and payables carried at amounts that approximate fair value.

(dollars in thousands, unless otherwise indicated)

	PRBP			
USD Thousands	Level 1	Level 2	December 31, 2017	Weighted average allocations
Equity securities				
Emerging markets equities	$ 2,765	$ -	$ 2,765	2%
Public real state	3,901	-	3,901	3%
Government and diversified bonds				
Long duration U.S. Government and Agency bonds	7,869	-	7,869	6%
Core fixed income funds	-	11,505	11,505	8%
U.S. inflation-indexed bonds	17,342	-	17,342	13%
Short-term investment securities	4,331	(152)	4,179	3%
	$ 36,208	**$ 11,353**	**$ 47,561**	
Investment measured at NAV				
Equity securities				
U.S. equities			33,886	25%
Non - U.S. equities			32,066	23%
Emerging markets equities			2,714	2%
Government and diversified bonds				
Long duration U.S. Government and Agency bonds			1,800	1%
Core fixed income funds			12,489	9%
Emerging markets debt			3,881	3%
High yield fixed income			2,534	2%
Short-term investment securities			15	0%
			$ 136,946	**100%**
Other assets / (liabilities), net *			6	
			$ 136,952	

* Includes receivables and payables carried at amounts that approximate fair value.

(dollars in thousands, unless otherwise indicated)

	PRBP			
USD Thousands	Level 1	Level 2	December 31, 2016	Weighted average allocations
Equity securities				
Emerging markets equities	$ 2,302	$ -	$ 2,302	2%
Public real state	3,478	-	3,478	3%
Government and diversified bonds				
Long duration U.S. Government and Agency bonds	5,626	-	5,626	5%
Long duration diversified bonds	-	9,405	9,405	8%
U.S. inflation-indexed bonds	15,909	-	15,909	14%
Short-term investment securities	4,886	232	5,118	5%
	$ 32,201	**$ 9,637**	**$ 41,838**	
Investment measured at NAV				
Equity securities				
U.S. equities			28,675	25%
Non - U.S. equities			26,658	24%
Emerging markets equities			1,874	2%
Government and diversified bonds				
Long duration U.S. Government and Agency bonds			1,115	1%
Core fixed income funds			6,982	6%
Emerging markets debt			3,206	3%
High yield fixed income			2,259	2%
Short-term investment securities			7	0%
			$ 112,614	**100%**
Other assets / (liabilities), net *			1,276	
			$ 113,890	

* Includes receivables and payables carried at amounts that approximate fair value.

Investment securities that are measured at fair value based on quoted market prices in active markets, a valuation technique consistent with the market approach, include U.S. equities, non-U.S. equities, individual holdings, emerging markets equities, long duration fixed income mutual funds, and U.S. treasury inflation-indexed bonds. Such securities are classified within Level 1 of the fair value hierarchy.

Investment securities that are measured at fair value based on quoted market prices for similar assets in active markets, a valuation technique consistent with the market approach, include corporate, non-U.S. government, high yield and municipal bonds, asset and commercial mortgage backed securities. Such securities are classified within Level 2 of the fair value hierarchy.

Proprietary investment managers' commingled funds investing in U.S. equities, global equities, emerging markets debt, fixed income commingled funds, commodity index futures and/or short-term debt investments, which are not publicly-traded, are measured at fair value based on the net asset value of the investment funds as they are redeemable with the investee in the near term at their net asset value per share at the measurement date. This valuation technique is consistent with the market approach.

(dollars in thousands, unless otherwise indicated)

Contributions

Contributions from the Corporation to the Pension Plans and the PRBP during 2018 are expected to be approximately $6,618 and $3,834, respectively. All contributions are made in cash.

Estimated future benefit payments

The following table summarizes the benefit payments, which reflect expected future service, as appropriate, expected to be paid in each of the next five years and in the aggregate for the subsequent five years. These amounts are based on the same assumptions used to measure the benefit obligation as of December 31, 2017.

USD Thousands	Pension Plans	PRBP
Estimated future benefit payments		
January 1, 2018 - December 31, 2018	$ 3,700	$ 1,317
January 1, 2019 - December 31, 2019	3,952	1,459
January 1, 2020 - December 31, 2020	4,249	1,602
January 1, 2021 - December 31, 2021	4,588	1,790
January 1, 2022 - December 31, 2022	4,780	1,962
January 1, 2023 - December 31, 2027	32,458	13,785

13. Subsequent Events

Management has evaluated subsequent events through March 6, 2018, which is the date the financial statements were issued. Management determined that except as set forth below, there are no subsequent events that require disclosure under ASC Topic 855, *Subsequent Events*.

On February 20, 2018, the Corporation issued a three-year bond in the amount of 1.5 billion Mexican pesos with a floating rate coupon of interbank reference rate (TIIE) plus 0.09%.