Annual Report

2018

IDB Invest

The 2018 Annual Report of the Inter-American Investment Corporation (whose trade name is IDB Invest and 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 together as the Inter-American Development Bank (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 of US dollars	Year ended December 31, 2018
Approvals	
Number of projects	**276**
Multiple Types of Products	122
Loans	110
Guarantees	34
Equity investments	4
Debt securities	6
Amount	**$4,057**
Multiple Types of Products	$513
Loans	$3,249
Guarantees	$189
Equity investments	$41
Debt securities	$65
Group C&D countries (based on amount)	**45%**
Disbursements and Guarantees	
Disbursements	**$2,685**
Guarantees	**$477**
Development Assets Portfolio	
Active portfolio	**$7,640**
Active portfolio for Group C&D countries (based on amount)	**43%**
Basic Mobilization	
Core mobilization	$1,053
Adjusted commitments[2]	$3,028
Core mobilization ratio (times)	0.3
Advisory Services	
Percentage of approvals for climate change	18%
Mobilization of donor resources for blended finance – climate and gender	$382
Percentage of projects with gender outcomes[1]	19%
Number of new client engagements for advisory services	49

[1] 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. [2] Committed amounts were adjusted to reflect the methodology used in Multilateral Development Bank reports on mobilization.

Table of Contents

Letter of Transmittal

Luis Alberto Moreno
Chairman
Board of Executive Directors

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 2018, along with audited financial statements, including the balance sheet as of December 31, 2018, and 2017, and related statements for the financial years concluded on those dates.

This report contains a summary of the main achievements of the Corporation, whose brand is IDB Invest, and key milestones as the Corporation enters the third year of its expanded mandate.

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

The three year-mark is a critical moment for any new organization. It is a milestone when one can reflect on a strategy implemented, a business model tested and services to clients delivered. The end of 2018 is our moment to do so.

IDB Invest is growing while ensuring our long-term financial sustainability and development impact in Latin America and the Caribbean. In 2018, IDB Invest financed more projects and mobilized more partners for private sector development than ever before. Disbursements grew to $3.2 billion, closings to $3.5 billion and approvals to $4.0 billion. On our balance sheet, IDB Invest assets increased to $1.8 billion, representing 75% growth year-over-year.

Our **financial sustainability** received the attention of S&P when the rating agency increased our outlook from Stable to Positive, following Moody's 2017 rating upgrade. A 2018 global bond issue was over-subscribed at the lowest margin recorded for a AAA-rated multilateral development bank.

To ensure our prudent growth, we finalized the implementation of our **comprehensive risk management framework**. Risk management encompasses financial, operational, credit, market, environmental, social and corporate governance risk, and we launched financial planning tools for responsible asset management. Non-financial issues and stakeholder engagement receive more support as we continue to finance complex infrastructure projects.

Diversification into more sectors, products and countries further strengthened our market position. Being bolder in infrastructure and supporting more corporates in the region, IDB Invest moved deeper into the real sector. Origination focused on transport, water, sanitation, social infrastructure and technology deals. We approved our first fintech, e-commerce platform and education project in 2018.

In our quest to best serve our clients' evolving needs, we increased our product offering. Total credit guarantees, equity investments, sustainable bonds and local currency instruments allowed us to do our work more impactfully. And we added new countries to our balance sheet, originating first-ever deals in

Trinidad and Tobago, Suriname and Belize. These highlight our commitment to doing more in Small and Island countries.

Expanding our field presence improves our capacity to serve our clients. We have expanded our field presence to 25 countries in the region (up from 15 in 2016) which represents 24% of the overall workforce (up from 14% in 2016). An essential component of the field presence plan has been the creation of our 4 hubs to decentralize our processing capacity to the region. Three of the four hubs are fully operational (Bogota, Buenos Aires and Panama) and have proven effective. The fourth hub in Kingston, Jamaica is in the process of being implemented.

As always, **development is at the center of everything we do**. Our development effectiveness rating, known as our average DELTA, exceeded our goal and achieved an 8.3, an increase from 2016's 7.6 average. We continue to align every transaction we do to the UN Sustainable Development Goals, and our clients and investors are increasingly joining us in this effort.

By the end of 2018, IDB Invest had received a total of 13 external market awards, including Multilateral Development Bank of the Year by *LatinFinance*. Market recognition of this volume hints that we are on the right track. As we look ahead, we have more to do to meet our clients' needs and the region's development. We remain committed to client-service, operational excellence and our developmental footprint, and will continue to finetune and grow until we make our impact exponential.

James P. Scriven
General Manager and CEO
IDB Invest

2018 Overview

Three Years of Achievements

In its third year of operations, IDB Invest significantly expanded its market presence and is now well positioned to make the most of its IDB Group membership to promote development in Latin America and the Caribbean through the private sector. IDB Invest won 13 prestigious awards in 2018. In addition, it was named the 2018 Multilateral Development Bank of the Year by *LatinFinance*. This important achievement validates our Governors' decision to consolidate the IDB Group's non-sovereign guaranteed activities into IDB Invest to maximize our impact on development, deliver more efficient client service, improve synergies with the public and private sectors working together strategically, and leverage more capital and support to finance more projects in the region.

A client-centered focus requires innovation to push the limits in terms of products offered, the depth of its commitment to industry segments, client scope, and geographical footprint. As a sign that IDB Invest has gone from working largely with a single product and single currency approach, prevalent in the pre-merger period, the number of complex transactions (such as capital markets, mobilization, guarantees, equity or mezzanine components, among others) rose from 46% in 2016 to 69% in 2018, whereas local currency operations grew from 14% to 40% over the same period.

Efforts to experiment with projects that help solve development challenges have already begun to give positive results. Examples include the first total credit guarantee of an infrastructure debenture, the first projects approved using Brazil's receivables investment fund instruments (FIDC), the first import financing approved with an agreed-upon credit insurance policy, the first equity investment in a fintech boosted by a gender component, and the first gender-lens investment fund for Latin America and the Caribbean, among others.

Development Results

DEVELOPMENT RESULTS

IDB Invest reached a milestone in 2018 with the completion of its Impact Management Framework, positioning the IDB Group at the forefront of impact investors and multilateral development banks working with the private sector. This comprehensive framework includes several tools to support the investment process from beginning to end. This helps guide investment selection, adds value for clients, manages portfolio performance, and ensures continuous learning. For more information, see the **Development Effectiveness Overview 2018**.

At the core of its Impact Management Framework is Portfolio 2.0, an innovative portfolio approach consisting of two key tools helping IDB Invest in quantifying and managing its impact on development and financial sustainability in a standardized way.. Combining these tools allows IDB Invest to have a comprehensive picture of both the expected development impact and the financial contribution at the portfolio level, providing management with critical real-time data to help with its strategic decision-making process.

Regarding the Development Effectiveness Learning and Tracking and Assessment Tool (DELTA) approval scoring, which goes from a minimum of five to a maximum of 10, the 2018 average was 8.3, compared with an 8.1 average in 2017. By sector, the average scoring was 8.6 for infrastructure and energy, 8.2 for financial institutions, and 8.1 for corporations. Also in 2018 a clear picture emerged of IDB Invest's portfolio alignment with the UN Sustainable Development Goals (SDGs). Each one of the projects approved between 2016 and 2018 was associated with at least one SDG.

Lastly, completing the learning cycle, in 2018 IDB Invest launched the Development Effectiveness Analysis (DEA) platform, a one-stop access to lessons learned to help guide project design. This tool shows which projects succeeded and which did not in meeting their goals. It also includes project performance ratings and lessons for future operations.

To date, the platform has yielded more than 440 lessons learned from nearly 300 projects completed in 23 countries and 11 sectors. DEA also includes links to knowledge products such as impact assessments and sector reports.

Featured Projects

PIRAPORA

Brazil
(Renewable Energy)

The countries of Latin America and the Caribbean are making strides in the implementation of the United Nations Sustainable Development Goals and the Paris Agreement on climate change. IDB Invest is helping Brazil to achieve some of these goals by increasing its capacity to generate clean energy.

IDB Invest provided a total loan guarantee for 315 million *reales* ($85 million) to support a solar energy project in Pirapora, in the state of Minas Gerais. The guarantee backed the issuance of long-term infrastructure debentures in the local market, replacing a short-term bridge financing tranche, including a bridge loan provided by IDB Invest for construction of a second phase of the Pirapora renewable energy complex.

The financial structure provides financial flexibility and the term required to make the project viable and profitable, given the limited financing available in local currency with similar terms. The financial close of the operation occurred in the weeks prior to the presidential elections in Brazil, during a period of significant volatility in the market. Nonetheless, the issue was over-subscribed by more than 200% and levels never seen before in interest rates on the issuance of comparable debentures were achieved.

The project also supports Brazil's effort to diversify its energy

matrix by reducing its dependence on variable hydropower generation, by providing approximately 357,000 MWh of clean photovoltaic solar energy in the first year of the project's operation.

TTMF

Trinidad and Tobago (Housing)

Access to financial systems and the development of real estate markets have profound consequences for people's quality of life. For example, in Trinidad and Tobago, the real estate sector has been affected in recent years by a shortage of land for housing development, high prices, and limited financing for low-income families.

To improve access to mortgages for people with low and medium incomes in Trinidad and Tobago, IDB Invest issued a partial loan guarantee for TT$120 million, equal to $17.6 million, to support the issuance of a mortgage-backed bond amounting to TT$400 million, equal to a total of $58.9 million. The bond term was five years, and due to the characteristics of the IDB Invest guarantee, the issue was over-subscribed. This is the first IDB Invest project that contributes to the development of the capital market in small, island nations and to the development of the real estate market.

The resources from the issue will allow TTMF to expand the number of mortgages it offers and to continue offering financial products targeting the specific needs of the most vulnerable populations.

MILLICOM

Regional (Telecommunications)

Broadband has been called the indispensable infrastructure of the 21st century, just like electrical grids and railroads were in earlier centuries. In recent years, Latin America and the Caribbean have made progress in terms of connectivity, but there are still gaps between and within countries. To help close these differences, IDB Invest is committed to supporting the development of telecommunications in the region.

In 2018, an example of that commitment was long-term financing in local currency for Millicom, a telecommunications company in various Latin American countries. This involved a private debt placement, under which IDB Invest fully subscribed a bond for 144 billion Colombian pesos (approximately $50 million) issued by Millicom.

The company will use the funds to modernize and expand its 3G and 4G networks in Bolivia, Colombia, Costa Rica, El Salvador, Honduras, Nicaragua and Paraguay.

Value Proposition

Innovations by Sector

TELECOMMUNICATIONS, MEDIA AND TECHNOLOGY

TELECOMMUNICATIONS, MEDIA AND TECHNOLOGY

Digital technology makes life easier, empowers consumers, and connects citizens and their governments. However, the digital revolution has not exploded with the same intensity in Latin America and the Caribbean. Connectivity varies from country to country and different sectors of society. The region needs a universal and widespread broadband access for the digital era to pay off. The region has made some progress, but it still has significant challenges.

IDB Invest makes investments in infrastructure, services and digital applications of telecommunications that improve inclusion, productivity and growth. We focus our efforts in the following four priority areas for their impact in the reduction of inequity in the region:

1. Broadband: for its impact in economic growth, productivity and as a facilitator of financial education and health inclusion.
2. Ecosystem of mobile telecommunications, including the democratization of access to affordable devices.
3. Efficiency of telecommunication infrastructure.
4. Technology-based business models (fintech, shared mobility, etc.)

In 2018, IDB Invest approved 14 transactions in this sector compared to the three approvals made in 2017. This result was possible thanks to a diversified value proposition adapted to our client's needs. These included the following solutions:

- Capital investment
- Convertible loans
- Mezzanine financing
- Supply chain financing
- Debt issuance in the stock market
- Project financing

Such investments have been made with the most sophisticated sponsors in the industry: Facebook, Millicom, Cabify, Mercado Libre and Telefónica, among others, which contributed to making IDB Invest a partner of choice in the telecommunications and technology sector in the region.

FEATURED PROJECTS

MERCADO LIBRE

Micro, small and medium enterprises (MSME) drive economic development and employment opportunities in the region. However, the access to financing is still limited. In order to support greater financial inclusion of this segment in Brazil, IDB Invest signed all senior notes issued for the first time by the *Mercado Crédito* Merchant *Fundo de Investimento en Direitos Creditórios* (FIDC MELI) fund of Mercado Libre. The total amount of the underwriting was $50 million in local currency (Brazilian real).

MONI

IDB Invest made its first investment in a fintech company with MONI to expand its credit portfolio. The $5 million investment will allow MONI, which operates in the underserved sectors of Mexico and Argentina, to expand its product offering in ways that help develop the credit market. This operation complements the initiatives being carried out by the IDB Group to consolidate more inclusive financial services in the region.

In Argentina, MONI has provided more than 500 thousand loans, and its products include credits of up to six months and payment and purchasing services through its digital platform.

CABIFY

This is the first time IDB Invest supports innovative digital business models, which are disrupting the urban mobility sector. The $70 million loan will allow Cabify to grow in the region and includes the mobilization of funds from *Blue Like an Orange Sustainable Capital*.

The financing will help increase the services offered to consumers and companies, optimize the quality of service, and promote innovation, including the development of a digital payment platform. In addition, the financing will support a plan to improve the employment conditions of the drivers, increase their financial inclusion and help them to obtain social benefits.

TRANSPORTATION

TRANSPORTATION

The region needs to modernize its transportation systems to boost economic growth. According to IDB's estimates, investments in infrastructure will need to double over the next 30 years to grow on average from 2.4% to 5.0%. The development of transportation infrastructure depends largely on the public sector; however, tax limitations, economies of scale and the need to innovate make governments increasingly eager to partner with the private sector.

We have extensive experience financing the expansion of transportation infrastructure in the region. We support the construction and upgrade of infrastructure in areas such as ports, highways, metros and railroads. Our technical experience and financial resources ensure that our projects are sustainable and have a positive impact in the development of the region.

The projects we finance are generally carried out through public-private partnerships (PPPs) in which private companies assume the initial costs and share the risks, as well as potential future earnings. The IDB Group works so that PPPs are efficient based on a solid regulatory framework, a clear bidding process and a robust financing structure. We do not only care about the financial feasibility of each project, but also about its social and economic impact in the long term. We consider environmental and social aspects, in addition to gender, climate change and corporate governance.

FEATURED PROJECTS

ITAPOÁ CONTAINER TERMINAL (BRAZIL)

The project consists of the expansion of the dock capacity and the container area in the Container Terminal of Itapoá, located in Santa Catarina, Brazil. The existing port infrastructure of Itapoá has been operating over its capacity for the last two years, so the expansion will allow it to adjust to the current market conditions and serve the region with greater efficiency.

The IDB Invest's financing amounts to 150 million Brazilian reals (BRL 150.000.000).

TERMINAL PUERTO POSORJA (ECUADOR)

IDB Invest approved a financing package for the construction, operation and maintenance of the first phase of the Posorja Port, in Ecuador.

The new terminal, which during its first phase will have an average capacity of 750.000 TEU, will compensate the load expansion limitations of Guayaquil, Ecuador's main port. The location of Posorja, which has closer access to the sea, will reduce the average transit time and will have a deeper draught (16.5 meters). Once the new port is finished it will accommodate ships of up to 15,000 TEU. The activity of this new infrastructure will create more than 480 permanent jobs.

IDB Invest's financing package is divided into a $147 million loan, and the mobilization of resources of other investors for $230 million, of which $50 million come from the China Co-financing Fund for Latin America and the Caribbean. IDB Invest offers long-term financing of 15 years, which is not available in Ecuador and is required to ensure the financial sustainability of the project.

ROAD CONNECTIVITY – RUTA DEL CACAO S.A.S. (COLOMBIA)

The project has an approximate cost of 1.7 billion Colombian pesos and is part of the second wave of the 4G program, awarded by the National Infrastructure Agency (ANI) of Colombia, to improve the road connectivity in the country through public-private partnerships. This road concession will be implemented in a period of 25 to 29 years, has a length of 190.3 kilometers and includes the construction of 16 bridges, two viaducts, five toll stations and two tunnels.

IDB Invest's participation has been essential to complete the financing, given the limitations of the local commercial bank market, the size of the investment, and the portfolio concentration in the road concession sector. IDB Invest has worked along with the National Development Financier in the development of a funding line in local currency, which allows providing Colombian pesos to infrastructure projects.

FINANCIAL INSTITUTIONS

FINANCIAL INSTITUTIONS

In Latin America and the Caribbean, there are considerable gaps in the financial system that affect the efficient allocation of resources. These gaps are significant in terms of depth, access to financial services and efficiency. The lack of depth in the region's financial system implies an insufficient financial offering, especially long term, for the investments needed in the region. Companies and other private entities have a limited access to financial services and products, which causes many projects considered bankable to not receive adequate financing. It also means that significant sectors of the population are excluded from financial services. Also, the efficiency in the provision of products and services is low, which is why the cost of financing is high.

In this scenario, the percentage of adults that have a bank account is 55%, an improvement compared to 2011 when it was 39%. But there is still much to do in order to have inclusive financial systems that contribute to a more equitable allocation of resources, allowing to make investments that foster economic development, create jobs and reduce vulnerability; thus reaching all the sectors of the economy.

IDB Invest focuses its efforts on promoting greater efficiency of the region's financial systems in association with banks and specialized financial institutions (for example, cooperatives, fintechs, leasing and factoring companies, etc.). The goal is to contribute to reduce the financing gaps to priority sectors such as MSME, green projects, foreign trade, affordable housing, among others.

In 2018, the financial institutions team focused on the development and implementation of its action plan which was approved in May 2018. Following the three pillars of the Action Plan, it achieved $948 million in approvals through 31 transactions, of which 57% of the total amount was in C&D countries and about 4% in S&I countries. The average DELTA for financial institutions was 8.4, 18% higher than 7.1 in 2017.

Projects approved in 2018 focused on financing initiatives benefitting MSMEs (77%), Gender (28%) and Climate (10%). $170 million was mobilized in six transactions. In addition, nine new TFFP lines were approved for a total of $ 91 million and contributed to TFFP disbursements of $1.047 million.

FEATURED PROJECTS

BANCO G&T CONTINENTAL (GUATEMALA)

IDB Invest signed a $75 million subordinated loan with Banco G&T Continental of Guatemala. The objective of the project is to increase financing to small and medium-size enterprises (SMEs), with special emphasis on female-led enterprises.

The loan allows Banco G&T Continental to grow in the SME segment and support the portfolio diversification process. SMEs represent a considerable group of the Guatemalan economy, accounting for approximately 90 percent of the total number of active companies registered in the country. However, they currently face credit constraints and limited access to financial products and services.

IDB Invest will also support Banco G&T Continental with advisory services, through the development of a comprehensive value proposition for female-led enterprises. This advisory will also support inclusive and gender-equitable practices in the bank's talent management.

BICE (ARGENTINA)

IDB Invest structured and subscribed with BICE (Banco de Inversión y Comercio Exterior) of Argentina the issue of a Sustainable Bond for $30 million, which was the first thematic bond qualified as sustainable in Argentina and South America. In addition, the issuance contributed to the largest number of Sustainable Development Goals (SDGs) in Latin America and the Caribbean.

The issue is aimed at strengthening financial inclusion and productive development. Within BICE's project portfolio, seven SDGs have been identified to which BICE could contribute, out of the seventeen included in the United Nations list: End Poverty (No. 1), Gender Equality (No. 5), Affordable and Clean Energy (No. 7), Decent Work and Economic Growth (No. 8), Industry, Innovation and Infrastructure (No. 9), Inequality Reduction (No. 10) and Climate Action (No. 13). The use of the funds is aimed at increasing BICE's loan portfolio for projects that comply with at least one of the seven SDGs identified.

BANCO PICHINCHA (PERU)

IBD Invest structured and underwrote a 10-year $13 million subordinated bond issued by Banco Pichincha Peru. It is the first social bond in Peru and the first for a private bank in Latin America. This issuance is aimed at empowering women through microfinance, financing working capital, and improving housing for micro and small businesses.

This bond can contribute to six United Nations Sustainable Development Goals (SDS): End Poverty (No. 1), Gender Equality

(No. 5), Decent Work and Economic Growth (No. 8), Industry, Innovation and Infrastructure (No. 9), Reducing Inequality (No. 10) and Sustainable Cities and Communities (No. 11).

ADVISORY SERVICES AND MIXED FINANCING

ADVISORY SERVICES AND MIXED FINANCING

In 2018, advisory services and blended financing continued to drive IDB Invest's impact agenda by supporting its strategic focus on promoting better projects, better origination activity and better markets. In 2018, the advisory services and mixed finance team delivered its largest and most comprehensive operational program to date, with 48 new advisory service commitments to clients (32 in climate, 14 in gender and two in PPP). The advisory services helped IDB Invest exceed its gender target with 19% of operations approved in 2018, including a gender component.

The team also contributed to expanding and diversifying IDB Invest's climate finance to new sectors and new markets, with a strong concentration in smaller countries. During 2018, mixed financing resources were invested in five projects with a mobilization index of 1x9 and an average DELTA score of 9.0. Beyond its work in strengthening IDB Invest's non-financial value proposition, important efforts were made to create knowledge programs, increase fundraising and develop partnerships.

OTHER MILESTONES

IDB Invest was a strategic partner for the W20, where our efforts helped to influence G20 resolutions. Our success in advancing the gender agenda is now reinforced by the mandate to broaden the work of gender equality through the development of a diversity and inclusion action plan.

IDB Invest was accredited in the Green Climate Fund (IDB Invest's first accreditation in a multilateral fund) and also obtained funding for natural capital activities to expand our experience with climate change into other areas of environmental sustainability. To broaden our reach, IDB Invest organized the first edition of the Think Sustainable Network, a network of financial partners committed to sustainable financing.

IDB Invest developed the Energy Efficiency and Renewable Energy Program for Caribbean countries. Through this initiative, IDB Invest offers technical assistance and a streamlined financing process to solve the barriers that the private sector faces in the implementation of this type of projects.

IDB Invest established a dialogue with the Caribbean Development Bank to support PPPs in the Caribbean and succeeded in obtaining funds from the NDC Accelerator and the Government of Spain to expand its activities in partnership with the PPP unit of the IDB.

RESOURCE MOBILIZATION

RESOURCE MOBILIZATION

We live in a context in which different actors are constantly calling for maximizing development finance. It first occurred in Addis Ababa, where the multilateral development banks were asked to intensify their efforts to mobilize external resources to meet the Sustainable Development Goals. In Busan, IDB Group also received the mandate from the Board of Governors to increase its capacity to mobilize third-party sources in order to meet the development objectives contemplated in the merge out. This is in line with Mendoza's mandate in which mobilization was to become one of the pillars of the IDB Group's institutional strategy.

In order to comply with this development mandate, IDB Invest:

- Implements a combination of traditional and innovative financial solutions. Capital mobilization is combined with advisory services to maximize our development impact in the region.
- Taps its resources to achieve a higher impact.
- Accesses new liquidity sources to close the financing gap.
- Develops new products and platforms to attract new investors to the region that support our clients.

INSTITUTIONAL EXPERIENCE

Our experience consists of connecting projects with the greatest development impact in the region with the right investors, adapting to sector priorities, risk appetite and return expectations.

We partner with a range of strong market players, including:

- International commercial banks
- Regional commercial banks
- Institutional investors such as insurance companies and pension funds
- Social impact investors
- Sovereign wealth funds
- Insurance companies
- Other development institutions

2018 RESULTS

In 2018, IDB Invest mobilized $1.053 billion from investors. Approximately half of this amount was linked to infrastructure projects ($568 million) while $330 million was used for financial institution projects, including TFFP, and $155 million for corporate transactions, including supply chain financing.

Core Mobilization (Millions of USD)	
	Result
Corporate	157.7
Financial Institutions	168.8
Infrastructure & Energy	567.8
TFFP	162.0

Thirty-one projects were carried out in 2018, compared to 29 in 2017, indicating a higher volume of smaller transactions. Mobilization activity was affected by delays in closing major transactions due to market conditions.

For the first time in 2018, IDB Invest used insurance company hedges (UCPP) to distribute risk to third parties. Also, for the first time, a portfolio sale in the secondary market was used to help efficiently manage future limitations.

Through the B bonds of the Naranjal del Litoral project, IDB Invest continued to innovate, adapting the structure that had a senior tranche to a subordinate tranche.

Finally, in 2018, IDB Invest executed the co-financing framework agreement with Blue Like an Orange (BLAO), a private fund created exclusively for the purpose of co-financing mezzanine debt transactions with IDB Invest. In December 2018, the first two transactions were closed with the participation of BLAO: Cabify and Produbanco (subordinated debt).

B BONDS: FINANCIAL STRUCTURE FOR DEVELOPMENT

The B Bond, developed by the IDB Group, is a product designed to attract the participation of institutional investors to complex infrastructure projects, through the securitization of project debt and the placement of bond issuances in private markets. Through this instrument, IDB Invest can develop green capital markets by mobilizing funds from institutional investors towards infrastructure assets and renewable energy in Latin America, with innovative structures and distribution methods.

The first financial structure of this type carried out by the IDB Group was the Reventazón hydroelectric plant in Costa Rica in 2013. The structure was replicated in March 2017 in the Campo Palomas wind project transaction in Uruguay.

In January 2018, the second green B Bond in the energy sector came when part of the debt of the La Jacinta photovoltaic solar plant was refinanced with a B Bond of $61.7 million. The B Bond received a green bond certification from DNV-GL and a Moody's international Baa3 rating.

We have recently expanded this structure with another bond in the market that includes an innovative subordinated B Bond in the renewable energy sector in Uruguay: El Naranjal and Del Litoral. This transaction is the first closed dual B Bond structure of the IDB Group with a "senior" tranche and a mezzanine tranche.

We are aware that our capital is not sufficient to meet the needs of the region, so expanding the frontiers of mobilization is a key part of our strategy.

Sustainability Approach

SUSTAINABILITY APPROACH

At IDB Invest we want sustainability to be present in all our work, both within our organization and in our clients' projects. In 2018, we continued to add value in terms of sustainability for the private sector in Latin America and the Caribbean with innovation and training, in the environmental, social and governance fields, because investing in sustainability is a smart decision for business, since it generates a better economic performance.

Sustainability Week

IDB Invest adopted Sustainability Week as its flagship event in 2018. This event is a platform for IDB Invest to showcase areas of innovation and leadership in sustainability. While traditionally the event focused on financial institutions and corporate governance, the new approach gave equal attention to financial institutions, infrastructure, and agribusiness.

Our Corporate Governance Symposium broadened its emphasis to include the most pressing and complex corporate governance challenges for companies in the region, while addressing relevant challenges that are important to family businesses. Sustainability Week achieved record attendance, with 273 participants at the Environmental and Social Management Workshops during the first half of the week, and 150 participants at the Corporate Governance Symposium during the second half. A total of 423 participants from 235 companies were represented, including both existing and potential clients.

Strengthening Voluntary Standards in the Financial Sector

IDB Invest's efforts to strengthen environmental and social management in Paraguay's financial sector paid off this year. What began in 2013 with several client banks to establish a roundtable on sustainable finance alongside FMO, ended in 2018 with 14 participating banks covering over 90% of the private sector market. The standards that we helped to establish through our three client banks have now been largely adopted by the sector.

By the end of 2018, the Paraguayan Central Bank took these efforts a step further by adopting a guidance note on environmental and social management for the financial sector. This converted what had begun as a voluntary initiative into a sector standard, placing Paraguay among a select group of countries that have set out a strategy to regulate and encourage sustainable finance at a national level. IDB Invest will continue to work with Paraguay and is exploring similar initiatives elsewhere in the region.

Improving Corporate Governance Risk Management

Our corporate governance assessment methodology was improved to combine risk-based focus with efficiency and the possibility of a tailored approach. The evaluation process allows IDB Invest staff to determine whether a prospective client meets expected thresholds, identify specific corporate governance challenges, and establish improvements that IDB Invest would recommend. The new methodology, which includes web-based questionnaires and tools for different types of clients, was fully incorporated in our investment process, with staff training and implementation guidance.

Promoting Corporate Governance Development and Demonstration Effect

IDB Invest has approved a corporate governance an Advisory Services Program specifically to advance corporate governance practices in Latin America and Caribbean, with the goal of strengthening the business climate by promoting ethical values, enhancing transparency, improving trust and furthering corporate social responsibility. The program advocates that companies that implement good governance practices have higher standards for board independence and professionalism, along with better decision-making processes and controls, which make them better equipped to deal with an increasingly complex business environment. The program includes direct corporate governance support to private sector companies and capacity-building initiatives, in addition to actions specifically focused in small and island (S&I) countries.

Global Strategy

In 2018, IDB Invest has taken on the important role as Chairman of the working group managing the Corporate Governance Development Framework, a global initiative that provides a common approach on how to address risks and opportunities in corporate governance. The framework has been signed by 35 development finance institutions in the world.

IDB Invest Culture

INVESTING IN A NEW CULTURE

In times of exponential growth, IDB Invest is a client-focused organization that is constantly innovating and relying on strategic partnerships to expand its impact on Latin America and the Caribbean's development. People at IDB Invest are passionate about our mission and responsible for our results and operational excellence. We are a multilateral organization that is growing and evolving continuously, and so is our culture.

WE CONSOLIDATED OUR NEW COMMERCIAL BRAND

2018 was a critical year to consolidate our new brand, which is every day more recognized throughout the region. Our brand reflects our flexibility and agility to better serve our clients.

We have high hopes for the future: we are prepared to face current challenges, serve new sectors, offer innovative financial solutions and expand our presence in the 26 countries of the region in which IDB Group operates


1.
Client focus
2.
Innovation
3.
Leverage
4.
Technical excellence
5.
Accountability
Attributes of our culture

Regional presence

In 2017 we established a regional presence plan to be closer to our clients, better understand local markets and improve the quality and delivery of our products.

The following year was key for IDB Invest's expansion: 24% of our employees are now based in the region, with increased growth in countries such as Guatemala, Guyana, Suriname, Belize and Trinidad and Tobago, where we were not present previously.

IDB Invest is headquartered in Washington, D.C., our strategic planning center responsible for all high-level decision making, and administrative and financial functions.

Our country offices operate as points of contact with clients. In addition, our regional hubs in Argentina, Colombia, Panama, and Jamaica help to generate economies of scale, leverage the public-private synergies of the IDB Group and increase IDB Invest's capacity to generate new business.
We also expanded our presence in 25 of the 26 countries in the region where IDB Group operates, increasing from 15 countries in 2016.

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.

100% Committed to Gender Equality

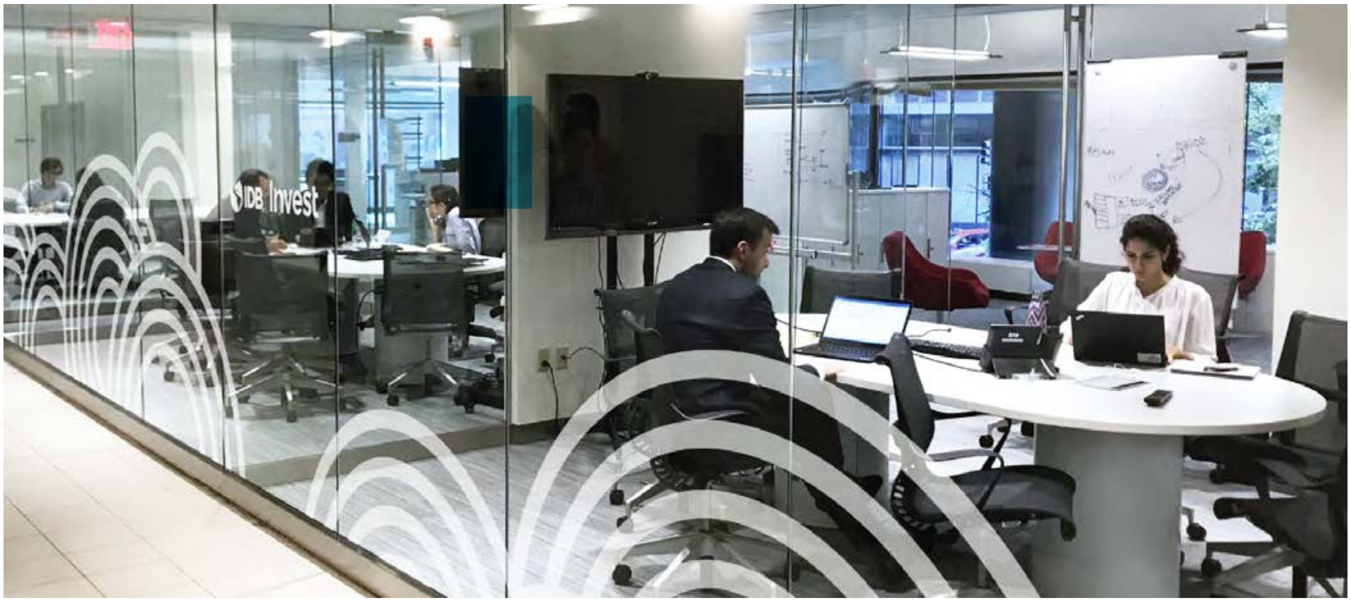
At IDB Invest, we believe that gender equality is key for societies and markets to thrive, for communities to flourish and for people to reach their full potential.

In 2017, we received the 'Assess' level of the EDGE Certification, joining the IDB and other multilateral development banks that actively promote gender equality in the workplace. This achievement reflects IDB Invest's strong commitment to gender balance, which is particularly reflected in women's participation in managerial positions.

Additionally, in 2018 the **"100% Committed to Gender Equality"** campaign launched at the IDB Group level sought to increase inclusion and reduce the gender gap in Latin America and the Caribbean. Through this campaign we shared our clients' stories about how gender equality practices proved to be smart business and better for development.

Investing in Talent

Teams are the building blocks of a robust culture. In 2018 we continued to prioritize the hiring of a high quality, diverse and decentralized workforce. By the end of 2018, all IDB Invest leadership roles had been covered. Our workforce has grown in line with commercial needs and, by the end of 2018, 24% of our staff was based in the region.



Also in 2018 we launched the second edition of the **Crea tu futuro** program. The program attracts young people passionate about contributing to the region's sustainable development and to addressing future challenges to work with us at IDB Invest.

The program lasts 36 months and allows young people to make two rotations of about 18 months each in Washington, D.C. and/or in any of the 26 offices in the region.

Inclusion starts with us

IDB Invest is committed to being an accessible and barrier-free workplace for all. This quest is in line with the 2020 Human Capital Strategy's mandate to improve inclusion of underrepresented groups in the workforce, including IDB Group staff with disabilities.

In 2018 IDB Invest joined the Accessible IDB initiative and hired our first intern with a disability who researched the conditions for the inclusion of people with disabilities in several member countries. He delivered his conclusions in a presentation titled "The World of Disability: How Does It Impacts Us?" to a group of leaders and colleagues.

Photo caption. (From left): Kathryn Kaufman, OPIC's Managing Director for Global Women's Issues; Gema Sacristán, IDB Invest's Chief Investment Officer, and Susana Baibo, Chair of W20, launched Fondo Mujer at W20 Summit 2018.

HIGH-IMPACT COMMUNICATION

IDB Invest had an outstanding presence in traditional and digital media, including its social networks and corporate blog. This was key to continue positioning us as the financial partner of choice for the private sector in Latin America and the Caribbean.

IDB Invest totaled more than 1,200 mentions and 69 interviews and opinion articles in national and international media (compared to 700 mentions and 29 interviews and opinion articles in 2017). Additionally, IDB Invest's management team and division chiefs received trainings to hone their media interviewing skills.

We launched 15 digital campaigns to promote events with IDB Invest participation or sponsorship and to disseminate an increasing number of knowledge products.

These efforts resulted in more than 24,000 email subscribers, which represented a 17% growth compared to 2017. The subscribers to IDB Invest's corporate blog increased 19%, reaching 4,577. More than 80 IDB Invest managers and staff received training in managing their social media presence, with a focus on LinkedIn and Twitter.

Finally, IDB Invest's 2017 Annual Report was launched at the 2018 Annual Meeting and promoted through a digital campaign that resulted in more than 1,000 subscribers.

Photo caption. James P. Scriven, IDB Invest's CEO and Taimur Ahmad, CEO and co-owner of *LatinFinance*.

RECOGNITION OF OUR WORK

LatinFinance magazine chose IDB Invest as the multilateral financial institution of the year. This award recognizes our efforts over the last three years to build a successful business model, focused on the needs of our clients.

OPERATIONAL AWARDS

In 2018, IDB Invest received 13 recognitions to its work, highlighting its commitment to business in Latin America and the Caribbean. IDB Invest finances companies and sustainable projects to achieve financial results and maximize economic, social and environmental development in the region.

Client	Aela
Media	PFI
Category	Energy Renewable Deal of the Year
Awards	**IFR Awards 2018**
Project	**Aela**
Media	IJ Global
Category	Latin America Onshore Wind Deal of the Year 2018
Project	**El Corti**
Media	Bonds and Loans
Category	Power Finance Deal of the Year
Awards	**Deals of the Year 2018**
Project	**Campo Palomas**
Media	Bonds and Loans
Category	Project Finance Deal of the Year
Awards	**Deals of the Year 2018**
Project	**Pirapora**
Media	IJ Global
Category	Latin America Multisource Financing Deal of the Year
Awards	**Deals of the Year 2018**
Project	**Solem Solar PV Complex**
Media	IJ Global
Category	Latin America Solar Deal of the Year
Awards	**Deals of the Year 2018**
Project	**Solem Solar PV Complex**
Media	MIREC
Category	Best Renewable Energy Collaboration
Awards	**Projects of the Year 2018**

Project	**Villanueva**
Media	Mirec
Category	Project of the Year
Awards	**Projects of the Year 2018**
Project	**Melo-Tacuarembó**
Media	The Banker
Category	Best Green Finance Operation
Awards	**Deals of the Year 2018**
Project	**Melo-Tacuarembó**
Media	IJ Global
Category	Latin America Transmission and Distribution Deal of the Year
Awards	**Deals of the Year 2018**
Project	**Sergipe**
Media	LatinFinance
Category	Best Financing Innovation of the Year
Awards	**Best Deals of the Year 2018**
Project	**Sergipe**
Media	LatinFinance
Category	Best Bond and Best Infrastructure Financing-Brazil
Awards	**2018 Project & Infrastructure Finance Awards**
Project	**Renova**
Media	Bonds and Loans
Category	Natural Resources Finance Deal of the Year
Awards	**Deals of the Year 2018**

Operations in 2018

$ in thousands

Loans			
Country	Name	Sector	Amount
Argentina	Envision Argentina	Energy	$16,102
	Envision Argentina II	Energy	$2,421
	Envision Argentina III	Energy	$11,476
	Wind Farm Arauco RenovaA IV	Energy	$34,000
	Banco Ciudad Green Financing Partnership	Financial Institutions	$50,000
	Banco Patagonia Agribusiness Financing Partnership	Financial Institutions	$50,000
	PCR	Industry	$50,000
	Moni Online - Digital Bank for the Underbanked	Science and Technology	$3,000
Belize	BSI-ASR	Agriculture and Rural Development	$10,000
Bolivia	PTI Bolivia	Science and Technology	$45,000
	Companex	Trade	$5,000
Brazil	Delta Sucroenergia	Agriculture and Rural Development	$70,000
	Omni Microfinance Partnership	Financial Institutions	$25,784
	Eliane S.A.	Industry	$25,000
	3PP / Cabo Telecom	Science and Technology	$31,135
	Itapoá Container Terminal	Transport	$36,274
	Brookfield - BRK/RMR W&S Project in Recife	Water and Sanitation	$87,178
Chile	Banagro SME Green Financing Part-nership	Financial Institutions	$3,000
	Primus Capital SME Financing Part-nership	Financial Institutions	$10,000
	Movistar Chile Handset Financing	Science and Technology	$100,00
Colombia	Banco Mundo Mujer: Productive Financing for Microentrepreneurs in Col	Financial Institutions	$20,000
	Finanzauto Financial Inclusion	Financial Institutions	$15,000
	Autopista al Mar 1	Transport	$166,380
	Ruta del Cacao 4G Toll Road	Transport	$133,302
Costa Rica	Texas Tech University Costa Rica Campus Building	Education	$12,067
	Partnership with Desyfin for Leasing and Factoring Financing with SMEs in Costa Rica	Financial Institutions	$5,000
	Movistar Costa Rica Handset Financing	Science and Technology	$14,000
	Fairfield Alajuela	Sustainable Tourism	$5,000
Ecuador	Banco Bolivariano	Financial Institutions	$30,000
	Banco Pichincha	Financial Institutions	$50,000
	Produbanco	Financial Institutions	$27,000

$ in thousands

Loans			
Country	Name	Sector	Amount
Ecuador	Movistar Ecuador Handset Financing	Science and Technology	$50,000
	Mavesa	Transport	$20,000
	Posorja Port	Transport	$200,000
	Interagua Corporate Loan	Water and Sanitation	$10,000
El Salvador	Capella Solar PV Project	Energy	$30,000
Guatemala	Banco G&T Continental SME Financing Partnership	Financial Institutions	$75,000
	Banco Industrial DPR – Supporting home financing and microenterprises	Financial Institutions	$80,000
	Movistar Guatemala Handset Financing	Science and Technology	$5,000
Haiti	BUH SME Partnership	Financial Institutions	$5,000
	Plastech	Industry	$10,000
Mexico	Conejos Solar PV	Energy	$18,200
	Navojoa Solar PV	Energy	$30,000
	Xoxocotla Solar PV	Energy	$18,900
	Crédito Real Women-led SME Financing Partnership	Financial Institutions	$50,000
	CEMEX	Industry	$52,018
	Genomma Lab	Industry	$65,663
	Prolec	Industry	$16,000
	Xignux	Industry	$21,419
	ALTAN	Science and Technology	$50,000
	Procsa II	Urban Development and Housing	$8,049
	Sefia Senior Loan Renewal	Financial Institutions	$2,000
Nicaragua	Banco de la Producción SA: Access to energy efficiency and renewable energy for SMEs	Private Firms and SME Development	$20,000
Panama	Banvivienda: Agricultural Financing Partnership	Financial Institutions	$25,000
	Global Bank SME and Women Financing Partnership	Financial Institutions	$60,000
	Movistar Panama Handset Financing	Science and Technology	$5,000
	Hotel La Compañia	Sustainable Tourism	$16,100
Paraguay	Agrofertil	Agriculture and Rural Development	$30,000
	Banco Regional Agribusiness Financing Partnership	Financial Institutions	$50,000
	Bancop SME Financing Partnership	Financial Institutions	$9,626
Peru	Agrícola Pampa Baja S.A.C.	Agriculture and Rural Development	$25,000
	Banbif Green Finance Partnership (Subdebt)	Financial Institutions	$25,000
Regional	CMI – Alimentos	Agriculture and Rural Development	$100,000

$ in thousands

Loans			
Country	**Name**	**Sector**	**Amount**
Regional	San Miguel	Agriculture and rural development	$27,500
	SIEPAC's Second Circuit Investment Program	Energy	$133,518
	Peninsula Investment Fund	Private Firms and SME Development	$60,000
	Cabify	Science and Technology	$40,000
Uruguay	El Naranjal and Del Litoral A/B Bond and Subordinated Loan	Energy	$12,500
			$2,599,614

Miles de dólares

Guarantees			
Country	Name	Sector	Amount
Brazil	Serra da Babilônia Wind Power Project	Energy	$66,297
Mexico	Urban Development and Housing	Urban Development and Housing	$13,525
Peru	Acceso Crediticio	Financial Institutions	$5,000
	Cooperativa de Ahorro y Crédito Pacífico	Financial Institutions	$10,000
Trinidad & Tobago	TTMF Housing Partnership	Financial Institutions	$29,430
			$124,252

Equity			
Country	Name	Sector	Amount
Argentina	Moni Online - Digital Bank for the Underbanked	Science and Technology	$2,000
Brazil	Stratus Capital Partners III	Financial Institutions	$10,000
Peru	Internet para Todos	Science and Technology	$18,000
Regional	Riverwood Latin America Fund	Private Firms and SME Development	$10,000
	Afluenta - P2P Network	Science and Technology	$3,000
			$43,000

Debt Securities			
Country	Name	Sector	Amount
Argentina	BICE Sustainable Bond	Financial Institutions	$30,000
Brazil	Patria Structured Credit Fund	Financial Institutions	$40,000
	Mercado Crédito: DCM #5	Science and Technology	$50,000
El Salvador	DPR Fedecrédito	Financial Institutions	$15,000
Guatemala	Banco Industrial DPR – Supporting home financing and micro-enterprises	Financial Institutions	$40,000
Peru	Banco Financiero Peru	Financial Institutions	$13,000
Regional	Millicom Private Placement	Science and Technology	$50,000
Uruguay	El Naranjal and Del Litoral A/B Bond and Subordinated Loan	Energy	$5,418
			$243,418

Miles de dólares

TFFP Program – Loans		
Country	**Name**	**Amount**
Argentina	Banco de Galicia y Buenos Aires - TFFP (AR-L1113)	$60,790
	Banco de Inversión y Comercio Exterior (BICE) TFFP (AR-L1129)	$117,683
	Banco Industrial S.A. TFFP (AR-X1019)	$3,821
	Banco Macro S.A. - TFFP (AR-L1114)	$15,913
	Banco Supervielle S.A. - TFFP (AR-L1093)	$26,219
	Banco Comafi TFFP Line	$5,650
	BST TFFP Line	$1,022
Brazil	Banco ABC Brasil S.A. - TFFP Line (BR-X1032)	$150,000
	Daycoval - TFFP (BR-L1286)	$9,360
	TFFP-Banco Sofisa (BR-L1283)	$10,000
Chile	Banco Internacional - TFFP (CH-X1010)	$15,000
Ecuador	Banco de Guayaquil TFFP (EC-L1028)	$16,500
	Banco de la Producción, S.A. (PRODUBANCO) (EC-L1024)	$10,000
	Banco Internacional S.A. - TFFP (EC-L1042)	$18,000
	TFFP Banco Pacífico (EC-X1013)	$10,000
El Salvador	Banco Agricola S.A. - TFFP (ES-L1031)	$7,000
	Banco Cuscatlán TFFP	$5,000
	Banco Promerica El Salvador - TFFP (ES-L1060)	$3,000
Guatemala	Banco G&T Continental - TFFP (GU-L1036)	$21,000
	Banco Industrial - TFFP (GU-L1041)	$55,000
	Banco Internacional, S.A. - TFFP (GU-L1061)	$5,000
	Banco Promerica Guatemala - TFFP (GU-L1066)	$1,365
Honduras	Banco Atlántida S.A. - TFFP (HO-L1029)	$20,283
	Banco Del Pais S.A. (Banpais) - TFFP (HO-L1074)	$25,000
	Banco Ficensa Honduras TFFP (HO-X1023)	$6,350
Nicaragua	Banco de Finanzas - TFFP (NI-L1031)	$3,000
Panama	Banco Aliado S.A. - TFFP (PN-L1030)	$3,714
	Tower Bank - TFFP (PN-L1065)	$23,993
Paraguay	Banco Continental S.A.E.C.A. - TFFP (PR-L1053)	$4,300
	Banco Familiar - TFFP (PR-X1004)	$6,062
Peru	Banco Interamericano de Finanzas - TFFP (PE-L1029)	$60,000
		$720,024

Miles de dólares

TFFP Program – Guarantees		
Country	**Name**	**Amount**
Argentina	Banco CMF S.A. - TFFP (AR-L1115)	$1,268
	Banco de Galicia y Buenos Aires - TFFP (AR-L1113)	$9,000
	Banco Industrial S.A. TFFP (AR-X1019)	$13,335
	Banco Río de la Plata S/A - TFFP (AR-L1028)	$6,717
	Banco Supervielle S.A. - TFFP (AR-L1093)	$3,325
	Banco Comafi TFFP Line	$2,956
Brazil	Daycoval - TFFP (BR-L1286)	$31,947
Costa Rica	Banco Lafise Costa Rica - TFFP (CR-L1027)	$5,000
Dominican Republic	Banco de Reservas - TFFP (DR-L1027)	$72,000
Ecuador	Banco Bolivariano - TFFP (EC-L1034)	$9,642
El Salvador	Banco Davivienda Salvadoreño, S.A. - TFFP (ES-L1042)	$21,675
Guatemala	Banco G&T Continental - TFFP (GU-L1036)	$5,000
	Banco Internacional, S.A. - TFFP (GU-L1061)	$15,000
Honduras	Banco Ficensa Honduras TFFP (HO-X1023)	$779
	Banco FICOHSA TFFP (HO-L1012)	$68,500
	Banhcafe Honduras TFFP (HO-X1022)	$806
Nicaragua	Banco de Crédito Centroamericano S.A. (BANCENTRO) TFFP (NI-L1019)	$16,000
	Banco de Finanzas - TFFP (NI-L1031)	$6,000
	Banco de la Producción S.A. - TFFP (NI-L1028)	$22,716
	Banco Ficohsa Nicaragua - TFFP Line	$5,000
Paraguay	Banco Regional S.A. - TFFP (PR-L1038)	$10,000
Suriname	Finabank Trade Finance Line	$500
		$327,167

Institutional Governance

Structure and Management

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

MISSION

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

MEMBER COUNTRIES

Argentina, Austria, The 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

Guided by the principles of strengthening development effectiveness, IDB Invest contributes to development and additionality, and maximizes the efficient use of resources and synergies between activities with the public and private sectors of the IDB Group. IDB Invest is responsible for all non-sovereign guaranteed operations of the IDB Group (including with state-owned companies and excluding operations with subnational governments).

BOARD OF GOVERNORS

All the powers of IDB Invest 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, the approval of IDB Invest´s financial statements, and the 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 its 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 IDB Invest, two persons among the directors representing the regional developing member countries; and one person from the directors representing the other member countries. All IDB Invest loans to and investments in companies located in member countries are subject to the consideration of this Committee.

The President of the IDB is, ex-officio, Chairman of the Board of Executive Directors of IDB Invest. 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.

MANAGEMENT

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 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.

PERSONNEL

To fulfill its development mission, IDB Invest has 303 staff members distributed in 13 divisions and six teams. Of the total, 24% of employees are located in 25 of the region's 26 offices: Argentina, The 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 rest are located at IDB Invest headquarters in Washington, D.C.

Compensation Structure for IDB Invest Headquarters Staff[1], December 31, 2018							
Level	**Position**	**Minimum**	**Maximum**	**Headcount**	**% of Staff**	**Average Salary**	**Average Benefits[2]**
EXE	Executive	$210,400	$425,000	6	2.6%	$321,394	$134,985
A	Leadership	$164,700	$296,200	11	4.8%	$228,581	$96,004
B	Technical	$143,000	$257,200	40	17.4%	$177,534	$74,564
C	Technical	$118,800	$213,900	55	23.9%	$145,704	$61,196
D	Technical	$88,600	$176,800	88	38.3%	$109,892	$46,155
E	Technical	$72,900	$116,800	18	7.8%	$85,008	$35,703
F	Business Support	$52,300	$78,400	10	4.3%	$60,612	$25,457
G	Business Support	$45,600	$68,100	2	0.9%	$82,037	$34,455
				230	**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 2018)		
	Executive Director	**Alternate Executive Director**
Argentina y Haiti	Federico Ignacio Poli	Lucio Castro
Austria, Belgium, China, Germany, Italy, and The Netherlands	Jing Chen	Michael Anthony C. Boseret
Bahamas, Barbados, Guyana, Jamaica, and Trinidad and Tobago	Selwin Charles Hart	Arthur Hugh Washington Williams
Belize, Costa Rica, El Salvador, Guatemala, Hondura, and Nicaragua	José Mauricio Silva	Francisco José Mayorga Balladares
Bolivia, Paraguay and Uruguay	Marko Marcelo Machicao Bankovic	Germán Hugo Rojas Irigoyen
Brazil and Suriname	José Guilherme Almeida dos Reis	Sergio Savino Portugal
Canada, Denmark, Finland, France, Norway, Sweden and Switzerland	Patrick Jean Hervé	Per Arne Backman
Chile and Peru	Gerardo M. Corrochano	Alex Foxley
Colombia and Ecuador	Sergio Díaz Granados	Rosa Matilde Guerrero Murgueytio
Dominican Republic and Mexico	Juan Bosco Martí Ascencio	Carlos Augusto Pared Vidal
Israel, Japan, Korea, Portugal, and Spain	Toshiyuki Yasui	Hyungon Kim
Panama and Venezuela	Armando José León Rojas	Fernando Ernesto de León de Alba
United States of America		Eliot Pedrosa

EXECUTIVE DIRECTORS AND ALTERNATE EXECUTIVE DIRECTORS

First row, from left:
Michael Boseret (Belgium), **Toshiyuki Yasui** (Japan), **Rosa Matilde Guerrero** (Ecuador), **Selwin Hart Charles** (Barbados), **Federico Poli** (Argentina), **Gerardo Corrochano** (Peru)

Second row, from left:
Sergio Díaz Granados (Colombia), **Per Arne Backman** (Sweden), **Eliot Pedrosa** (United States of America), **Fernando de León de Alba** (Panama), **Francisco Mayorga** (Nicaragua), **Arthur Williams** (Jamaica)

Third row, from left:
Armando León Rojas (Venezuela), **Sergio Savino Portugal** (Brazil), **Marko Machicao** (Bolivia), **Patrick Hervé** (France), **Carlos Pared** (Dominican Republic)

MANAGEMENT

First row, from left:

James P. Scriven
Chief Executive Officer

Rachel Robboy
Chief Risk Officer

Second row, from left:

H. Rosemary Jeronimides
General Counsel

Orlando Ferreira
Chief Strategy Officer

Rocío Palafox
Chief Finance and Administration Officer

Gema Sacristán
Chief Investment Officer

Financial Results

KEY DATA[1]

$ in thousands	Year ended December 31				
	2018	2017	2016	2015[2]	2014[2]
Statement of Income					
Total income	**170,168**	134,229	111,575	62,451	60,959
Total income, net of interest expense	**143,556**	117,189	99,020	53,008	48,479
Total operating expenses	**119,500**	99,635	81,249	50,006	35,145
Net income	**24,056**	17,554	17,771	3,002	13,334
Balance Sheet					
Net loans and equity investments	**1,690,355**	963,938	851,569	954,002	1,004,437
Total assets	**3,209,253**	2,185,395	2,146,724	1,505,296	1,988,846
Borrowings and long-term debt	**1,286,372**	646,741	1,062,383	598,456	1,098,601
Equity	**1,819,250**	1,444,580	1,021,982	857,324	845,137
Ratios					
Return on average assets	**0.9%**	0.8%	1.0%	0.2%	0.7%
Return on average equity	**1.5%**	1.4%	1.9%	0.4%	1.6%
Debt to equity	**71%**	45%	104%	70%	130%
Equity to assets	**57%**	66%	48%	57%	43%
Liquidity to total assets	**46%**	55%	59%	35%	46%
Loan loss provisions to total loans	**4.3%**	5.2%	4.1%	3.8%	4.7%
Problem loans	**0.8%**	0.9%	1.0%	0.8%	2.0%

Return on average assets: defined as Net income as a percentage of average of current and previous year's Total assets.
Return on average equity: defined as Net income as a percentage of average of current and previous year's Equity.
Debt to equity: defined as Borrowings and Interest and commitment fees payable as a percentage of Equity.
Equity to assets: defined as Equity as a percentage of Total assets.
Liquidity to total assets: defined as Cash and cash equivalents, Investment securities, excluding Held-to-maturity securities, as a percentage of Total assets.
Provisions for loan losses to total loans: defined as Allowance for loan losses as a percentage of Loan portfolio.
Non-performing loans: defined as Nonaccrual loans over 90 days as a percentage of total Loan portfolio.

[1] Please note that the income statement presentation was refined in IDB Invest's 2017 financial statements. Effective for the 2018 Annual Report and years thereafter, all figures presented are aligned with this modified presentation for comparability.
[2] Pre-private sector reform.

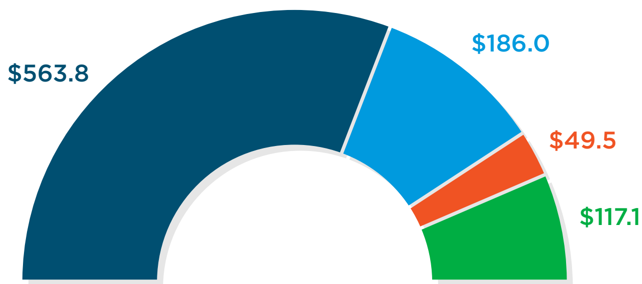
FINANCIAL RESULTS

IDB Invest marked its third year of operations after the private sector reform in 2016 and was recognized as the ***2018 Multilateral Development Bank of the Year by LatinFinance*** signaling the institution's increased market presence and value add to the private sector arm of the Inter-American Development Bank (IDB) Group. With a client-centric approach, IDB Invest delivered exponential portfolio growth related to new lines of business while maintaining an extraordinary level of shareholder support.

Capital

As of December 31, 2018 (in US$ million)

Total GCI-II capital contributions: $916.4

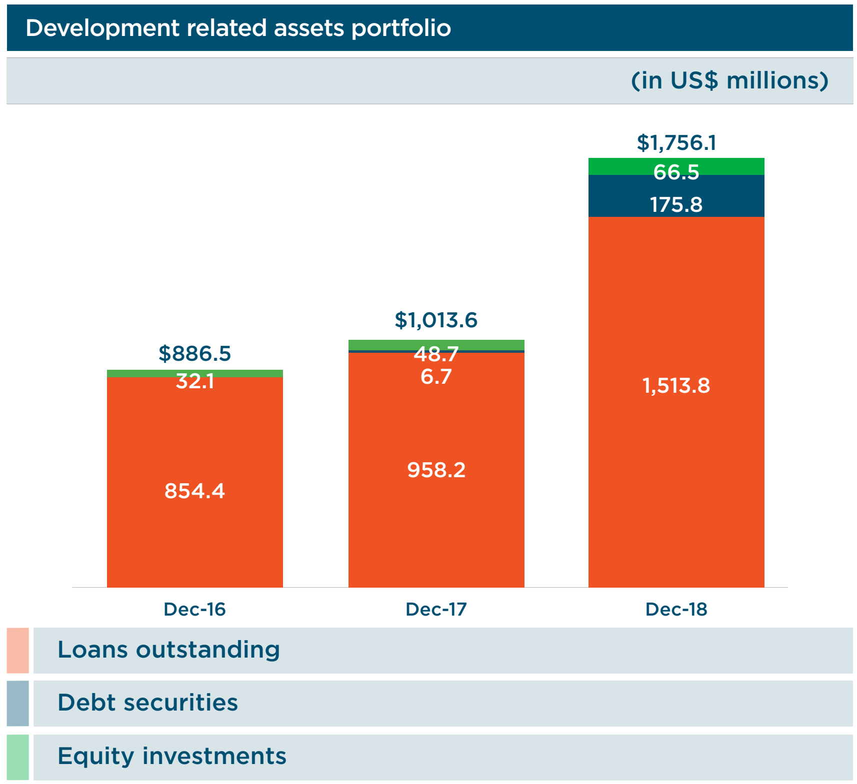


- **1st and 2nd installments received under GCI-II**
- **3rd installement received under GCI-II**
- **Income distributions (transfers) from IDB on behalf of its shareholders**
- **Advance payments**

IDB Invest's net income of $24.1 million in 2018 increased 37% (compared to $17.6 million for 2017). During 2018, IDB Invest's total capital grew by 26%, from $1.4 billion in 2017 to $1.8 billion in 2018. This increase in IDB Invest's capital base resulted from $338.8 million in capital contributions and positive retained earnings from current year net income.

During 2018, IDB Invest delivered on portfolio growth in new priority lines of business and sectors, strengthening infrastructure and energy while expanding further into transport, as well as the deployment of new product offerings, notably the Trade Finance and Facility Program (TFFP), purchased debt securities, guarantees, mezzanine financing and the expansion of local currency funding issuances in Colombia, Mexico and Paraguay. IDB Invest is the first multilateral to issue bonds in Paraguay.

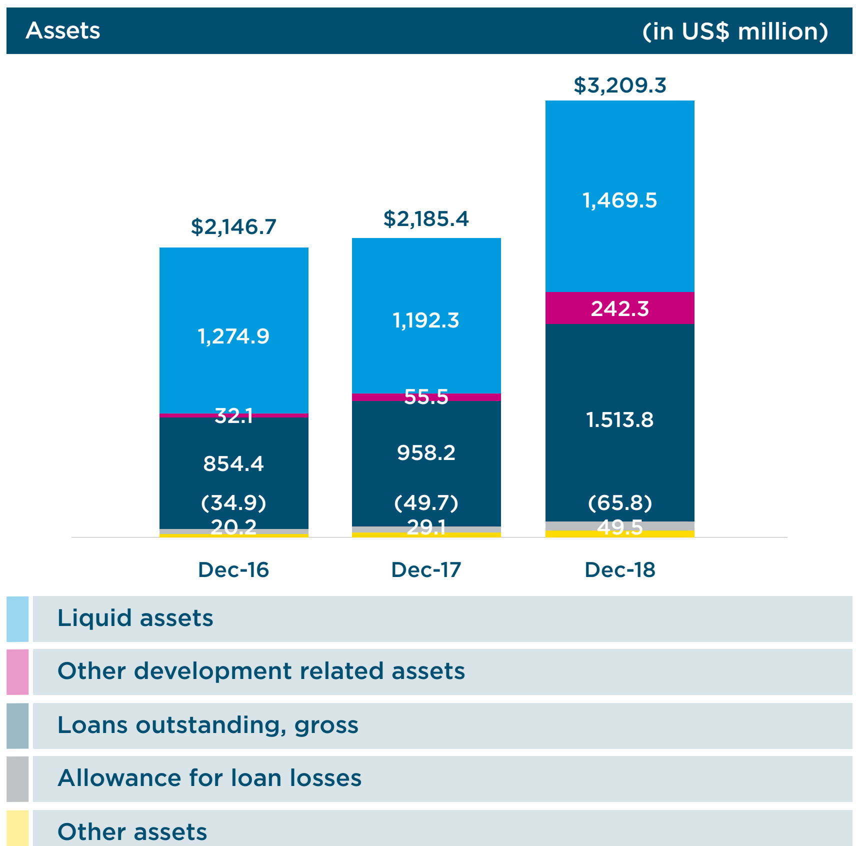
For the 2018 fiscal year, IDB Invest's gross development related assets (DRA), measured as gross loans, equity investments and purchased debt securities, grew from $1.0 billion in 2017 to $1.8 billion in 2018. In addition, undisbursed commitments related to DRAs nearly doubled from the prior year, providing evidence of continued growth forward in IDB Invest's portfolio.

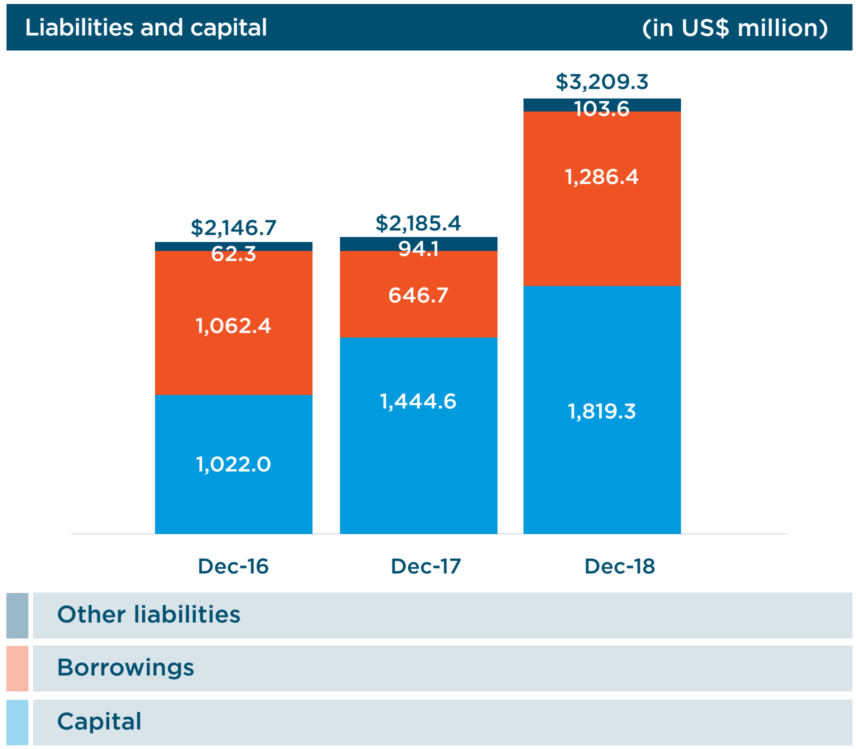


Total income, net of borrowings expense, amounted to $143.6 million in 2018, $26.4 million higher than in 2017. The increase in total income compared to the prior year was primarily driven by higher gross loan and development related debt securities income, an increase of $22.1 million that were partially offset by an increase of $4.2 million in loan loss provisions, higher income for services managing the IDB's growing private sector portfolio, an increase of $10.2 million, and higher income from the investment securities portfolio, an increase of $8.2 million. Conversely, operating expenses, excluding unrealized gains/losses related to foreign currency, increased from $99.6 million in 2017 to $122.5 million in 2018, reflecting higher administrative expenses, which increased by 23% mainly in line with optimizing its combination of workforce and IT and facilities projects. Such optimizations help to strengthen its capabilities and infrastructure to achieve strategic business growth objectives resulting in gross DRA growth of 73% during 2018.

ASSET QUALITY

IDB Invest's gross DRA portfolio continues to grow from the prior year while maintaining a consistent level of portfolio credit quality over the period of growth. The allowance for loan losses as a percentage of loans outstanding decreased compared to the end of 2017 (4.3% at the end of 2018 vs. 5.2% at the end of 2017). Also, the ratio of impaired loans to loan portfolio outs-tanding decreased from 2.8% in 2017 to 2.0% in 2018. The main indicators of asset quality remained stable and the LAC region showed modest signs of economic recovery that are expected to continue into 2019.





CAPITAL, LEVERAGE AND LIQUIDITY ADEQUACY

IDB Invest has a comprehensive risk management framework to strengthen the institution's risk management practices and business profile. In 2018, IDB Invest's capital adequacy ratio, liquidity coverage ratio and debt to equity ratio remained in full compliance with financial risk management policies and targets.

IDB Invest's solvency and liquidity ratios remained strong in 2018. IDB Invest's capital-to-total-assets ratio shifted to 57% at the end of 2018 (compared to 66% at the end of 2017). Still, leverage stayed well below the maximum level of 3.0x established by the Agreement Establishing the Inter-American Investment Corporation, with the debt-to-equity ratio increasing to just 0.7x. IDB Invest's liquidity to total assets ratio was 46% in 2018 and the liquidity to financial debt ratio was 114% in 2018.

The sound business and financial profiles of IDB Invest were reflected in its external ratings. As of December 31, 2018, IDB Invest was rated AAA, Aa1, and AA (with a positive outlook) by Fitch, Moody's and S&P, respectively.

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Appendix
Financial Statements

INTER-AMERICAN INVESTMENT CORPORATION
Financial Statements
as of December 31, 2017 and 2018

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

Independent Auditor's 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, 2018 and 2017, 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, 2018 and 2017, 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 5, 2019

INTER-AMERICAN INVESTMENT CORPORATION

Financial Statements

December 31, 2018

Inter-American Investment Corporation

Balance Sheet

Expressed in thousands of United States dollars	Notes	December 31, 2018	December 31, 2017
Assets			
Cash and cash equivalents ($161 and $90 in restricted cash, respectively)		$ 9,647	$ 20,755
Investment securities	3 & 9	1,459,799	1,171,565
Development related investments			
Loans outstanding ($7,714 and none carried at fair value, respectively)		1,513,811	958,177
Allowance for loan losses		(65,776)	(49,685)
		1,448,035	908,492
Equity investments ($52,345 and $35,674 carried at fair value, respectively)		66,556	48,723
Debt securities ($91,295 and none carried at fair value, respectively)		175,764	6,723
Total development related investments	4 & 9	1,690,355	963,938
Receivables and other assets	5	49,452	29,137
Total assets		**3,209,253**	**2,185,395**
Liabilities and capital			
Accounts payable and other liabilities	6	96,291	91,628
Interest and commitment fees payable		7,340	2,446
Borrowings	7	1,286,372	646,741
Total liabilities		**1,390,003**	**740,815**
Capital			
Capital, par value		1,542,860	1,512,480
Additional paid-in-capital		523,949	501,531
Receivable from members		(444,603)	(730,597)
Total paid-in-capital	8	1,622,206	1,283,414
Retained earnings		235,356	208,471
Accumulated other comprehensive income/(loss)		(38,312)	(47,305)
Total capital		**1,819,250**	**1,444,580**
Total liabilities and capital		**$ 3,209,253**	**$ 2,185,395**

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

Inter-American Investment Corporation

Statement of Income

Expressed in thousands of United States dollars	Notes	Year ended December 31 2018	2017
Income			
Investment securities	3 & 9	$ 30,110	$ 21,862
Development related investments			
Loans, guarantees and debt securities	4 & 9		
Interest income		65,532	43,930
Fees and other income		4,107	3,648
(Provision)/release of provision for loan and guarantee losses		(18,313)	(14,143)
		51,326	33,435
Equity investments	4 & 9		
Gain/(loss) from changes in fair value, net		(1,033)	1,499
Gain/(loss) from measurement adjustments, net		1,400	-
Gain/(loss) on sale, net		1,131	703
Dividends and other income		485	178
		1,983	2,380
Income from development related investments		53,309	35,815
Advisory services and other income			
Service fees from related parties	11	79,030	69,059
Mobilization fees and other income		7,719	7,493
		86,749	76,552
Total income		**170,168**	**134,229**
Borrowings expense	7	26,612	17,040
Total income/(loss), net of borrowings expense		**143,556**	**117,189**
Operating expenses			
Administrative expenses		121,358	100,185
Other components of pension benefit costs, net	12	(2,306)	(2,911)
(Gain)/loss on foreign exchange transactions, net		(2,971)	16
Other expenses		3,419	2,345
Total operating expenses		**119,500**	**99,635**
Net income		**$ 24,056**	**$ 17,554**

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

Inter-American Investment Corporation
Statement of Comprehensive Income/(Loss)
Statement of Changes in Capital

Statement of Comprehensive Income/(Loss)

Expressed in thousands of United States dollars	Notes	Year ended December 31 2018	Year ended December 31 2017
Net income		**$ 24,056**	**$ 17,554**
Other comprehensive income/(loss)			
Recognition of changes in assets/liabilities under the Pension Plans and Postretirement Benefit Plan	12	16,449	(23,154)
Recognition of changes related to available-for-sale securities	3 & 4	(4,627)	2,586
Total other comprehensive income/(loss)		**11,822**	**(20,568)**
Comprehensive income/(loss)		**$ 35,878**	**$ (3,014)**

Statement of Changes in Capital

Expressed in thousands of United States dollars, except for share information	Notes	Shares	Total paid-in capital	Retained earnings	Accumulated other comprehensive income/(loss)	Total capital
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 shares	8	-				
Payments received for capital			425,612	-	-	425,612
As of December 31, 2017		**151,248**	**1,283,414**	**208,471**	**(47,305)**	**1,444,580**
Cumulative effect of adoption of ASU 2016-01	2		-	2,829	(2,829)	-
Year ended December 31, 2018						
Net income			-	24,056	-	24,056
Other comprehensive income/(loss)			-	-	11,822	11,822
Change in shares	8	3,038				
Payments received for capital			338,792	-	-	338,792
As of December 31, 2018		**154,286**	**$ 1,622,206**	**$ 235,356**	**$ (38,312)**	**$ 1,819,250**

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

Inter-American Investment Corporation

Statement of Cash Flows

Expressed in thousands of United States dollars	Year ended December 31 2018	2017
Cash flows from investing activities		
Loan disbursements	$ (906,566)	$ (403,559)
Loan proceeds	349,563	303,067
Equity investments disbursements	(18,232)	(14,398)
Equity investments proceeds	1,804	2,595
Development related debt securities purchases	(175,679)	(6,790)
Development related debt securities proceeds	278	67
Available-for-sale securities purchases	(621,610)	(575,096)
Available-for-sale securities sales and maturities	523,212	347,538
Capital expenditures	(5,224)	(9,087)
Net cash provided by/(used in) investing activities	**$ (852,454)**	**$ (355,663)**
Cash flows from financing activities		
Proceeds from issuance of borrowings	677,262	10,044
Borrowings repayments	(28,106)	(428,591)
Payments received for capital	338,792	425,612
Net cash provided by/(used in) financing activities	**$ 987,948**	**$ 7,065**
Cash flows from operating activities		
Net income	24,056	17,554
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:		
Change in fair value of equity investments and measurement adjustments	(367)	(1,499)
Provision for loan and guarantee losses	18,313	14,143
Change in fair value of investment securities included in earnings	(1,549)	(3,503)
Realized (gain)/loss on sales of equity investments	(1,131)	(703)
Other-than-temporary impairment losses on available-for-sale investment securities	628	-
Change in receivables and other assets	(17,687)	(3,600)
Change in accounts payable and other liabilities	16,644	6,414
Change in Pension Plans and Postretirement Benefit Plan, net	5,939	2,114
Change in trading investment securities	(195,798)	308,957
Other, net	4,367	5,929
Net cash provided by/(used in) operating activities	**$ (146,585)**	**$ 345,806**
Net effect of exchange rate changes on cash and cash equivalents	(17)	88
Net increase/(decrease) in cash and cash equivalents	(11,108)	(2,704)
Cash and cash equivalents as of January 1	20,755	23,459
Cash and cash equivalents as of December 31	**$ 9,647**	**$ 20,755**
Supplemental disclosure:		
Change in ending balances resulting from currency exchange rate fluctuations:		
Investment securities	(3,634)	185
Loans outstanding	196	2,287
Debt securities	(6,348)	-
Borrowings	9,314	(2,627)
	(472)	(155)
Interest paid during the period	21,302	17,178

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

Entity and Operations

The Inter-American Investment Corporation (the IIC or IDB Invest), an international organization, was established in 1986 and began operations in 1989, and is owned by its member countries. These members include 26 regional developing member countries, all of which are located in Latin America and the Caribbean (the Regional Developing Member Countries), and 19 members from other countries. In November 2017, the IIC adopted a new brand and now refers to itself as IDB Invest. This rebranding did not entail a change in the legal name. The purpose of IDB Invest is to promote the economic development of its Regional Developing Member Countries 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). IDB Invest 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. IDB Invest also arranges additional project funding from other investors and lenders, either through joint financing or through loan syndications, loan participations and guarantees. In addition, IDB Invest provides financial and technical advisory services to clients. IDB Invest 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 (now commercially known as IDB Lab).

1. Basis of Presentation

These financial statements are 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 in United States dollars (US$ or $), which is IDB Invest'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 loan and guarantee losses, the evaluation for other-than-temporary impairment on available-for-sale and held-to-maturity debt securities and equity investments, 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 IDB Invest's operations including the potential impacts of changing economic conditions on IDB Invest's clients and the global investment markets that could have an adverse effect on the financial position of IDB Invest.

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. IDB Invest may hold cash deposits in excess of Federal Deposit Insurance Corporation (FDIC) insured limits. In addition, cash and cash equivalents include restricted cash related to third party project origination costs.

Investment securities – As part of its overall portfolio management strategy and to provide liquidity and resources to finance development related investments, IDB Invest 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]. The investment securities

[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.

classified as available-for-sale are carried at fair value with net unrealized gains or losses included in 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 debt securities are reported in income from Investment securities.

Available-for-sale securities are evaluated for other-than-temporary impairment. IDB Invest 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 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 Other comprehensive income/(loss). However, when impairment is recorded because IDB Invest intends to sell or considers it more likely than not that it will be required to sell the securities before the recovery of the amortized cost the full impairment is recognized in earnings.

Loans – Loans are recorded as assets when disbursed and are carried at the unpaid principal amount outstanding adjusted for allowance for loan losses or carried at fair value.

IDB Invest 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. IDB Invest'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. IDB Invest also enters into insurance contracts as a form of credit enhancements that are generally not transferable.

Allowance for loan and guarantee losses – The allowance for loan and guarantee losses represents management's estimate of probable incurred losses in the related portfolio as of the balance sheet date and is recorded as a reduction of loans and as a contingent liability for guarantees. Changes in the allowance for loan and guarantee losses are recorded through the (Provision)/release of provision for loan and guarantee losses in the statement of income. The estimate takes into consideration the rating of each loan or guarantee counterparty which incorporates qualitative and quantitative elements including country risk, industry risk as well as financial risk and the loss given default based on Standard and Poor's (S&P) methodology. IDB Invest believes that the allowance for loan and guarantee losses is adequate as of the balance sheet date; however, future changes to the allowance for loan and guarantee losses may be necessary based on changes in any of the factors discussed herein.

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

As mentioned above, the collective provision 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: country risk, industry risk, market risk, competitive position, any sponsor guarantees and support agreements, as well as an analysis of the financial performance 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 S&P. The credit rating is mapped to a probability of default (PD) according to the latest S&P Annual Global Corporate Default Study and Rating Transitions publication, as approved by management.

- Loss Given Default — IDB Invest 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.

IDB Invest utilizes these external inputs to calculate the allowance for loan losses because of IDB Invest's limited historical loss experience, relatively small volume of business, 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 IDB Invest and the nature of the loans, secondary market values are usually not available.

IDB Invest considers a loan impaired when, based on current information and events, it is probable that IDB Invest 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, a loan modification is considered a troubled debt restructuring when the borrower is experiencing financial difficulty and IDB Invest has granted a concession to the borrower that it otherwise would not grant in order to maximize recoveries on the existing loan. A loan restructured under a troubled debt restructuring is considered impaired, until its extinguishment, but it does not need to be disclosed as such after the year it was restructured, if the restructuring agreement specifies an interest rate equal to or greater than the rate that IDB Invest was willing to accept at the time of the restructuring for a new loan with comparable risk, and the loan is not impaired based on the terms specified in the restructuring agreement. Additional information is included in Note 4.

Loans are written off when IDB Invest has exhausted all possible means of recovery, by reducing the loan and related allowance for loan losses. 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 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. IDB Invest does not accrue 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 when the payment is received. The loan 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 previously not 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 loan losses 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 offset against Fees and other income in the statement of income, 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 equity investments primarily in small and medium-sized enterprises and financial institutions.

Until 2017, in accordance with ASC 320, *Investments*, equity investments for which IDB Invest maintained specific ownership accounts—and for which IDB Invest did not have a controlling financial interest or significant influence—were recorded at cost less impairment, if any, or if these investments were listed and had readily determinable fair values, these investments were accounted for as available-for-sale securities at fair value with unrealized gains and losses reported in Other comprehensive income/(loss).

On January 1, 2018, IDB Invest adopted ASC 321, *Investments-Equity Securities*, which requires all investments in equity securities to be accounted for at fair value through the statement of income except for those investments without a readily determinable fair value (RDFV). This change applies to entities prospectively.

ASC 321 eliminates the available-for-sale securities designation for equity investments with fair value adjustments through Other comprehensive income/(loss) and requires these equity investments to be measured at fair value through the statement of income. Fair value changes related to this portfolio are recorded in Gain/(loss) from changes in fair value, net in the statement of income for the year ended December 31, 2018.

As of December 31, 2018, IDB Invest relies on the net asset value (NAV) reported by the fund managers as a practical expedient for the fair value measurement of LPs. The NAVs that have been reported by the fund manager are derived from the fair values of the underlying investments. If the NAV is not as of IDB Invest's measurement date, IDB Invest adjusts the most recent NAV, as necessary, to estimate a NAV for the investment that is calculated in a manner consistent with the fair value measurement principles. IDB Invest also records equity investments without RDFV at cost less impairment plus or minus adjustments resulting from observable price changes in orderly transactions for the identical investment or a similar investment of the same issuer. Adjustments related to impairment and observable price changes, if any, are recorded in Gain/(loss) from measurement adjustments, net in the statement of income. IDB Invest reassesses periodically whether these equity investments continue to qualify for this cost-based measurement alternative. IDB Invest may subsequently elect to measure an equity investment at fair value; such election is irrevocable, and any resulting gains or losses would be recorded in earnings at the time of election and thereafter.

Equity investments not recorded at fair value are assessed for impairment periodically based on the latest financial information, operating performance and other relevant information including macroeconomic conditions, specific industry trends, the historical performance of the company, and IDB Invest's intent to hold the investment for an extended period. When impairment is identified, the investment is written down to its fair value, which becomes the new carrying value for the investment.

Revenue recognition on equity investments – Dividends and profit participations received from equity investments not accounted for at fair value are recorded as income and reported as Dividends in the statement of income on a cash basis when dividend distributions are collected. Gains or losses on the sale or redemption of equity investments accounted for without RDFV are recorded, at disposition, as income/(loss) and reported in Gain/(loss) on sale, net in the statement of income.

For equity investments accounted for at fair value, unrealized gains and losses are recorded as Gain/(loss) from changes in fair value, net of equity investments in the statement of income. Disbursements and distributions are recorded as changes to the outstanding balance of these equity investments 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 carried at fair value through net income or are designated in a held-to-maturity portfolio. Certain investments that meet the definition of a beneficial interest are accounted for as debt securities and carried at fair value through net income.

For the remaining portfolio, debt securities are classified as held-to-maturity and carried at amortized cost. Interest on these debt securities is included in Income from development related investments in the statement of income. Held-to-maturity debt securities are assessed for other-than-temporary impairment on a quarterly basis.

Variable interest entities – ASC 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. IDB Invest has concluded that it is not the primary beneficiary for any significant VIEs. Additionally, IDB Invest does not have a significant variable interest in any VIE, which would require disclosure. Similarly, IDB Invest 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, IDB Invest receives project administration and general administrative fees for services provided to several special purpose trust funds affiliated with IDB Invest or the IDB. Additional information about related-party transactions is included in Note 11.

Guarantees – IDB Invest 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 IDB Invest to guarantee payment performance by a borrower to a third party. IDB Invest'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 IDB Invest executes the guarantee agreement, outstanding when the underlying financial obligation of the third party is incurred and called when IDB Invest'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 the guarantees are included in Accounts payable and other liabilities in the balance sheet. The expense related to the contingent liability is recorded in (Provision)/release of provision for loan and guarantee losses in the statement of income. Guarantee fee income is recognized as IDB Invest is released from risk and its stand-ready obligation to perform. 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.

Borrowings – To ensure funds are available for its operational liquidity needs, IDB Invest accesses the international capital markets, offering its debt securities to investors. IDB Invest'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 that range from three to seven years. Additional information about fixed and intangible assets is included in Note 5.

Remeasurement of foreign currency transactions – Monetary assets and liabilities denominated in currencies other than the United States dollar are recognized at the market exchange rate in effect at the transaction date or at monthly average rates. Resulting gains and losses from remeasurement are generally 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, IDB Invest 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 IDB Invest. Unobservable inputs are inputs that reflect IDB Invest'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, equity investments and development related debt securities that are also measured for impairment or disclosed at fair value.

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 IDB Invest'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 820, *Fair Value Measurements* (ASC 820), the impact of IDB Invest'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.

Fair value option – The Fair Value Option (FVO) under ASC 825 permits the measurement of eligible financial assets, financial liabilities and firm commitments at fair value on an instrument-by-instrument basis, that are not otherwise permitted to be accounted for at fair value under other accounting standards. The election to use the FVO is available when an entity first recognizes a financial asset or liability or upon entering into a firm commitment. IDB Invest has elected the FVO for the following classes of financial assets: i) investments in LPs, ii) certain development related investments in debt securities that meet the definition of a beneficial interest and iii) certain hybrid instruments in the loan portfolio. For those hybrid instruments in the loan portfolio that would have otherwise required bifurcation of the host and embedded derivative, the FVO eliminated the bifurcation requirement. The classes of financial assets elected under the FVO are measured at fair value on a recurring basis and changes in fair value of these financial instruments are included in the statement of income. Interest income on these financial instruments is recognized on an accrual basis in Interest income in the statement of income.

Loan participations – IDB Invest mobilizes funds from commercial banks and other financial institutions (Participants) by facilitating loan participations, without recourse. These loan participations are administered and serviced by IDB Invest on behalf of the Participants in exchange for a fee. Such fees are reported as Mobilization fees and other income in the statement of income. The disbursed and outstanding balances of loan participations that meet the applicable accounting criteria for sales are not included in IDB Invest's balance sheet.

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 are funded by contributions from employees, IDB Invest 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 IDB Invest, 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. IDB Invest 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 IDB Invest 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 IDB Invest are sponsors of the Pension Plans and the PRBP, each employer presents its respective share of these plans. The amounts presented reflect IDB Invest's proportionate share of costs, assets, and obligations of these Pension Plans and PRBP in accordance with ASC 715, *Compensation – Retirement Benefits*.

The service cost component of net periodic benefit costs allocated to IDB Invest is included in Administrative expenses and the other components are included in Other components of pension benefit costs, net 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 – IDB Invest, 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. IDB Invest 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) 2014-09, *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 or guarantees. Supplemental guidance has been issued in the form of additional ASUs related to the revenue recognition topic. For IDB Invest, this Update is applicable to Advisory services and other income and became effective for the 2018 annual financial statements with no material impact on IDB Invest's financial position, statement of income or cash flows.

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 previous GAAP model primarily affect accounting for equity investments and presentation and disclosure requirements. Supplemental guidance has been issued in the form of additional ASUs related to the financial instruments' topic. For IDB Invest, this Update eliminates the available-for-sale classification for equity investments and requires that changes in fair value for equity investments with RDFVs are recorded through the statement of income. Equity investments without RDFVs are recorded at cost less any impairment plus or minus adjustments for observable price changes and are recorded as Gain/(loss) from measurement adjustments, net in the statement of income. Accounting for other financial instruments, such as loans, investments in debt securities, and other financial liabilities is largely unchanged. IDB Invest adopted this Update for the 2018 annual financial statements by means of a cumulative effect reclassification of $2.8 million unrealized gains out of Other comprehensive income into beginning Retained earnings as of January 1, 2018 in the balance sheet.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* and supplemental guidance has been issued in the form of additional ASUs related to the lease topic. The FASB issued these Updates to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities in the balance sheet and disclosing key information about leasing arrangements. To meet this objective, the FASB 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 in the balance sheet under Topic 842 for those leases classified as operating leases under previous US GAAP. For IDB Invest, these Updates are effective January 1, 2019 and will not have a material impact 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. Supplemental guidance has been issued in the form of additional ASUs related to the financial instruments - credit losses topic. For IDB Invest, this Update is effective in 2021. Early adoption is permitted and is under consideration for 2020. 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). IDB Invest 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. IDB Invest adopted this Update for the 2018 annual financial statements and applied the retrospective approach for the presentation of the service cost component and the other components of net periodic pension and postretirement benefit costs for the prior period in accordance with the provisions of the Update. As a result of adopting this Update, $19.1 million is reported as Administrative expenses for the year ended December 31, 2018, whereas previously corresponding amounts were reported as Pension plans and postretirement benefit plan expense. For the year ended December 31, 2017, IDB Invest followed the practical expedient permitted by the Update and used the amounts disclosed in Note 12 – Pension and Postretirement Benefit Plans as of December 31, 2017, for applying the retrospective presentation requirements. As a result, $14.1 million were reclassified from Pension plans and postretirement benefit plan expense to Administrative expenses in the statement of income for the year ended December 31, 2017. The line item Pension plans and postretirement benefit plan expense has been changed to Other components of pension benefit costs, net upon adoption of this Update.

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

IDB Invest, this Update is effective in 2019. IDB Invest is currently assessing the impact that this Update will have on its financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement – Changes to the disclosure requirements for fair value measurement*. The amendments in this Update impact disclosure requirements for all entities that are required, under existing US GAAP, to make disclosures about recurring or nonrecurring fair value measurements. This Update eliminates, modifies, and adds to the existing disclosures. For IDB Invest, this Update is effective in 2020. IDB Invest is currently assessing the impact that this Update will have on its financial statements.

In August 2018, the FASB issued ASU 2018-14, *Compensation – Retirement Benefits - Defined Benefit Plans – Changes to the disclosure requirements for defined benefit plans.* The amendments in this Update impact disclosure requirements for all employers that sponsor defined benefit pension or other postretirement plans by eliminating existing disclosures that are no longer deemed to be relevant while at the same time adding new disclosures deemed to improve disclosures and clarifying existing disclosures. Among the new disclosures, the explanation of the reasons for significant gains and losses related to changes in the benefit obligation for the period will be required. For IDB Invest, this Update is effective in 2020. IDB Invest is currently assessing the impact that this Update will have on its financial statements.

In August 2018, the FASB issued ASU 2018-15, *Intangibles – Goodwill and other – Internal-use software – Customer's accounting for implementation costs incurred in a cloud computing arrangement that is a service contract*. The amendments in this Update result in consistent capitalization of implementation costs of a hosting arrangement that is a service contract and implementation costs incurred to develop or obtain internal-use software and hosting arrangements that include an internal-use software license. For IDB Invest, this Update is effective in 2020. IDB Invest is currently assessing the impact that this Update will have on its financial statements.

In October 2018, the FASB issued ASU 2018-17, *Consolidation (Topic 810) – Targeted Improvements to Related Party Guidance for Variable Interest Entities (VIEs)*. The amendments in this Update require reporting entities to consider indirect interests held through related parties under common control on a proportional basis rather than as the equivalent of a direct interest in its entirety. For IDB Invest, this Update is effective in 2020. IDB Invest is currently assessing the impact that this Update will have on its financial statements.

3. Investment Securities

The total income from Investment securities is summarized below (US$ thousands):

	Year ended December 31	
	2018	2017
Interests and dividends, net	$ 29,189	$ 18,100
Net gains/(losses) on investment securities	1,549	3,762
Other-than-temporary losses on investment securities	(628)	-
Total	**$ 30,110**	**$ 21,862**

The trading portfolio consists of the following (US$ thousands):

	December 31, 2018	December 31, 2017
Corporate securities	$ 266,707	$ 98,679
Government securities	70,907	41,835
Total	**$ 337,614**	**$ 140,514**

Net unrealized gains recognized in earnings for the year ended December 31, 2018 relating to trading securities still held as of December 31, 2018 were $312 thousand ($41 thousand net unrealized losses for the year ended December 31, 2017).

The fair value of available-for-sale debt securities is as follows (US$ thousands):

	December 31, 2018			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Corporate securities	$ 798,368	$ 384	$ (5,429)	$ 793,323
Agency securities	234,433	3	(1,157)	233,279
Government securities	47,984	2	(141)	47,845
Supranational securities	48,053	-	(315)	47,738
Total	**$ 1,128,838**	**$ 389**	**$ (7,042)**	**$ 1,122,185**

	December 31, 2017			
	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
Total	**$ 1,033,199**	**$ 2,172**	**$ (4,320)**	**$ 1,031,051**

The length of time that individual available-for-sale debt securities have been in a continuous unrealized loss position is as follows (US$ thousands):

	December 31, 2018					
	Less than 12 months		12 months or more		Total	
	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
Corporate securities	$ 340,131	$ (2,554)	$ 201,577	$ (2,875)	$ 541,708	$ (5,429)
Agency securities	13,886	(5)	116,864	(1,152)	130,750	(1,157)
Government securities	3,036	(3)	24,837	(138)	27,873	(141)
Supranational securities	29,978	-	17,761	(315)	47,739	(315)
Total	**$ 387,031**	**$ (2,562)**	**$ 361,039**	**$ (4,480)**	**$ 748,070**	**$ (7,042)**

	December 31, 2017					
	Less than 12 months		12 months or more		Total	
	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)
Total	**$ 438,753**	**$ (2,839)**	**$ 194,907**	**$ (1,481)**	**$ 633,660**	**$ (4,320)**

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

	Year ended December 31	
	2018	2017
Unrealized gains/(losses) during the period	$ (4,891)	$ (113)
Reclassification of (gains)/losses to net income	(242)	(252)
Reclassification to net income due to impaired securities	628	-
Total recognized in other comprehensive income/(loss) related to available-for-sale investment securities	**$ (4,505)**	**$ (365)**

Sales of available-for-sale debt securities amounted to $315.9 million during the year ended December 31, 2018 ($186.5 million during the year ended December 31, 2017). Gross realized gains were $534 thousand and gross realized losses were $292 thousand from the sale of available-for-sale debt securities during the year ended December 31, 2018 ($507 thousand gross realized gains and $255 thousand gross realized losses during the year ended December 31, 2017).

IDB Invest maintains a strict credit policy that all investment securities must be high quality credit rated investment grade. Unrealized losses on the available-for-sale investment securities are analyzed as part of IDB Invest's ongoing assessment of other-than-temporary impairments. For available-for-sale debt securities, IDB Invest recognizes impairment losses in earnings if IDB Invest has the intent to sell the debt security or if it is more likely than not that IDB Invest will be required to sell the debt security before recovery of its amortized cost. In these circumstances the impairment loss is equal to the full difference between the amortized cost and the fair value of the securities. During the year ended December 31, 2018, IDB Invest recognized other-than-temporary impairment losses of $628 thousand on debt securities that IDB Invest will more likely than not be required to sell before recovery of the amortized cost (none during the year ended December 31, 2017). Further, for the remainder of the securities in the available-for-sale portfolio that are in an unrealized loss position, IDB Invest has the intent and ability to hold the securities until recovery of the non-credit portion recognized in Other comprehensive income/(loss).

The maturity structure of available-for-sale debt securities is as follows (US$ thousands):

	December 31, 2018	December 31, 2017
Less than one year	$ 466,233	$ 207,904
Between one and five years	655,952	823,147
Total	**$ 1,122,185**	**$ 1,031,051**

4. Development Related Investments

IDB Invest has specific metrics for concentrations and monitors its development related investments for credit performance, market risk and any potential related effects of geographic or sectorial concentrations. IDB Invest's development related investments are the result of lending and investing activities that include loans, equity investments, debt securities and guarantees that promote the economic development of IDB Invest's Regional Developing Member Countries through the establishment, expansion and modernization of private enterprises. 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 country and by sector is as follows (US$ thousands):

	December 31, 2018				December 31, 2017			
	Loans	Equity investments	Debt securities	Total	Loans	Equity investments	Debt securities	Total
Brazil	$ 226,201	$ 10,453	$ 30,962	$ 267,616	$ 128,500	$ 3,714	$ -	$ 132,214
Chile	255,118	-	-	255,118	136,208	632	-	136,840
Argentina	155,962	-	12,000	167,962	93,213	-	-	93,213
Colombia	83,729	2,004	44,369	130,102	13,862	2,625	-	16,487
Mexico	113,571	15,505	-	129,076	60,183	12,854	-	73,037
Ecuador	122,603	-	-	122,603	74,168	-	-	74,168
Guatemala	69,987	-	40,000	109,987	65,732	-	-	65,732
Paraguay	95,980	-	-	95,980	10,542	-	-	10,542
Regional (1)	41,790	35,594	5,333	82,717	24,923	25,776	-	50,699
Uruguay	65,077	-	15,100	80,177	54,930	-	6,723	61,653
Peru	62,421	-	13,000	75,421	43,714	-	-	43,714
Costa Rica	71,559	-	-	71,559	88,227	-	-	88,227
Honduras	48,310	-	-	48,310	23,983	-	-	23,983
El Salvador	24,684	-	15,000	39,684	20,369	-	-	20,369
Nicaragua	34,666	-	-	34,666	29,192	-	-	29,192
Panama	10,597	-	-	10,597	56,343	-	-	56,343
Haiti	8,417	-	-	8,417	5,287	-	-	5,287
Suriname	7,894	-	-	7,894	9,286	-	-	9,286
Jamaica	6,220	-	-	6,220	6,820	-	-	6,820
Dominican Republic	6,119	-	-	6,119	9,019	-	-	9,019
Bolivia	569	3,000	-	3,569	831	3,122	-	3,953
Bahamas	2,337	-	-	2,337	2,845	-	-	2,845
Total	**$ 1,513,811**	**$ 66,556**	**$ 175,764**	**$ 1,756,131**	**$ 958,177**	**$ 48,723**	**$ 6,723**	**$ 1,013,623**
Financial intermediaries	$ 635,804	$ 3,116	$ 80,000	718,920	$ 535,607	$ 3,354	$ -	$ 538,961
Energy	266,362	-	15,100	281,462	161,361	-	6,723	168,084
Telecom & IT	185,927	4,695	75,331	265,953	20,415	4,695	-	25,110
Agribusiness	236,068	-	-	236,068	74,483	-	-	74,483
General manufacturing	90,731	-	-	90,731	61,428	-	-	61,428
Investment funds	4,858	46,351	5,333	56,542	1,158	30,264	-	31,422
Transportation	47,289	-	-	47,289	38,844	-	-	38,844
Real estate, tourism & construction	16,896	5,994	-	22,890	27,030	5,410	-	32,440
Services, dist. & retail	9,742	6,400	-	16,142	13,888	5,000	-	18,888
Commodities	14,455	-	-	14,455	16,187	-	-	16,187
Health	4,511	-	-	4,511	3,573	-	-	3,573
Logistics	988	-	-	988	3,963	-	-	3,963
Pulp and paper	180	-	-	180	240	-	-	240
Total	**$ 1,513,811**	**$ 66,556**	**$ 175,764**	**$ 1,756,131**	**$ 958,177**	**$ 48,723**	**$ 6,723**	**$ 1,013,623**

(1) Represents investments with operations in multiple countries.

Development related investments committed but not disbursed (net of cancellations) are summarized below (US$ thousands):

	December 31, 2018	
Loans	$	384,735
Debt securities		69,236
Equity investments		41,566
Total	**$**	**495,537**

Loans

Loans accrue interest at fixed and variable rates. The unpaid principal balance of the fixed rate loan portfolio amounted to $369.5 million as of December 31, 2018 ($184.7 million as of December 31, 2017). Variable rate loans generally reprice within one year. Base rates of variable rate loans reset at each repayment date at least annually or more frequently, but loan margins generally remain constant. In the following disclosures, IDB Invest's loan portfolio is classified as financial institutions and corporates.

An age analysis, based on contractual terms, of loans outstanding by investment type is as follows (US$ thousands):

December 31, 2018	1-90 days past due	>90 days past due	Total past due	Total current loans	Total loan portfolio
Financial institutions	$ -	$ -	$ -	$ 621,644	$ 621,644
Corporates	1,733	12,828	14,561	877,606	892,167
Total	**$ 1,733**	**$ 12,828**	**$ 14,561**	**$ 1,499,250**	**$ 1,513,811**
As % of loan portfolio	0.11%	0.85%	0.96%	99.04%	100.00%
Allowance for loan losses	$ (65,776)				
Allowance as a % of outstanding					4.35%

December 31, 2017	1-90 days past due	>90 days past due	Total past due	Total current loans	Total loan portfolio
Financial institutions	$ -	$ -	$ -	$ 536,765	$ 536,765
Corporates	11,795	8,752	20,547	400,865	421,412
Total	**$ 11,795**	**$ 8,752**	**$ 20,547**	**$ 937,630**	**$ 958,177**
As % of loan portfolio	1.23%	0.91%	2.14%	97.86%	100.00%
Allowance for loan losses	$ (49,685)				
Allowance as a % of outstanding					5.19%

The recorded investment in nonaccrual loans outstanding is summarized by investment type as follows (US$ thousands):

	December 31					
	2018			2017		
	Past due	Current	Total nonaccrual	Past due	Current	Total nonaccrual
Corporate	$ 11,836	$ 16,569	$ 28,405	$ 15,629	$ 5,314	$ 20,943
Total nonaccrual loans	**$ 11,836**	**$ 16,569**	**$ 28,405**	**$ 15,629**	**$ 5,314**	**$ 20,943**
Loan portfolio	$ 1,513,811			$ 958,177		
As % of loan portfolio	0.78%	1.09%	1.88%	1.63%	0.55%	2.19%

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 was $1.3 million for the year ended December 31, 2018 ($33 thousand for the year ended December 31, 2017).

The investment in impaired loans as of December 31, 2018 was $30.1 million ($26.6 million as of December 31, 2017). The average investment in impaired loans for the year ended December 31, 2018 was $31.3 million ($14.2 million for the year ended December 31, 2017). The total amount of the allowance related to impaired loans as of December 31, 2018 was $13.2 million and as of December 31, 2017 was $13.1 million.

During 2018, there was one troubled debt restructuring for a loan classified as impaired, with an outstanding balance of $1.6 million and specific allowance of $1.6 million. Such loan agreement was modified to partially recover IDB Invest’s outstanding exposure on the original loan and included a partial write-off of $1.9 million. In addition, as of December 31, 2018, there is another loan in the portfolio that was considered a troubled debt restructuring in 2016 and is classified as impaired with an outstanding balance of $2.3 million and a specific allowance for loan losses of $2.1 million. There have been no payment defaults after the restructurings were made and these loans are considered within the impaired loans as of December 31, 2018.

The maturity structure of loans outstanding is (US$ thousands):

	December 31	
	2018	2017
Due in one year or less	$ 471,115	$ 278,348
Due after one year through five years	636,524	500,199
Due after five years through ten years	307,083	129,060
Due after ten years and thereafter	103,628	50,570
Total loans outstanding, gross	**$ 1,518,350**	**$ 958,177**
Unamortized discounts	(4,539)	-
Total loans outstanding, net	**$ 1,513,811**	**$ 958,177**

The weighted average rates by currency for loans outstanding are summarized below (US$ thousands):

	December 31			
	2018		2017	
	Amount outstanding	Weighted average rate	Amount outstanding	Weighted average rate
Brazilian real (BRL)	$ -	-	$ 15,000	6.23%
Colombian peso (COP)	15,008	10.91%	2,797	11.65%
Mexican peso (MXN)	15,835	11.16%	16,981	10.93%
Paraguayan guarani (PYG)	5,040	9.00%	-	-
United States dollar	1,338,972	6.16%	923,399	5.04%
Total loans outstanding, before discounted loans	**$ 1,374,855**		**$ 958,177**	
Discounted loans	138,956		-	
Total loans outstanding	**$ 1,513,811**		**$ 958,177**	

Changes in the allowance for loan losses by investment type are summarized below (US$ thousands):

	Year ended December 31, 2018		
	Financial institutions	Corporates	Total
Beginning balance	$ (21,028)	$ (28,657)	$ (49,685)
Loans written off, net	-	1,948	1,948
Recoveries	-	-	-
(Provision)/ release of provision for loan losses [1]	(3,574)	(14,465)	(18,039)
Ending balance	**$ (24,602)**	**$ (41,174)**	**$ (65,776)**

[1] Does not include changes in provision for guarantee losses of $274 thousand that are recorded in the same line item in the statement of income.

	Year ended December 31, 2017		
	Financial institutions	Corporates	Total
Beginning balance	$ (17,601)	$ (17,337)	$ (34,938)
Loans written off, net	-	481	481
Recoveries	(73)	(1,303)	(1,376)
(Provision)/ release of provision for loan losses [1]	(3,354)	(10,498)	(13,852)
Ending balance	**$ (21,028)**	**$ (28,657)**	**$ (49,685)**

[1] Does not include changes in provision for guarantee losses of $291 thousand that are recorded in the same line item in the statement of income.

A description of credit quality indicators and a summary of loans at amortized cost by credit quality indicator and investment type are as follows as of December 31, 2018 and 2017 (US$ thousands):

Rating categories	Credit quality indicator	Internal credit risk classification range	Description
aa- and better	Very strong	aa- or higher	An obligor in these categories has a very strong capacity to meet its financial commitment.
a+ to a–	Strong	a+, a, a-	An obligor in these categories has a strong capacity to meet its financial commitment.
bbb+ to bbb-	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.
bb+ to bb-	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.
b+ to b-	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.
ccc+ and lower	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.

	December 31, 2018		
Internal credit quality indicator	**Financial institutions**	**Corporates**	**Total**
Adequate	$ 120,000	$ 85,999	$ 205,999
Moderate	282,726	397,051	679,777
Weak	218,918	365,709	584,627
Very weak	-	35,694	35,694
Total loans at amortized cost	**$ 621,644**	**$ 884,453**	**$ 1,506,097**

	December 31, 2017		
Internal credit quality indicator	**Financial institutions**	**Corporates**	**Total**
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 loans at amortized cost	**$ 536,765**	**$ 421,412**	**$ 958,177**

Loans accounted for at fair value under the FVO were $7.7 million as of December 31, 2018 (none as of December 31, 2017). There were no changes in fair value on these loans for the year ended December 31, 2018 (none for the year ended December 31, 2017).

Equity investments

As of December 31, 2018, IDB Invest's equity investments with RDFV had a fair value of $6.0 million. Additionally, LPs recorded at fair value based on NAV were $46.4 million as of December 31, 2018. Net unrealized losses recognized in earnings for the year ended December 31, 2018 relating to equity investments carried at fair value and that are still held as of December 31, 2018 were $1.0 million. IDB Invest's equity investments without RDFV had a carrying value of $14.2 million of which there were measurement adjustments of $1.4 million related to observable price changes and there were no impairments for the year ended December 31, 2018.

As of December 31, 2017, IDB Invest's investments in LPs recorded at fair value based on NAV were $30.3 million. Net unrealized gains recognized in earnings for the year ended December 31, 2017 relating to equity investments carried at fair value and that were still held as of December 31, 2017 were $1.5 million. Equity investments classified as available-for-sale were recorded at fair value of $5.4 million and the unrealized gains recognized in Accumulated other comprehensive income/(loss) were $2.8 million for the year ended December 31, 2017. Equity investments carried at cost less impairment had a carrying value of $13.0 million and there were no other-than-temporary impairment losses on these equity investments for the year ended December 31, 2017.

IDB Invest intends to hold investments in LPs until the final liquidation of the underlying assets of the LPs in order to participate fully in the performance of the LP. IDB Invest does not have redemption rights in any of these investments. IDB Invest estimates that the underlying assets of the LPs generally may be liquidated over a period of 10 years.

Debt securities

As of December 31, 2018, IDB Invest's development related investments accounted for as debt securities classified as held-to maturity were $84.5 million ($6.7 million as of December 31, 2017). There was no indication of other-than-temporary impairment losses on these debt securities for the year ended December 31, 2018 (none for the year ended December 31, 2017). Debt securities designated at fair value under the FVO were $91.2 million and unrealized losses on these securities were $12 thousand as of December 31, 2018 (no debt securities designated at fair value under the FVO as of December 31, 2017). For the year ended December 31, 2018, related interest income was $3.4 million ($152 thousand for the year ended December 31, 2017).

The maturity structure of development related investments in debt securities is as follows (US$ thousands):

	December 31, 2018	December 31, 2017
Due in one year or less	$ 442	$ -
Due after one year through five years	66,249	-
Due after five years through ten years	89,367	-
Due after ten years and thereafter	19,706	6,723
Total	**$ 175,764**	**$ 6,723**

Guarantees

Guarantees entered into by IDB Invest have maturities consistent with those of the loan portfolio. No notices of default have been received since inception of IDB Invest's guarantee program.

IDB Invest current outstanding exposure for guarantees was $17.1 million as of December 31, 2018 ($4.7 million as of December 31, 2017). The maximum potential exposure, which represents the amounts that could be lost under the guarantees in the event the full guaranteed loan disbursed and 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 $37.1 million as of December 31, 2018 ($5.0 million as of December 31, 2017). The allowance for losses on guarantees is $564 thousand as of December 31, 2018 and is recorded in Accounts payable and other liabilities in the balance sheet ($469 thousand as of December 31, 2017).

Loan participations

As of December 31, 2018, IDB Invest serviced $3.2 billion ($1.8 billion as of December 31, 2017) loan participations outstanding and recognized servicing fees of $366 thousand for the year ended December 31, 2018 ($321 thousand for the year ended December 31, 2017) included in Mobilization fees and other income in the statement of income.

5. Receivables and Other Assets

Receivables and other assets are summarized below (US$ thousands):

	December 31, 2018	December 31, 2017
Receivables and other assets	$ 15,411	$ 8,058
Interest receivable on development related investments	14,971	7,213
Fixed and intangible assets	12,611	9,510
Interest receivable on investment securities	6,459	4,356
Total receivables and other assets	**$ 49,452**	**$ 29,137**

6. Accounts Payable and Other Liabilities

Accounts payable and other liabilities are summarized below (US$ thousands):

	December 31, 2018	December 31, 2017
Pension Plans, net liability	$ 39,892	$ 38,693
Deferred revenue	30,411	18,097
Employment benefits payable	8,905	7,808
Accounts payable and other liabilities	8,210	3,940
Due to IDB, net	4,738	7,236
Postretirement Benefit Plan, net liability	4,135	15,854
Total accounts payables and other liabilities	**$ 96,291**	**$ 91,628**

As of December 31, 2018 and 2017, the Pension Plans net liability and PRBP net liability reflect the underfunded status of the Pension Plans and PRBP. Refer to Note 12. Deferred revenue includes service fees collected from related parties. Additional information about IDB Invest's related party transactions is included in Note 11.

7. Borrowings

Borrowings outstanding by currency are as follows (US$ thousands):

	Maturity	Interest payment terms	December 31, 2018 Amount outstanding	F/V rate [1]	Interest rate	December 31, 2017 Amount outstanding	F/V rate [1]	Interest rate
Brazilian real (BRL):								
2018 BRL 120 million	2021	Quarterly	$ 30,974	V	5.51%	$ -		-
			30,974			**-**		
Colombian peso (COP):								
2018 COP 144 billion	2025	Semi-annual	44,369	F	6.60%	-		-
2018 COP 35 billion	2030	Quarterly	10,888	V	7.97%	-		-
			55,257			**-**		
Mexican peso (MXN):								
2017 MXN 400 million	2018	Monthly	-		-	20,343	V	8.08%
2018 MXN 1.5 billion	2021	Monthly	76,331	V	8.47%	-		-
			76,331			**20,343**		
Paraguayan guarani (PYG):								
2018 PYG 30 billion	2023	Semi-annual	5,040	F	6.10%	-		-
			5,040			**-**		
United States dollar:								
2016 $500 million	2019	Quarterly	500,000	V	2.84%	500,000	V	1.67%
2018 $500 million	2021	Quarterly	500,000	V	2.55%	-		-
2011 $50 million	2021	Semi-annual	20,000	V	3.48%	26,667	V	2.31%
1997 $100 million	2023	Semi-annual	100,000	V	3.11%	100,000	V	2.11%
			1,120,000			**626,667**		
Total borrowings, gross			**$ 1,287,602**			**$ 647,010**		
Unamortized discounts and issuance costs, net			(1,230)			(269)		
Total borrowings, net			**$ 1,286,372**			**$ 646,741**		

[1] F: fixed; V: variable

Availability under existing credit facilities by currency are as follows (US$ thousands):

	Available until	Contractual amount	December 31, 2018 Available amount	Amount outstanding
Colombian peso (COP):				
2018 COP 370 billion	2021	$ 113,960	$ 103,072	**$ 10,888**
Multi-currency:				
1997 $300 million [1]	2022	300,000	169,026	**130,974**

[1] On September 21, 2018, this credit facility was modified from a United States dollar to a multicurrency facility and the expiration date was extended to 2022. Refer to Note 11 for additional information about IDB Invest's related party transactions.

For the year ended December 31, 2018, Borrowings expense includes interest and fees expense of $26.6 million of which $283 thousand includes the amortization of discounts and issuance costs ($17.0 million for the year ended December 31, 2017 of which $279 thousand includes amortization of discounts and issuance costs).

8. Capital

IDB Invest's original authorized share capital was increased to $705.9 million, equivalent to 70,590 shares, through a $500.0 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 thousand per share.

On March 30, 2015, IDB Invest'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 IDB Invest shareholders during the 2016-2022 period; and (ii) annual transfers from the IDB, on behalf of its shareholders, to be paid to IDB Invest during the period 2018-2025, totaling $725.0 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 per share. With this capital increase, total authorized shares amount to 196,064.

All Annex A Shares have been subscribed and are expected to be paid in over time. In the balance sheet, subscribed shares are recorded as Capital, par value, Additional paid-in capital and Receivable from members on the date of the subscription instrument at the share issuance price. 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 Board of Executive Directors is authorized to extend payment deadlines. The price for Annex A Shares not paid within their corresponding annual installment is adjusted to reflect a 5% increase for each year of arrears; except that, shares corresponding to the first installment which were fully paid in by the end of the second installment were not subject to a price adjustment. The price adjustment for shares in arrears is recorded to Additional paid-in capital and to Receivable from members in the balance sheet.

Capital contributions of $289.3 million were received during the year ended December 31, 2018 for a total of $866.8 million in contributions corresponding to Annex A Shares under GCI-II. On March 29, 2018, IDB Invest received $49.5 million in income distributions (transfers) corresponding to Annex B Shares from the IDB on behalf of its shareholders that are also member countries of IDB Invest. Total capital contributions of approximately $916.4 million have been received under GCI-II through December 31, 2018.

Under the Agreement Establishing the Inter-American Investment Corporation, any member may withdraw from IDB Invest, 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 IDB Invest to which it was subject on the date of delivery of the withdrawal notice. In the event a member withdraws, IDB Invest 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 IDB Invest, such book value to be determined by the audited financial statements. Payment for shares shall be made in such installments, times, and currencies as IDB Invest shall determine, taking into account its financial position.

The following table lists the capital and receivable from members (US$ thousands, except for share and voting power information):

	December 31							
	Capital						Voting power	
	Shares[1]	Capital, par value	Additional paid-in capital[2]	Receivable from members[3]	Total paid in capital	Percent of total paid in capital	Number of votes	Percent of total votes[4]
Argentina	17,727	$ 177,270	$ 59,783	$ 234	$ 236,818	14.60	14,273	12.10
Austria	891	8,910	3,389	3,284	9,015	0.56	688	0.58
Bahamas	314	3,140	1,060	1,003	3,197	0.20	252	0.21
Barbados	224	2,240	769	1,090	1,919	0.12	156	0.13
Belgium	179	1,790	64	-	1,854	0.11	179	0.15
Belize	104	1,040	28	-	1,068	0.07	104	0.09
Bolivia	1,426	14,260	4,798	4,514	14,544	0.90	1,147	0.97
Brazil	17,727	177,270	61,518	55,881	182,907	11.28	12,562	10.65
Canada	4,211	42,110	25,106	24,157	43,059	2.65	2,718	2.30
Chile	4,552	45,520	15,755	14,755	46,520	2.87	3,640	3.08
China	9,330	93,300	56,684	55,201	94,783	5.84	5,918	5.01
Colombia	4,552	45,520	15,242	-	60,762	3.75	3,669	3.11
Costa Rica	685	6,850	2,298	2,168	6,980	0.43	551	0.47
Denmark	1,076	10,760	35	-	10,795	0.67	1,076	0.91
Dominican Republic	951	9,510	3,194	2,993	9,711	0.60	766	0.65
Ecuador	960	9,600	3,244	323	12,521	0.77	771	0.65
El Salvador	685	6,850	2,402	3,229	6,023	0.37	486	0.41
Finland	1,025	10,250	3,920	-	14,170	0.87	790	0.67
France	2,926	29,260	4,730	4,287	29,703	1.83	2,661	2.25
Germany	1,392	13,920	368	-	14,288	0.88	1,392	1.18
Guatemala	914	9,140	3,065	2,911	9,294	0.57	734	0.62
Guyana	260	2,600	881	826	2,655	0.16	209	0.18
Haiti	685	6,850	2,506	5,988	3,368	0.21	328	0.28
Honduras	685	6,850	2,363	2,235	6,978	0.43	546	0.46
Israel	395	3,950	1,386	1,375	3,961	0.24	310	0.26
Italy	4,679	46,790	15,564	14,819	47,535	2.93	3,763	3.19
Jamaica	437	4,370	118	-	4,488	0.28	437	0.37
Japan	5,104	51,040	16,148	14,835	52,353	3.23	4,187	3.55
Korea	8,293	82,930	50,276	48,972	84,234	5.19	5,266	4.46
Mexico	11,349	113,490	37,959	-	151,449	9.34	9,148	7.75
Netherlands	1,077	10,770	39	-	10,809	0.67	1,077	0.91
Nicaragua	685	6,850	2,296	2,170	6,976	0.43	486	0.41
Norway	1,021	10,210	3,884	3,770	10,324	0.64	788	0.67
Panama	986	9,860	4,073	3,899	10,034	0.62	745	0.63
Paraguay	719	7,190	2,424	2,314	7,300	0.45	576	0.49
Peru	5,218	52,180	19,367	18,590	52,957	3.26	4,069	3.45
Portugal	390	3,900	1,296	1,278	3,918	0.24	273	0.23
Spain	7,022	70,220	28,001	21,914	76,307	4.70	5,360	4.54
Suriname	103	1,030	24	-	1,054	0.06	103	0.09
Sweden	956	9,560	3,480	3,365	9,675	0.60	748	0.63
Switzerland	2,302	23,020	7,614	7,345	23,289	1.44	1,848	1.57
Trinidad and Tobago	684	6,840	2,503	5,987	3,356	0.21	327	0.28
United States	16,946	169,460	5,739	-	175,199	10.80	16,946	14.36
Uruguay	1,886	18,860	6,338	5,954	19,244	1.19	1,518	1.29
Venezuela	10,553	105,530	42,218	102,937	44,812	2.76	4,416	3.74
Total as of December 31, 2018	**154,286**	**$ 1,542,860**	**$ 523,949**	**$ 444,603**	**$ 1,622,206**	**100**	**$ 118,007**	**100**
Total as of December 31, 2017	**151,248**	**$ 1,512,480**	**$ 501,531**	**$ 730,597**	**$ 1,283,414**		**96,716**	

[1] Includes Annex B shares for which income distributions (transfers) were made by IDB on behalf of its shareholders.

[2] Includes the amount in addition to par value for shares under GCI-II and partial payments in excess of full shares.

[3] Represents receivable from members under GCI-II.

[4] Data are rounded; detail may not add to total because of rounding.

9. Fair Value Measurements

Many of IDB Invest's financial instruments are not actively traded in any market. Determining future cash flows for fair value estimation is subjective and imprecise, and minor changes in assumptions or methodologies may materially affect the estimated values. Therefore, while disclosure of estimated fair values of certain financial instruments is required, readers are cautioned about using these data for purposes of evaluating the financial condition of IDB Invest.

The methodologies and key assumptions used to estimate the fair values of IDB Invest's financial instruments are summarized below:

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 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 and development related investments in debt securities

Loans and development related investments in debt securities for which a combination of observable and unobservable inputs is generally available, require the use of estimates and present value calculations of future cash flows. All loans measured at fair value are classified as Level 3. 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. The lack of objective pricing standards adds a greater degree of subjectivity and volatility to these derived or estimated fair values.

IDB Invest's loans are generally carried at the principal amount outstanding. For disclosure purposes, IDB Invest estimates the fair value of its loan portfolio including impaired assets. Any excess or deficit resulting from the difference between the carrying amounts of the loan portfolio and the fair value disclosed does not necessarily reflect the realizable values since IDB Invest generally holds investments to maturity with the aim of realizing their contractual cash flows.

Equity investments

IDB Invest 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.

> **Equity investments with RDFVs (formerly Available-for-sale direct equity investments)** – Equity investments are valued using quoted prices.
>
> **Equity investments without RDFVs (includes Equities at NAV)** – IDB Invest's methodology to measure the fair value of equities without RDFVs requires the use of estimates and present value calculations of future cash flows for impairments and/or observable price change adjustments. IDB Invest relies on third-party valuation specialists when available, internal estimates, or a combination of both. IDB Invest also relies on the NAV as a practical expedient as reported by the fund manager for the fair value measurement of its LPs. The NAVs that have been reported by the fund manager are derived from the fair values of the underlying investments. If the NAV is not as of IDB Invest's measurement date, IDB Invest adjusts the most recent NAV, as necessary, to estimate a NAV for the investment that is calculated

in a manner consistent with the fair value measurement principles. IDB Invest intends to hold investments in LPs until the final liquidation of the underlying assets of the LPs in order to participate fully in the performance of the LP. IDB Invest does not have redemption rights in any of these investments.

Borrowings

IDB Invest's borrowings are recorded at amortized cost. The fair value of IDB Invest's borrowings is estimated using either quoted market prices or discounted cash flow analyses based on IDB Invest's current borrowing rates for similar types of borrowing arrangements and includes all of IDB Invest's borrowings.

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.

Fair value of financial instruments

IDB Invest's financial instruments recorded or disclosed at fair value have been categorized based on a fair value hierarchy in accordance with ASC 820 and are as follows (US$ thousands):

	Balance as of Dec. 31, 2018	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) [1]
Investment securities					
Corporate securities	$ 1,060,030	$ -	$ 1,060,030	$ -	R
Agency securities	233,279	-	233,279	-	R
Government securities	118,752	-	118,752	-	R
Supranational securities	47,738	-	47,738	-	R
Loans					
Amortized cost	1,463,172	-	-	1,463,172	D
Fair value	7,714	-	-	7,714	R
Impaired	17,220	-	-	17,220	N
Equity investments					
Equities with RDFV	5,994	5,994	-	-	R
Equities without RDFV	14,211	-	-	14,211	N
Debt securities					
Held to maturity	79,458	-	-	79,458	D
Fair value	60,333	-	-	60,333	R
Borrowings	1,286,691	-	1,286,691	-	D
Investments measured at NAV					
Equity investments	46,351				R
Debt securities	30,962				R

[1] For disclosure purposes, IDB Invest uses a December 31 measurement date to estimate the fair value of its financial instruments recorded at amortized cost.

	Balance as of Dec. 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)[1]
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
Debt securities	6,723	-	-	6,723	D
Borrowings	548,496	-	548,496	-	D
Investments measured at NAV					
Equity investments	30,264				R

[1] For disclosure purposes, IDB Invest uses a December 31 measurement date to estimate the fair value of its financial instruments recorded at amortized cost.

The following table presents gains and losses due to changes in fair value for financial instruments measured at fair value on a recurring basis for the year ended December 31, 2018 and 2017 (US$ thousands):

	Changes in fair value included in earnings	
	Year ended December 31	
	2018	2017
Corporate securities	$ 847	$ 2,210
Agency securities	-	181
Government securities	623	890
Supranational securities	79	474
Equities with RDFV	454	-
Equity investments measured at NAV	(1,487)	1,499
Other development related investments at fair value	(12)	-
Total gains/(losses)	**$ 504**	**$ 5,254**

There were no transfers between levels during the years ended December 31, 2018 nor December 31, 2017.

10. Contingencies

In the ordinary course of business, IDB Invest is defendant, codefendant or party in various litigation matters inherent to and typical of the operations in which it is engaged. In the opinion of IDB Invest'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

IDB Invest and the IDB entered into SLAs whereby IDB Invest provides certain services to the IDB and the IDB provides certain services to IDB Invest. These services are further described below.

Service Level Agreements

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

Co-financing Arrangements and SLA Revenue

Following the IDBG private sector and non-sovereign guaranteed (NSG) reorganization, all new NSG activities are originated by IDB Invest and largely co-financed by IDB Invest and the IDB. IDB Invest and the IDB maintain separate legal and economic interests in their respective share of the loan principal balance for a co-financed loan. IDB Invest's portion is defined as a percentage of the overall transaction subject to certain minimum amounts as agreed between IDB Invest and the IDB.

IDB Invest earns revenue from an annual renewable SLA under which IDB Invest provides loan origination, credit risk evaluation and monitoring, and certain loan administration services for the IDB related to its private sector operations including operations that are co-financed by IDB Invest and IDB. IDB Invest also provides certain advisory services to the IDB Group. IDB Invest recognized revenue of $74.5 million for providing services related to these performance obligations for the year ended December 31, 2018 ($63.7 million for the year ended December 31, 2017). These amounts are included in Service fees from related parties in the statement of income.

SLA Expenses

IDB Invest purchases various general and administrative services from the IDB under a series of annual renewable SLAs. IDB Invest incurred expenses of $12.8 million for receiving these SLA services from the IDB for the year ended December 31, 2018 ($11.2 million for the year ended December 31, 2017) that are included in Administrative expenses in the statement of income. Payables related to these SLA expenses are included in the total due to IDB of $4.7 million as of December 31, 2018 ($7.2 million as of December 31, 2017). Refer to Note 6.

Office Space

IDB Invest has entered into office space leases with the IDB at headquarters and in its Regional Developing Member Countries. Expenses incurred for these leases amounted to $4.6 million for the year ended December 31, 2018 ($4.1 million for the year ended December 31, 2017). The current lease agreement with the IDB at headquarters will expire in 2020. The remaining current lease agreements with the IDB in the Regional Developing Member Countries are renewed annually with the exception of the Argentina, Brazil and Colombia offices which extend between 2019 and 2022.

Expected payments under the current lease agreements with the IDB are as follows (US$ thousands):

	2019	2020	2021	2022
Office space	$ 5,305	$ 5,203	$ 216	$ 49
Total	**$ 5,305**	**$ 5,203**	**$ 216**	**$ 49**

Other Transactions with Related Parties

Since 1997, IDB Invest has maintained a renewable credit facility with the IDB amounting to $300.0 million. On September 21, 2018, this renewable credit facility was modified from a United States dollar facility to a multicurrency facility and the original expiration date of November 2020 was modified and extended to December 2022. As of December 31, 2018, IDB Invest's borrowings outstanding from the IDB multi-currency credit facility were $131.0 million and $169.0 million remain available. Refer to Note 7.

Management of External Funds

IDB Invest administers on behalf of other related party 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 IDB Invest and are not commingled with IDB Invest's funds, nor are they included in the assets of IDB Invest. IDB Invest receives a management fee that is generally a percentage of the funds received. For the year ended December 31, 2018, IDB Invest earned $2.1 million for managing external funds ($2.5 million for the year ended December 31, 2017). These fees are included in Service fees from related parties in the statement of income.

Access to IDB Administered Funds

In addition to the aforementioned funds, IDB Invest provides certain services for trust funds administered by the IDB on behalf of the trust fund donors (the Trust Funds). IDB Invest receives an allocation of the IDB's related Trust Fund fees. 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 25 years. Costs expected to be incurred approximate the allocable fee. 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.

For the year ended December 31, 2018, the IDB remitted payments of $5.4 million for these services ($1.9 million for the year ended December 31, 2017). For the year ended December 31, 2018, IDB Invest recognized revenue related to providing services of $2.3 million ($1.8 million for the year ended December 31, 2017). As of December 31, 2018, IDB Invest has recorded deferred revenue of $12.8 million related to these services ($9.7 million as of December 31, 2017), which will be recognized as revenue as services are provided. Deferred revenue is presented as a component of Accounts payable and other liabilities in the balance sheet.

12. Pension and Postretirement Benefit Plans

Both the IDB and IDB Invest are sponsors of the Pension Plans and PRBP and each employer presents its respective share of these plans using a December 31 measurement date. IDB Invest recognizes actuarial gains and losses on the Pension Plans and the PRBP through Other comprehensive income/(loss) at the end of each calendar year, when the pension liabilities are remeasured.

Obligations and funded status

IDB Invest 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 (US$ thousands):

	Pension Plans		PRBP	
	2018	2017	2018	2017
Reconciliation of benefit obligation				
Obligation as of January 1	$ (226,252)	$ (181,602)	$ (152,806)	$ (115,988)
Service cost	(13,551)	(9,668)	(5,586)	(4,454)
Interest cost	(7,900)	(7,291)	(5,105)	(5,000)
Participants' contributions	(3,204)	(2,693)	-	-
Plan amendments	-	-	78	-
Net transfers between IDB and IIC	(769)	(4,455)	(579)	(3,379)
Actuarial gains/(losses)	24,542	(23,264)	26,123	(24,846)
Benefits paid	2,982	2,721	952	870
Retiree Part D subsidy	-	-	(11)	(9)
Obligation as of December 31	**(224,152)**	**(226,252)**	**(136,934)**	**(152,806)**
Reconciliation of fair value of plan assets				
Fair value of plan assets as of January 1	187,559	154,421	136,952	113,890
Net transfers between IDB and IIC	769	4,455	579	3,379
Actual return on plan assets	(10,870)	23,183	(8,113)	16,975
Benefits paid	(2,982)	(2,721)	(952)	(870)
Participants' contributions	3,204	2,693	-	-
Employer contributions	6,580	5,528	4,333	3,578
Fair value of plan assets as of December 31	**184,260**	**187,559**	**132,799**	**136,952**
Funded status				
Funded/(Underfunded) status as of December 31	(39,892)	(38,693)	(4,135)	(15,854)
Net amount recognized as of December 31	**$ (39,892)**	**$ (38,693)**	**$ (4,135)**	**$ (15,854)**
Amounts recognized as (liabilities)/assets consist of:				
Plan benefits assets/(liabilities)	(39,892)	(38,693)	(4,135)	(15,854)
Net amount recognized as of December 31	**$ (39,892)**	**$ (38,693)**	**$ (4,135)**	**$ (15,854)**
Amounts recognized in Accumulated other comprehensive income consist of:				
Net actuarial gains/(losses)	17,667	22,549	16,291	28,206
Prior service costs	-	-	(2,273)	(2,621)
Net amount recognized as of December 31	**$ 17,667**	**$ 22,549**	**$ 14,018**	**$ 25,585**

The accumulated benefit obligation attributable to IDB Invest for the Pension Plans, which excludes the effect of future salary increases was $183.7 million and $181.6 million as of December 31, 2018 and 2017, respectively.

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 (US$ thousands):

	Pension Plans		PRBP	
	Year ended December 31			
	2018	2017	2018	2017
Service cost [1]	$ 13,551	$ 9,668	$ 5,586	$ 4,454
Interest cost [3]	7,900	7,291	5,105	5,000
Expected return on plan assets [2][3]	(10,178)	(9,283)	(7,399)	(6,808)
Amortization of: [3]				
Unrecognized net actuarial loss	1,388	292	1,304	1,023
Prior service (credit)/cost	-	-	(426)	(426)
Net periodic benefit cost	**$ 12,661**	**$ 7,968**	**$ 4,170**	**$ 3,243**

[1] Included in Administrative expenses.

[2] The expected return of plan assets is 6.00% in 2018 and 6.25% in 2017.

[3] Included in Other components of pension benefit costs, net.

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

	Pension Plans		PRBP	
	Year ended December 31			
	2018	2017	2018	2017
Net actuarial (gain)/loss	$ (3,494)	$ 9,364	$ (10,611)	$ 14,679
Current year prior service (credit)/cost	-	-	(78)	-
Amortization of:				
Unrecognized net actuarial loss	(1,388)	(292)	(1,304)	(1,023)
Prior service (credit)/cost	-	-	426	426
Total recognized in Other comprehensive (income)/loss	**$ (4,882)**	**$ 9,072**	**$ (11,567)**	**$ 14,082**
Total recognized in Net periodic benefit cost and Other comprehensive (income)/loss	**$ 7,779**	**$ 17,040**	**$ (7,397)**	**$ 17,325**

The estimated amounts that will be amortized from accumulated other comprehensive income into net periodic benefit cost during 2019 are actuarial losses of $28 thousand for the Pension Plans and net prior service credits of $151 thousand for the PRBP.

Actuarial assumptions

The actuarial assumptions used in the Pension Plans and PRBP valuations 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. Actuarial gains and losses recognized in Accumulated other comprehensive income, which exceed 10% of the greater of the benefit obligation or market-related value of the plan assets at the beginning of the period, are amortized to income over the average remaining service period of active participants expected to receive benefits under the Pension Plans and PRBP, which is approximately 12.0 and 13.9 years, respectively.

Unrecognized prior service credit is amortized between 7.0 years and 8.5 years for the PRBP.

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

	Pension Plans		PRBP	
	2018	2017	2018	2017
Weighted average assumptions used to determine benefit obligation as of December 31				
Discount rate	4.17%	3.54%	4.22%	3.61%
Inflation rate	2.21%	2.20%	2.21%	2.20%
Rate of compensation increase	4.27%	4.14%		

	Pension Plans		PRBP	
	2018	2017	2018	2017
Weighted average assumptions used to determine net periodic benefit cost for years ended December 31				
Discount rate	3.54%	4.06%	3.61%	4.16%
Expected long-term return on plan assets	6.00%	6.25%	6.00%	6.25%
Rate of compensation increase	4.14%	4.15%		

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 Financial Times Stock Exchange Pension Liability Index, with maturities that correspond to the payment of benefits. For the assumed rate of inflation, IDB Invest 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	
	2018	2017
Health care cost trend rates assumed for next year		
Medical, Non-Medicare	5.00%	5.50%
Medical, Medicare	3.00%	3.25%
Prescription drugs	7.00%	8.00%
Dental	4.50%	4.50%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)		
Medical, Non-Medicare	4.50%	4.50%
Medical, Medicare	2.50%	2.50%
Prescription drugs	6.00%	6.00%
Dental	4.50%	4.50%
Year that the rate reaches the ultimate trend rate	2021	2021

For those participants assumed to retire outside of the United States, a 6.50% and 7.00% health care cost trend rate was used for 2018 and 2017, respectively with an ultimate trend rate of 4.50% in 2023.

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 (US$ thousands):

	Year ended December 31			
	One-percentage-point increase		One-percentage-point decrease	
	2018	2017	2018	2017
Effect on total of service and interest cost components	$ 2,711	$ 3,028	$ (1,895)	$ (2,099)
Effect on postretirement benefit obligation	33,244	39,988	(23,892)	(28,487)

Pension Plans and PRBP Assets

The assets of the Pension Plans and the PRBP are managed primarily by investment managers engaged 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 and the Managing Committees of the Pension Plans and PRBP approved new Investment Policy Statements (IPS). The two new IPS comply with the IDB's Risk Appetite (RA) and Long-term Funding (LTF) policies. The two new IPS Strategic Asset Allocations (SAA) include three new asset classes (Public Infrastructure, Private Infrastructure and Tactical Asset Allocation), and eliminate Commodities. The new SAAs will be implemented after appropriate investment vehicles have been legally contracted, over the next 12 months.

The IPS SAA target allocations as of December 31, 2018, are as follows:

	Pension Plans	PRBP
U.S. equities	20%	20%
Non-U.S. equities	18%	18%
Emerging markets equities	4%	4%
Public real estate	3%	3%
Long duration diversified fixed income	27%	27%
Core fixed income	4%	4%
High yield fixed income	2%	2%
U.S. inflation-indexed fixed income	4%	4%
Emerging markets fixed income	3%	3%
Private real estate	5%	5%
Public Infrastructure	2%	2%
Private Infrastructure	3%	3%
Tactical Asset Allocation	5%	5%
Commodity index futures	0%	0%
Short-term fixed income funds	0%	0%
Stabilization Reserve Fund:		
Core fixed income	50%	50%
U.S. inflation-indexed fixed income	0%	0%
Short-term fixed income funds	50%	50%

Investment and asset class risk is managed by the continuous monitoring of each asset category level and investment manager. Investments are rebalanced monthly within policy targets using cash flows and rebalancing exercises. 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.

For the Pension Plans (SRP and CSRP) and PRBP, the included asset classes are described below:

- U.S. equities – For the Pension Plans and PRBP, commingled funds that invest, long-only, in U.S. common stocks. Management of the funds replicates or optimizes the all capitalization (cap) Russell 3000 Index, for the SRP and PRBP only, approximately 5% of U.S. equities assets are managed in separate accounts holding individual stocks;

- Non-U.S. equities – For the Pension Plans and PRBP, commingled funds that invest, long-only, in non-U.S. common stocks. Management of the funds replicates or optimizes the large/mid-cap MSCI EAFE Index; for the SRP and PRBP only, 60% of non-U.S. equities assets are actively-managed in separate accounts holding individual stocks;

- Emerging markets equities – For the Pension Plans, an actively-managed commingled fund that invests, long-only, in emerging markets common stocks. Management of the fund selects securities, based upon fundamental characteristics, which are generally comprised within the large/mid-cap MSCI Emerging Markets Free Index; for the SRP and PRBP, an actively-managed commingled fund and an actively managed mutual fund that invest, long-only, in emerging markets common stocks. Management of the fund optimizes the large/mid-cap MSCI Emerging Markets Free Index;

- Public real estate equities – For the SRP and PRBP, individual (separate) account which holds, long-only, real estate securities. The account is actively-managed based upon fundamental characteristics, investing in securities generally comprised within the MSCI U.S. REIT Index;

- Long duration diversified fixed income – For the SRP and PRBP, long duration fixed income assets are invested in separate accounts holding individual bonds generally comprised within the Bloomberg Barclays U.S. Long Government/Credit Bond Index. Management of the fund invests in securities generally comprised within the Bloomberg Barclays U.S. Long Government/Credit Bond Index;

- Core fixed income – For the Pension Plans and PRBP, actively- managed commingled funds that invest, long-only, in intermediate duration government and credit securities. Management of the funds select securities, based upon fundamental characteristics, which are generally comprised within the Bloomberg Barclays U.S. Aggregate Bond Index;

- High yield fixed income – For the SRP, assets are invested in individual securities, and for the PRBP, actively managed commingled fund. For both plans, the investible universe is generally comprised of the securities within the Bloomberg Barclays High Yield 2% Constrained Index, as well as opportunistic investments in non-index securities. High yield securities are financial obligations of U.S. companies, rated below investment-grade by at least one of the nationally recognized statistical rating organizations;

- U.S. inflation-indexed fixed income – For the Pension Plans and PRBP, investment in individual U.S. TIPS in accounts managed internally. Management of the funds replicates or optimizes the Bloomberg Barclays US Treasury Inflation Notes 10+ Years Index;

- Emerging markets fixed income – For the Pension Plans and PRBP, actively-managed commingled funds that invest, long-only, in emerging markets fixed income. The funds invest in sovereign and sub-sovereign United States dollar- and local-denominated debt. Management of the fund invests in securities generally comprised within the J.P. Morgan EMBI Global Diversified Index;

- Private real estate – For the Pension Plans and PRBP, an open-end commingled funds which invests, long-only, in U.S. real estate properties. The fund is actively-managed based upon fundamental characteristics of the properties;

- Public Infrastructure – For the SRP and PRBP only, commingled funds and individual securities that invest, long-only, in U.S. and developed markets common stocks, within the infrastructure sector.

- Private Infrastructure – For the SRP and PRBP only, an open-end commingled fund which invests, long-only, U.S. and developed markets private equity within the infrastructure sector, this new asset class is not implemented yet.

- Tactical Asset Allocation – For the SRP and PRBP only, commingled funds that invest in U.S. and developed markets equities and fixed income, investments could shift due to opportunistic behavior within equities and fixed income.

- Commodity index futures – For the CSRP, investment in a commingled fund that invests, long-only in commodity index futures, management of the fund replicates or optimizes the Bloomberg Commodity Index.

- Short-term fixed income funds – Commingled fund that invests, long-only, in U.S. Government securities with maturities of less than 18 months. Management of the fund invests in short-term government securities only, and it is benchmarked against the Merrill Lynch 3-month Treasury Bill Index.

Effective December 2015, the IDB Board of Executive Directors approved the Long-Term Funding Policy for the Pension Plans (SRP and CSRP) and the PRBP that established stable contribution rates of 20% (SRP), 0.71% (CSRP) and 12% (PRBP) for a five-year initial term. IDB Invest adopted the use of the stable contribution rates effective January 1, 2016. IDB Invest contributions made in excess (deficit) of the actuary’s theoretical contribution rate are allocated (withdrawn) to (from) the Stabilization Reserve Funds (Reserve Funds). The approved Investment Policy Strategic Asset Allocation for the Reserve Funds is 50% cash and 50% Core Fixed Income.

The following tables set forth the investments of the Pension Plans and the PRBP as of December 31, 2018 and 2017, 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. Investments in funds that do not have a readily determinable fair value are measured at NAV as a practical expedient and are not classified within the fair value hierarchy (US$ thousands).

	Pension Plans			
	Level 1	**Level 2**	**December 31, 2018**	**Weighted average allocations**
Equity securities				
U.S. equities	$ 12,125	$ 27,938	$ 40,063	22%
Non-U.S. equities	17,475	16,818	34,293	19%
Emerging markets equities	3,292	3,481	6,773	4%
Public real estate equities	5,551	-	5,551	3%
Government and diversified fixed income and fixed income funds				
Long duration U.S. Government and Agencies fixed income	18,593	-	18,593	10%
Long duration diversified fixed income	613	30,526	31,139	17%
Core fixed income	-	16,910	16,910	9%
Emerging markets fixed income	-	6,333	6,333	3%
High yield fixed income	154	2,368	2,522	1%
U.S. inflation-indexed fixed income	8,620	-	8,620	5%
Commodity index futures	-	27	27	0%
Short-term fixed income funds	1,068	4,876	5,944	3%
	$ 67,491	**$ 109,277**	**$ 176,768**	
Investments measured at NAV				
Private real estate fund			8,276	4%
			$ 185,044	**100%**
Other assets / (liabilities), net [1]			(784)	
			$ 184,260	

[1] Includes receivables and payables carried at amounts that approximate fair value.

	Pension Plans			
	Level 1	Level 2	December 31, 2017	Weighted average allocations
Equity securities				
U.S. equities	$ 9,024	$ 35,322	$ 44,346	23%
Non-U.S. equities	21,583	19,453	41,036	22%
Emerging markets equities	-	7,926	7,926	4%
Public real estate equities	5,464	-	5,464	3%
Government and diversified fixed income and fixed income funds				
Long duration U.S. Government and Agencies fixed income	15,006	5,299	20,305	11%
Long duration diversified fixed income	405	18,187	18,592	10%
High yield fixed income bonds	147	3,213	3,360	2%
Emerging markets fixed income	16,720	-	16,720	9%
High yield fixed income	-	15,532	15,532	8%
U.S. inflation-indexed fixed income	-	5,437	5,437	2%
Commodity index futures	-	51	51	0%
Short-term fixed income funds	1,102	5,269	6,371	3%
	$ 69,451	**$ 115,689**	**$ 185,140**	
Investments measured at NAV				
Private real estate fund			5,310	3%
			$ 190,450	**100%**
Other assets / (liabilities), net [1]			(2,891)	
			$ 187,559	

[1] Includes receivables and payables carried at amounts that approximate fair value.

	PRBP			
	Level 1	Level 2	December 31, 2018	Weighted average allocations
Equity and equity funds				
U.S. equities	$ 8,819	$ 20,768	$ 29,587	23%
Non-U.S. equities	10,614	18,024	28,638	22%
Emerging markets equities	2,199	2,412	4,611	3%
Public real estate equities	3,970	-	3,970	3%
Government and diversified fixed income and fixed income funds				
Long duration U.S. Government and Agencies fixed income	13,400	-	13,400	10%
Long duration diversified fixed income	-	21,332	21,332	16%
Core fixed income	-	12,790	12,790	10%
Emerging markets fixed income	-	4,465	4,465	3%
High yield fixed income	-	1,941	1,941	1%
U.S. inflation-indexed fixed income	6,382	-	6,382	5%
Short-term fixed income funds	5,211	(83)	5,128	4%
	$ 50,595	**$ 81,649**	**$ 132,244**	**100%**
Other assets / (liabilities), net [1]			555	
			$ 132,799	

[1] Includes receivables and payables carried at amounts that approximate fair value.

	PRBP			
	Level 1	Level 2	December 31, 2017	Weighted average allocations
Equity and equity funds				
Emerging markets equities	$ 2,765	$ 2,714	$ 5,479	4%
Public real estate equities	3,901	-	3,901	3%
U.S. equities	-	33,886	33,886	25%
Non-U.S. equities	-	32,066	32,066	23%
Government and diversified fixed income and fixed income funds				
Long duration U.S. Government and Agencies fixed income	7,869	-	7,869	6%
Core fixed income	-	23,994	23,994	17%
U.S. inflation-indexed fixed income	17,342	-	17,342	13%
Long duration diversified fixed income	-	1,800	1,800	1%
Emerging markets fixed income	-	3,881	3,881	3%
High yield fixed income	-	2,534	2,534	2%
Short-term fixed income funds	4,331	(137)	4,194	3%
	$ 36,208	**$ 100,738**	**$ 136,946**	**100%**
Other assets / (liabilities), net [1]			6	
			$ 136,952	

[1] 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., non-U.S., and public real estate individual equity holdings, fixed income mutual funds, U.S. treasury and U.S. inflation-indexed bonds and short-term investment securities. 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, or quoted prices for identical or similar assets in markets that are not active, a valuation technique consistent with the market approach, include corporate, non-U.S. government, high yield and municipal bonds, and commercial mortgage backed securities. Also included are proprietary investment managers' commingled funds investing in U.S. and global equities, emerging markets debt, fixed income funds, and/or short-term debt investments. These commingled funds are not publicly traded and are measured at fair value based on the net asset per share, which are determined and published and are the basis for current transactions. Such securities are classified within Level 2 of the fair value hierarchy.

Proprietary investment managers' funds investing in private real estate do not have RDFVs and are measured at the NAV as a practical expedient. Such investments are not classified within the fair value hierarchy.

Contributions

Contributions from IDB Invest to the Pension Plans and the PRBP during 2019 are expected to be approximately $6.8 million and $3.9 million, 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, 2018 (US$ thousands).

	Pension Plans	PRBP
Estimated future benefit payments		
January 1, 2019 - December 31, 2019	$ 4,089	$ 1,389
January 1, 2020 - December 31, 2020	4,425	1,526
January 1, 2021 - December 31, 2021	4,736	1,680
January 1, 2022 - December 31, 2022	5,092	1,847
January 1, 2023 - December 31, 2023	5,630	2,042
January 1, 2024 - December 31, 2028	37,779	14,260

13. Subsequent Events

Management has evaluated subsequent events through March 5, 2019, which is the date the financial statements were issued. Management determined that there are no subsequent events that require disclosure under ASC Topic 855, *Subsequent Events*.