INTER-AMERICAN INVESTMENT CORPORATION

Financial Statements
as of March 31, 2016 and 2015

INTER-AMERICAN INVESTMENT CORPORATION

BALANCE SHEET (Unaudited)

USD Thousands	March 31 2016	March 31 2015
ASSETS		
Cash and cash equivalents	$ 12,033	$ 17,928
Investment securities		
Available-for-sale	478,262	594,552
Trading	66,338	295,701
Investments		
Loan investments	930,211	955,259
Less allowance for losses	(37,510)	(40,713)
	892,701	914,546
Equity investments ($10,534 and $12,518 carried at fair value, respectively)	30,979	28,523
Total investments	923,680	943,069
Receivables and other assets	27,425	57,453
Total assets	**$ 1,507,738**	**$ 1,908,703**
LIABILITIES AND CAPITAL		
Accounts payable and other liabilities	$ 41,746	$ 41,086
Interest and commitment fees payable	2,043	2,032
Borrowings, short-term	58,913	452,151
Borrowings, long-term	540,773	561,613
Total liabilities	**643,475**	**1,056,882**
Capital		
Subscribed capital	1,500,000	705,900
Additional paid-in capital	490,642	-
Less members subscriptions receivable	(1,287,479)	(6,527)
	703,163	699,373
Retained earnings	179,619	175,049
Accumulated other comprehensive income/(loss)	(18,519)	(22,601)
Total capital	**864,263**	**851,821**
Total liabilities and capital	**$ 1,507,738**	**$ 1,908,703**

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

INTER-AMERICAN INVESTMENT CORPORATION

STATEMENT OF INCOME (Unaudited)

USD Thousands	Three months ended March 31 2016	2015
INCOME		
Loan investments		
Interest and fees	$ 10,693	$ 12,110
Other income	623	483
	11,316	12,593
Equity investments		
Dividends	52	-
Changes in fair value	18	(499)
Other income	-	2
	70	(497)
Investment securities	1,660	2,439
Advisory service, cofinancing, and other income	14,859	927
Total income	**27,905**	**15,462**
Borrowings-related expense	2,168	2,453
Total income, net of Borrowings-related expense	**25,737**	**13,009**
PROVISION FOR LOAN INVESTMENT LOSSES	**608**	**(2,365)**
OPERATING EXPENSES		
Administrative	16,042	8,231
Pension Plan and Postretirement Benefit Plan expense	2,317	2,068
(Gain)/Loss on foreign exchange transactions, net	(63)	170
Other expenses	360	-
Total operating expenses	**18,656**	**10,469**
NET INCOME	**$ 6,473**	**$ 4,905**

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

INTER-AMERICAN INVESTMENT CORPORATION

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

STATEMENT OF COMPREHENSIVE INCOME/(LOSS)

USD Thousands	Three months ended March 31 2016	Three months ended March 31 2015
NET INCOME	$ 6,473	$ 4,905
OTHER COMPREHENSIVE INCOME/(LOSS)		
Unrealized gain/(loss) on investment securities available-for-sale - Note 3	466	759
Total other comprehensive income/(loss)	466	759
COMPREHENSIVE INCOME/(LOSS)	**$ 6,939**	**$ 5,664**

STATEMENT OF CHANGES IN CAPITAL

USD Thousands	Subscribed shares	Capital stock*	Retained earnings	Accumulated other comprehensive income/(loss)	Total capital
As of December 31, 2014	**70,590**	**$ 698,353**	**$ 170,144**	**$ (23,360)**	**$ 845,137**
Three months ended March 31, 2015					
Net income		-	4,905	-	4,905
Other comprehensive income/(loss)		-	-	759	759
Change in subscribed shares	-				
Payments received for capital stock subscribed		1,020	-	-	1,020
As of March 31, 2015	**70,590**	**$ 699,373**	**$ 175,049**	**$ (22,601)**	**$ 851,821**
As of December 31, 2015	**70,590**	**$ 703,163**	**$ 173,146**	**$ (18,985)**	**$ 857,324**
Three months ended March 31, 2016					
Net income		-	6,473	-	6,473
Other comprehensive income/(loss)		-	-	466	466
Change in subscribed shares	79,410				
Payments received for capital stock subscribed		-	-	-	-
As of March 31, 2016	**150,000**	**$ 703,163**	**$ 179,619**	**$ (18,519)**	**$ 864,263**

* Net of members subscriptions receivable.

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

INTER-AMERICAN INVESTMENT CORPORATION

STATEMENT OF CASH FLOWS (Unaudited)

	Three months ended March 31	
USD Thousands	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES		
Loan disbursements	$ (30,770)	$ (18,675)
Equity disbursements	(1,442)	(4,043)
Loan repayments	62,865	81,236
Returns of equity investments	-	11
Maturities of held-to-maturity securities	-	39,850
Available-for-sale securities		
Purchases	(37,000)	(25,026)
Sales and maturities	37,881	15,000
Capital expenditures	(480)	(400)
Proceeds from sales of recovered assets	222	157
Net cash provided by/(used in) investing activities	**$ 31,276**	**$ 88,110**
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of borrowings	-	(80,000)
Capital subscriptions	-	1,020
Net cash provided by/(used in) financing activities	**$ -**	**$ (78,980)**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	6,473	4,905
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:		
Change in fair value of equity investments	(18)	499
Provision for loan investment losses	608	(2,365)
Change in fair value of investment securities	(138)	(216)
Change in receivables and other assets	(4,773)	(36,406)
Change in accounts payable and other liabilities	(5,690)	(1,990)
Trading investment securities		
Purchases	(71,313)	(153,649)
Sales and maturities	39,948	189,174
Other, net	704	1,271
Net cash provided by/(used in) operating activities	**$ (34,199)**	**$ 1,223**
Net effect of exchange rate changes on cash and cash equivalents	10	4
Net increase/(decrease) in cash and cash equivalents	(2,913)	10,357
Cash and cash equivalents as of January 1	14,946	7,571
Cash and cash equivalents as of March 31	**$ 12,033**	**$ 17,928**
Supplemental disclosure:		
Interest paid during the period	$ 1,734	$ 1,826

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

Purpose

The Inter-American Investment Corporation (the Corporation), a multilateral 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 IIC makes loans, guarantees and equity investments where sufficient private capital is not otherwise available on adequate terms in the market. The IIC also arranges additional project funding from other investors and lenders, either through joint financing or through loan syndications, loan participations, underwritings and guarantees. In addition, the IIC provides financial and technical advisory services to clients with resources specifically provided for this purpose by its member countries. As of the date hereof, 45 member countries have subscribed to share capital in the IIC. The IIC conducts its operations principally in United States dollars, and operates within 26 of its member countries (all 26 being located in Latin America and the Caribbean) (the Regional Developing Member Countries). The IIC 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 IIC and the IDB approved the transfer to the IIC of all operational and administrative functions associated with the IDB private sector and non-sovereign guaranteed (NSG) activities (the Reorganization) so as to maximize development impact and offer more comprehensive services to clients. The Reorganization took effect on January 1, 2016. As of such date, the IIC is responsible for carrying out and administering all new NSG operations, as well as administering existing IIC and IDB NSG legacy operations. In addition, during a seven-year period starting on January 1, 2016, certain operations originated by the IIC are to be financed wholly or partially by the IDB, including with funds administered by the IDB. The NSG portfolio of operations funded by the IDB will remain as assets on its balance sheet. Also, beginning January 1, 2016, an expanded number of support functions are being delivered by the IDB to the IIC.

1. Basis of Presentation

Certain financial information that is normally included in annual financial statements prepared in accordance with generally accepted accounting principles in the United States of America (GAAP), but is not required for interim reporting purposes, has been condensed or omitted.

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 loan investments, the evaluation for other-than-temporary impairment on available-for-sale and held-to-maturity investment securities and equity investments, the fair value of investment securities, loan and equity investments, borrowings, and derivative instruments, 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. The possibility exists that changing economic conditions could impact the Corporation's clients and the global investment markets and 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 FDIC insured limits.

Investment securities – As part of its overall portfolio management strategy, the Corporation invests in corporate securities, government and agency securities, and supranational securities according to the Corporation's investment guidelines. These investments include fixed and floating rate bonds, notes, bills, certificates of deposit, commercial paper, and mutual funds.

Investment securities held by the Corporation 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 Corporation's portfolio classified as trading is stated at fair value with unrealized gains and losses reported in income from investment securities. Fixed-term securities classified as held-to-maturity represent securities that the Corporation has both the ability and the intent to hold until maturity and are carried at amortized cost. 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. Interest and dividends on securities, amortization of premiums, accretion of discounts, and realized gains and losses on trading and available-for-sale securities are reported in income from investment securities. The Corporation's investments in debt securities in Latin American and Caribbean markets resulting from development activities are classified as held-to-maturity and carried at amortized cost in the balance sheet. The Corporation held no held-to-maturity investments as of March 31, 2016.

The Corporation evaluates its available-for-sale and held-to-maturity securities whose values have declined below their amortized cost to assess whether the decline in fair value is other than temporary. 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 valuation 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 of available-for-sale and held-to-maturity securities that are deemed to be other than temporary, the credit portion of an other-than-temporary impairment loss is recognized in earnings and the non-credit portion is recognized in accumulated other comprehensive income.

Loan and equity investments – Loan and equity investment commitments are legal obligations when the loan or equity agreement is signed and are recorded as assets when disbursed. Loans are carried at the principal amount outstanding adjusted for allowance for losses. The Corporation, in certain instances, obtains collateral security such as, but not limited to, mortgages and third-party guarantees. 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. For LPs, the Corporation has elected fair value accounting under ASC Topic 825 and, as a practical expedient, relies on the reported net asset value (NAV) as the estimate of fair value. The NAVs provided by the LPs are derived from the fair value of the underlying investments held by the LP.

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, with respect to the borrower and/or the economic and political environment in which it operates, considered in determining that a loan is impaired include, but are not limited to, 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.

Equity investments that are not accounted for at fair value are assessed for impairment no less than annually on the basis of the latest financial information, operating performance and other relevant information including, but not limited to, 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 equity investment is written down to the fair value, which becomes the new carrying value for the equity investment. Impairment losses are not reversed for subsequent recoveries in fair value of the equity investment unless sold at a gain.

Variable interest entities – ASC Topic 810, *Consolidation*, provides for consolidation when a reporting entity is the primary beneficiary for 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 evaluated its investees and other entities with which the Corporation has contractual and other arrangements, and concluded that the Corporation is not the primary beneficiary for any VIEs, nor does the Corporation have a significant variable interest in any VIE, which would require disclosure.

Additionally, the Corporation does not hold a controlling financial interest nor holds a majority voting interest in any other entity, nor does the Corporation hold significant influence over any entities. The Corporation holds investment interests in certain investment funds, which are structured as LPs. The Corporation's direct equity investments are accounted for at cost. The Corporation's interests in LPs are accounted for at fair value in accordance with ASC Topic 820, *Fair Value Measurements*.

Allowance for losses on loan investments – The allowance for losses represents management's estimate of incurred losses in the loan investment portfolio as of the balance sheet date and is recorded as a reduction to loan investments. The allowance for losses is increased by charges to expense, through the provision for loan investment losses, and decreased by net charge-offs, or release of provision for improvement in the number and/or severity of previously estimated losses. Considerable judgment is required to estimate the allowance for losses including determination of appropriate risk ratings, potential severity of losses, expected performance of individual loan investments, economic conditions in Latin America and the Caribbean and various other factors. The Corporation believes that the allowance for losses is adequate as of the balance sheet date; however, future changes to the allowance for losses may be necessary based on changes in any of the factors discussed herein.

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

For the specific provision and for loans evaluated for impairment, the determination of the allowance for identified probable losses represents management's best judgment of the creditworthiness of the borrower and is established based upon the periodic review of individual loan investments. 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.

For the general provision, the allowance for losses is established via an internal credit risk classification system that estimates the probable loss inherent in the portfolio based on various analyses. The internal credit risk classification system takes into consideration the risk of the borrower, the associated security or features of the transaction and the country related risk, which combined produce a final rating that reflects the expected losses associated with the transaction.

The Corporation segments its loan portfolio as either financial institutions or corporate loans. Corporate loans are extended to enterprises operating in a variety of sectors further detailed in Note 4. For certain loans, the Corporation has obtained collateral security in the form of mortgages, third-party guarantees and other forms of collateral.

The required allowance for each loan or guarantee exposure considers: (i) the probability of default rate for each risk category and applicable loss emergence period; (ii) the amount of credit exposure in each of these categories; and, (iii) the loss given default ratio.

During 2015, the Corporation refined its loan risk rating process to include a more granular and larger number of risk rating categories (ten rating categories published by S&P as described in Note 4 versus five categories from Moody's used through 2014). Each loan is individually monitored and rated to assign an applicable probability of default rate and a loss given default ratio (LGD) 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 which is comparable to a long-term issuer credit rating published by Standard & Poor's (S&P) (in 2015 and 2014) and is mapped to historical probability of default rates published by S&P (in 2015) and Moody's (in 2014) for those same rating categories.

- Loss Given Default — In 2014, a single LGD ratio was applied to each of the subordinated and secured segments of the portfolio based on average historical loss rate data from Moody's. In 2015, the Corporation introduced a refined model to separately calculate the 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, 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 a LGD ratio which is calibrated using empirical evidence of over 20 years of historical loss data collected by S&P.

The Corporation utilizes externally provided industry data for probability of default rates and LGD ratios to calculate the allowance for 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.

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

Revenue recognition on loan investments – Interest and fees are recognized as income in the periods in which they are earned. A loan is generally placed in nonaccrual status where collectability is in doubt or when 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[1] 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 loan investments 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.

Revenue recognition on equity investments – Dividend and profit participations received from equity investments that are accounted for under the cost 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 net asset value and recorded as Changes in fair value of equity investments in the statement of income.

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 the Corporation's Regional Developing Member Countries to enhance the entity's credit standing and enable it to complete a wide variety of business transactions. These financial guarantees are commitments issued by the Corporation to guarantee payment performance by a client 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

[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.

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. The offsetting entry is consideration received or receivable with the latter included in Receivables and other assets 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 consistent with the Corporation's internal credit risk classification system. Income is earned as the Corporation is released from risk.

Borrowings – To ensure funds are available for its operational liquidity needs, the Corporation borrows in 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-related 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, short-term and Borrowings, long-term in the balance sheet.

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

Risk management activities: derivatives used for non-trading purposes – The Corporation may execute certain derivative instruments for financial risk management purposes. The Corporation manages its exposure to interest rate movements through the use of derivative financial products, which may include interest rate swaps and purchased options positions (i.e., interest rate caps). The derivatives modify the interest rate characteristics of the respective financial instrument to produce the desired interest rate, and none are designated in hedge accounting relationships. The Corporation does not use derivatives for speculative purposes.

Derivatives are recognized in the balance sheet at their fair value and classified as either assets or liabilities, depending on their nature and their net fair value amount. Changes in fair value of borrowings-related derivatives are recorded in Borrowings-related expense in the statement of income. The Corporation held no derivatives as of March 31, 2016 and 2015.

Deferred expenses – Costs related to the issuance of debt and other financial arrangements are deferred and amortized over the life of the related debt on a straight-line basis, which approximates how the costs would be reflected under the effective interest method. The amounts charged to expense are amortized and included in Borrowings-related expense in the statement of income.

Fixed assets – The Corporation presents fixed assets at cost less accumulated depreciation and amortization. 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.

Foreign currency transactions – Assets and liabilities not denominated in United States dollars are translated into U.S. dollar equivalents using the foreign exchange rates at which the related asset or liability could be reasonably settled at the transaction date. Revenues and expenses are translated monthly at amounts that approximate 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 of financial instruments – The Codification requires entities to disclose information about recurring and non-recurring fair value measurements.

GAAP defines fair value 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 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 its 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 non-United States governments, corporate bonds, derivative contracts, 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 certain loans.

The availability of observable inputs can vary from product to product and 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 that valuation 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 by the Corporation in determining fair value is greatest for instruments categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

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, the impact of the Corporation's own credit spreads would be also considered when measuring the fair value of liabilities, including derivative contracts. 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.

The following methods and assumptions were 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 based on quoted prices in active markets for identical assets as of the balance sheet date, when observable. 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. Investment securities are generally categorized in Level 1 and Level 2 of the fair value hierarchy.

Loan investments: The Corporation's methodology to measure the fair value of those loans provided to certain financial institutions, and 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 loan investments 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.

For certain of the Corporation's corporate and financial institution loan investments, it is not practicable to estimate the fair value given the nature and geographic location of the borrower. The Corporation's loan agreements are tailored to the unique risk characteristics and needs of the borrower. Furthermore, there are few, if any, transactions with similar credit ratings, interest rates, and maturity dates. Based on management's experience, it is deemed that there are some countries with no participants interested in the Corporation's loan investments given the unique country risk, size, and term of many of the Corporation's assets and liabilities. Therefore, in accordance with ASC Topic 820, additional disclosures pertinent to estimating fair value, such as the carrying amount, interest rate, and maturity, are provided. Additional information about loan investments is included in Note 9.

Equity investments: The Corporation purchases the share capital of private sector enterprises in Latin America and the Caribbean and also invests in LPs. In most cases, market prices are not available, and alternate valuation techniques require a significant degree of judgment. Additional information about LPs carried at fair value is included in Note 9.

The Corporation's direct equity investments are assessed for impairment. However, it is not practicable to precisely determine a fair value in excess of cost as these are custom-tailored private placement transactions operating in the Corporation's Regional Developing Member Countries. Furthermore, contractual clauses generally limit the Corporation's ability to sell or transfer its participation in the Corporation's equity investments given their size and scale.

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 taxation and from custom duties in its member countries.

Accounting and financial reporting developments – In March 2016, the FASB issued Accounting Standards Update (ASU or Update) 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*. The amendments in this Update affect entities with transactions included within the scope of Topic 606. The scope of that Topic includes entities that enter into contracts with customers to transfer goods or services (that are an output of the entity's ordinary activities) in exchange for consideration. The amendments in this Update do not change the core principles of the guidance. The amendments clarify the implementation guidance on principal versus agent considerations. The effective dates for the amendment are the same as ASU 2014-09. This ASU is not expected to have a material impact on the Corporation's financial position, results of operations, or cash flows.

In March 2016, the FASB issued ASU 2016-07, *Investments – Equity Method and Joint Ventures (Topic 323)*. The amendments in this Update affect all entities that have an investment that becomes qualified for the equity method of accounting as a result of an increase in the level of ownership interest or degree of influence and permit prospective treatment of the equity method of accounting. The amendments require that the equity method investor add the cost of acquiring the additional interest in the investee to the current basis of the investor's previously held interest and adopt the equity method of accounting as of the date the investment becomes qualified for equity method accounting. Therefore, upon qualifying for the equity method of accounting, no retroactive adjustment of the investment is required. The amendments in this Update are effective for the Corporation for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. The amendments should be applied prospectively upon their effective date to increases in the level of ownership interest or degree of influence that result in the adoption of the equity method. Earlier application is permitted. No additional disclosures are required at transition. This ASU is not expected to have a material impact on the Corporation's financial position, results of operations, or cash flows.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The FASB is issuing 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 GAAP and Topic 840 is the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous GAAP. The core principle of Topic 842 is that a lessee should recognize the assets and liabilities that arise from leases in the statement of financial position. The amendments in this Update are effective for the Corporation for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early application of the amendments in the Update is permitted for all entities. This ASU is expected to increase the transparency of the Corporation’s operating leases on the statement of financial position and cash flows.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments – Overall, Recognition and Measurement of Financial Assets and Financial Liabilities (Topic 825)*. The amendments in this Update supersede the guidance to classify equity securities with readily determinable fair values into different categories (that is, trading or available-for-sale) and require equity securities (including other ownership interests, such as partnerships, unincorporated joint ventures, and limited liability companies) to be measured at fair value with changes in the fair value recognized through net income. An entity's equity investments that are accounted for under the equity method of accounting or result in consolidation of an investee are not included within the scope of this Update. The amendments allow equity investments that do not have readily determinable fair values to be remeasured at fair value either upon the occurrence of an observable price change or upon identification of an impairment. The amendments also require enhanced disclosures about those investments. The amendments improve financial reporting by providing relevant information about an entity's equity investments and reducing the number of items that are recognized in other comprehensive income. The amendments in this Update exempt all entities that are not public business entities from disclosing fair value information for financial instruments measured at amortized cost. The amendments in this Update also require an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option. Further, the amendments in the Update require separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (that is, securities or loans and receivables) on the balance sheet or in the accompanying notes to the financial statements. The Corporation may adopt the amendments in this Update earlier as of the fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. This ASU is not expected to have a material impact on the Corporation’s financial position, results of operations, or cash flows.

In August 2015, the FASB issued ASU No. 2015-14 that defers the effective date of ASU No. 2014-09, *Revenue from Contracts with Customers* (*Topic 606*), originally issued in May 2014, for all entities for one year. This revenue guidance does not apply to financial instruments and guarantees. This ASU deferred the effective date for the Corporation to the annual reporting period beginning after December 15, 2018. This ASU is not expected to have a material impact on the Corporation’s financial position, results of operations, or cash flows.

(dollars in thousands, unless otherwise indicated)

3. Investment Securities

Trading securities consist of the following:

	March 31	
USD Thousands	2016	2015
Corporate securities	$ 54,922	$ 267,862
Government securities	11,416	9,871
Agency securities	-	9,983
Supranational securities	-	7,985
	$ 66,338	**$ 295,701**

Net unrealized gains on trading securities were $26 for the three months ended March 31, 2016 ($107 net unrealized gains for the three months ended March 31, 2015).

The composition of available-for-sale securities is as follows:

	March 31	
USD Thousands	2016	2015
Corporate securities	$ 358,652	$ 469,081
Agency securities	112,605	113,386
Supranational securities	7,005	12,085
	$ 478,262	**$ 594,552**

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

	March 31, 2016			
USD Thousands	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Corporate securities	$ 359,016	$ 495	$ (859)	$ 358,652
Agency securities	111,818	794	(7)	112,605
Supranational securities	6,998	7	-	7,005
	$ 477,832	**$ 1,296**	**$ (866)**	**$ 478,262**

	March 31, 2015			
USD Thousands	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Corporate securities	$ 467,751	$ 1,490	$ (160)	$ 469,081
Agency securities	112,349	1,038	(1)	113,386
Supranational securities	12,050	36	(1)	12,085
	$ 592,150	**$ 2,564**	**$ (162)**	**$ 594,552**

(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:

	March 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	$ 121,282	$ (539)	$ 49,769	$ (320)	$ 171,051	$ (859)
Agency securities	27,010	(7)	-	-	27,010	(7)
	$ 148,292	**$ (546)**	**$ 49,769**	**$ (320)**	**$ 198,061**	**$ (866)**

	March 31, 2015					
	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	$ 78,045	$ (160)	$ -	$ -	$ 78,045	$ (160)
Agency securities	12,332	(1)	-	-	12,332	(1)
Supranational securities	2,935	(1)	-	-	2,935	(1)
	$ 93,312	**$ (162)**	**$ -**	**$ -**	**$ 93,312**	**$ (162)**

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

	March 31	
USD Thousands	2016	2015
Unrealized gains/(losses) during the period	$ 466	$ 759
Reclassification of (gains)/losses to net income	-	-
Changes due to impaired securities	-	-
Total recognized in Other comprehensive income/(loss) related to available-for-sale securities	**$ 466**	**$ 759**

The Corporation did not sell any security classified in its available-for-sale securities portfolio during the three months ended March 31, 2016 (none sold during the three months ended March 31, 2015).

Investment securities with unrealized losses are the result of pricing changes in the current market environment and not as a result of other-than-temporary credit impairment. As of March 31, 2016, no other-than-temporary impairment has been recognized in the Corporation's available-for-sale investment securities portfolio (none as of March 31, 2015). 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).

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

	March 31	
USD Thousands	2016	2015
Within one year	$ 176,079	$ 210,851
After one year through five years	302,183	383,701
	$ 478,262	**$ 594,552**

For the three months ended March 31, 2016, interest income, net of amortization of premiums and accretion of discounts, was $1,507 ($2,215 for the three months ended March 31, 2015).

4. Loan and Equity Investments

The Corporation has specific metrics for concentrations and monitors its investments in loans for credit risk and investments in equity and LPs for market risk and any potential related effects of geographic concentrations. As of March 31, 2016, the Corporation's largest aggregate credit exposures were in Brazil, Panama and Peru (Peru, Costa Rica and Brazil as of March 31, 2015). As of March 31, 2016, outstanding investments in loans and investments in equity and LPs denominated in foreign currency amounted to $48,499 ($55,873 as of March 31, 2015). The Corporation's multi-country loan and equity investment exposures are 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:

USD Thousands	March 31 2016 Loan	2016 Equity	2016 Total	2015 Loan	2015 Equity	2015 Total
Brazil	$ 111,430	$ 956	$ 112,386	$ 95,330	$ 1,899	$ 97,229
Panama	102,807	4,000	106,807	92,743	4,000	96,743
Peru	99,158	1,750	100,908	110,574	-	110,574
Costa Rica	94,015	-	94,015	107,457	-	107,457
Chile	90,404	1,600	92,004	94,808	1,600	96,408
Mexico	78,479	9,050	87,529	78,358	10,576	88,934
Colombia	78,111	495	78,606	87,557	1,052	88,609
Ecuador	76,111	-	76,111	56,262	-	56,262
Uruguay	32,860	-	32,860	34,625	-	34,625
Paraguay	29,066	-	29,066	33,384	-	33,384
Nicaragua	28,426	-	28,426	44,067	-	44,067
El Salvador	27,871	-	27,871	13,308	-	13,308
Argentina	24,883	166	25,049	36,211	108	36,319
Regional	13,821	9,757	23,578	19,193	8,373	27,566
Dominican Republic	12,574	205	12,779	17,103	915	18,018
Honduras	9,175	-	9,175	12,974	-	12,974
Guatemala	8,677	-	8,677	8,591	-	8,591
Jamaica	5,522	-	5,522	8,111	-	8,111
Haiti	5,272	-	5,272	2,829	-	2,829
Plurinational State of Bolivia	1,025	3,000	4,025	1,649	-	1,649
Bahamas	524	-	524	125	-	125
	$ 930,211	**$ 30,979**	**$ 961,190**	**$ 955,259**	**$ 28,523**	**$ 983,782**
Financial Services	$ 667,612	$ 7,600	$ 675,212	$ 657,727	$ 5,028	$ 662,755
Energy and Power	58,307	1,750	60,057	82,382	-	82,382
Agricultural Products	31,570	-	31,570	29,846	-	29,846
Transportation and Logistics	29,537	-	29,537	25,086	-	25,086
Construction, Materials and Fixtures	23,483	3,088	26,571	10,251	3,487	13,738
Fertilizers and Agricultural Serv.	19,597	-	19,597	24,342	-	24,342
Distribution and Retail	8,495	3,802	12,297	18,597	2,575	21,172
Investment Funds	1,158	10,534	11,692	1,158	12,518	13,676
Wood, Pulp, and Paper	11,645	-	11,645	7,548	-	7,548
Food and Beverages	11,432	-	11,432	16,887	-	16,887
Hotels and Tourism	11,175	-	11,175	12,587	-	12,587
Livestock and Poultry	10,595	-	10,595	11,522	-	11,522
Information, Comm. and Tech.	6,029	4,205	10,234	2,680	4,915	7,595
Utilities	9,339	-	9,339	9,804	-	9,804
Textiles, Apparel, and Leather	7,546	-	7,546	8,865	-	8,865
General Manufacturing	6,374	-	6,374	11,569	-	11,569
Health Services and Supplies	5,662	-	5,662	6,452	-	6,452
Oil, Gas and Mining	4,162	-	4,162	7,318	-	7,318
Aquaculture and Fisheries	2,420	-	2,420	3,580	-	3,580
Education	2,119	-	2,119	4,475	-	4,475
Services	1,605	-	1,605	957	-	957
Containers and Packaging	349	-	349	1,626	-	1,626
	$ 930,211	**$ 30,979**	**$ 961,190**	**$ 955,259**	**$ 28,523**	**$ 983,782**

(dollars in thousands, unless otherwise indicated)

Loan and equity investment portfolio

The Corporation's development-related assets are the result of lending and investing activities that include loans, equity and LP investments, investment 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 segmented between financial institutions and corporates. All development-related assets are individually evaluated for purposes of monitoring and evaluating credit performance and market risk.

The distribution of the outstanding portfolio by investment type as of March 31, 2016:

	March 31		
	2016		
USD Thousands	Financial institutions	Corporates	Total
Loan	$ 668,770	$ 261,441	$ 930,211
Equity	18,134	12,845	30,979
	$ 686,904	**$ 274,286**	**$ 961,190**

The distribution of the outstanding portfolio by investment type as of March 31, 2015:

	March 31		
	2015		
USD Thousands	Financial institutions	Corporates	Total
Loan	$ 658,885	$ 296,374	$ 955,259
Equity	17,546	10,977	28,523
	$ 676,431	**$ 307,351**	**$ 983,782**

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

USD Thousands	March 31, 2016
Loan	$ 192,351
Equity	18,159
	$ 210,510

(dollars in thousands, unless otherwise indicated)

Loan investments

The Corporation's loans accrue interest at fixed and variable rates. The unpaid principal balance of the fixed rate loan portfolio amounted to $175,519 as of March 31, 2016 ($195,805 as of March 31, 2015). The Corporation's variable rate loans generally reprice within one year.

The Corporation's nonaccrual loans on which the accrual of interest has been discontinued totaled $11,476 as of March 31, 2016 ($20,396 as of March 31, 2015). Nonaccrual loans that are current totaled $1,760 as of March 31, 2016 ($11,126 as of March 31, 2015). Interest collected on loans in nonaccrual status for the three months ended March 31, 2016, was $54 ($1,016 for the three months ended March 31, 2015).

The Corporation's investment in impaired loans as of March 31, 2016, was $9,787 ($11,841 as of March 31, 2015). The average investment in impaired loans for the three months ended March 31, 2016, was $9,874 ($16,028 for the three months ended March 31, 2015). The total amount of the allowance related to impaired loans as of March 31, 2016 and 2015, was $5,553 and $6,018, respectively. The Corporation's loan investment portfolio includes one loan that was considered a troubled debt restructuring as of March 31, 2016, and is considered within the impaired loans as of March 31, 2016. For the three months ended March 31, 2015, there were no troubled debt restructurings within the loan portfolio.

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

USD Thousands	2016			2015		
	Financial institutions	**Corporates**	**Total**	**Financial institutions**	**Corporates**	**Total**
Balance as of January 1	$ 18,031	$ 18,715	$ 36,746	$ 19,794	$ 28,101	$ 47,895
Loan investments charged off, net	-	(66)	(66)	-	(4,974)	(4,974)
Recoveries	-	222	222	-	157	157
Provision for loan investment losses	1,749	(1,141)	608	(838)	(1,527)	(2,365)
Balance as of March 31	**$ 19,780**	**$ 17,730**	**$ 37,510**	**$ 18,956**	**$ 21,757**	**$ 40,713**

Equity investments

As of March 31, 2016, the Corporation had ten direct equity investments (nine as of March 31, 2015) with a carrying value of $20,445 ($16,005 as of March 31, 2015). The direct equity investments are reported at cost less impairment. There were no other-than-temporary impairment losses for the three months ended March 31, 2016 (none for the three months ended March 31, 2015).

The Corporation had twelve investments in LPs at fair value of $10,534 as of March 31, 2016 (ten at fair value of $12,518 as of March 31, 2015). The Corporation's investments in LPs may generally be liquidated over a period of 10 years with up to two one-year extensions.

(dollars in thousands, unless otherwise indicated)

5. Receivables and Other Assets

Receivables and other assets are summarized below:

	March 31	
USD Thousands	**2016**	**2015**
Other current assets		
Interest receivable on loan investments	$ 6,511	$ 6,378
Interest receivable on investment securities	1,426	2,116
Other current assets	15,119	46,745
	23,056	55,239
Other noncurrent assets		
Postretirement Benefit Plan, net asset	1,946	-
Other noncurrent assets	2,423	2,214
	4,369	2,214
Total receivables and other assets	**$ 27,425**	**$ 57,453**

As of March 31, 2016, Other current assets include a receivable due from IDB Group entities of $9,118. As of March 31, 2016, the Postretirement Benefit Plan net asset reflects the funded status of the Plan. Refer to Note 13.

6. Accounts Payable and Other Liabilities

Accounts payable and other liabilities are summarized below:

	March 31	
USD Thousands	**2016**	**2015**
Pension Plan, net liability	$ 24,107	$ 22,221
Employment benefits payable	7,877	6,322
Deferred revenue	5,861	5,533
Accounts payable and other liabilities	3,901	2,323
Due to other IDB Group entities	-	2,007
Postretirement Benefit Plan, net liability	-	2,680
Total accounts payables and other liabilities	**$ 41,746**	**$ 41,086**

As of March 31, 2016 and 2015, the Pension Plan net liability reflects the underfunded status of the Plan. As of March 31, 2015, the Postretirement Benefit Plan net liability reflects the underfunded status of the Plan. Refer to Note 13.

(dollars in thousands, unless otherwise indicated)

7. Borrowings

Borrowings outstanding by currency are as follows:

USD Thousands	March 31 2016 Amount outstanding	2016 Weighted average cost	2015 Amount outstanding	2015 Weighted average cost
U.S. dollar	$ 539,729	0.96%	$ 946,138	0.61%
Mexican peso	46,412	4.24%	52,407	3.58%
Brazilian real	12,646	10.20%	14,030	10.20%
Euro	899	0.80%	1,189	0.93%
	$ 599,686		**$ 1,013,764**	
Borrowings, short-term	(58,913)		(452,151)	
Borrowings, long-term	**$ 540,773**		**$ 561,613**	

The Corporation's overall funding plan considers the liquidity forecast and strategy. The current liquidity risk strategy requires the Corporation to have sufficient liquidity available to cover projected operational liquidity needs for at least 18 months. The operational liquidity needs include projected disbursements, administrative and other expenses, and maturing borrowings, effectively requiring that upcoming maturities are generally funded at least 18 months in advance.

The Corporation has available a renewable credit facility with the IDB amounting to $300,000, in place since 1997. In August 2008, the Corporation borrowed $100,000 under this facility and $200,000 remains available for disbursement. Borrowings under the IDB facility are due fifteen years after the respective disbursement. This facility has been renewed four times and expires in November 2020. As of March 31, 2016, the Corporation borrowed $46,412 (800 million Mexican pesos) from its foreign-currency line of credit. This facility is renewable and expires in June 2016. Other credit facilities available amount to $260,000 as of March 31, 2016.

On October 2, 2014, the Corporation issued its second $400,000 U.S.-dollar denominated, 3-month LIBOR plus 0.14% notes under its EMTN Program, maturing in 2017. Interest on the notes is payable quarterly.

The maturity structure of borrowings outstanding, excluding the amortization of debt issuance costs, is as follows:

USD Thousands	2016	2017	2018	2019	2020	Through 2023
Borrowings	$ 59,058	$ 400,000	$ 899	$ -	$ -	$ 140,000
	$ 59,058	**$ 400,000**	**$ 899**	**$ -**	**$ -**	**$ 140,000**

For the three months ended March 31, 2016, Borrowings-related expense includes interest expense of $2,072 that includes the amortization of debt issuance costs of $36 ($2,338 for the three months ended March 31, 2015 that includes debt issuance costs of $92). The unamortized balance of the Corporation's debt issuance cost asset amounts to $271 as of March 31, 2016 ($546 as of March 31, 2015).

8. Capital

The Corporation's original authorized share capital was increased from $200 million to $705.9 million, equivalent to 70,590 shares, through a $500 million general capital increase approved in 1999 (GCI-I), and several subsequent 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 ten thousand dollars each.

On March 30, 2015, the IIC's Board of Governors authorized the Corporation's second general capital increase (GCI-II) for $2.03 billion. The capitalization increase is comprised of (i) $1.305 million in fresh 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 made 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 Corporation's authorized capital stock to 125,474 shares – 80,662 shares corresponding to new capital contributions payable by the countries (Annex A to the Board resolution) and 44,812 shares corresponding to transfers from the IDB on behalf of its member countries (Annex B to the Board resolution) – with an issuance price of $16,178.60 per share. As of March 31, 2016, 1,252 Annex A shares remain unsubscribed and are expected to be reallocated. Subscribed shares are recorded at the date of the subscription instrument at the stock issuance price and are expected to be paid in over time. With this capital increase, the Corporation's total authorized shares amounts to 196,064.

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 to the Corporation. 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 from the Corporation, the Corporation and the member may agree 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 Corporation's 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:

	March 31			
	Shares	**Amount**	**Additional paid-in capital ***	**Receivable from members ****
		USD Thousands		
Argentina	17,376	$ 173,760	$ 57,381	$ 150,251
Austria	887	8,870	3,349	8,769
Bahamas	308	3,080	1,013	2,653
Barbados	220	2,200	734	1,924
Belgium	169	1,690	-	-
Belize	101	1,010	-	-
Bolivarian Republic of Venezuela	10,448	104,480	37,918	99,288
Brazil	17,376	173,760	57,381	150,708
Canada	4,088	40,880	24,331	63,711
Chile	4,456	44,560	15,156	39,686
Colombia	4,456	44,560	14,643	38,343
Costa Rica	671	6,710	2,206	5,776
Denmark	1,071	10,710	-	-
Dominican Republic	933	9,330	3,065	8,195
Ecuador	942	9,420	3,120	8,169
El Salvador	671	6,710	2,206	5,776
Finland	1,021	10,210	3,880	10,160
France	2,868	28,680	4,362	11,422
Germany	1,334	13,340	-	-
Guatemala	897	8,970	2,947	7,717
Guyana	256	2,560	840	2,200
Haiti	671	6,710	2,206	5,776
Honduras	671	6,710	2,206	5,776
Israel	370	3,700	1,217	3,187
Italy	4,619	46,190	15,181	39,751
Jamaica	420	4,200	-	-
Japan	4,680	46,800	13,519	35,399
Mexico	11,124	111,240	36,559	97,799
Netherlands	1,071	10,710	-	-
Nicaragua	671	6,710	2,206	5,776
Norway	1,016	10,160	3,849	10,079
Panama	972	9,720	3,985	10,435
Paraguay	705	7,050	2,336	6,116
People's Republic of China	8,821	88,210	53,538	140,188
Peru	5,172	51,720	19,067	49,927
Plurinational State of Bolivia	1,398	13,980	4,622	12,102
Portugal	389	3,890	1,279	3,349
Republic of Korea	7,841	78,410	47,483	124,333
Spain	6,962	69,620	27,618	72,318
Suriname	105	1,050	-	40
Sweden	946	9,460	3,417	8,947
Switzerland	2,288	22,880	7,518	19,689
Trinidad and Tobago	671	6,710	2,206	5,776
United States	16,019	160,190	-	-
Uruguay	1,849	18,490	6,098	15,968
Total 2016	**150,000**	**$ 1,500,000**	**$ 490,642**	**$ 1,287,479**
Total 2015	**70,590**	**$ 705,900**	**$ -**	**$ 6,527**

* Represents the amount in addition to par value subscribed by member countries under GCI-II.
** Represents receivable from members under GCI-I and GCI-II.

(dollars in thousands, unless otherwise indicated)

9. Measurements and Changes in Fair Value

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

The following fair value hierarchy table presents information about the Corporation's assets measured at fair value on a recurring basis as of March 31, 2016:

USD Thousands	Balance as of March 31, 2016	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
ASSETS			
Corporate securities	$ 413,574	$ -	$ 413,574
Agency securities	112,605	-	112,605
Government securities	11,416	-	11,416
Supranational securities	7,005	-	7,005
	$ 544,600	**$ -**	**$ 544,600**

The following fair value hierarchy table presents information about the Corporation's assets measured at fair value on a recurring basis as of March 31, 2015:

USD Thousands	Balance as of March 31, 2015	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
ASSETS			
Corporate securities	$ 736,943	$ -	$ 736,943
Agency securities	123,369	-	123,369
Supranational securities	20,070	-	20,070
Government securities	9,871	-	9,871
	$ 890,253	**$ -**	**$ 890,253**

(dollars in thousands, unless otherwise indicated)

The following table presents gains and losses due to changes in fair value, including foreign currency impact, for items measured at fair value for the three months ended March 31, 2016:

USD Thousands	Changes in fair value included in earnings for the three months ended March 31	
Corporate securities	$	58
Government securities		77
Supranational securities		4
Agency securities		-
Limited partnerships		44
	$	**183**

The following table presents gains and losses due to changes in fair value, including foreign currency impact, for items measured at fair value for the three months ended March 31, 2015:

USD Thousands	Changes in fair value included in earnings for the three months ended March 31	
Corporate securities	$	119
Government securities		65
Supranational securities		18
Agency securities		15
Limited partnerships		(552)
	$	**(335)**

Certain of the Corporation's financial instruments are not measured at fair value on a recurring basis but nevertheless are recorded at amounts that approximate fair value due to their liquid or short-term nature. Such financial assets and financial liabilities include: Cash and cash equivalents, Receivables and other assets, and Accounts payable and other liabilities.

At March 31, 2016, substantially all investment securities are valued based on quoted prices for identical assets or liabilities that are not active, or prices derived from alternative pricing models as these prices are not available from market vendors. These methodologies apply to certain investments in non-U.S. government obligations, agencies, and corporate bonds. Also included are commercial paper (CP) and certificates of deposit (CD) issued on a tailor-made basis under large U.S.-based CP or CD programs. These securities are classified within Level 2 of the fair value hierarchy and are measured at fair value using valuation techniques consistent with the market and income approaches. There were no transfers during the three months ended March 31, 2016 (none during the three months ended March 31, 2015).

The Corporation's loans are generally carried at the principal amount outstanding. For disclosure purposes, the Corporation uses a December 31 measurement date to estimate the fair value of its loan portfolio. Any excess or deficit resulting from the difference between the carrying amounts of the loan portfolio and the fair value presented does not necessarily reflect the realizable values (since the Corporation generally holds investments with contractual maturities with the aim of realizing their recorded values and, therefore, maximizing the developmental aspects of the investment).

The Corporation's borrowings are recorded at historical amounts unless elected for fair value accounting under ASC Topic 825, *Fair Value Option*. 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. The Corporation held no borrowings at fair value as of March 31, 2016 and 2015.

As a practical expedient, fair value for investments in LPs was determined using the estimated NAV provided by the LPs. The NAVs that have been provided by the LPs are derived from the fair values of the underlying investments as of the reporting date. All investments for which NAV is used as fair value (a) do not have a readily determinable fair value and (b) either prepare financial statements consistent with the measurement principles of an investee company or have the attributes of an investee company. 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.

The carrying value of equity investments reported at cost amounted to $20,445 as of March 31, 2016 ($16,005 as of March 31, 2015). For the Corporation's direct equity investments, the investments are evaluated for impairment, however it is not practicable to accurately determine a fair value in excess of cost as these are custom-tailored private placement transactions primarily for enterprises including corporates and financial institutions operating in the Corporation's Developing Regional Member Countries.

The carrying value of equity investments reported at fair value amounted to $10,534 as of March 31, 2016 ($12,518 as of March 31, 2015).

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 of the Corporation.

11. Lending Arrangements

The Corporation mobilizes funds from commercial banks and other financial institutions in connection with certain of its lending arrangements. These arrangements are administered and serviced by the Corporation on behalf of participants. The arrangements are structured such that the participating lenders must fund their respective share of each loan and there is no recourse to the Corporation.

(dollars in thousands, unless otherwise indicated)

12. Related-party Transactions

The Corporation obtains certain administrative and overhead services from the IDB in areas where common services can be efficiently provided by the IDB. The Corporation has a lease agreement with the IDB for its headquarters office space that will expire in 2020.

The Corporation will pay the following amounts to the IDB for office space and certain administrative support services:

	Three months ended March 31	
USD Thousands	**2016**	**2015**
Office space (headquarters and other)	$ 1,046	$ 576
Support services	3,479	198
	$ 4,525	**$ 774**

Expected payments under the current lease agreement with the IDB including expanded office space for the Reorganization are as follows:

USD Thousands	2016	2017	2018	2019	2020
Office space (headquarters)	$ 4,025	$ 2,254	$ 2,322	$ 2,392	$ 2,463
	$ 4,025	**$ 2,254**	**$ 2,322**	**$ 2,392**	**$ 2,463**

As of March 31, 2016, receivables from IDB Group entities were $9,118 (refer to Note 5). As of March 31, 2015, payables due to IDB Group entities were $2,007 (refer to Note 6).

As of March 31, 2016 and 2015, the Corporation had borrowed $100,000 from the IDB credit facility. Refer to Note 7.

Following the Reorganization of the IDB Group private sector activities, the NSG loan servicing for the Corporation's expanded services to IDB that include loan origination, execution and monitoring commenced on January 1, 2016 and is described in the Corporation's Purpose. The IDB and the Corporation are negotiating service level agreements for certain administrative and overhead services that include human resources, external relations, budget and administrative functions, secretariat, internal grievance system administration, and information technology support, among others.

The fees receivable by the Corporation under these arrangements are $14,275 as of March 31, 2016 ($25 as of March 31, 2015). The Corporation has recognized $14,275 in related revenue for the three months ended March 31, 2016 ($25 for the three months ended March 31, 2015). The fees payable to the IDB under these arrangements are $3,479 of March 31, 2016 (zero as of March 31, 2015).

13. Pension and Postretirement Benefit Plans

The IDB sponsors a defined benefit plan (the Pension Plan) covering substantially all staff of the Corporation and the IDB. The Pension Plan covers international and local employees. Under the Pension Plan, benefits are based on years of service and average compensation, with the staff contributing a fixed percentage of remuneration and the Corporation and the IDB contributing the remainder of the actuarially determined cost of future Pension Plan benefits. Any and all contributions to the Pension Plan are irrevocable and are held separately in retirement funds solely for the payment of benefits under the Plan. The Corporation's required contribution to the Pension Plan was $1,034 and recognized related expenses of $1,617 for the three months ended March 31, 2016 ($664 in contributions and $1,368 in expenses for the three months ended March 31, 2015).

The Corporation also provides certain health care and other benefits to retirees. All current staff who contribute to the Pension Plan while in active service and who 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 contributes the remainder of the actuarially determined cost of future health and other benefits. While all contributions and all other assets and income of the PRBP remain the property of the Corporation, they are held and administered separately and apart from the other property and assets of the Corporation solely for the purpose of payment of benefits under the PRBP. The Corporation contributed $694 and recognized related expenses of $700 to the PRBP for the three months ended March 31, 2016 ($302 in contributions and recognized related expenses of $700 for the three months ended March 31, 2015).

Since both the IDB and the Corporation participate in the Pension Plan and the PRBP, each employer presents its respective share of these plans.

The Corporation uses a December 31 measurement date for the Pension Plan and the PRBP. As of that date, the Corporation will determine the net periodic benefit cost for the Pension Plan and PRBP for the year then ending. Periodic contributions to the Plan and PRBP are projected to approximately equal net annual actuarial costs. Contributions made to the Pension Plan and PRBP are expensed based on the actuarial forecast for the year until the net periodic benefit cost is determined. Management considers that the difference between the amount expensed and the net periodic benefit cost for each reporting period will not have a material impact on its financial position or results of operations. Any difference between the amount forecasted and the amount contributed is recorded as prepaid/payable until the net periodic benefit cost is determined.

14. 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 as an advisory service income in the statement of income.

Effective January 1, 2016, the Corporation will administer certain IDB funds and funds administered by the IDB, which will be used mainly to co-finance projects with the Corporation and to fund technical assistance activities.