INTER-AMERICAN INVESTMENT CORPORATION

Condensed Interim Financial Statements (Unaudited)

March 31, 2019

Inter-American Investment Corporation

Balance Sheet (Unaudited)

Expressed in thousands of United States dollars	Notes	March 31, 2019	December 31, 2018
Assets			
Cash and cash equivalents ($161 and $161 in restricted cash, respectively)		$ 6,702	$ 9,647
Investment securities	3 & 9	1,307,768	1,459,799
Development related investments			
Loans outstanding ($12,000 and $7,714 carried at fair value, respectively)		1,686,830	1,513,811
Allowance for loan losses		(67,898)	(65,776)
		1,618,932	1,448,035
Equity investments ($52,087 and $52,345 carried at fair value, respectively)		66,298	66,556
Debt securities ($98,865 and $91,295 carried at fair value, respectively)		184,054	175,764
Total development related investments	4 & 9	1,869,284	1,690,355
Receivables and other assets	5	161,569	49,452
Total assets		**3,345,323**	**3,209,253**
Liabilities and capital			
Accounts payable and other liabilities	6	158,236	96,291
Interest and commitment fees payable		7,976	7,340
Borrowings	7	1,288,097	1,286,372
Total liabilities		**1,454,309**	**1,390,003**
Capital			
Capital, par value		1,542,860	1,542,860
Additional paid-in-capital		574,295	523,949
Receivable from members		(443,366)	(444,603)
Total paid-in-capital	8	1,673,789	1,622,206
Retained earnings		250,226	235,356
Accumulated other comprehensive income/(loss)		(33,001)	(38,312)
Total capital		**1,891,014**	**1,819,250**
Total liabilities and capital		**$ 3,345,323**	**$ 3,209,253**

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

Inter-American Investment Corporation

Statement of Income (Unaudited)

Expressed in thousands of United States dollars	Notes	Three months ended March 31 2019	2018
Income			
Investment securities	3 & 9	$ 11,292	$ 6,102
Development related investments			
Loans, guarantees and debt securities			
Interest income		27,122	13,977
Fees and other income		2,605	1,205
Gain/(loss) from changes in fair value, net		(230)	-
(Provision)/release of provision for loan and guarantee losses		(2,125)	(266)
		27,372	14,916
Equity investments			
Gain/(loss) from changes in fair value, net		(2,168)	(384)
Gain/(loss) on sale, net		1,528	1
Dividends and other income		235	158
		(405)	(225)
Income from development related investments	4 & 9	26,967	14,691
Advisory services and other income			
Service fees from related parties	11	17,148	16,143
Mobilization fees and other income		2,786	3,275
		19,934	19,418
Total income		**58,193**	**40,211**
Borrowings expense	7	11,652	4,192
Total income/(loss), net of borrowings expense		**46,541**	**36,019**
Operating expenses			
Administrative expenses		30,852	28,683
Other components of pension benefit costs, net	12	(1,032)	(248)
(Gain)/loss on foreign exchange transactions, net		888	(509)
Other expenses		963	906
Total operating expenses		**31,671**	**28,832**
Net income		**$ 14,870**	**$ 7,187**

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

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

Statement of Comprehensive Income/(Loss)

Expressed in thousands of United States dollars	Notes	Three months ended March 31 2019	2018
Net income		**$ 14,870**	**$ 7,187**
Other comprehensive income/(loss)			
Recognition of unrealized gain/(loss) related to available-for-sale securities	3	5,311	(3,225)
Total other comprehensive income/(loss)		**5,311**	**(3,225)**
Comprehensive income/(loss)		**$ 20,181**	**$ 3,962**

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, 2017		**151,248**	**$ 1,283,414**	**$ 208,471**	**$ (47,305)**	**$ 1,444,580**
Three months ended March 31, 2018						
Net income			-	7,187	-	7,187
Other comprehensive income/(loss)			-	-	(3,225)	(3,225)
Change in shares	8	3,038				
Payments received for capital			88,679	-	-	88,679
As of March 31, 2018		**154,286**	**1,372,093**	**215,658**	**(50,530)**	**1,537,221**
As of December 31, 2018		**154,286**	**1,622,206**	**235,356**	**(38,312)**	**1,819,250**
Three months ended March 31, 2019						
Net income			-	14,870	-	14,870
Other comprehensive income/(loss)			-	-	5,311	5,311
Change in shares	8	-				
Payments received for capital [1]			51,583	-	-	51,583
As of March 31, 2019		**154,286**	**$ 1,673,789**	**$ 250,226**	**$ (33,001)**	**$ 1,891,014**

[1] Includes unallocated income distributions corresponding to Annex B shares received prior to financial statement issuance date.

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

Inter-American Investment Corporation

Statement of Cash Flows (Unaudited)

Expressed in thousands of United States dollars	Three months ended March 31 2019	2018
Cash flows from investing activities		
Loan disbursements	$ (281,854)	$ (100,608)
Loan proceeds	108,719	55,845
Equity investment disbursements	(3,520)	(3,140)
Equity investment proceeds	3,134	16
Development related debt security purchases	(7,973)	(3,239)
Available-for-sale security purchases	(55,531)	(60,020)
Available-for-sale security proceeds	195,867	44,000
Capital expenditures	(121)	(439)
Net cash provided by/(used in) investing activities	**$ (41,279)**	**$ (67,585)**
Cash flows from financing activities		
Proceeds from issuance of borrowings	-	80,388
Borrowings repayments	-	(21,439)
Payments received for capital	2,104	88,679
Net cash provided by/(used in) financing activities	**$ 2,104**	**$ 147,628**
Cash flows from operating activities		
Net income	14,870	7,187
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:		
Change in fair value of equity investments and measurement adjustments	2,168	384
Provision for loan and guarantee losses	2,125	266
Change in fair value of investment securities included in earnings	(2,612)	(661)
Realized (gain)/loss on sales of equity investments	(1,528)	(1)
Change in receivables and other assets	(62,983)	376
Change in accounts payable and other liabilities	61,674	6,654
Change in trading investment securities	19,125	(95,728)
Other, net	3,398	1,271
Net cash provided by/(used in) operating activities	**$ 36,237**	**$ (80,252)**
Net effect of exchange rate changes on cash and cash equivalents	(7)	(4)
Net increase/(decrease) in cash and cash equivalents	(2,945)	(213)
Cash and cash equivalents as of January 1	9,647	20,755
Cash and cash equivalents as of March 31	**$ 6,702**	**$ 20,542**
Supplemental disclosure:		
Change in ending balances resulting from currency exchange rate fluctuations:		
Investment securities	1,018	1,702
Loans outstanding	162	1,520
Debt securities	546	-
Borrowings	(1,620)	(2,806)
	106	416
Interest paid during the period	10,642	3,959

The accompanying notes are an integral part of these condensed interim 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

Certain financial information that is normally included in annual financial statements prepared in accordance with generally accepted accounting principles in the United States of America (US GAAP), but is not required for interim reporting purposes, has been condensed or omitted. 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 earnings from Investment securities[1]. The investment securities 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

[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.

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.

Equity investments under ASC 321, *Investments-Equity Securities*, are accounted for at fair value through the statement of income except for those investments that are accounted for under the cost-based measurement alternative (without a readily determinable fair value).

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.

Equity investments accounted for under the cost-based measurement alternative are recorded 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 are recorded as income and reported as Dividends and other income 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 under the cost-based measurement alternative 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 earnings 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 earnings.

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.

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.

Leases – On January 1, 2019, IDB Invest adopted the new lease standard ASC 842, *Leases*, which requires lessees to recognize lease assets and lease liabilities in the balance sheet. IDB Invest follows lessee accounting related to its operating leases for office space with the IDB at headquarters and in its Regional Developing Member Countries.

The lease standard under ASC 842 permits a lessee to elect to not apply the recognition requirement of this Update related to short-term leases with a lease term of 12 months or less. IDB Invest has elected to apply the practical expedient for certain of its office space leases. IDB Invest records short-term lease expense on a straight-line basis over the lease term and reports it as a component of the operating lease expense included in Administrative expenses in the statement of income.

As allowed by the standard, IDB Invest elects to not separate nonlease components from lease components and instead accounts for them as a single lease component.

IDB Invest recognizes a right-of-use asset and lease liability for its operating leases. The right-of-use assets are included in Receivable and other assets and the lease liabilities are included in Accounts payable and other liabilities in the balance sheet. Operating lease expense is recorded on a straight-line basis and included in Administrative expenses in the statement of income. Additional information related to IDB Invest's leases is included in Notes, 5, 6 and 10.

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.

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 and equity investments 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 February 2016, the FASB issued Accounting Standards Update (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. IDB Invest adopted this Update effective January 1, 2019 applying the modified retrospective approach that permits entities to not adjust comparative periods. For IDB Invest, this Update did 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 earnings. 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 2017-08, *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 on January 1, 2019 and did not have a material impact 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):

	Three months ended March 31	
	2019	2018
Interests and dividends, net	$ 8,680	$ 5,441
Net gains/(losses) on investment securities	2,612	661
Total	**$ 11,292**	**$ 6,102**

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

	March 31, 2019	December 31, 2018
Corporate securities	$ 269,304	$ 266,707
Government securities	51,711	70,907
Total	**$ 321,015**	**$ 337,614**

Net unrealized gains recognized in earnings for the three months ended March 31, 2019 relating to trading securities still held as of March 31, 2019 were $502 thousand ($4 thousand net unrealized losses for the three months ended March 31, 2018).

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

	March 31, 2019			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Corporate securities	$ 658,719	$ 1,891	$ (2,415)	$ 658,195
Agency securities	229,678	88	(694)	229,072
Government securities	76,623	19	(64)	76,578
Supranational securities	23,070	-	(162)	22,908
Total	**$ 988,090**	**$ 1,998**	**$ (3,335)**	**$ 986,753**

	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**

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

	March 31, 2019					
	Less than 12 months		12 months or more		Total	
	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
Corporate securities	$ 172,028	$ (1,001)	$ 185,065	$ (1,414)	$ 357,093	$ (2,415)
Agency securities	29,587	(2)	117,080	(692)	146,667	(694)
Government securities	31,655	(4)	24,929	(60)	56,584	(64)
Supranational securities	4,999	-	17,909	(162)	22,908	(162)
Total	**$ 238,269**	**$ (1,007)**	**$ 344,983**	**$ (2,328)**	**$ 583,252**	**$ (3,335)**

	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)**

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

	Three months ended March 31	
	2019	2018
Unrealized gains/(losses) during the period	$ 5,401	$ (3,472)
Reclassification of (gains)/losses to net income	(90)	-
Total recognized in other comprehensive income/(loss) related to available-for-sale investment securities	**$ 5,311**	**$ (3,472)**

Sales of available-for-sale debt securities amounted to $65.4 million during the three months ended March 31, 2019 (none during the three months ended March 31, 2018). Gross realized gains were $90 thousand and there were no gross realized losses from the sale of available-for-sale debt securities during the three months ended March 31, 2019 (none during the three months ended March 31, 2018).

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 three months ended March 31, 2019, there were no other-than-temporary impairment losses on debt securities that IDB Invest would be more likely than not required to sell before recovery of the amortized cost (none during the three months ended March 31, 2018). 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):

	March 31, 2019	December 31, 2018
Less than one year	$ 417,645	$ 466,233
Between one and five years	569,108	655,952
Total	**$ 986,753**	**$ 1,122,185**

4. Development Related Investments

IDB Invest has specific metrics for concentrations and it monitors the 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):

	March 31, 2019				December 31, 2018			
	Loans	Equity investments	Debt securities	Total	Loans	Equity investments	Debt securities	Total
Brazil	$ 236,809	$ 11,465	$ 30,561	$ 278,835	$ 226,201	$ 10,453	$ 30,962	$ 267,616
Chile	250,110	-	-	250,110	255,118	-	-	255,118
Argentina	166,852	-	12,000	178,852	155,962	-	12,000	167,962
Guatemala	119,220	-	39,999	159,219	69,987	-	40,000	109,987
Ecuador	155,874	-	-	155,874	122,603	-	-	122,603
Mexico	129,209	13,693	1,306	144,208	113,571	15,505	-	129,076
Colombia	83,085	2,132	45,089	130,306	83,729	2,004	44,369	130,102
Regional [1]	64,944	36,008	11,999	112,951	41,790	35,594	5,333	82,717
Paraguay	94,433	-	-	94,433	95,980	-	-	95,980
Uruguay	64,512	-	15,100	79,612	65,077	-	15,100	80,177
Peru	62,083	-	13,000	75,083	62,421	-	13,000	75,421
Costa Rica	69,204	-	-	69,204	71,559	-	-	71,559
El Salvador	23,978	-	15,000	38,978	24,684	-	15,000	39,684
Panama	35,726	-	-	35,726	10,597	-	-	10,597
Honduras	34,599	-	-	34,599	48,310	-	-	48,310
Nicaragua	32,521	-	-	32,521	34,666	-	-	34,666
Bolivia	25,926	3,000	-	28,926	569	3,000	-	3,569
Haiti	8,281	-	-	8,281	8,417	-	-	8,417
Suriname	7,549	-	-	7,549	7,894	-	-	7,894
Belize	7,500	-	-	7,500	-	-	-	-
Dominican Republic	6,118	-	-	6,118	6,119	-	-	6,119
Jamaica	6,032	-	-	6,032	6,220	-	-	6,220
Bahamas	2,265	-	-	2,265	2,337	-	-	2,337
Total	**$ 1,686,830**	**$ 66,298**	**$ 184,054**	**$ 1,937,182**	**$ 1,513,811**	**$ 66,556**	**$ 175,764**	**$ 1,756,131**
Financial intermediaries	$ 706,663	$ 3,116	$ 81,304	$ 791,083	$ 635,804	$ 3,116	$ 80,000	$ 718,920
Energy	276,350	-	15,101	291,451	266,362	-	15,100	281,462
Agribusiness	275,351	-	-	275,351	236,068	-	-	236,068
Telecom & IT	193,518	4,695	75,650	273,863	185,927	4,695	75,331	265,953
General manufacturing	103,696	-	-	103,696	90,731	-	-	90,731
Transportation	79,786	-	-	79,786	47,289	-	-	47,289
Investment funds	4,858	49,121	11,999	65,978	4,858	46,351	5,333	56,542
Real estate, tourism & construction	17,802	2,966	-	20,768	16,896	5,994	-	22,890
Services, dist. & retail	9,064	6,400	-	15,464	9,742	6,400	-	16,142
Commodities	14,298	-	-	14,298	14,455	-	-	14,455
Health	4,605	-	-	4,605	4,511	-	-	4,511
Logistics	659	-	-	659	988	-	-	988
Pulp and paper	180	-	-	180	180	-	-	180
Total	**$ 1,686,830**	**$ 66,298**	**$ 184,054**	**$ 1,937,182**	**$ 1,513,811**	**$ 66,556**	**$ 175,764**	**$ 1,756,131**

[1] Represents investments with operations in multiple countries.

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

	March 31, 2019
Loans	$ 443,395
Debt securities	62,240
Equity investments	64,008
Total	**$ 569,643**

Loans

Loans accrue interest at fixed and variable rates. The unpaid principal balance of the fixed rate loan portfolio amounted to $393.2 million as of March 31, 2019 ($369.5 million as of December 31, 2018). 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):

	March 31, 2019				
	1-90 days past due	>90 days past due	Total past due	Total current loans	Total loan portfolio
Financial institutions	$ 90,000		$ 90,000	$ 601,456	$ 691,456
Corporates	418	14,297	14,715	980,659	995,374
Total	**$ 90,418**	**$ 14,297**	**$ 104,715**	**$ 1,582,115**	**$ 1,686,830**
As % of total loan portfolio	5.36%	0.85%	6.21%	93.79%	100.00%
Allowance for loan losses	$ (67,898)				
Allowance as a % of total loan portfolio					4.03%

	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 total loan portfolio	0.11%	0.85%	0.96%	99.04%	100.00%
Allowance for loan losses	$ (65,776)				
Allowance as a % of total loan portfolio					4.35%

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

	March 31, 2019			December 31, 2018		
	Past due	Current	Total nonaccrual	Past due	Current	Total nonaccrual
Corporate	$ 13,284	$ 16,269	$ 29,553	$ 11,836	$ 16,569	$ 28,405
Total nonaccrual loans	**$ 13,284**	**$ 16,269**	**$ 29,553**	**$ 11,836**	**$ 16,569**	**$ 28,405**
Loan portfolio	$ 1,686,830			$ 1,513,811		
As % of loan portfolio	0.79%	0.96%	1.75%	0.78%	1.09%	1.88%

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 $318 thousand for the three months ended March 31, 2019 ($59 thousand for the three months ended March 31, 2018).

The investment in impaired loans as of March 31, 2019 was $29.5 million ($30.1 million as of December 31, 2018). The average investment in impaired loans for the three months ended March 31, 2019 was $29.8 million ($28.6 million for the three months ended March 31, 2018). The total allowance related to impaired loans was $13.1 million as of March 31, 2019 ($13.2 million as of December 31, 2018).

As of March 31, 2019, there are two loans in the portfolio that are considered troubled debt restructurings and are classified as impaired with an outstanding balance of $3.9 million and specific allowance for loan losses of $3.7 million. There have been no payment defaults after the restructurings. There were no troubled debt restructurings during the three months ended March 31, 2019.

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

	Three months ended March 31, 2019		
	Financial institutions	Corporates	Total
Beginning balance	$ (24,602)	$ (41,174)	$ (65,776)
(Provision)/release of provision for loan losses [1]	(793)	(1,329)	(2,122)
Ending balance	**$ (25,395)**	**$ (42,503)**	**$ (67,898)**

[1] Does not include changes in provision for guarantee losses of $3 thousand that are recorded in the same line item in the statement of income.

	Three months ended March 31, 2018		
	Financial institutions	Corporates	Total
Beginning balance	$ (21,028)	$ (28,657)	$ (49,685)
(Provision)/release of provision for loan losses [1]	(118)	(147)	(265)
Ending balance	**$ (21,146)**	**$ (28,804)**	**$ (49,950)**

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

	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
(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.

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 March 31, 2019 and December 31, 2018 (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.

	March 31, 2019		
Internal credit quality indicator	**Financial institutions**	**Corporates**	**Total**
Adequate	$ 120,000	$ 81,349	$ 201,349
Moderate	350,985	439,671	790,656
Weak	220,470	425,646	646,116
Very weak	-	36,709	36,709
Total loans at amortized cost	**$ 691,455**	**$ 983,375**	**$ 1,674,830**

	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**

Loans accounted for at fair value under the FVO were $12.0 million as of March 31, 2019 ($7.7 million as of December 31, 2018). There were no net unrealized gains or losses in earnings for these loans for the three months ended March 31, 2019.

Equity investments

As of March 31, 2019, IDB Invest's equity investments recorded at fair value were $52.1 million that included LPs recorded at fair value based on NAV of $49.1 million ($52.3 million that included LPs recorded at fair value based on NAV of $46.4 million as of December 31, 2018). Net unrealized losses recognized in earnings for the three months ended March 31, 2019 relating to equity investments carried at fair value and that are still held as of March 31, 2019 were $2.2 million (net unrealized losses of $1.0 million for the year ended December 31, 2018).

IDB Invest's equity investments recorded using the cost-based measurement alternative had a carrying value of $14.2 million and there were no measurement adjustments related to observable price changes nor impairments for the three months ended March 31, 2019 ($14.2 million of which measurement adjustments related to observable price changes were $1.4 million and there were no impairments for the year ended December 31, 2018).

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 generally 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 March 31, 2019, IDB Invest's development related investments accounted for as debt securities classified as held-to maturity were $85.2 million ($84.5 million as of December 31, 2018). There was no indication of other-than-temporary impairment losses on these debt securities for the three months ended March 31, 2019 (none for the three months ended March 31, 2018). Debt securities recorded at fair value were $98.9 million and unrealized losses on these securities were $230 thousand as of March 31, 2019 ($91.2 million debt securities recorded at fair value as of December 31, 2018 and unrealized losses were $12 thousand). For the three months ended March 31, 2019, related interest income was $3.8 million ($121 thousand for the three months ended March 31, 2018).

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

	March 31, 2019	December 31, 2018
Due in one year or less	$ 413	$ 442
Due after one year through five years	70,280	66,249
Due after five years through ten years	93,654	89,367
Due after ten years and thereafter	19,707	19,706
Total	**$ 184,054**	**$ 175,764**

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's current outstanding exposure for guarantees was $17.2 million as of March 31, 2019 ($17.1 million as of December 31, 2018). 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 $37.0 million as of March 31, 2019 ($37.1 million as of December 31, 2018). The allowance for losses on guarantees is $567 thousand as of March 31, 2019 and is recorded in Accounts payable and other liabilities in the balance sheet ($564 thousand as of December 31, 2018).

Loan participations

As of March 31, 2019, IDB Invest serviced loan participations outstanding of $3.7 billion ($3.2 billion as of December 31, 2018) and recognized servicing fees of $234 thousand for the three months ended March 31, 2019 ($109 thousand for the three months ended March 31, 2018) 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):

	March 31, 2019	December 31, 2018
Receivables and other assets [1]	$ 64,700	$ 15,411
Operating lease right-of-use asset	55,417	-
Interest receivable on development related investments	20,615	14,971
Fixed and intangible assets	12,435	12,611
Interest receivable on investment securities	8,402	6,459
Total receivables and other assets	**$ 161,569**	**$ 49,452**

[1] As of March 31, 2019, Receivables and other assets includes $49.5 million in unallocated income distributions corresponding to Annex B shares from the IDB on behalf of its member countries. Refer to Note 8 for additional details.

6. Accounts Payable and Other Liabilities

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

	March 31, 2019	December 31, 2018
Operating lease liability	$ 55,420	$ -
Pension Plans, net liability	39,892	39,892
Deferred revenue	33,960	30,411
Employment benefits payable	9,683	8,905
Accounts payable and other liabilities	3,950	8,210
Due to IDB, net	11,196	4,738
Postretirement Benefit Plan, net liability	4,135	4,135
Total accounts payables and other liabilities	**$ 158,236**	**$ 96,291**

As of March 31, 2019, and December 31, 2018, the Pension Plans net liability and PRBP net liability reflect the underfunded status of the Pension Plans and PRBP. Refer to Note 12 for additional details. 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	March 31, 2019 Amount outstanding	F/V rate[1]	Interest rate	December 31, 2018 Amount outstanding	F/V rate[1]	Interest rate
Brazilian real (BRL):								
2018 BRL 120 million	2021	Quarterly	$ 30,800	V	5.51%	$ 30,974	V	5.51%
			30,800			**30,974**		
Colombian peso (COP):								
2018 COP 144 billion	2025	Semi-annual	45,089	F	6.60%	44,369	F	6.60%
2018 COP 35 billion	2030	Quarterly	11,065	V	7.84%	10,888	V	7.97%
			56,154			**55,257**		
Mexican peso (MXN):								
2018 MXN 1.5 billion	2021	Monthly	77,408	V	8.61%	76,331	V	8.47%
			77,408			**76,331**		
Paraguayan guarani (PYG):								
2018 PYG 30 billion	2023	Semi-annual	4,860	F	6.10%	5,040	F	6.10%
			4,860			**5,040**		
United States dollar:								
2016 $500 million	2019	Quarterly	500,000	V	3.06%	500,000	V	2.84%
2018 $500 million	2021	Quarterly	500,000	V	2.89%	500,000	V	2.55%
2011 $50 million	2021	Semi-annual	20,000	V	3.46%	20,000	V	3.48%
1997 $100 million	2023	Semi-annual	100,000	V	3.11%	100,000	V	3.11%
			1,120,000			**1,120,000**		
Total borrowings, gross			**$ 1,289,222**			**$ 1,287,602**		
Unamortized discounts and issuance costs, net			(1,125)			(1,230)		
Total borrowings, net			**$ 1,288,097**			**$ 1,286,372**		

[1] F: fixed; V: variable

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

	Available until	March 31, 2019 Contractual amount	Available amount	Amount outstanding
Colombian peso (COP):				
2018 COP 370 billion	2021	$ 115,810	$ 104,745	**$ 11,065**
Multi-currency:				
1997 $300 million [1]	2022	300,000	169,200	**130,800**

[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.

The Borrowings expense is as follows (US$ thousands):

	Three months ended March 31	
	2019	2018
Interest and fees expense	$ 11,536	$ 4,145
Amortization of discounts and issuance cost	116	47
Total borrowings expense	**$ 11,652**	**$ 4,192**

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 $2.1 million were received during the three months ended March 31, 2019 for a total of $869.0 million in contributions corresponding to Annex A Shares under GCI-II. In March 2019, the Board of Governors approved $49.5 million in income distributions (transfers) corresponding to Annex B Shares transfer from the IDB on behalf of its shareholders that are also member countries of IDB Invest and are included as part of Total paid-in capital in the balance sheet. In April 2019, these Annex B shares were issued and included in voting power upon receipt of the transfers. Total capital contributions of approximately $918.5 million have been received under GCI-II through March 31, 2019.

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):

	March 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 [4]	Number of votes	Percent of total votes[4]
Argentina	17,727	$ 177,270	$ 59,782	$ 234	$ 236,818	$ 14.58	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	773	1,094	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	11.26	12,562	10.65
Canada	4,211	42,110	25,112	24,163	43,059	2.65	2,718	2.30
Chile	4,552	45,520	15,755	14,755	46,520	2.86	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	1	60,761	3.74	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	0.66	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	2,409	2,184	7,075	0.44	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	2,542	4,972	4,420	0.27	328	0.28
Honduras	685	6,850	2,364	2,236	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	3.22	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	9.32	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	1.43	1,848	1.57
Trinidad and Tobago	684	6,840	2,547	6,031	3,356	0.21	327	0.28
United States	16,946	169,460	5,739	-	175,199	10.79	16,946	14.36
Uruguay	1,886	18,860	6,338	5,954	19,244	1.18	1,518	1.29
Venezuela	10,553	105,530	42,987	103,705	44,812	2.76	4,416	3.74
Unallocated income distributions corresponding to Annex B shares		-	49,480	-	49,480			
Total as of March 31, 2019	**154,286**	**$ 1,542,860**	**$ 574,295**	**$ 443,366**	**$ 1,673,789**	**100**	**118,007**	**100**
Total as of December 31, 2018	**154,286**	**$ 1,542,860**	**$ 523,949**	**$ 444,603**	**$ 1,622,206**		**118,007**	

(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, partial payments in excess of full shares and unallocated income distributions corresponding to Annex B shares.

(3) Represents receivable from members under GCI-II.

(4) Excludes unallocated income distributions corresponding to Annex B shares. 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 at fair value – Equity investments are valued using quoted prices. 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.

Equity investments at cost-based measurement alternative – IDB Invest's methodology to measure equity investments using the cost-based measurement alternative 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.

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.

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):

	March 31, 2019				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Investment securities					
Corporate securities	$ 927,499	$ 927,499	$ -	$ 927,499	$ -
Agency securities	229,072	229,072	-	229,072	-
Government securities	128,289	128,289	-	128,289	-
Supranational securities	22,908	22,908	-	22,908	-
	1,307,768	1,307,768	-	1,307,768	-
Loans					
Amortized cost	1,674,830	1,622,650	-	-	1,622,650
Fair value	12,000	12,000	-	-	12,000
	1,686,830	1,634,650	-	-	1,634,650
Equity investments					
Equities at cost-based measurement alternative	14,211	14,211	-	-	14,211
Equities at fair value	2,966	2,966	2,966	-	-
	17,177	17,177	2,966	-	14,211
Debt securities					
Held to maturity	85,189	85,087	-	-	85,087
Fair value	68,304	68,304	-	-	68,304
	153,493	153,391	-	-	153,391
Borrowings	1,288,097	1,293,165		1,293,165	-
Investments measured at NAV					
Equity investments	49,121	49,121			
Debt securities	30,561	30,561			

	December 31, 2018				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Investment securities					
Corporate securities	$ 1,060,030	$ 1,060,030	$ -	$ 1,060,030	$ -
Agency securities	233,279	233,279	-	233,279	-
Government securities	118,752	118,752	-	118,752	-
Supranational securities	47,738	47,738	-	47,738	-
	1,459,799	1,459,799	-	1,459,799	-
Loans					
Amortized cost	1,506,097	1,480,392	-	-	1,480,392
Fair value	7,714	7,714	-	-	7,714
	1,513,811	1,488,106	-	-	1,488,106
Equity investments					
Equities at cost-based measurement alternative	14,211	14,211	-	-	14,211
Equities at fair value	5,994	5,994	5,994	-	-
	20,205	20,205	5,994	-	14,211
Debt securities					
Held to maturity	84,469	79,458	-	-	79,458
Fair value	60,333	60,333	-	-	60,333
	144,802	139,791	-	-	139,791
Borrowings	1,286,372	1,286,691	-	1,286,691	-
Investments measured at NAV					
Equity investments	46,351	46,351			
Debt securities	30,962	30,962			

The following table presents changes in carrying value of IDB Invest's Level 3 financial instruments that are carried at fair value for the three months ended March 31, 2019 (US$ thousands):

	Three months ended March 31, 2019				
	Balance as of January 1, 2019	Net gains and losses included in earnings	Disbursements, purchases	Balance as of March 31, 2019	Net unrealized gains/(losses) included in earnings related to assets/ liabilities held at March 31, 2019
Loans	$ 7,714	$ -	$ 4,286	$ 12,000	$ -
Debt securities	60,333	(2)	7,973	68,304	(2)
Total assets at fair value	**$ 68,047**	**$ (2)**	**$ 12,259**	**$ 80,304**	**$ (2)**

There were no transfers between levels during the three months ended March 31, 2019 nor March 31, 2018.

10. Contingencies and Leases

In the ordinary course of business, IDB Invest is from time to time named as a defendant, codefendant or party in 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.

Office Space Leases

IDB Invest has entered into office space leases with the IDB at headquarters and in its Regional Developing Member Countries that are accounted for as either short-term leases or operating leases. 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. The lease agreements in Argentina and Colombia include renewal options to extend the lease term, all of which IDB Invest is reasonably certain to exercise for the duration established in the contract.

Refer to Notes 5 and 6 for additional information related to IDB Invest's lease right-of-use assets and lease liabilities outstanding as of March 31, 2019.

The following table details the lease expenses and quantitative disclosure requirements (US$ thousands):

		March 31, 2019
Operating leases		
Operating lease expense	$	1,314
Total lease expense	**$**	**1,314**
Supplemental disclosure:		
Weighted average of lease terms (years)		11.62
Discount rate		3.11%

Maturity analysis of operating lease liabilities with the IDB are as follows (US$ thousands):

		March 31, 2019
Undiscounted cash flows in 2019	$	3,823
Undiscounted cash flows in 2020		5,245
Undiscounted cash flows in 2021		5,305
Undiscounted cash flows in 2022		5,233
Undiscounted cash flows in 2023		5,343
Undiscounted cash flows in 2024 and thereafter		42,168
Total operating leases	**$**	**67,117**
Discount		(11,697)
Operating lease liability	**$**	**55,420**

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. IDB Invest has also entered into office space leases with the IDB discussed in Note 10.

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 $16.1 million for providing services related to these performance obligations for the three months ended March 31, 2019 ($15.4 million for the three months ended March 31, 2018). 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 $3.7 million for receiving these SLA services from the IDB for the three months ended March 31, 2019 ($3.2 million for the three months ended March 31, 2018) 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, net of $11.2 million as of March 31, 2019 ($4.7 million as of December 31, 2018). Refer to Note 6.

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 March 31, 2019, IDB Invest's borrowings outstanding from the IDB multi-currency credit facility were $130.8 million and $169.2 million remain available. Refer to Note 7 for additional details.

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 three months ended March 31, 2019, IDB Invest earned $601 thousand for managing external funds ($177 thousand for the three months ended March 31, 2018). 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 three months ended March 31, 2019, there are no payments for these services ($329 thousand for the three months ended March 31, 2018). For the three months ended March 31, 2019, IDB Invest recognized revenue related to providing services of $405 thousand ($530 thousand for the three months ended March 31, 2018). As of March 31, 2019, IDB Invest has recorded deferred revenue of $12.4 million related to these services ($12.8 million as of December 31, 2018), 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.

All contributions are made in cash during the fourth quarter of the year. As of March 31, 2019, the estimate of contributions expected to be paid for the year 2019 are $6.8 million to the Pension Plans, and $3.9 million to the PRBP, the same amounts disclosed in the December 31, 2018 financial statements. Contributions for 2018 were $6.6 million to the Pension Plans and $4.3 million to the PRBP.

Net periodic benefit costs are included in Operating expenses in the statement of income. The following table summarizes the net periodic benefit costs associated with the Pension Plans and the PRPB for the three months ended March 31, 2019 and 2018 (US$ thousands).

	Three months ended March 31			
	Pension Plans		PRBP	
	2019	2018	2019	2018
Service cost [1]	$ 3,076	$ 3,388	$ 1,175	$ 1,300
Interest cost [3]	2,329	1,975	1,425	1,375
Expected return on plan assets [2][3]	(2,775)	(2,545)	(2,000)	(1,850)
Amortization of: [3]				
Unrecognized net actuarial loss	14	347	75	550
Prior service (credit)/cost	-	-	(100)	(100)
Net periodic benefit cost	**$ 2,644**	**$ 3,165**	**$ 575**	**$ 1,275**

[1] Included in Administrative expenses.

[2] The expected return of plan assets is 6.00% in 2019 and 6.00% in 2018.

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

13. Subsequent Events

Management has evaluated subsequent events through May 14, 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*.