IDB | Invest

Annual Report 2019

The 2019 Annual Report of the Inter-American Investment Corporation, hereinafter referred to as "IDB Invest", provides the corporate and operational results of the year.

The operational data presented in this document is based on the combined non-sovereign guaranteed portfolio of the Inter-American Development Bank (IDB) and IDB Invest, referred to together as IDB Group for the purposes of this Annual Report. The financial highlights, financial results and financial statements appendix refer to IDB Invest only.

IDB Invest is a multilateral development bank committed to promoting the economic development of its member countries in Latin America and the Caribbean through the private sector. We finance sustainable companies and projects to achieve financial results and maximize economic, social and environmental development in the region.

IDB | Invest

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CHAIRMAN OF THE BOARD OF GOVERNORS
INTER-AMERICAN INVESTMENT CORPORATION (IDB INVEST)
WASHINGTON, D.C.

Mr. Chairman:

Pursuant to the provisions of the agreement establishing the Inter-American Investment Corporation, I am pleased to transmit its Annual Report for the year 2019, along with audited financial statements, including the balance sheet as of December 31, 2019, and 2018, and related statements for the financial years concluded on those dates.

This report contains a summary of the main achievements of the Corporation, whose brand is IDB Invest, and key milestones as the Corporation enters the fourth year of its expanded mandate, such as the creation of 38,000 new jobs from its portfolio, the support for 343,000 SME and reaching about US$11 billion in managed assets.

Sincerely,

LUIS ALBERTO MORENO
CHAIRMAN, BOARD OF EXECUTIVE DIRECTORS
INTER-AMERICAN INVESTMENT CORPORATION
(IDB INVEST)

LETTER FROM THE CEO

JAMES P. SCRIVEN
GENERAL MANAGER AND CHIEF EXECUTIVE OFFICER
IDB INVEST

As today's economies grapple with downgraded growth coupled with social and environmental tensions, development finance is under increasing pressure to deliver solutions that achieve the UN's Sustainable Development Goals and improve lives. When IDB Invest took on its expanded mandate in 2016, we made some early decisions that would allow us to excel under pressure and build trust with our clients and stakeholders. Four years later, I am pleased to report we are delivering on both our financial and development objectives.

EARLY DECISIONS PAID OFF

The first decision was to reimagine what being a "Group" entails. In each of our 26 country offices in Latin America and the Caribbean, the IDB Group has a single country representative for both the public and private sectors. That means that in every country in the region we have a senior executive paying attention to their specific development needs and prioritizing our work. The benefits of functioning as a Group have paid off in how we develop projects upstream with governments to then finance them downstream with private companies.

In tourism, for example, IDB Invest supported the Tropicalia hotel project in Miches, Dominican Republic, after the IDB financed the construction of a highway to an underdeveloped beach area. Our ability to lend to this environmentally and socially sustainable project underscores the value proposition of coordinating the actions of our public and private sector windows.

In addition to our joint country representatives, we have more IDB Invest officers in the field. We have increased our overall field presence by 92% and are now present in 24 country offices. Increasing our field presence allows us to enhance our dialogue with our clients and stakeholders on the ground and across the IDB Group.

The second decision was to sharpen our focus on capital markets. We went from being a mono-product, mono-currency entity to one that can tailor an array of products to each client's needs. Over the past few years, IDB Invest has tested new structures in the capital markets. In Brazil we piloted our first-ever total credit guarantees to fully cover infrastructure sponsor debt payments to bondholders, providing our client an instrument that improves credit ratings, extends tenors and ensures competitive pricing. In Colombia we supported a local financial institution with a guarantee to issue the country's first sustainable bond. We later replicated that successful experience in Argentina and Peru.

In Panama we worked on the region's first gender bond, unleashing new sources of financing for underlying loans that support women entrepreneurs. Now new players are following our lead, attracting more capital to socially inclusive and environmentally friendly projects.

Our third decision was to strengthen infrastructure and corporate lending. Following our mandate to "be bold in infrastructure," we are expanding our exposure in the energy, transport, health, education, agribusiness, tourism, technology and manufacturing sectors.

This means we can't shy away from projects with complex environmental, social and corporate governance (ESG) issues. Instead, we manage them proactively by selecting clients completely committed to sustainability. We engage with them from due diligence throughout our portfolio with tools and knowledge to safeguard their assets and the communities and the environment around them. Client selectivity means that when ESG issues do arise, we have partners in the region who can both mitigate risks and deploy our added value services to both avoid harm and bring benefit.

WE DELIVERED

Four years ago, we set ourselves a target: 15% of our projects would contribute to greater gender equality. At present, 18% of our projects meet that criterion. In addition, we wanted 30% of our projects to help mitigate climate change, and we are achieving precisely that mark, while doubling the number of projects with a climate adaptation focus.

At merge out we saw an opportunity to increase our footprint in unattended areas such as small and island countries (S&I). At that time, we committed to bringing business to S&I countries and focused our business strategy to include a 10% lending volume target by 2020. In 2019, 14% of our projects and 7% of lending volume supported these smaller economies. This year we also closed our first subordinated loan in Trinidad and Tobago and our first local currency financing in the Dominican Republic.

Looking back on our financial targets, in 2017 IDB Invest set out to originate US$3.0 billion in development projects. By the end of that year, we had approved US$3.2 billion. In 2018, we set out to do US$3.5 billion, and we ended the year with US$4.1 billion. Last year we set out to do US$3.8 billion, and we approved US$4.7 billion.

But what makes me most proud is what this means for development. Our portfolio has helped create 38,000 new jobs and is supporting financing for 343,000 micro, small and medium-sized enterprises, as well as helping to reduce greenhouse gas emissions equivalent to 9.5 million tons of carbon dioxide.

The broader market also validated our delivery. Last year we had the honor of winning LatinFinance's Multilateral Institution of the Year award for the second year in a row. This recognition, plus the 33 other awards we won over the past four years, speak to the contributions our clients, partners and employees are making to development in our region.

LOOKING AHEAD

IDB Invest finds itself at an inflection point, where growth will continue on a linear trendline, however, our development impact will become exponential. How will we achieve this?

Firstly, our sector diversification and product offering will remain largely the same, however we will strengthen our backbone to process deals more efficiently. We will test new project structures with a broader spectrum of partners and instruments that optimize capital usage. Future mobilization will focus on maximizing our global investor convening power and leveraging idle assets on institutional balance sheets. This will mean shifting our mentality from corporate lender to asset manager.

We also have our eyes wide open to global macro-trends, evolving trade agreements, integrity issues, climate change, migration, inequality and more. A risk culture that protects in order to promote will take the region's private sector beyond compliance. We aspire to ESG practices that are best-in-class with more resources dedicated to contextual risks and stakeholder engagement. We want investors across the globe to know that partnering with us is the best way to mitigate risks and invest in the region.

Lastly, development impact and measurement will continue to underscore everything we do. We will keep measuring each project's contribution to the SDGs. Beyond financing, we will continue to strengthen our projects with knowledge and advisory services to multiply our impact. While IDB Invest has delivered on the bold initial promises, the stakes for the future are even higher.

We continue to look to our clients, partners and stakeholders to join us to both make markets and make our mark on the region's development.

JAMES P. SCRIVEN
GENERAL MANAGER AND CHIEF EXECUTIVE OFFICER
IDB INVEST

2019


WE WERE
"BOLD IN INFRASTRUCTURE"
OUR PORTFOLIO IS CREATING 38,000 NEW JOBS
WE HAVE INCREASED OUR FIELD PRESENCE BY 92% AND WE ARE NOW IN 24 COUNTRIES
SUPPORTING THE FINANCING OF 343,000 MSMES AND REDUCING 9.5 MILLION TONS OF CARBON DIOXIDE EACH YEAR.
US$11 BILLION IN MANAGED ASSETS
THE MEDIAN DELTA SCORE REACHED 8.9
18% of our projects contribute to greater gender equality.
SUSTAIN ABILITY WEEK 2019
36 COUNTRIES
611 PARTICIPANTS
CORE MOBILIZATION REACHED US$1.4 BILLION
FOR THE SECOND YEAR IN A ROW.
LATIN FINANCE MULTILATERAL INSTITUTION OF THE YEAR AWARD
IDB INVEST TESTED NEW STRUCTURES IN THE CAPITAL MARKETS
$4.7 BILLION IN APPROVALS
155 ADVISORY ENGAGEMENTS
39 KNOWLEDGE PRODUCTS REACHED 10 MILLION GLOBALLY
33 AWARDS
30% OF OUR PROJECTS MITIGATE CLIMATE CHANGE
NEW ACCESS TO INFOR MA TION POLICY

OPERATIONAL HIGHLIGHTS

In millions of US$

APPROVALS	
Number of projects	**271**
Multiple Types of Products	127
Loans	98
Guarantees	41
Equity investments	2
Debt securities	3
Amount	**$4,688**
Multiple Types of Products	$633
Loans	$3,393
Guarantees	$302
Equity investments	$80
Debt securities	$280
Group C&D countries (based on amount)	**45%**
Disbursements and Guarantees	
Disbursements	**$3,410**
Guarantees	**$441**
Development Assets Portfolio	
Active portfolio	**$8,470**
Active portfolio for Group C&D countries (based on amount)	**44%**
Basic Mobilization	
Core mobilization	$1,441
Adjusted commitments (2)	$4,313
Core mobilization ratio (times)	0.33
Advisory Services	
Percentage of approvals for climate change	27%
Fundraising of donor resources for blended finance and advisory services	$199.7
Percentage of projects with gender outcomes (1)	18%
Number of new client engagements for advisory services	90

1 Projects that score a "Somewhat," "Yes" or "Exceptional" on Development Outcome and/or Additionality Gender Indicator in the DELTA. Excludes Trade Finance Facilitation Program (TFFP) approvals and transactions approved without DELTA

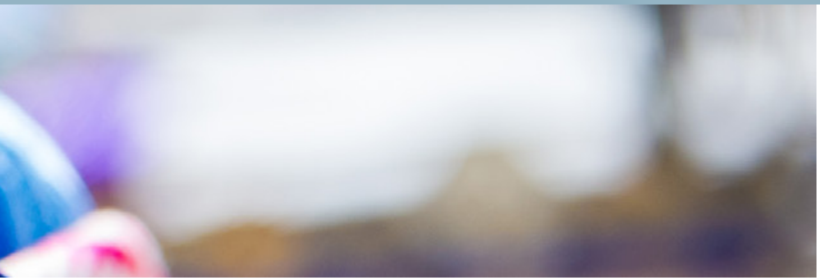
2 Los montos comprometidos fueron ajustados para reflejar la metodología empleada en los informes sobre movilización empleada por los bancos multilaterales de desarrollo.

DEVELOPMENT IMPACT

How to achieve the maximum development impact is at the core of what we do. We design every project to add value beyond financing, helping our clients measure social returns on investment and become more competitive, resilient and sustainable. This notion of adding value beyond financing is the cornerstone of IDB Invest's Impact Management Framework, a comprehensive approach centered on learning and continuous improvement throughout the operational cycle.

In 2019 we continued to implement this framework, which is fully integrated with the UN Sustainable Development Goals (SDGs) and includes a series of tools to support the operational cycle from beginning to end. These tools help guide project selection, assess and track development impact and SDGs contributions, manage and evaluate portfolio performance, add value to clients, and ensure continuous learning. Throughout the year, we shared this framework in various forums with clients, impact investors and multilateral development banks, reinforcing its relevance as a market-leading approach. For more information, see the 2019 Development Effectiveness Overview (DEO).

More specifically, we piloted our Strategic Selectivity scorecard, which supports origination by targeting projects that match the main development gaps in each sector and country, in line with corporate priorities and IDB Group country strategies. Moving on to the design phase, we assess each



project's development impact potential and additionality using the Development Effectiveness Learning, Tracking, and Assessment tool (DELTA). The median DELTA score at approval rose from the previous year to 8.9 (out of 10), surpassing the portfolio target of 8.0. This increase was mainly driven by improved scores among projects in the corporate segment. This initial assessment is tracked during project supervision, and, as the portfolio matures, the final development outcomes associated with these investments are evaluated and independently validated.

Marking another key accomplishment, last year we deployed a new methodology for measuring how IDB Invest projects contribute to achieving the SDGs. We have analyzed and tagged 100% of the portfolio according to which SDGs target (or targets) each project is expected to contribute, an assessment that will be updated accordingly during the supervision phase. Our installed capacity to measure SDGs contributions is another way to add value for clients and co-investors, who are increasingly looking to connect their operations and investments to the global agenda. Reflecting this mounting interest, the "Measuring and Managing SDG Impact" workshop we held at Sustainability Week 2019 attracted more than 50 clients and partners.

Finally, we continued to capture lessons learned from past projects in order to improve the design of new operations. Over 500 lessons learned from nearly 400 completed projects in 23 countries have been captured in our Development Effectiveness Analytics platform. We also performed a deep dive into the agribusiness sector, analyzing the lessons learned from 20 completed projects and synthesizing them into practical insights for operational teams (see Chapter 4 of the 2019 DEO for a summary of this analysis).

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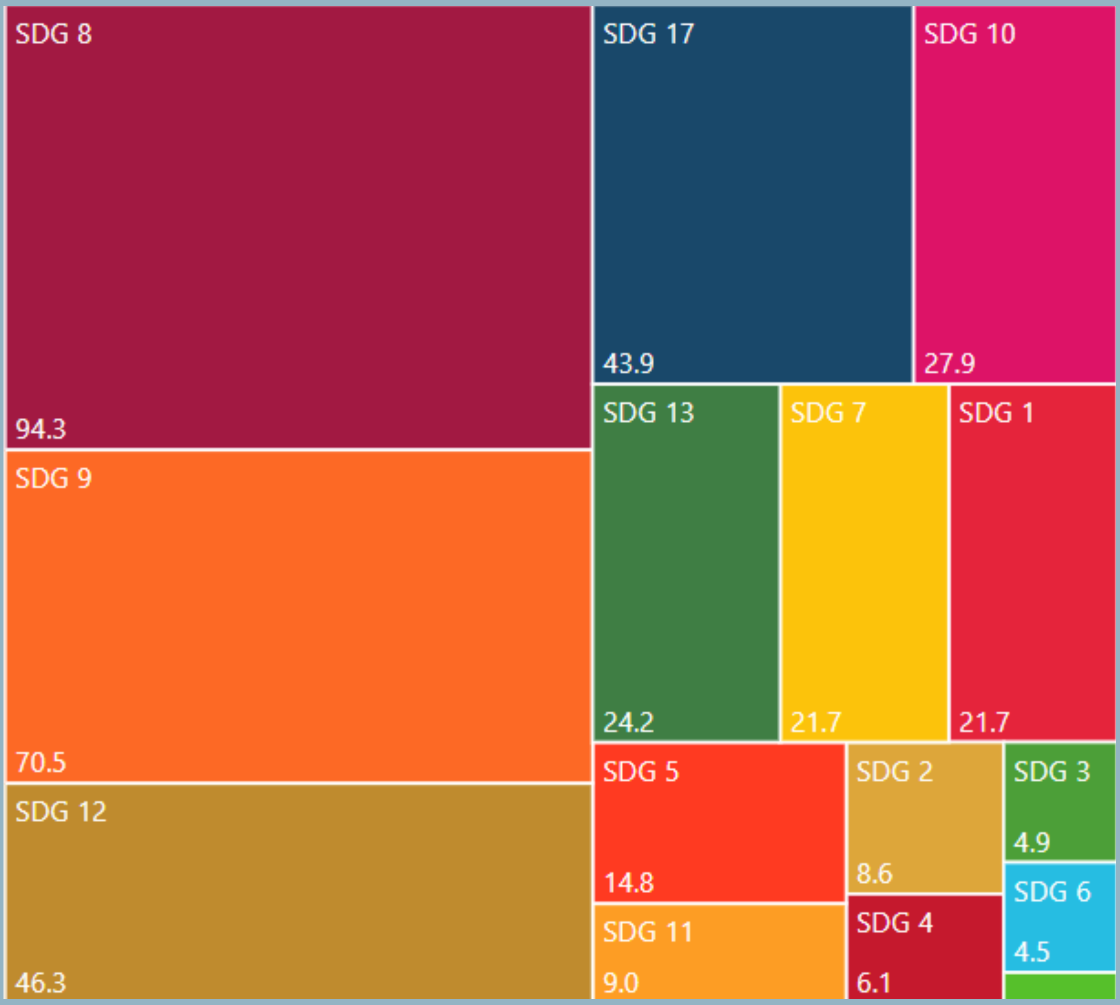
Expected SDGs Contributions for Projects Approved from 2016-2019*

* % of transactions in active portfolio
% of Transactions contributing to SDGs



FEATURED PROJECTS

INTERNET PARA TODOS

PERU

Connectivity and Telecommunications

Increasing connectivity is key to enabling 100 million people in Latin America and the Caribbean currently without mobile broadband to enjoy the social and economic benefits of Internet access. This hurdle is especially challenging in the region's rural and remote areas, where traditional operators fail to provide adequate coverage. *Internet para Todos* (Spanish for Internet for All) helps solve the rural mobile connectivity problem by improving service and offering mobile internet coverage under an economically sustainable wholesale business model, based on open access and new technologies. IDB Invest participates, together with Facebook, Telefónica and CAF, in the creation of this wholesale rural mobile infrastructure operator, whose objective is to reduce the digital gap and connect rural communities in Peru. *Internet para Todos* allows any mobile operator and companies in the telecommunications sector with a certain range to use its 3G and 4G infrastructure and offer quality communications services for users, companies and organizations in rural communities. Telefónica del Perú opens its current rural business to *Internet para Todos*. Meanwhile, IDB Invest, Facebook and CAF invest in the new company. The success of this project – IDB Invest's first equity investment – may lay the foundations for replicating this business model in other Latin American and Caribbean countries. The operation prospectively supports six SDGs: No poverty (SDG 1); Gender equality (SDG 5); Decent work and economic growth (SDG 8); Industry, innovation and infrastructure (SDG 9); Reduced inequalities (SDG 10) and Partnerships for the goals (SDG 17).

HIGHWAYS 2 & 7
PARAGUAY

Transportation

Transportation infrastructure is fundamental for a country's growth and development. Improving it strengthens economic competitiveness and facilitates production, distribution and marketing processes. IDB Invest is helping Paraguay to reach these objectives by financing the improvement of Highways 2 & 7, the main corridor for the country's economic activity. IDB Invest granted a US$200 million financial package to Concesionaria Rutas del Este, comprising the companies Sacyr Concesiones SA and Ocho A SA, to double the lanes on these highways, expanding their capacity and strengthening road safety. IDB Invest's financial support includes a guarantee, assuming the construction risk of the initial stages of the works and granting use of resources from a bond issued by the concessionaire on the international market. For the later stages of the project, IDB Invest provided a long-term loan that is to be disbursed upon payment of the guarantee. This project is the first public-private partnership (PPP) contract signed under Paraguay's PPP Law, which seeks to attract foreign direct investment. Through this innovative structure, IDB Invest supports the development of capital markets to finance infrastructure in Paraguay. It is an efficient model that can be replicated in other Latin American and Caribbean markets. The operation prospectively contributes to three SDGs: Decent work and economic growth (SDG8); Industry, innovation and infrastructure (SDG 9) and Partnerships for the goals (SDG 17).

REPUBLIC BANK
TRINIDAD AND TOBAGO

Digital Transformation, SMEs, and Housing

The technological transformation of financial institutions is crucial to strengthen their positioning. In parallel, commitments to financing small and medium-sized enterprises (SMEs) and affordable housing are important to foster social inclusion and economic development. IDB Invest granted Republic Bank a subordinate loan of US$75 million to support these objectives and consolidate its position as one of the leading financial institutions in the Caribbean. Obtaining proper financing is a challenge for SMEs in Trinidad and Tobago, where high prices and a scarcity of residential land are the main challenges for those seeking affordable housing. By providing access to financing through IDB Invest's subordinated loan, Republic Bank can rely on additional capital to support its clients in overcoming the current barriers in these two segments. At the same time, the operation contributes to financing Republic Bank's digitization program, for both internal and external aspects of its technological infrastructure. Thus, IDB Invest facilitates access to credit for Trinidadians and supports the expansion of Republic Bank in the Caribbean, contributing to the adaptation of its services to underserved markets. This operation prospectively supports five SDGs: Decent work and economic growth (SDG 8); Industry, innovation and infrastructure (SDG 9); Reduced inequalities (SDG 10), Sustainable cities and communities (SDG 11) and Responsible consumption and production (SDG 12).

VALUE PROPOSITION

We work with clients across strategic sectors in Latin America and the Caribbean, providing them access to financial resources, as well as to our technical knowledge and sectorial expertise. At IDB Invest, our job is to give our clients the tools they need for sustainable growth.

OUR VALUE PROPOSITION

INFRASTRUCTURE

Economic development in Latin America and the Caribbean presents multiple challenges and opportunities. One of the most significant challenges to reduce inequality and increase the productivity of various economic sectors is to continue reducing the region's infrastructure deficit. As such, one of IDB Invest's main lines of action in 2019 has been to promote the development of major infrastructure projects in the region, mobilizing the largest possible amount of investment and developing innovative financing structures to contribute to the viability of these projects.

WATER AND SANITATION

In Latin America and the Caribbean, approximately 30 million people lack access to safe, treated drinking water. One of our lines of action in this sector is to finance private operators and state-owned companies which are unable to access loans with a sovereign guarantee. Additionally, we have aimed to identify innovative financing models in this sector with a high potential to be replicated in the region. For the first time, IDB Invest financed a water and sanitation public-private partnership (PPP) in Brazil with a loan of R$442 million to BRK Ambiental. The project will benefit vulnerable urban population sectors in the city of Recife, located in the country's north-eastern region.

We are also focusing our efforts on supporting desalination as a way for countries to adapt to climate change. As the cost of new technologies drops, these projects will become viable solutions in areas where aquifers are overexploited or affected by rising sea levels.

SOCIAL INFRASTRUCTURE

Health and education are two of the sectors that pose the greatest challenges for development in the region. A large portion of Latin America and the

Caribbean's population does not have access to health services, either due to financial constraints or geographic barriers. Meanwhile, in the education sector, the school dropout rate is high, and many schools do not have adequate infrastructure such as access to drinking water and electricity.

At IDB Invest, we have developed a strategy to promote health and education with a focus on STEM, in particular through public-private partnerships (PPPs) which improve the conditions of services provided and enable the inclusion of low-income sectors. An example of this is the financing provided for the opening of Texas Tech's first campus in Costa Rica. This new education infrastructure, with capacity for 1,500 students, will enable attendees to obtain a university degree by following the educational model of this US university at a lower cost than at its Texas campus, and with an approach focusing on areas of study that are in high demand in Costa Rica's labor market: electrical and industrial engineering, IT, mathematics, business management, retail, and restaurant and hotel management.

TRANSPORT

During 2019, significant progress has been made on large transport infrastructure projects and services, in areas such as highways and ports.

One example is the Autopista al Mar project in Colombia, where IDB Invest provided long-term financing of COP$ 443 billion, (approximately US$143 million), together with international and local commercial banks which contributed funds in US dollars and Colombian pesos. This highway will connect production and population centers in the department of Antioquia, including the city of Medellín, with Colombia's Caribbean coast and the planned port developments in the Gulf of Urabá. The main objective is to improve the connectivity and integration of the beneficiary populations by reducing travel times and costs, and improving the quality of roads, safety and service.

ENERGY

Renewable energy has received a major boost following the signing of the Paris Agreement in 2016, in which signatory countries agreed to reduce their emissions in order to curb the effects of climate change. However, according to the United Nations, in Latin America and the Caribbean, approximately 44% of electricity is still generated from non-renewable resources.

One of IDB Invest's strategic lines of action is to continue promoting the expansion of renewable energy in the region. Our objective is to promote new clean energy solutions to accelerate the energy transition in Latin America and the Caribbean countries. To achieve this, we are supporting financially and economically robust projects, corporate governance practices, and social and environmental responsibility in order to ensure long-term profits for the private sector. In 2019, we granted a US$34.9 million financing package to X-Elio for the construction and maintenance of a solar power plant with a capacity of 200 MW in the state of Sonora, Mexico. This solar power plant will contribute to economic growth in Mexico by adding a more competitive energy source, increasing the installed capacity of non-conventional renewable energy and diversifying the country's energy matrix.

On the other hand, in order to expand renewable energy, baseload power must also be increased. For that reason, At IDB Invest, we have made the firm decision to support natural gas distribution as a source of electric power generation, replacing other more polluting sources such as coal or hydrocarbons. At the end of 2019, IDB Invest financed the construction of Energía del Pacífico in El Salvador, the first LNG-based power plant in the Northern Triangle of Central America. It will generate 378 MW when it initiates operations in 2021, reducing the country's dependence on fossil fuels and decreasing electricity imports. Energía del Pacífico is expected to increase El Salvador's energy capacity by 30%, changing the country's energy matrix and reducing energy-related pollution.

Another line of action is to facilitate investment for sustainable fixed-income infrastructure projects (e.g. transmission lines) through simple and transparent tools which provide guarantees to investors regarding certain projects' environmental credentials. To achieve this, IDB Invest will continue to operate in accordance with the sustainable infrastructure framework developed jointly with the IDB and has developed a methodology to classify green transmission lines. A public consultation on this methodology will be carried out in the coming months in order to validate an international market standard. In this way, investors will be able to easily decide where to place their capital with greater certainty that the green projects they are analyzing are actually environmentally friendly.

OUR VALUE PROPOSITION

FINANCIAL INSTITUTIONS

During 2019, one of the strategic pillars for the financial segment was to lead the creation of a new asset class in Latin American and Caribbean capital markets, boosting the development of thematic and sustainable bonds.

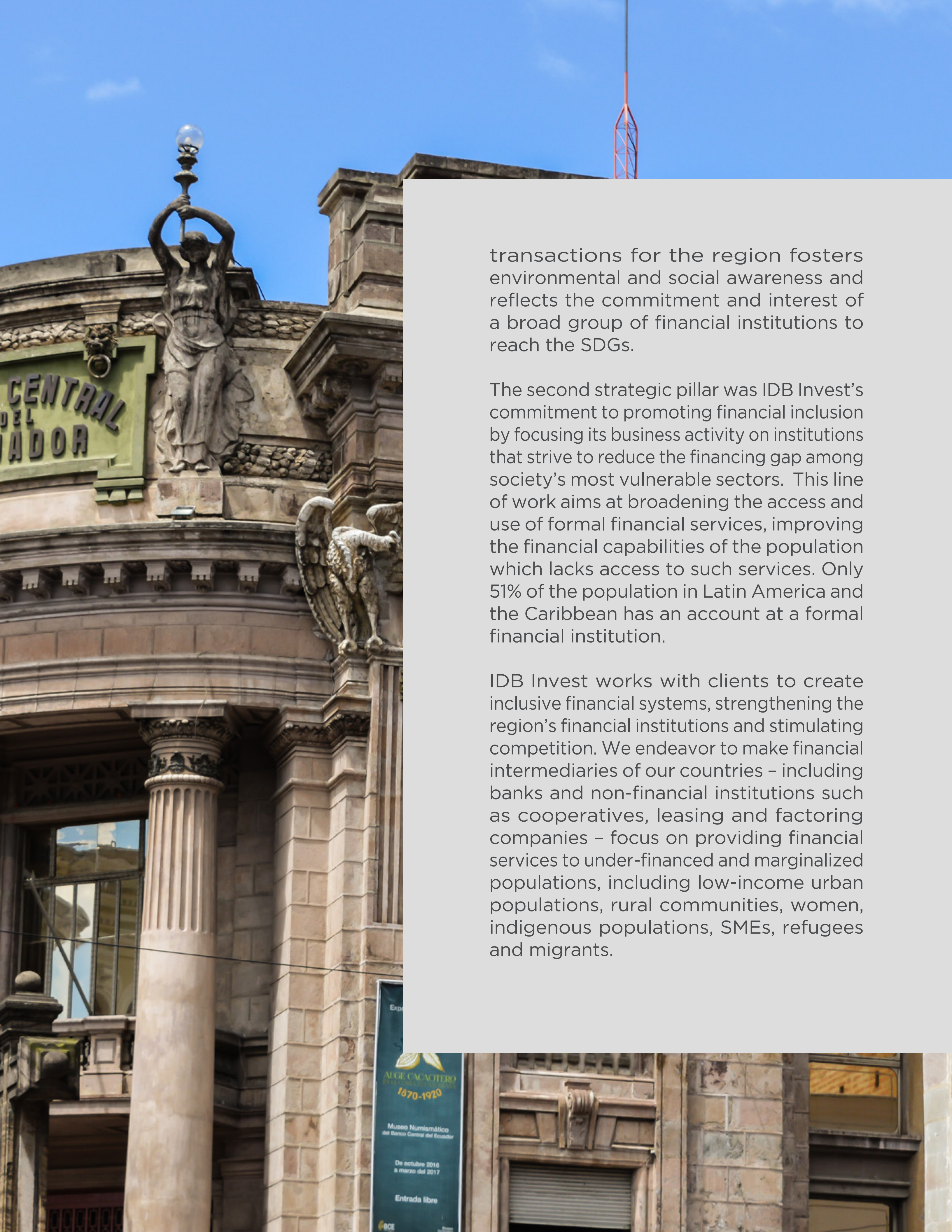
FEATURED PROJECTS

STRATEGIC PILLAR I

In support of this goal, we assisted Grupo Bancolombia with the first sustainable bond by a private entity in Colombia, for a value of COP$657,000 million. This bond aimed at financing 26 Bancolombia projects with measurable environmental and social benefits, eight of which were categorized as social projects focusing on basic infrastructure and social housing. The remaining 18 projects were classified as green projects and focused on sustainable construction, energy efficiency and cleaner production.

We also worked with Banistmo, a Bancolombia subsidiary in Panama, on the first gender bond in Latin America and the Caribbean, a five-year, US$50 million deal that seeks to improve access to financing for women-led SMEs, promoting female entrepreneurship and economic empowerment in the country. On the green bond arena, IDB Invest also partnered with Banco Pichincha to support the first green bonds in Ecuador.

IDB Invest's participation in these novel



transactions for the region fosters environmental and social awareness and reflects the commitment and interest of a broad group of financial institutions to reach the SDGs.

The second strategic pillar was IDB Invest's commitment to promoting financial inclusion by focusing its business activity on institutions that strive to reduce the financing gap among society's most vulnerable sectors. This line of work aims at broadening the access and use of formal financial services, improving the financial capabilities of the population which lacks access to such services. Only 51% of the population in Latin America and the Caribbean has an account at a formal financial institution.

IDB Invest works with clients to create inclusive financial systems, strengthening the region's financial institutions and stimulating competition. We endeavor to make financial intermediaries of our countries – including banks and non-financial institutions such as cooperatives, leasing and factoring companies – focus on providing financial services to under-financed and marginalized populations, including low-income urban populations, rural communities, women, indigenous populations, SMEs, refugees and migrants.

FEATURED PROJECTS

STRATEGIC PILLAR II

An example of this work is the R$100 million loan granted to Omni, a credit solutions provider for underserved populations in Brazil. The funds are allowing the company to expand its microcredit portfolio in three main segments: fintech, transportation, and immigrant microentrepreneurs. The transaction supported Omni in adding more client microentrepreneurs, helping reduce the country's financial inclusion gap. We also granted revolving financing for US$25 million to the non-banking financial institution Eurocapital to reinforce its transnational growth and product diversification strategies. The funds have increased financing for SMEs in Chile and Peru through factoring.

Another relevant project in this regard is Bancamía, a Colombian microfinance institution that focuses mostly on supporting vulnerable population groups and granting loans for productive uses. IDB Invest granted a loan in local currency, equivalent to US$35 million, which will help extend financing

to rural and urban microentrepreneurs. To strengthen Bancamía's work in sustainable rural finance, IDB Invest provided pre-loan technical assistance using resources from the Climate Smart Agriculture Fund. The result is the "Crediverde Adaptación" program, a financing line for rural microentrepreneurs to face and mitigate climate change. Bancamía was the first private financial institution in Colombia to develop this type of financial product.

In addition, we strengthened our local currency financing capabilities as part of our institutional strategy to provide more flexible and innovative products in each country's currency and promote local capital markets. IDB Invest granted a loan in Dominican pesos for the equivalent of US$50 million to Banco Múltiple BHD León. The resources are aimed at financing 400 SMEs, of which at least 40% will be women-owned or women-led companies. Lastly, on a sector-wide level, IDB Invest continues to support the region's banking associations in carrying out sustainability programs, fostering the adoption or development of green protocols in El Salvador and Argentina.

OUR VALUE PROPOSITION

CORPORATES

TELECOMMUNICATIONS, MEDIA AND TECHNOLOGY

In Telecommunications, Media and Technology, we continued to focus on improving the region's connectivity. This ranges from financing mobile broadband infrastructure, shared infrastructure, such as cell towers, and increasing mobile device accessibility to enjoy the benefits of the internet. Smartphones are the gateway for broad sectors of the population to access broadband internet, which is why IDB Invest has developed innovative financing structures that were replicated in Chile and Ecuador in 2019.

FEATURED PROJECTS

In Mexico, where 40 million people do not have access to the Internet and only 15% of small businesses are connected, we provided a US$50 million loan to Red Compartida, a PPP between the Mexican government and Altán created to improve access to connectivity and foster competition in the telecommunications industry. Red Compartida has implemented a new model in the telecommunications sector, offering wholesale 4G-LTE mobile telecommunications services (5G ready) over shared infrastructure at competitive prices and in a non-discriminatory manner.

IDB Invest also granted a US$75 million loan to Telecom Argentina in order to continue developing that country's

telecommunications sector, as well as financing part of the company's strategic investment plan for the deployment of a 4G network and providing better connectivity across its territory.

In Bolivia we granted a US$58.5 million loan to Phoenix Tower International (PTI) to boost the independent infrastructure market in the country's telecommunications sector and develop it more efficiently. The project is an innovative business solution for the Bolivian market because it promotes the shared use of telecommunications towers. Sharing improves productivity, making the deployment of new networks more cost-effective and dynamic, while reducing the connectivity gap.

AGRIBUSINESS

IDB Invest's strategy for this sector rested on three pillars: increasing competitiveness, supporting inclusive business models, and mitigating and adapting to climate change. To this end, we provide financial and technical assistance aimed at optimizing the use of resources, improving value chains, and expanding the installed capacity and productivity of agribusinesses in the region.

FEATURED PROJECTS

An example of our support for inclusive business models is a loan of up to US$15 million granted to Belize Sugar Industries Limited (BSI). The loan, IDB Invest's first operation in Belize, supports the main source of employment and economic activity in the northern region. Belize's sugar industry faces sustainability challenges due to falling prices and commercial policy changes of its main export market, the European Union. The loan has enabled BSI to make investments that mitigate these challenges by increasing production and export of higher value-added sugars (direct consumption sugar), diversifying export markets, and strengthening the value chain. The increase in BSI's income constitutes an economic transfer for its supply chain, composed of more than 5,400 small and medium-size producers, who share the net sales of the higher value sugars produced by BSI. IDB Invest supplements financing with technical assistance to help improve agricultural productivity and the sustainability of sugarcane producers.

We also increased our support for inclusive business models and the value chain of Uruguay's agriculture and forestry sector, financing producers for up to US$30 million. This transaction structure was designed within a financial trust that raised funds through a private provision of debt securities to be underwritten by IDB Invest. The funds are being used to finance 60 agricultural and forestry producers – clients of Interagrovial (John Deere Uruguay) – to acquire new machinery with modern technologies, thereby increasing their productivity and performance. In its first farmer financing operation, IDB Invest grants terms and amounts in line with the financial needs of Uruguayan agriculture and forestry producers.

We also support and advise companies in the Latin American and Caribbean agricultural sector to make smart investments that can improve their resilience to climate change. A 7-year financing for up to US$30 million was granted by IDB Invest and Rabobank to support Desdelsur. This project financed the completion of the clients comprehensive livestock project, making its feedlot the largest in Argentina, strengthening its leading position in the export of legumes and oilseeds by increasing production, expanding the agricultural value chain, and increasing its financial flexibility. Given its location in an arid region of northern Argentina, Desdelsur is highly exposed to climatic phenomena. Its performance has already been affected in the past, which is why a financial resilience clause was incorporated into the financing structure. This innovative mechanism allows Desdelsur to reschedule capital payments over a certain period if their operations are hampered by climatic events that prevent them from repaying their debt, thus allowing the company to recover and its operations to return to normal. IDB Invest also provided Desdelsur with two technical assistance grants: one to create a networking and training plan for neighboring indigenous communities (Wichí, Chorote and Guaraní, among others), enabling them to participate more fully in the regional economy; the other one to improve Desdelsur's corporate governance structure, increasing its operational efficiency, and consolidating its decision-making process.

TOURISM

During 2019, IDB Invest's activity in this sector focused on exploring business opportunities to develop sustainable tourism in new destinations, identifying projects that can help to recover historical heritage and boost gender equality, as well as supporting indigenous communities. It has also prioritized projects that promote social and environmental sustainability, such as financing energy- and water-efficient projects. However, directly managing their environmental and social impacts is no longer considered enough for these companies. There is increasing awareness of the need to consider value chains and the exponential impact that their activity can have on local communities.

IDB Invest contributes to the development of the tourism sector not only through financing, but also by providing innovative solutions to add vulnerable groups, such as women and indigenous peoples, to the value chain. We are also exploring new business models for lodging that seek to capture the interest of digital nomads, a group of travelers that is in a constant search for authentic experiences and opportunities to connect with local communities.

FEATURED PROJECTS

IDB Invest financed a US$37.2 million loan to West Resort, a sustainable tourism project in Panama's Archipelago of Bocas del Toro. West Resort will build a 118-room hotel that represents the first phase of Casi Cielo, a mixed-use complex with a variety of tourist components. It is estimated that the project will boost the area's economic growth through the generation of employment, training and education of the surrounding communities, as well as the integration of local farmers and small businesses in the tourism complex's value chain. Additionally, West Resort will promote the diversification of the Panamanian tourism industry by supporting the development of Bocas del Toro as a tourist destination.

IDB Invest granted a US$5 million loan to Caribe Hospitality, a recurring client of the IDB Group and one of the most important real estate developers in Central America, for the construction of an urban hotel in San José, Costa Rica. The 120-room hotel, which will be affiliated with the Marriott Fairfield brand and have the LEED sustainable certification, will be located within a mixed-use complex, a few minutes from the Costa Rican capital's international airport, seeking to meet the

needs of the business meetings segment as well as those of leisure tourists.

MANUFACTURING

IDB Invest works to help improve the productivity of manufacturing companies in Latin America and the Caribbean by promoting productive employment, innovation, the adoption of new technologies, regional integration, and the optimization of the use of resources, including recycling and energy efficiency.

FEATURED PROJECTS

IDB Invest led a US$800 million financing for Klabin, the largest producer, exporter and recycler of wrapping paper in Brazil and the largest producer of paper in Latin America, thereby supporting the growth and improving the productivity of the Brazilian pulp and paper industry. The operation consists of US$180 million in financing from IDB Invest and US$620 million from other development banks, co-financing funds and commercial banks, strengthening IDB Invest's ability to mobilize international investors to undertake projects of greater impact and scale in the region.

The project aims to increase Brazil's industrial output and its efficiency, promote global and regional trade through export growth, expand and rationalize the pulp and paper industry's value chain, create jobs, and increase renewable energy output and energy efficiency. It also seeks to improve the sector's social and environmental practices in Brazil.


FINANCIAL
ACTUAL SUMMARY
BUDGET VS. ACTUAL
SAVINGS CALCULATOR
RESULTS
TOTAL SAVED
THB14,064

ADVISORY SERVICES AND BLENDED FINANCE

In 2019, IDB Invest approved a total of 90 advisory engagements (59 in Climate; 13 in Gender, Diversity and Inclusion; 6 in Public-Private Partnerships (PPP); and 12 in Sustainable Business and Micro, Small and Medium-sized Enterprises (MSMEs). By the end of the year, the Advisory Services active portfolio amounted to a total of 155 engagements (99 in Climate; 29 in Gender, Diversity and Inclusion; 6 in PPPs; and 21 in Sustainable Business and MSMEs).

Throughout the year, the team has been able to diversify the portfolio with balance between segments (29% in Corporations, 31% in Financial Intermediaries, and 40% in Infrastructure and Energy), and with greater coverage across the region, where 43% of advisory services were provided to clients in C&D countries. Special attention was paid to developing advisory services in Small and Island (S&I) countries as a tool for business development and impact, with a total of 23 active projects in S&I countries, of which 15 were approved in 2019. Additionally, IDB Invest expanded its sustainable business advisory agenda in areas such as plastics, the circular economy, and migrants' access to finance.

During 2019 climate finance amounted to 27% of volume approved, 18% of transactions promoted gender equality, diversity and inclusion, and 33% of volume approved supports MSMEs.

We committed US$28.1 million of blended finance resources in 5 projects last year, supporting US$236 million of investments, with an average DELTA score of 8.7. Beyond strengthening IDB Invest's non-financial offer, efforts were made to increase knowledge and influence with important milestones in positioning, fundraising and partnerships.

ADVISORY SERVICES AND BLENDED FINANCE

OTHER MILESTONES

IDB Invest continued to raise its profile in addressing climate change. In 2019, during the United Nations Conference on Climate Change, we showcased innovative financial solutions to support the objectives of the Paris Agreement and position ourselves as a partner of choice in the field. In addition, IDB Invest joined the Task Force on Climate-related Financial Disclosures (TCFD), which defines an action plan to comply with recommendations (refer to the appendix for the first TCFD disclosure). It also facilitated the signing of green protocols by the Banking Associations of El Salvador and Argentina and collaborated on the first report on the state of the green bond market in the region.

The IDB Group's WEforLAC (Women Entrepreneurs for Latin America and the Caribbean) was accepted by the We-Fi Committee, securing US$24 million for a program focused on boosting women-led SMEs. With these resources, IDB Invest will implement innovative financing mechanisms to encourage the integration of women-led SMEs into value chains.

In addition, together with the Barcelona business school ESADE, IDB Invest published the report "Gender Lens Investing: How finance can accelerate gender equality in Latin America and the Caribbean," the first detailed research on investment opportunities to increase gender equality in the region through the private sector.

IDB Invest and Canada launched the second phase of the Canadian Climate Fund for the Private Sector in the Americas (C2F) project, a mixed climate finance program with a gender focus for Latin America and the Caribbean. It is expected to leverage up to US$1 billion in private sector investments in areas such as renewable energy, sustainable agriculture and forestry to help the region's most vulnerable population segments, especially women and young girls, to better prepare and adapt to climate change.

Finally, IDB Invest organized the PPP Americas, the premier discussion forum on public-private partnerships in Latin America and the Caribbean, with more than 300 public and private sector participants.

RESOURCE MOBILIZATION

IDB Invest continued its efforts to mobilize external resources in Latin America and the Caribbean. The business strategy was conceived to comply with repeated mandates from the Board of Governors to increase the IDB Group's capacity to mobilize third-party sources.
Overall, a total of 30 syndicated transactions were concluded in 2019. Core mobilization reached US$1.4 billion, an increase of 36.8% over the previous year.

IDB Invest's mobilization value proposition to investors includes its experience to act as a lead arranger and bookrunner with a strong knowledge and pipeline across all sectors in the region. To address the changes in the financing landscape, where commercial banks have become more focused on their domestic markets, IDB Invest has been adapting its product offering and developing new solutions to broaden its investors base.

Some of the already tested solutions to increase mobilization capabilities include:

- B-bonds to attract institutional investors looking for long-dated paper to match their liabilities.
- Managed accounts set up to attract funding from institutional investors on a more wholesale approach. IDB Invest is currently in negotiations to establish such programs with several institutional investors.
- Total credit guarantees designed to mobilize funding to contribute to SDGs from different investors who otherwise lack the risk appetite for such assets.

During 2019, business origination efforts continued to incorporate a steady stream of bankable assets and an increased interest from co-investors. Additional efforts were made to open new discussions with investors in markets in which IDB Invest operates. Finally, several outreach and relationship efforts were undertaken to increase our mobilization partnerships.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SUSTAINABILITY APPROACH

At IDB Invest, we aim to increase sustainable development by combining forces with our clients and through our interventions contribute to the UN Sustainable Development Goals. We promote sustainable development through corporate governance and safeguarding the environment and communities. In 2019, IDB Invest's sustainability agenda took this work to the next level.

VOLUNTARY SUSTAINABILITY STANDARDS FOR THE FINANCIAL SECTOR

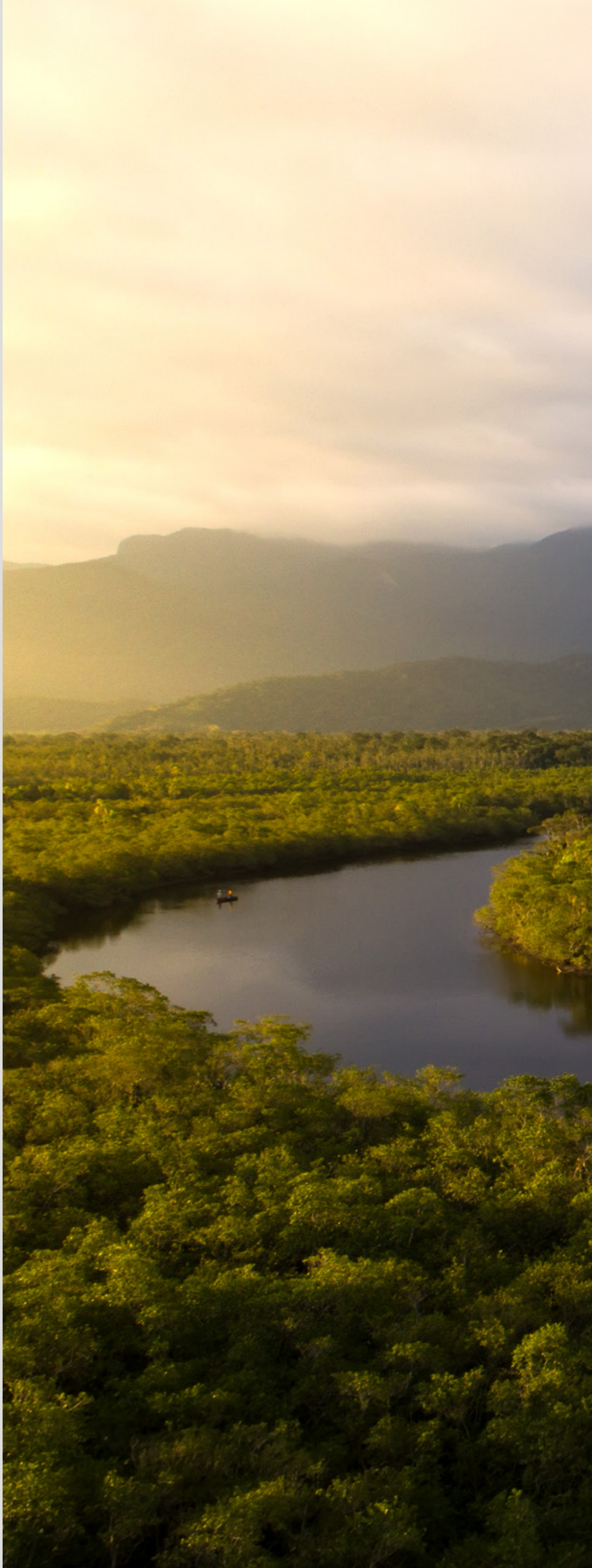
IDB Invest sees the development of sector-wide sustainability standards in the financial sector as a key stepping-stone to enhance ESG integration, further promote green lending, and help countries align their own development plans such as the Nationally Determined Contribution (NDCs) with the SDGs. In 2013, the IDB Group began supporting four Paraguayan banks to establish the country's first sustainable finance roundtable. Since then, it has grown to include 15 banks and has the Central Bank's support. These efforts recently attracted the attention of other private banks and regulators across the region. In 2019 IDB Invest supported the development and launch of similar roundtables in Argentina and El Salvador, with broad support from the banking sector, in hopes that these countries will raise the bar on environmental and social management and deploy capital to green and sustainable investments.

IMPROVING CORPORATE GOVERNANCE RISK MANAGEMENT

Recent events in the region highlight the importance of corporate governance in development and long-term value creation. In 2019, IDB Invest focused on combining risk management and value-added corporate governance advice with the support of a technical assistance program to close corporate governance gaps identified during due diligence. IDB Invest's corporate governance program aims at strengthening the business climate by promoting ethical values, enhancing transparency, improving trust and furthering corporate social responsibility. For example, IDB Invest assisted KUA Mex Foods, a company in the health food and beverage sector in Mexico, to improve internal controls, risk management processes and its compliance program, actions that will significantly improve the overall board oversight.

SUSTAINABILITY FRAMEWORK POLICY UPDATE

As part of our renewed focus on access to information, IDB Invest implemented public consultations for the Environmental and Social Sustainability Policy Update from June to October 2019. We received over 350 comments from more than 150 participants and included virtual sessions to enhance our inclusivity and access to the platform. The policy revision aims to conclude in early 2020.



CLIMATE-RELATED RISK MANAGEMENT AND DISCLOSURES

The G20's Financial Stability Board Task Force on Climate-related Financial Disclosures (TCFD) developed recommendations to measure and manage climate-related risks and opportunities. In 2019 IDB Invest became a supporter of the TCFD recommendations and is forming a steering committee to oversee the alignment process. Currently, IDB Invest reviews climate risks for proposed high-risk investments. IDB Invest is updating tools to factor in and screen for climate-related physical and transition risks during our investment approval process. If deemed necessary, action plans are developed, which complements IDB Invest's downstream work to identify opportunities to execute climate interventions.

STAKEHOLDER ENGAGEMENT AND CONTEXTUAL RISKS

IDB Invest's portfolio includes several high-risk projects, as classified by their levels of environmental and social risks, stakeholder attention and location of high contextual risk due to armed conflict, social tensions or violence. Given increased attention to these projects, IDB Invest has publicly reaffirmed its commitment to good international practice in the context of all social aspects of projects, including human rights.

IDB Invest works proactively with sensitive project clients, particularly in large infrastructure projects, on meaningful stakeholder engagement and proper information disclosure. IDB Invest announced an open-door invitation to engage with civil society from the region. This was done in the context of forming a social cluster with a dedicated stakeholder engagement team to support clients addressing contextual risks, human rights, and civil society and local community engagement, with a focus on crisis prevention.

A risk culture that protects in order to promote aims to take Latin America and the Caribbean's private sector beyond compliance. IDB Invest aspires to ESG practices that are best-in-class, with more resources dedicated to contextual risks, stakeholder engagement and good corporate governance in order to increase investor comfort in partnering with us for the long-term.


BID | Invest

SUSTAINABILITY WEEK PLATFORM

To build private sector capacity and promote knowledge-sharing and networking, IDB Invest organized the Sustainability Week Platform. The 2019 event in Panama City, Panama, welcomed 611 participants from 36 countries and 272 private sector, government and civil society institutions.

The first three days included social and environmental topics ranging from financial institutions, sustainable infrastructure, the SDGs, climate-smart agriculture and sustainable tourism, with a transversal focus on stakeholder engagement and crisis management. The second half focused on corporate governance, which currently attracts some of the region's top business leaders and had a 23% increase in participation from the previous year and a 320% increase compared to 2015. This Sustainability Week also featured a two-day capacity-building event on gender-risk assessment.

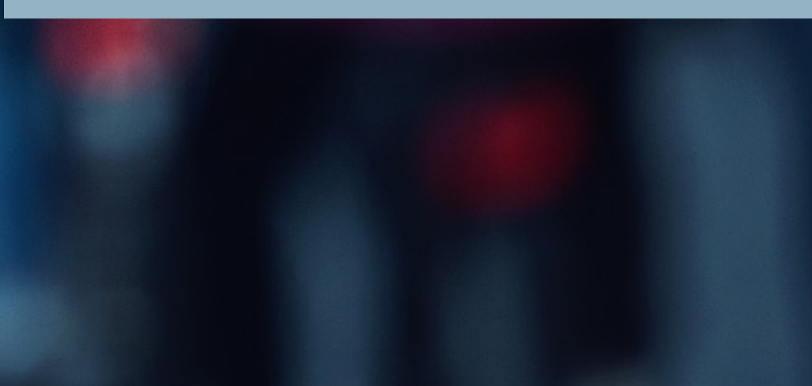
Sustainability Week was mentioned 182 times in traditional media, including international outlets like EFE and El País, representing a 658% increase from 2018, and had over 1.5 million social media views, highlighting our role as trusted knowledge broker. IDB Invest signed two mandate letters with agribusiness clients during the event, highlighting its relevance to clients and business expansion.

Sustainability Week 2019

IDB INVEST CULTURE

At IDB Invest, we bring high energy and a sense of high purpose to our work. Our clients are at the heart of everything we do. We look for agile, innovative solutions to meet their needs, bringing to the table our technical expertise and a commitment to excellence.

During 2019 we focused on reinvigorating our culture through employee engagement and internal collaborations through actions big and small. An action plan was developed to tackle continued improvements at different levels. The action plan includes activating more than 30 champions who are driving initiatives within their teams. Through these actions we aim at instilling a common language and experience across the organization.



BUILDING TRADITIONS AND EXTENDING TRUST

Our corporate-wide annual retreat, Knowledge Week, continues to be an inflection point year after year, gathering all of our more than 400 employees to learn, connect and reflect on our culture. This year we had a special focus on reinforcing the concept of trust, hearing from Stephen Covey through "The Speed of Trust" workshop.

Other moments of integration included All-Hands meetings to keep staff updated on initiatives and business performance, and other cultural experiences that fostered team building, family activities and informal conversational spaces among our leaders and staff.

DIVERSITY AND INCLUSION

We aim to create a workplace that is inclusive, where all employees are engaged and able to bring their whole authentic selves to work. To support this ambition, we focus on seeking diversity, driving inclusion and holding our management team, supervisors, and employees accountable.

In November we were recertified at the Assess level of EDGE Certification (Economic Dividends for Gender Equality) reflecting our 100% commitment to gender equality.

As part of this commitment, Gender Equality Teams were created by colleagues of all levels and departments to analyze and recommend actions focused on Pay Gap, Recruitment, Flex Work, Career Development and Promotions. Some of the results of this initiative include better tracking of flexible

Knowledge Week 2019

work hours, increase in number of women in leadership roles, and implementation of career development opportunities.

STAFF EXCHANGE PROGRAM (StEP)

The Staff Exchange Program (StEP) is a one-year staff rotation between the Investment Operations and the Risk Management Department, where participants have had the opportunity to further their professional expertise, enhance institutional collaboration, and in doing so improve IDB Invest results. The program has allowed for mutual understanding of responsibilities and perspectives for a total of six staff. In 2020 it will launch its second successful year.

LEADER IN RESIDENCE

The Leader in Residence is a program designed for senior staff to travel to Country Offices for a period of one to three months to deepen relationships with clients; strengthen knowledge-sharing and continuous improvement practices; foster synergies with public sector employees and serve as mentors to IDB Invest staff in the field. Since the program's launch, three managers have traveled to Colombia, Jamaica and Panama. This has led to a better understanding of the Group's business, its challenges and opportunities, and has given managers a chance to be closer to field office staff.

In sum, our cultural improvements are part of our business transformation to revitalize our workforce and to keep us united toward our common goal: improving lives in the region, which also implies improving how we work among ourselves.

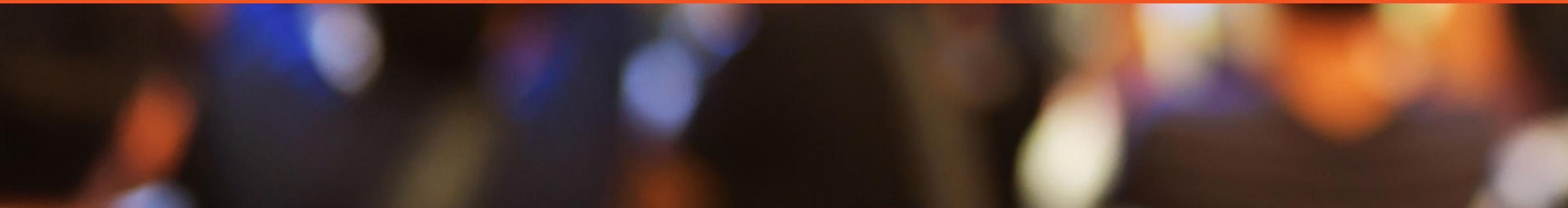
COMMUNICATIONS IMPACT

A NEW ACCESS TO INFORMATION POLICY

IDB Invest's Board of Executive Directors approved a new Access to Information policy in April 2019. After conducting a comprehensive public consultation in 2018, through both a virtual platform on the IDB Invest website and face-to-face meetings throughout the region, IDB Invest received comments from civil society, public and private sector stakeholders, as well as international organizations. Comments were systematized and answered in a Consultation Report available to the public. The input received allowed IDB Invest to clarify and enhance many aspects of the policy.

After the policy's approval, IDB Invest developed and applied a multidisciplinary action plan to prepare for implementation, considering that the new policy came into effect on January 1, 2020. The plan has three main areas of focus: (i) putting in place the necessary regulations to effectively implement the policy, including the Access to Information Policy Implementation Guidelines, also subject to public consultation; (ii) developing the necessary systems to classify and disclose information in compliance with the new policy; and (iii) developing and implementing mandatory training for all IDB Invest employees, as well as outreach activities. IDB Invest will continue to develop all three aspects of the action plan in the Access to Information Policy Implementation Plan 2020.

In October 2019 IDB Invest participated in the Annual Meeting of the International Finance Institutions Working Group on Information Disclosure and Stakeholder Engagement. This meeting was an opportunity to learn about other IFIs' policy implementation experiences, to share progress and challenges in implementation, and to promote the adoption of best practices that can help raise access to information standards.



KNOWLEDGE AND THOUGHT LEADERSHIP

As a development practitioner, IDB Invest has steadily grown in producing knowledge that enhances impact for all investors, sharing lessons learned from its operations, bringing best practices to the region, and highlighting first-of-a-kind projects that help the private sector to invest with impact.

In 2019 IDB Invest published 60 blogposts and 39 publications on trending business topics, such as gender lens investing, urban transport, financial inclusion, public-private partnerships, and climate change investment. The types of publications varied from short to long format research reports including the report series "Development through the Private Sector".

Our external efforts are paying off. For a second year in a row, IDB Invest more than doubled its media mentions in leading outlets across the region and internationally. The institution also promoted the valuable work of clients and partners through more than 30 digital marketing campaigns across its communication channels, expanding its email subscriber base by 23% and reaching over 10 million people globally.

Looking ahead, the development of our institutional knowledge agenda is at the center of our external communications efforts. Sharing our knowledge with clients, investors and other stakeholders is directly in line with our mission of impact and business objectives.

IDB Invest
Reports
Factsheets
Brochures
Annual Reports
More publications
Electric vehicles
Reports
2019
Reports
2019

ACHIEVEMENTS AND AWARDS

Bonds & Loans

PROJECT FINANCE DEAL OF THEYEAR

Porto Do Sergipe, Brazil

Bonds & Loans

BRAZIL DEAL OF THE YEAR

Porto Do Sergipe, Brazil

The Banker

BEST INFRASTRUCTURE AND PROJECT FINANCE OF THE YEAR

Porto Do Sergipe, Brazil

Bonds & Loans

BRAZIL STRUCTURED BOND OF THE YEAR

Atlantic, Brazil

Bonds & Loans

STRUCTURED BOND OF THE YEAR

El Naranjal, Uruguay

LatinFinance

RENEWABLE ENERGY FINANCING OF THE YEAR

Villanueva I & III y Don José, Mexico

LatinFinance

MULTILATERAL DEVELOPMENT BANK OF THEYEAR

LatinFinance

PORT FINANCING OF THE YEAR

Itapoá Container Terminal, Brazil

LatinFinance

ROAD FINANCING AND INFRASTRUCTURE FINANCING OF THEYEAR

Autopista al Mar 1, Colombia

LatinFinance

WATER TREATMENT FINANCING OF THE YEAR

Atlantic, Brazil

LatinFinance

SOCIAL INFRASTRUCTURE FINANCING OF THE YEAR

Internet para todos , Peru

2019 OPERATIONS

US$ Thousands

Loans			
Country	**Name**	**Sector**	**Amount**
Argentina	Desdelsur	Agriculture and Rural Development	$15,000
	Envision Argentina	Energy	$20,128
	Envision Argentina II	Energy	$3,027
	Envision Argentina III	Energy	$14,346
	Banco Galicia Green Financing Partnership	Financial Markets	$20,000
	Emergencias Argentina	Health	$10,000
	Telecom Argentina CAPEX Financing	Science and Technology	$75,000
	Telecom Argentina Handset Financing	Science and Technology	$100,000
Bahamas	ALIV	Industry	$14,000
Barbados	Caribbean LED Lighting Inc.	Industry	$2,000
Brazil	Daycoval Sustainable Financing Partnership	Financial Markets	$150,000
	Sicredi Green Financing	Financial Markets	$100,000
	Klabin II	Industry	$200,000
	Brookfield - BRK/RMR W&S Project in Recife	Water and Sanitation	$25,916
Chile	Itelecom Efficiency Lighting Phase 2	Energy	$16,500
	Eurocapital SME Financing Partnership	Financial Markets	$15,000
	Movistar Chile Handset Financing	Science and Technology	$80,000
Colombia	Banco de las Microfinanzas Bancamía S.A	Financial Markets	$35,000
	La Hipotecaria Colombia	Financial Markets	$15,000
	Movistar Colombia CAPEX	Science and Technology	$102,494
	Movistar Colombia Handset Financing	Science and Technology	$60,000
	Puerto de Uraba	Transport	$150,000
Costa Rica	Banco Promerica: SME Financing Partnership	Financial Markets	$20,000
Dominican Republic	ADOPEM Gender Bond	Financial Markets	$18,000
	Banco Santa Cruz SME Partnership	Financial Markets	$20,000
Ecuador	Agripac III	Agriculture and Rural Development	$20,000
	Alianza con Banco Internacional para Fomentar el Financiamiento Verde para PYMES	Financial Markets	$30,000
	BANCO GUAYAQUIL - Alianza con BG para financiamiento MIPYME con enfoque en género e inclusión	Financial Markets	$50,000
	CTH Warehousing Line	Financial Markets	$ 15,000

$ in thousands

Loans			
Country	Name	Sector	Amount
Ecuador	Induglob	Industry	$26,000
	Tiendas TIA	Other	$40,000
El Salvador	Energia del Pacifico LNG Thermo Power Project	Energy	$60,000
	Scotiabank Let's PYME - Digital Financial Services for SMEs	Financial Markets	$25,000
	American Industrial Park	Other	8,000
Guatemala	Genesis: Microfinance Partnership Alliance	Financial Markets	$20,000
Haiti	Sigora Haiti Microutility Project	Energy	$1,500
	Delimart	Industry	$4,500
Honduras	Grupo Kattan	Industry	$5,000
Mexico	Grupo Kowi	Agriculture and Rural Development	$21,640
	NASE	Agriculture and Rural Development	$15,000
	Banca Afirme -MSMEs	Financial Markets	$30,999
	EDILAR IV	Financial Markets	$18,877
	eFactor: Supply Chain Financing	Financial Markets	$3,000
	Konfio: Senior Secured Revolving Credit Facility	Financial Markets	$40,000
	HITEC	Industry	$20,000
	Mabe	Industry	$50,000
	Aguas de Rosarito Desalination Plant	Water and Sanitation	$200,000
Nicaragua	Nicaragua Sugar	Agriculture and Rural Development	$25,000
	Banpro DPR - supporting middle-sized agro-industry producers in Nicaragua	Financial Markets	$27,000
	CRN - CCN Reciclaje	Industry	30,000
Panama	St. Georges Financing Partnership for SMEs	Financial Markets	$25,000
	West Resort	Sustainable Tourism	$37,238
Paraguay	Tecnomyl - línea revolvente	Agriculture and Rural Development	$15,000
	Banco Atlas Productive Sector Financing Partnership	Financial Markets	$27,960
Peru	CMAC Huancayo Equity	Financial Markets	$22,800
	Chimbote Bypass (Red Vial 4)	Transport	$125,000
	Los Portales	Urban Development and Housing	$40,000
Regional	SIGMA Alimentos	Agriculture and Rural Development	$50,000
Trinidad & Tobago	Republic Bank - Caribbean Partnership	Private Firms and SME Development	$75,000
Uruguay	Conaprole - corporativo	Agriculture and Rural Development	$40,000
	Fideicomiso Financiero Conaprole	Agriculture and Rural Development	$40,000
	PPP EDUCATIVA 2 URUGUAY	Education	$25,000
	RAILWAY PPP PROJECT FERROCARRIL CENTRAL	Transport	$300,000
			$2,890,923

Guarantees			
Country	Name	Sector	Amount
Mexico	EDILAR IV	Financial Markets	$9,438
Paraguay	Rutas 2/7	Transport	$200,000
			$209,438

Equity			
Country	Name	Sector	Amount
Regional	Kandeo Debt Fund	Financial Markets	$30,000
	Victory Park Capital (VPC)	Financial Markets	$50,000
			$80,000

Debt Securities			
Country	Name	Sector	Amount
Colombia	Bancolombia Emisión de Bonos Sostenibles	Financial Markets	$200,000
Panama	Banistmo Gender Bond	Financial Markets	$50,000
Uruguay	Interagrovial	Agriculture and Rural Development	$30,000
			$280,000

TFFP Program – Loans		
Country	**Name**	**Amount**
Argentina	Banco de Galicia y Buenos Aires - TFFP (AR-L1113)	$54,000
	Banco de Inversion y Comercio Exterior (BICE) TFFP (AR-L1129)	$75,000
	Banco Supervielle S.A. - TFFP (AR-L1093)	$5,284
Bolivia	Banco Economico - TFFP (BO-X1009)	$5,000
Brazil	Banco ABC Brasil S.A. - TFFP Line (BR-X1032)	$150,000
	Banco Industrial do Brasil TFFP (BR-L1066)	$13,515
	Banco Santander Brasil S.A. - TFFP (BR-X1034)	$2,000
	Daycoval - TFFP (BR-L1286)	$22,335
Chile	Banco Internacional - TFFP (CH-X1010)	$20,000
Ecuador	Banco de Guayaquil TFFP (EC-L1028)	$10,000
	Banco de la Produccion, S.A. (PRODUBANCO) (EC-L1024)	$21,500
	Banco Internacional S.A. - TFFP (EC-L1042)	$11,000
	TFFP Banco Pacifico (EC-X1013)	$10,000
El Salvador	Banco Agricola S.A. - TFFP (ES-L1031)	$10,000
	Banco Cuscatlan TFFP	$5,000
	Banco Davivienda Salvadoreño, S.A. - TFFP (ES-L1042)	$2,169
	Banco Promerica El Salvador -TFFP (ES-L1060)	$2,939
	Banco Promerica El Salvador -TFFP (ES-L1060)	$1,590
Guatemala	Banco G&T Continental - TFFP (GU-L1036)	$44,000
	Banco Industrial - TFFP (GU-L1041)	$65,000
	Banco Internacional, S.A. - TFFP (GU-L1061)	$20,000
Honduras	Banco Atlantida S.A. - TFFP (HO-L1029)	$17,347
	Banco Del Pais S.A. (Banpais) - TFFP (HO-L1074)	$23,000
	Banco Ficensa Honduras TFFP (HO-X1023)	$14,000
Jamaica	National Commercial Bank Jamaica Ltd TFFP (JA-X1009)	$62,000
Panama	Banco Aliado S.A. - TFFP (PN-L1030)	$20,000
	Credicorp Bank Panama - TFFP (PN-X1008)	$1,114
	Tower Bank - TFFP (PN-L1065)	$17,213
Paraguay	Banco Continental S.A.E.C.A. - TFFP (PR-L1053)	$3,355
	Banco Familiar - TFFP (PR-X1004)	$2,052
	Banco para la Comercialización y la Producción (Bancop) - TFFP	$3,000
	Banco Regional S.A. - TFFP (PR-L1038)	$13,000
	Sudameris Bank SAECA - TFFP (PR-L1031)	$10,000
Peru	Banco Interamericano de Finanzas - TFFP (PE-L1029)	$50,000
		$786,413

TFFP Program – Guarantees		
Country	**Name**	**Amount**
Argentina	Banco CMF S.A. - TFFP (AR-L1115)	$840
	Banco Industrial S.A. TFFP (AR-X1019)	$1,432
	Banco Patagonia S.A. - TFFP (AR-L1094)	$22,761
	Banco Rio de la Plata S/A - TFFP (AR-L1028)	$4,724
Belize	Atlantic Bank - TFFP (BL-L1012)	$1,070
Bolivia	Banco Nacional de Bolivia S.A. - TFFP (BO-L1049)	$10,110
	TFFP-Banco BISA S.A. (BO-L1048)	$8,716
Brazil	Banco Industrial do Brasil TFFP (BR-L1066)	$1,390
	Banco Santander Brasil S.A. - TFFP (BR-X1034)	$31,321
	Daycoval - TFFP (BR-L1286)	$46,130
Costa Rica	Banco Improsa S.A. - TFFP (CR-L1020)	$85
	Banco Lafise Costa Rica - TFFP (CR-L1027)	$5,000
Dominican Republic	Banco de Reservas - TFFP (DR-L1027)	$100,000
Ecuador	Banco Bolivariano - TFFP (EC-L1034)	$17,700
	Banco de Guayaquil TFFP (EC-L1028)	$3,500
El Salvador	Banco Cuscatlan TFFP	$9,900
Guatemala	Banco Agromercantil de Guatemala - TFFP (GU-L1011)	$10,000
Honduras	Banco Ficensa Honduras TFFP (HO-X1023)	$10,100
	Banco FICOHSA TFFP (HO-L1012)	$67,463
	Banhcafe Honduras TFFP (HO-X1022)	$915
Nicaragua	BAC Nicaragua TFFP	$16,225
	Banco de Finanzas - TFFP (NI-L1031)	$7,000
	Banco de la Produccion S.A. - TFFP (NI-L1028)	$31,557
	Banco Ficohsa Nicaragua - TFFP Line	$13,250
Panama	Unibank TFFP Line	$5,544
Paraguay	Banco Continental S.A.E.C.A. - TFFP (PR-L1053)	$4,000
	Banco Regional S.A. - TFFP (PR-L1038)	$10,109
		$440,842

INSTITUTIONAL GOVERNANCE

STRUCTURE AND MANAGEMENT

MISSION

IDB Invest promotes the economic development of its regional developing member countries by encouraging the establishment, expansion, and modernization of private sector enterprises. We aim to be the leading financial institution with the knowledge and expertise to invest with impact in Latin America and the Caribbean and to connect countries and private sector investments with the Sustainable Development Goals.

MANDATE

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

MEMBER COUNTRIES

Argentina, Austria, The Bahamas, Barbados, Belgium, Belize, Bolivia, Brazil, Canada, Chile, China, Colombia, Costa Rica, Croatia, Denmark, Dominican Republic, Ecuador, El Salvador, Finland, France, Germany, Guatemala, Guyana, Haiti, Honduras, Israel, Italy, Jamaica, Japan, Korea, Mexico, The Netherlands, Nicaragua, Norway, Panama, Paraguay, Peru, Portugal, Slovenia, Spain, Suriname, Sweden, Switzerland, Trinidad and Tobago, United States of America, Uruguay, and Venezuela.

BOARD OF GOVERNORS

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

From left to right. Front:Gina Montiel (Venezuela), Edna Camacho (Costa Rica), Marcelo Bisogno (Uruguay), Jing Chen (China), Federico Poli (Argentina) y Juan Bosco Martí (Mexico). Middle: Selwin Hart (Barbados), Sergio Savino (Brazil), Alex Foxley (Chile),Fernando de León de Alba (Panama), Patrick Hervé (France), Eliot Pedrosa (United States), Lucio Castro (Argentina). Back:Bjorn Olaf Kuil (The Netherlands), Marko Marcelo Machicao (Bolivia), José Guilherme Almeida dos Reis (Brazil), Bernardo Acosta (Ecuador).

BOARD OF EXECUTIVE DIRECTORS

The Board of Executive Directors is responsible for the conduct of the operations of IDB Invest and exercises all the powers granted to it under the Agreement Establishing the Inter-American Investment Corporation or delegated to it by the Board of Governors. The Board of Executive Directors establishes the basic organizational structure of IDB Invest. It also approves the budget of the institution. The 13 executive directors and their alternate executive directors serve three-year terms and represent one or more of its member countries. The Executive Committee of the Board of Executive Directors is composed of one person who is the director or alternate appointed by the member country having the largest number of shares in IDB Invest, two persons among the directors representing the regional developing member countries; and one person from the directors representing the other member countries. All IDB Invest loans to and investments in companies located in member countries are subject to the consideration of this Committee.

The President of the IDB chairs ex officio the Board of Executive Directors of IDB Invest. The chair presides over meetings of the Board of Executive Directors but does not have the right to vote except in the case of a tie. The chair may participate in meetings of the Board of Governors but does not have voting rights.

From left to right: Rachel Robboy, Chief Risk Officer, Rosemary Jeronimides, General Counsel, Orlando Ferreira, Chief Strategy Officer and Chief Finance and Administration Officer ad int., Gema Sacristan, Chief Investment Officer, and James P. Scriven, Chief Executive Officer.

MANAGEMENT

The General Manager and CEO of IDB Invest is appointed by the Board of Executive Directors by a four-fifths majority of the total voting power on the recommendation of the Chair of the Board of Executive Directors. Under the direction of the Board of Executive Directors and the general supervision of its Chair, the CEO handles the day-to-day business of IDB Invest. In consultation with the Board of Executive Directors and its Chair, the CEO is responsible for the organization, appointment and dismissal of executive officers and staff. The CEO participates in meetings of the Board of Executive Directors, establishes IDB Invest's operational structure and may modify it to keep pace with the organization's changing needs.

PERSONNEL

To fulfill its development mission, IDB Invest has 458 staff members distributed in 13 divisions and 8 teams. Of the total, 25.5% of employees are located in 25 of the region's 26 offices: Argentina, The Bahamas, Barbados, Brazil, Bolivia, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Honduras, Haiti, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Trinidad and Tobago, and Uruguay. The rest of the staff are located at IDB Invest headquarters in Washington, D.C.

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ctors, from less than 25% in 2016, to more than half in 2019.

APPENDIX

APPENDIX 1: FINANCIAL RESULTS AND STATEMENTS

US$ in thousands	Year ended December 31				
Financial Highlights	**2019**	**2018**	**2017**	**2016**	**2015 (1)**
Statement of Income					
Total income	222,265	170,168	134,229	111,575	62,451
Total income/(loss), net of borrowings expense	177,695	143,556	117,189	99,020	53,008
Total operating expenses	133,824	119,500	99,635	81,249	50,006
Net income	43,871	24,056	17,554	17,771	3,002
Balance Sheet					
Total development related investments, net	2,445,809	1,690,355	963,938	851,569	954,002
Total assets	3,899,824	3,209,253	2,185,395	2,146,724	1,505,296
Borrowings	1,648,146	1,286,372	646,741	1,062,383	598,456
Equity	2,033,062	1,819,250	1,444,580	1,021,982	857,324
Ratios					
Return on average assets	1.2%	0.9%	0.8%	1.0%	0.2%
Return on average equity	2.3%	1.5%	1.4%	1.9%	0.4%
Debt to equity	81%	71%	45%	104%	70%
Equity to assets	52%	57%	66%	48%	57%
Liquidity to total assets	35%	46%	55%	59%	35%
Provisions for loan losses to total loans	4.7%	4.3%	5.2%	4.1%	3.8%
Non-performing loans	0.6%	0.8%	0.9%	1.0%	0.8%

(1) Pre-private sector reform

Return on average assets: defined as Net income as a percentage of average of current and previous year's Total assets.

Return on average equity: defined as Net income as a percentage of average of current and previous year's Equity.

Debt to equity: defined as Borrowings and Interest and commitment fees payable as a percentage of Equity.

Equity to assets: defined as Equity as a percentage of Total assets.

Liquidity to total assets: defined as Cash and cash equivalents, Investment securities, excluding Held-to-maturity securities, as a percentage of Total assets.

Provisions for loan losses to total loans: defined as Allowance for loan losses as a percentage of Loan portfolio.

Non-performing loans: defined as Nonaccrual loans over 90 days as a percentage of total Loan portfolio.

Unaudited supplemental information - see accompanying accountants' report

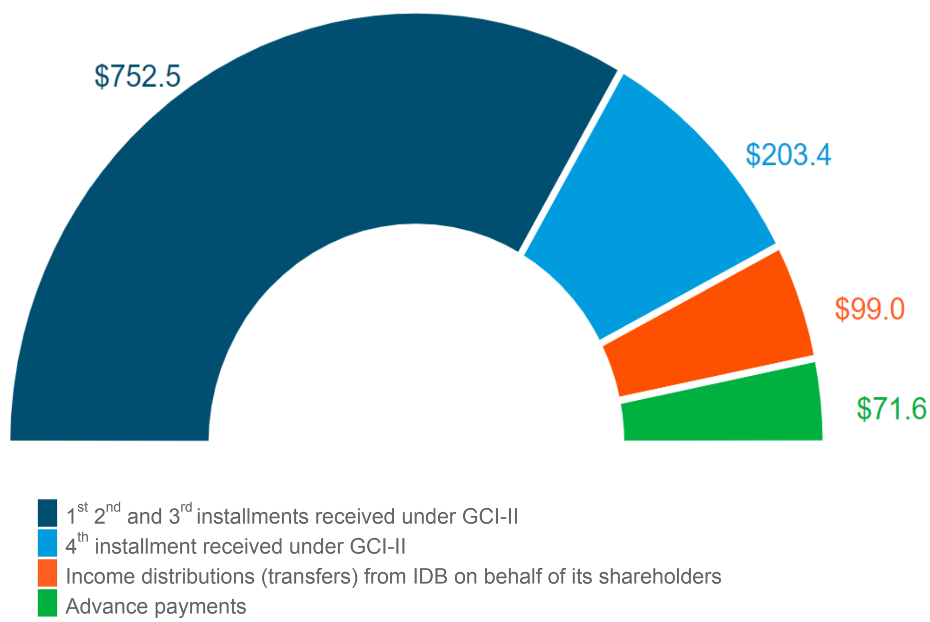
Financial Results

IDB Invest has built a strong foundation after the private sector reform in 2016 achieving efficiency objectives expected from the merge-out. The results of this IDB Group effort are recognized by the market through dozens of awards for systemic importance and innovation including the ***Multilateral of the Year*** award by a prestigious industry publication in 2018 and now again in 2019. With a private sector client focus, IDB Invest continued to deliver on exponential portfolio growth in number, size and complexity while maintaining a strong level of shareholder support to achieve the strategic goal of ***promoting development through the private sector***.

Capital

As of December 31, 2019 (in US$ million)

Total GCI-II capital contributions: $1,126.5

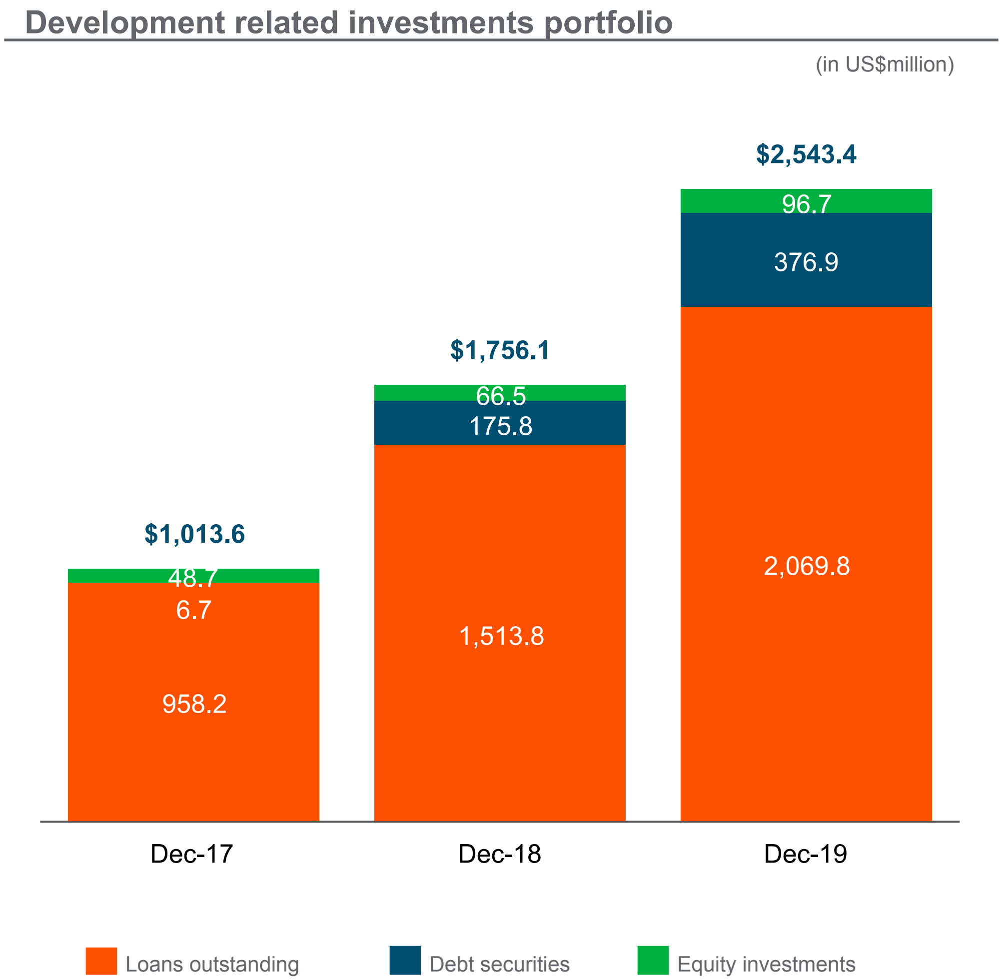


IDB Invest's net income of US$43.9 million in 2019 increased by 82% (compared to US$24.1 million for 2018). During 2019, IDB Invest's total capital grew by 12%, from US$1.8 billion in 2018 to US$2.0 billion in 2019. This increase in IDB Invest's capital base resulted from US$210.2 million in capital contributions and the positive net income that are partially offset by other comprehensive losses of US$40.3 million comprised of unrealized valuation adjustment losses on pension obligations that are partially offset by unrealized gains on investment securities.

During 2019, IDB Invest continued to deliver on portfolio growth in new priority lines of business and sectors, expanding capital market solutions and reaching new sectors in social infrastructure, water and sanitation, tourism and telecommunications and the expansion of local currency funding issuances in markets as diverse as Mexico and Paraguay. IDB Invest issued its first bond in the Dominican Republic capital markets in 2019.

For the 2019 fiscal year, IDB Invest's gross development related investments, measured as gross loans, equity investments and purchased debt securities, grew from US$1.8 billion in 2018 to US$2.5 billion in 2019.

In addition, undisbursed commitments related to development related investments were 53% higher from the prior year end, providing evidence of continued growth forward in IDB Invest's portfolio.

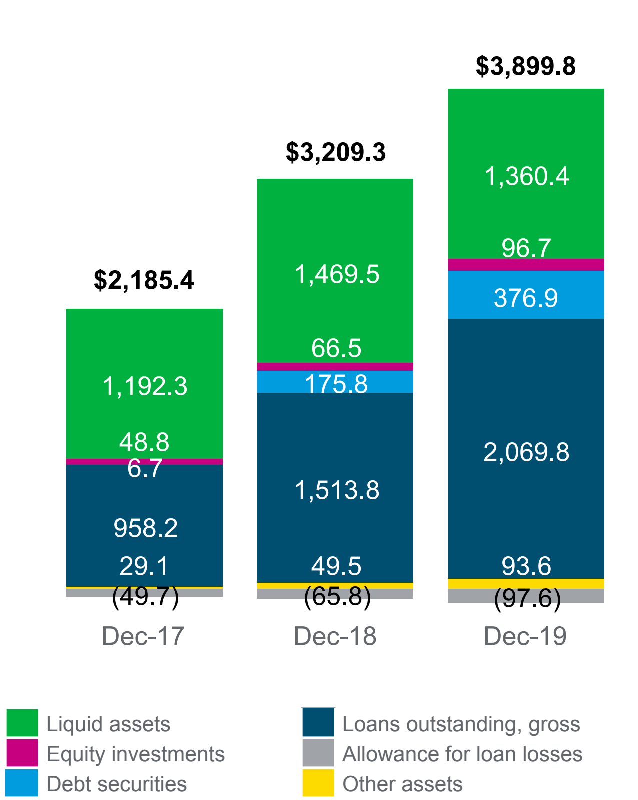


Total income, net of borrowings expense, amounted to US$177.7 million in 2019, US$34.1 million higher than in 2018. The increase in total income compared to the prior year end was primarily driven by higher gross development related investments income due to the portfolio growth, an increase of US$63.6 million that was partially offset by an increase of US$18.4 million in loan loss provisions. An additional contributor is higher income from the investment securities portfolio, an increase of US$7.8 million. The net increase in total income was partially offset by higher expenses from borrowings driven by increased borrowings volume, an increase of US$18.0 million.

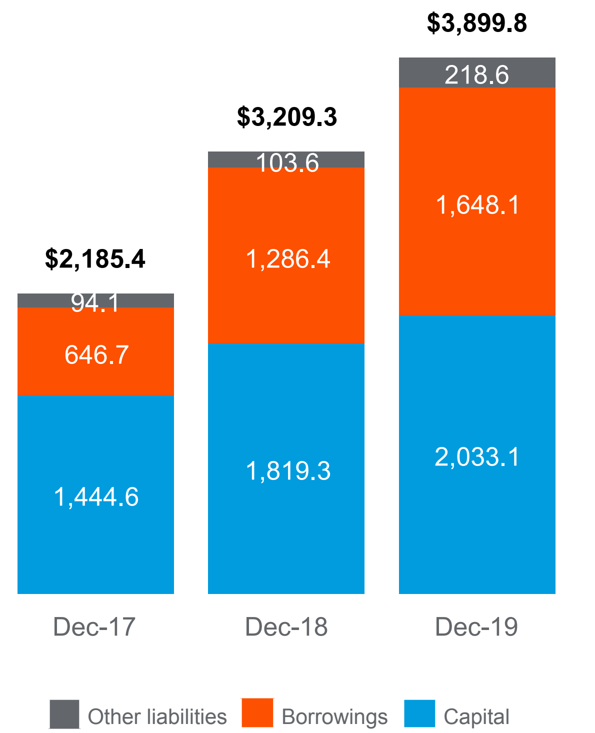
Conversely, operating expenses, excluding unrealized gains and losses related to foreign currency, increased mildly from US$122.5 million in 2018 to US$130.3 million in 2019, reflecting administrative expenses increase of 6% compared to gross development related investments growth of 45% during 2019. Budgetary discipline in the first four years of operations led to more prudent growth in middle and back-office areas and system improvements; both of which will be a focus for 2020.

Assets

(in US$million)



Liabilities and capital



Asset Quality

IDB Invest's gross development related investments portfolio continued to grow from the prior year end while maintaining a consistent level of portfolio credit quality over the period of growth. The allowance for loan losses as a percentage of loans outstanding increased slightly compared to the end of 2018 (4.7% at the end of 2019 vs. 4.3% at the end of 2018). Also, the ratio of impaired loans to loan portfolio outstanding decreased from 2.0% in 2018 to 1.5% in 2019. The main indicators of asset quality remained stable despite the region facing a difficult political and economic outlook.

Capital, Leverage and Liquidity Adequacy

IDB Invest has a comprehensive risk management framework. In 2019, IDB Invest's capital adequacy ratio, liquidity coverage ratio and debt to equity ratio remained in full compliance with financial risk management policies and targets.

IDB Invest's solvency and liquidity ratios remained strong in 2019. IDB Invest's equity-to-total-assets ratio shifted to 52% at the end of 2019 (compared to 57% at the end of 2018). Still, leverage stayed well below the maximum level of 3.0x established by the Agreement Establishing the Inter-American Investment Corporation, with the debt-to-equity ratio increasing to just 81%. IDB Invest's liquidity to total assets ratio was 35% in 2019 and the liquidity to financial debt ratio was 82% in 2019.

The sound business and financial profiles of IDB Invest were reflected in its external ratings. As of December 31, 2019, IDB Invest was rated AAA, Aa1, and AA by Fitch, Moody's and S&P, respectively.

Pension Plans and Post Retirement Benefit Plan

IDB Invest's Pension Plans are 75% funded (US$77.9 million underfunded) and the Post Retirement Benefit Plan (PRBP) is 90% funded (US$17.8 million underfunded) as of December 31, 2019. The funded status of the Pension Plans decreased by US$38.0 million and the PRBP decreased by US$13.7 million from 2018. The changes to the funded status of the Pension Plans and PRBP were driven by historically low discount rates, a decrease in the discount rates of 100bps and 99bps, respectively, as a result of the current economic and capital market environment, resulting in a higher actuarial value of the plans' projected liabilities. IDB Invest, in coordination with the IDB, actively monitors management strategies to address the short-term and long-term performance of the Pension Plans and PRBP.

INTER-AMERICAN INVESTMENT CORPORATION

Financial Statements

December 31, 2019 and 2018

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

Independent Auditors' Report

The Board of Governors
Inter-American Investment Corporation:

We have audited the accompanying financial statements of Inter-American Investment Corporation (the Corporation), which comprise the balance sheets as of December 31, 2019 and 2018, and the related income statements, and statements of comprehensive income/(loss), changes in capital and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Inter-American Investment Corporation as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Washington, District of Columbia
March 3, 2020

Inter-American Investment Corporation

Balance Sheets

Expressed in thousands of United States dollars	Notes	December 31, 2019	December 31, 2018
Assets			
Cash and cash equivalents ($523 and $161 in restricted cash, respectively)		$ 22,749	$ 9,647
Investment securities	3 & 9	1,337,664	1,459,799
Development related investments			
Loans outstanding ($27,527 and $7,714 carried at fair value, respectively)		2,069,824	1,513,811
Allowance for loan losses		(97,614)	(65,776)
		1,972,210	1,448,035
Equity investments ($91,980 and $52,345 carried at fair value, respectively)		96,675	66,556
Debt securities ($243,300 and $91,295 carried at fair value, respectively)		376,924	175,764
Total development related investments	4 & 9	2,445,809	1,690,355
Receivables and other assets	5	93,602	49,452
Total assets		**3,899,824**	**3,209,253**
Liabilities and capital			
Accounts payable and other liabilities	6	211,284	96,291
Interest and commitment fees payable		7,332	7,340
Borrowings	7	1,648,146	1,286,372
Total liabilities		**1,866,762**	**1,390,003**
Capital			
Capital, par value		1,573,500	1,542,860
Additional paid-in-capital		546,751	523,949
Receivable from members		(287,840)	(444,603)
Total paid-in-capital	8	1,832,411	1,622,206
Retained earnings		279,227	235,356
Accumulated other comprehensive income/(loss)		(78,576)	(38,312)
Total capital		**2,033,062**	**1,819,250**
Total liabilities and capital		**$ 3,899,824**	**$ 3,209,253**

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

Inter-American Investment Corporation

Income Statements

Expressed in thousands of United States dollars	Notes	Year ended December 31 2019	2018
Income			
Investment securities	3	$ 37,920	$ 30,110
Development related investments			
Loans, guarantees and debt securities			
Interest income		120,451	65,532
Fees and other income		13,616	4,107
Gain/(loss) from changes in fair value, net		(798)	—
(Provision)/release of provision for loan and guarantee losses		(36,697)	(18,313)
		96,572	51,326
Equity investments			
Gain/(loss) from changes in fair value, net		329	(1,033)
Gain/(loss) from measurement adjustments, net		(100)	1,400
Gain/(loss) on sale, net		2,541	1,131
Dividends and other income		294	485
		3,064	1,983
Income from development related investments	4	99,636	53,309
Advisory services and other income			
Service fees from related parties	11	77,420	79,030
Mobilization fees and other income		7,289	7,719
		84,709	86,749
Total income		**222,265**	**170,168**
Borrowings expense	7	44,570	26,612
Total income/(loss), net of borrowings expense		**177,695**	**143,556**
Operating expenses			
Administrative expenses		130,031	121,358
Other components of pension benefit costs, net	12	(4,119)	(2,306)
(Gain)/loss on foreign exchange transactions, net		3,559	(2,971)
Other expenses		4,353	3,419
Total operating expenses		**133,824**	**119,500**
Net income		**$ 43,871**	**$ 24,056**

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

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

Statements of Comprehensive Income/(Loss)

Expressed in thousands of United States dollars	Notes	Year ended December 31 2019	2018
Net income		**$ 43,871**	**$ 24,056**
Other comprehensive income/(loss)			
Recognition of changes in assets/liabilities under the Pension Plans and Postretirement Benefit Plan	12	(50,064)	16,449
Recognition of unrealized gain/(loss) related to available-for-sale securities	3	9,800	(4,627)
Total other comprehensive income/(loss)		**(40,264)**	**11,822**
Comprehensive income/(loss)		**$ 3,607**	**$ 35,878**

Statements 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**
Cumulative effect of adoption of ASU 2016-01	2		—	2,829	(2,829)	—
Year ended December 31, 2018						
Net income			—	24,056	—	24,056
Other comprehensive income/(loss)			—	—	11,822	11,822
Change in shares	8	3,038				
Payments received for capital			338,792	—	—	338,792
As of December 31, 2018		**154,286**	**1,622,206**	**235,356**	**(38,312)**	**1,819,250**
Year ended December 31, 2019						
Net income			—	43,871	—	43,871
Other comprehensive income/(loss)			—	—	(40,264)	(40,264)
Change in shares	8	3,064				
Payments received for capital			210,205	—	—	210,205
As of December 31, 2019		**157,350**	**$ 1,832,411**	**$ 279,227**	**$ (78,576)**	**$ 2,033,062**

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

Inter-American Investment Corporation

Statements of Cash Flows

Expressed in thousands of United States dollars	Year ended December 31 2019	2018
Cash flows from investing activities		
Loan disbursements	$ (1,320,894)	$ (906,566)
Loan proceeds	772,450	349,563
Equity investment disbursements	(37,624)	(18,232)
Equity investment proceeds	9,993	1,804
Development related debt securities purchases	(205,813)	(175,679)
Development related debt securities proceeds	413	278
Available-for-sale security purchases	(187,271)	(621,610)
Available-for-sale security proceeds	732,777	523,212
Capital asset expenditures	(3,835)	(5,224)
Net cash provided by/(used in) investing activities	**$ (239,804)**	**$ (852,454)**
Cash flows from financing activities		
Proceeds from issuance of borrowings	980,416	677,262
Borrowings repayments	(620,000)	(28,106)
Payments received for capital	210,205	338,792
Net cash provided by/(used in) financing activities	**$ 570,621**	**$ 987,948**
Cash flows from operating activities		
Net income	43,871	24,056
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:		
Change in fair value of equity investments and measurement adjustments	(229)	(367)
Change in fair value of loans and debt securities	798	—
Provision for loan and guarantee losses	36,697	18,313
Net (gain)/loss on investment securities included in earnings	(10,828)	(1,549)
Realized (gain)/loss on sales of equity investments	(2,541)	(1,131)
Change in receivables and other assets	(59,701)	(17,687)
Change in accounts payable and other liabilities	74,678	16,644
Change in Pension Plans and Postretirement Benefit Plan, net	1,618	5,939
Change in trading investment securities	(403,822)	(195,798)
Other-than-temporary impairment losses on available-for-sale investment	—	628
Other, net	1,722	4,367
Net cash provided by/(used in) operating activities	**$ (317,737)**	**$ (146,585)**
Net effect of exchange rate changes on cash, cash equivalents and restricted cash	22	(17)
Net increase/(decrease) in cash, cash equivalents and restricted cash	13,102	(11,108)
Cash, cash equivalents and restricted cash as of January 1	9,647	20,755
Cash, cash equivalents and restricted cash as of December 31	**$ 22,749**	**$ 9,647**
Supplemental disclosure:		
Change in ending balances resulting from currency exchange rate fluctuations:		
Investment securities	3,689	(3,634)
Loans outstanding	2,072	196
Debt securities	(4,780)	(6,348)
Borrowings	(910)	9,314
	71	(472)
Interest paid during the period	44,569	21,302

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

Entity and Operations

The Inter-American Investment Corporation (the IIC or IDB Invest), an international organization, was established in 1986 and began operations in 1989, and is owned by its member countries. These members include 26 regional developing member countries, all of which are located in Latin America and the Caribbean (the Regional Developing Member Countries), and 21 members from other countries. The purpose of IDB Invest is to promote the economic development of its Regional Developing Member Countries by encouraging the establishment, expansion, and modernization of private enterprises in such a way as to supplement the activities of the Inter-American Development Bank (IDB). IDB Invest provides financing through loans, investments in debt securities, guarantees and equity investments where sufficient capital is not otherwise available on adequate terms in the market. IDB Invest also arranges additional project funding from other investors and lenders, either through joint financing or through loan syndications, loan participations and guarantees. In addition, IDB Invest provides financial and technical advisory services to clients. IDB Invest is an autonomous international organization and a member of the Inter-American Development Bank Group (the IDB Group), which also includes the IDB and the Multilateral Investment Fund (now commercially known as IDB Lab).

1. Basis of Presentation

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

All amounts presented in the accompanying financial statements and notes are expressed in United States dollars (US$ or $), which is IDB Invest's functional and reporting currency.

2. Summary of Significant Accounting Policies

Use of estimates – The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. A significant degree of judgment has been used in the determination of the adequacy of the allowance for loan and guarantee losses, the evaluation for other-than-temporary impairment on available-for-sale and held-to-maturity debt securities and equity investments, the fair value of investment securities, loan and equity investments, debt securities, borrowings, and the determination of the projected benefit obligations of the pension and postretirement benefit plans, the fair value of plan assets, the funded status and net periodic benefit cost associated with these plans. 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 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 debt 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.

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 income statements. 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.

[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.

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

- Probability of Default — A scorecard is completed that contemplates a variety of borrower-specific considerations including, but not limited to: country risk, industry risk, market risk, competitive position, any sponsor guarantees and support agreements, as well as an analysis of the financial performance and other information provided by the borrower. The scorecard result produces an internal risk rating that is comparable to a long-term issuer credit rating published by S&P. The credit rating is mapped to a probability of default (PD) according to the latest S&P Annual Global Corporate Default Study and Rating Transitions publication, as approved by management.
- Loss Given Default — IDB Invest calculates an LGD ratio for each individual loan or guarantee. A scorecard is completed that contemplates a variety of transaction-specific considerations for each loan or guarantee exposure, including, but not limited to: the seniority of the instrument, the collateral type, third party guarantees and jurisdiction risk or creditor rights under the law of the respective country. The scorecard produces an LGD ratio that is calibrated using empirical evidence of over 20 years of historical loss data collected by S&P.

IDB Invest utilizes these external inputs to calculate the allowance for loan losses because of IDB Invest's limited historical loss experience, relatively small volume of business, and variation in loan size, sector and geographic dispersion of the portfolio.

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

IDB Invest considers a loan impaired when, based on current information and events, it is probable that IDB Invest will be unable to collect all amounts due according to the loan's contractual terms. Information and events considered in determining that a loan is impaired include the borrower's financial difficulties, the borrower's competitive position in the marketplace, the risk associated with the underlying collateral, the willingness and capacity of the sponsor who organized the project to support the investment, the borrower's management team, as well as geopolitical conflict and macroeconomic crises.

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

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

Revenue recognition on loans – Interest and fees are recognized in the periods earned. A loan is generally placed in nonaccrual status when collectability is in doubt or payments of interest or principal are past due more than 90 days. IDB Invest does not accrue income on loans in nonaccrual status, and any uncollected interest accrued on a loan placed in nonaccrual status is reversed out of income and is thereafter recognized as income when the payment is received and is included in Interest income in the income statements. 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.

Loan origination fees and costs, net, are deferred and amortized over the life of the loan on a straight-line basis are included in Fees and other income in the income statements, which approximates how costs would be reflected under the effective interest method. These amounts are included in Accounts payable and other liabilities in the balance sheets.

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 income statements 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 income statements. 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 income statements 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 income statements.

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 income statements. 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 sheets.

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.

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 income statements. 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.

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 sheets. The expense related to the contingent liability is recorded in (Provision)/release of provision for loan and guarantee losses in the income statements. 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 sheets. 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 sheets. 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.

IDB Invest recognizes a right-of-use asset and lease liability for its operating leases. The right-of-use assets are nonmonetary assets amortized based on each period's discounted cash flows included in Receivable and other assets and the lease liabilities are monetary liabilities reduced based on each period's discounted cash flows included in Accounts payable and other liabilities in the balance sheets. IDB Invest remeasures its lease liabilities originating in currencies other than US$ at the current market exchange rate in effect at each reporting date. Operating lease expense is recorded on a straight-line basis and included in Administrative expenses in the income statements. 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 income statements.

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 sheets.

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

Remeasurements 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 remeasurements are generally included in (Gain)/loss on foreign exchange transactions, net in the income statements.

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. 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 IDB Invest does not have the ability and intent to hold until maturity, iii) certain development related investments that meet the definition of a beneficial interest iv) certain development related investments in equity securities that do not have quoted market prices and v) certain hybrid instruments in the loan portfolio that would have otherwise required bifurcation of the host and embedded derivative. 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 income statements. Interest income on these financial instruments is recognized on an accrual basis in Interest income in the income statements.

Loan participations and co-financing arrangements – 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 income statements. IDB Invest also services co-financing arrangements with IDB Group related parties in exchange for a fee. Income for these arrangements are reported as Services fees from related parties in the income statements. The disbursed and outstanding balances of loan participations and co-financing arrangements that meet the applicable accounting criteria for sales are not included in IDB Invest's balance sheets.

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 income statements. 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 sheets. 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 sheets 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 sheets 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. This Update did not have a material impact on IDB Invest's 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. 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). This Update permits early adoption and IDB Invest has elected to early adopt effective January 1, 2020. The estimated impact of this Update to IDB Invest's financial statements is an increase in the estimated credit loss of $39 million, primarily driven by a new requirement to estimate a provision for undisbursed commitments and held-to-maturity debt securities.

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. This Update effective January 1, 2019 and it did not have a material impact on IDB Invest's 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 on January 1, 2020. This Update is not expected to have a material impact on IDB Invest's 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 on January 1, 2020. This Update is not expected to have a material impact on IDB Invest's 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 on January 1, 2020 and is not expected to have a material impact on IDB Invest's 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 eliminate the requirement that entities consider indirect interests held through related parties under common control in their entirety when assessing whether a decision-making fee is a variable interest. Instead, the reporting entity will consider such indirect costs on a proportional basis. For IDB Invest, this Update is effective on January 1, 2020, and is not expected to have a material impact on IDB Invest's financial statements.

3. Investment Securities

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

	Year ended December 31	
	2019	**2018**
Interests and dividends, net	$ 27,092	$ 29,189
Net gains/(losses)	10,828	1,549
Other-than-temporary losses on investment securities	—	(628)
Total	**$ 37,920**	**$ 30,110**

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

	December 31, 2019	December 31, 2018
Corporate securities	$ 495,908	$ 266,707
Government securities	189,268	70,907
Agency securities	66,093	—
Total	**$ 751,269**	**$ 337,614**

Net unrealized gains recognized in earnings for the year ended December 31, 2019 relating to trading securities still held as of December 31, 2019 were $193 thousand ($312 thousand net unrealized gains for the year ended December 31, 2018).

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

	December 31, 2019			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Corporate securities	$ 410,019	$ 3,014	$ (328)	$ 412,705
Government securities	80,046	184	(6)	80,224
Agency securities	70,139	115	(11)	70,243
Supranational securities	23,042	183	(2)	23,223
Total	**$ 583,246**	**$ 3,496**	**$ (347)**	**$ 586,395**

	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):

	December 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	$ 34,975	$ (51)	$ 74,611	$ (277)	$ 109,586	$ (328)
Government securities	6,981	(6)	—	—	6,981	(6)
Agency securities	—	—	52,416	(11)	52,416	(11)
Supranational securities	—	—	7,997	(2)	7,997	(2)
Total	**$ 41,956**	**$ (57)**	**$ 135,024**	**$ (290)**	**$ 176,980**	**$ (347)**

	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):

	Year ended December 31	
	2019	2018
Unrealized gain/(loss) during the period	$ 10,759	$ (4,891)
Reclassification of (gain)/loss to net income	(959)	(242)
Reclassification to net income due to impaired securities	—	628
Total recognized in other comprehensive income/(loss) related to available-for-sale investment securities	**$ 9,800**	**$ (4,505)**

Sales of available-for-sale debt securities amounted to $293.2 million during the year ended December 31, 2019 ($315.9 million during the year ended December 31, 2018). Gross realized gains were $884 thousand and there were $4 thousand gross realized losses from the sale of available-for-sale debt securities during the year ended December 31, 2019 ($534 thousand gross realized gains and $292 thousand gross realized losses during the year ended December 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 year ended December 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 ($628 thousand during the year ended December 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):

	December 31, 2019	December 31, 2018
Less than one year	$ 154,521	$ 466,233
Between one and five years	431,874	655,952
Total	**$ 586,395**	**$ 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):

	December 31, 2019				December 31, 2018			
	Loans	Equity investments	Debt securities	Total	Loans	Equity investments	Debt securities	Total
Brazil	$ 273,290	$ 20,590	$ 45,894	$ 339,774	$ 226,201	$ 10,453	$ 30,962	$ 267,616
Colombia	150,536	4,938	144,335	299,809	83,729	2,004	44,369	130,102
Chile	282,164	—	—	282,164	255,118	—	—	255,118
Ecuador	241,783	—	19,882	261,665	122,603	—	—	122,603
Argentina	196,864	—	12,000	208,864	155,962	—	12,000	167,962
Mexico	187,960	14,895	3,233	206,088	113,571	15,505	—	129,076
Panama	66,929	—	50,000	116,929	10,597	—	—	10,597
Regional[(1)]	47,288	36,611	16,000	99,899	41,790	35,594	5,333	82,717
Guatemala	59,890	—	39,877	99,767	69,987	—	40,000	109,987
Uruguay	79,648	—	17,703	97,351	65,077	—	15,100	80,177
Paraguay	96,663	—	—	96,663	95,980	—	—	95,980
Peru	77,878	—	13,000	90,878	62,421	—	13,000	75,421
Costa Rica	78,690	—	—	78,690	71,559	—	—	71,559
Nicaragua	65,717	—	—	65,717	34,666	—	—	34,666
Bolivia	38,566	19,641	—	58,207	569	3,000	—	3,569
El Salvador	27,982	—	15,000	42,982	24,684	—	15,000	39,684
Trinidad and Tobago	37,500	—	—	37,500	—	—	—	—
Honduras	24,273	—	—	24,273	48,310	—	—	48,310
Dominican Republic	13,265	—	—	13,265	6,119	—	—	6,119
Belize	7,500	—	—	7,500	—	—	—	—
Haiti	7,032	—	—	7,032	8,417	—	—	8,417
Suriname	6,515	—	—	6,515	7,894	—	—	7,894
Bahamas	1,891	—	—	1,891	2,337	—	—	2,337
Jamaica	—	—	—	—	6,220	—	—	6,220
Total	**$2,069,824**	**$ 96,675**	**$ 376,924**	**$2,543,423**	**$1,513,811**	**$ 66,556**	**$ 175,764**	**$1,756,131**
Financial intermediaries	$ 791,027	$ 4,141	$ 253,391	$1,048,559	$ 635,804	$ 3,116	$ 80,000	$ 718,920
Telecom & IT	274,991	20,195	89,831	385,017	185,927	4,695	75,331	265,953
Agribusiness	322,005	—	3,015	325,020	236,068	—	—	236,068
Energy	304,918	—	14,687	319,605	266,362	—	15,100	281,462
General manufacturing	148,380	—	—	148,380	90,731	—	—	90,731
Transportation	128,369	—	—	128,369	47,289	—	—	47,289
Investment funds	9,658	64,741	16,000	90,399	4,858	46,351	5,333	56,542
Services, dist. & retail	34,304	6,300	—	40,604	9,742	6,400	—	16,142
Commodities	13,770	—	—	13,770	14,455	—	—	14,455
Education	13,168	—	—	13,168	—	—	—	—
Water, sanitation and environment infr.	11,760	—	—	11,760	—	—	—	—
Health	10,468	—	—	10,468	4,511	—	—	4,511
Real estate, tourism and construction	6,847	1,298	—	8,145	16,896	5,994	—	22,890
Pulp and paper	159	—	—	159	180	—	—	180
Logistics	—	—	—	—	988	—	—	988
Total	**$2,069,824**	**$ 96,675**	**$ 376,924**	**$2,543,423**	**$1,513,811**	**$ 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):

		December 31, 2019
Loans	$	669,139
Debt securities		66,204
Equity investments		24,245
Total	**$**	**759,588**

Loans

The loan portfolio includes loans at amortized cost (fixed rate, variable rate and no stated interest rate) and fair value. The unpaid principal balance of the fixed rate loan portfolio amounted to $709.3 million of which $245.0 million relates to loans with no stated interest rate as of December 31, 2019 ($369.5 million of which $139.0 million relates to loans with no stated interest rate as of December 31, 2018). The unpaid principal balance of the variable rate loan portfolio amounted to $1.4 billion as of December 31, 2019 ($1.1 billion 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 over the life of the variable rate loan. In the following disclosures, IDB Invest's loan portfolio is classified as financial institutions and corporates.

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

	December 31, 2019				
	1-90 days past due	>90 days past due	Total past due	Total current loans	Total loan portfolio
Financial institutions	$ —	$ —	$ —	$ 799,116	$ 799,116
Corporates	6,530	14,516	21,046	1,249,662	1,270,708
Total	**$ 6,530**	**$ 14,516**	**$ 21,046**	**$ 2,048,778**	**$ 2,069,824**
As % of total loan portfolio	0.3 %	0.7 %	1.0 %	99.0 %	100.0 %
Allowance for loan losses					$ (97,614)
Allowance as a % of total loan portfolio					4.7 %

	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	0.1 %	0.8 %	1.0 %	99.0 %	100.0 %
Allowance for loan losses					$ (65,776)
Allowance as a % of total loan portfolio					4.3 %

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

	December 31, 2019			December 31, 2018		
	Past due	Current	Total nonaccrual	Past due	Current	Total nonaccrual
Corporates	$ 19,415	$ 11,851	$ 31,266	$ 11,836	$ 16,569	$ 28,405
Total nonaccrual loans	**$ 19,415**	**$ 11,851**	**$ 31,266**	**$ 11,836**	**$ 16,569**	**$ 28,405**
Loan portfolio	$ 2,069,824			$ 1,513,811		
As % of loan portfolio	0.9 %	0.6 %	1.5 %	0.8 %	1.1 %	1.9 %

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 $857 thousand for the year ended December 31, 2019 ($1.3 million for the year ended December 31, 2018).

The investment in impaired loans as of December 31, 2019 was $31.3 million ($30.1 million as of December 31, 2018). The average investment in impaired loans for the year ended December 31, 2019 was $30.3 million ($31.3 million for the year ended December 31, 2018). The total allowance related to impaired loans was $12.8 million as of December 31, 2019 ($13.2 million as of December 31, 2018).

As of December 31, 2019, there were no troubled debt restructurings in the portfolio (two with an outstanding balance of $3.9 million and specific allowance of $3.7 million as of December 31, 2018).

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

	December 31	
	2019	2018
Due in one year or less	$ 622,921	$ 471,115
Due after one year through five years	878,165	636,524
Due after five years through ten years	406,723	307,083
Due after ten years and thereafter	166,746	103,628
Total loans outstanding, gross	**$ 2,074,555**	**$ 1,518,350**
Unamortized discounts	(4,731)	(4,539)
Total loans outstanding, net	**$ 2,069,824**	**$ 1,513,811**

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

	December 31			
	2019		2018	
	Amount outstanding	Weighted average rate	Amount outstanding	Weighted average rate
Colombian peso (COP)	$ 41,177	11.4 %	$ 15,008	10.9 %
Dominican Republic peso (DOP)	9,418	10.5 %	—	
Mexican peso (MXN)	34,555	10.1 %	15,835	11.2 %
Paraguayan guarani (PYG)	4,650	9.0 %	5,040	9.0 %
United States dollar	1,735,029	5.7 %	1,338,972	6.2 %
Total loans outstanding, before discounted loans	**$ 1,824,829**		**$ 1,374,855**	
Discounted loans	244,995		138,956	
Total loans outstanding	**$ 2,069,824**		**$ 1,513,811**	

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

	Year ended December 31, 2019		
	Financial institutions	Corporates	Total
Beginning balance	$ (24,602)	$ (41,174)	$ (65,776)
Loans written off, net	—	2,352	2,352
Recoveries	(133)	(44)	(177)
(Provision)/release of provision for loan losses [1]	(8,191)	(25,822)	(34,013)
Ending balance	**$ (32,926)**	**$ (64,688)**	**$ (97,614)**

[1] Does not include changes in (Provision)/release of provision for guarantee losses of $(2.7) million that are recorded in the same line item in the income statements.

	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)/release of provision for guarantee losses of $(274) thousand that are recorded in the same line item in the income statements.

A description of credit quality indicators and a summary of loans at amortized cost by credit quality indicator and investment type are as follows as of December 31, 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.

	December 31, 2019		
Internal credit quality indicator	**Financial institutions**	**Corporates**	**Total**
Adequate	$ 132,500	$ 141,348	$ 273,848
Moderate	402,726	484,971	887,697
Weak	246,458	537,470	783,928
Very weak	1,000	95,824	96,824
Total loans at amortized cost	**$ 782,684**	**$ 1,259,613**	**$ 2,042,297**

	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 were $27.5 million as of December 31, 2019 ($7.7 million as of December 31, 2018). There were $905 thousand net unrealized losses recognized in earnings for the year ended December 31, 2019 (none for the year ended December 31, 2018).

Equity investments

As of December 31, 2019, IDB Invest's equity investments recorded at fair value were $92.0 million that included LPs recorded at NAV as a practical expedient to fair value of $64.7 million ($52.3 million that included LPs recorded at NAV as a practical expedient to fair value of $46.4 million as of December 31, 2018). Net unrealized gains recognized in earnings for the year ended December 31, 2019 relating to all equity investments carried at fair value and that are still held as of December 31, 2019 were $329 thousand (net unrealized losses of $1.0 million for the year ended December 31, 2018).

As of December 31, 2019, IDB Invest's equity investments recorded using the cost-based measurement alternative had a carrying value of $4.7 million ($14.2 million as of December 31, 2018). There were no measurement adjustments related to observable price changes and $100 thousand related to impairment adjustments for the year ended December 31, 2019 ($1.4 million in measurement adjustments and no impairment adjustment for the year ended December 31, 2018). During the fourth quarter of 2019, IDB Invest elected the FVO for equity investments previously recorded using the cost-based measurement alternative that had a carrying value of $10.4 million as of December 31, 2019.

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 December 31, 2019, IDB Invest's development related investments accounted for as debt securities classified as held-to maturity were $133.6 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 year ended December 31, 2019 (none for the year ended December 31, 2018). Debt securities recorded at fair value were $243.3 million as of December 31, 2019 ($91.3 million as of December 31, 2018). Net unrealized gains on these securities were $107 thousand for the year ended December 31, 2019 ($12 thousand in net unrealized losses for the year ended December 31, 2018). For the year ended December 31, 2019, related interest income was $17.3 million ($3.4 million for the year ended December 31, 2018).

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

	December 31, 2019	December 31, 2018
Due in one year or less	$ 24,132	$ 442
Due after one year through five years	247,525	66,249
Due after five years through ten years	90,903	89,367
Due after ten years and thereafter	14,364	19,706
Total	**$ 376,924**	**$ 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 $46.6 million as of December 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 $66.4 million as of December 31, 2019 ($37.1 million as of December 31, 2018). The allowance for losses on guarantees is $3.2 million as of December 31, 2019 and is recorded in Accounts payable and other liabilities in the balance sheets ($564 thousand as of December 31, 2018).

Loan participations and co-financing arrangements

As of December 31, 2019, IDB Invest serviced loan participations and co-financing arrangements outstanding of $1.8 billion ($1.9 billion as of December 31, 2018) and recognized servicing fees of $757 thousand for the year ended December 31, 2019 ($366 thousand for the year ended December 31, 2018) included in Mobilization fees and other income in the income statements.

In addition, IDB Invest serviced co-financing arrangements outstanding of $2.4 billion with IDB Group related parties as of December 31, 2019 ($1.5 billion as of December 31, 2018). As explained in Note 11 income from these arrangements are included in SLA revenue.

Variable interest entities

Some of IDB Invest's development related investments are made through VIEs. These VIEs are mainly special purpose vehicles or investment funds, where the sponsor, the general partner or fund manager does not have substantive equity at risk.

IDB Invest has made development related investments amounting to approximately $26.1 million in loans and $3.0 million in debt securities as of December 31, 2019 to VIEs for which it is deemed to be the primary beneficiary (none as of December 31, 2018). IDB Invest's involvement with these three VIEs is limited to such development related investments, which are reflected as such in IDB Invest's financial statements. Based on the most recent available data, the size of these VIEs measured by total assets with a notional value of approximately $31.5 million as of December 31, 2019, which is considered immaterial compared to the carrying value of $29.1 millions, and thus not consolidated with IDB Invest's financial statements (none at December 31, 2018).

IDB Invest does not have a significant variable interest in any other 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.

5. Receivables and Other Assets

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

	December 31, 2019	December 31, 2018
Operating lease right-of-use asset	$ 52,536	$ —
Interest receivable on development related investments	22,538	14,971
Fixed and intangible assets	11,033	12,611
Other assets	3,906	15,411
Interest receivable on investment securities	3,589	6,459
Total receivables and other assets	**$ 93,602**	**$ 49,452**

6. Accounts Payable and Other Liabilities

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

	Notes	December 31, 2019	December 31, 2018
Pension Plans, net liability	12	$ 77,920	$ 39,892
Operating lease liability	10	53,388	—
Postretirement Benefit Plan, net liability	12	17,798	4,135
Loan origination fees and costs, net		17,769	16,815
Deferred revenue		12,884	13,596
Employment benefits payable		12,288	8,905
Accounts payable and other liabilities		10,811	8,210
Due to IDB, net	11	8,426	4,738
Total accounts payables and other liabilities		**$ 211,284**	**$ 96,291**

As of December 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	December 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	$ 29,776	V	4.1 %	$ 30,974	V	5.5 %
2019 BRL 20 million	2021	Quarterly	4,963	V	3.9 %	—		
2019 BRL 15 million	2021	Quarterly	3,722	V	3.8 %	—		
2019 BRL 15 million	2021	Quarterly	3,722	V	3.5 %	—		
2019 BRL 15 million	2021	Quarterly	3,722	V	3.7 %	—		
			45,905			**30,974**		
Colombian peso (COP):								
2019 COP 328.5 billion	2024	Monthly	100,192	V	4.6 %	—		
2018 COP 144 billion	2025	Semi-annual	43,937	F	6.6 %	44,369	F	6.6 %
2018 COP 35 billion	2030	Quarterly	10,782	V	8.3 %	10,888	V	8.0 %
2019 COP 27 billion	2030	Quarterly	8,262	V	8.3 %	—		
2019 COP 47 billion	2035	Semi-annual	14,335	V	7.9 %	—		
2019 COP 6 billion	2035	Semi-annual	1,830	V	8.4 %	—		
2019 COP 5 billion	2035	Semi-annual	1,525	V	8.4 %	—		
			180,863			**55,257**		
Dominican peso (DOP):								
2019 DOP 500 million	2022	Semi-annual	9,418	F	8.8 %	—		
			9,418			**—**		
Mexican peso (MXN):								
2018 MXN 1.5 billion	2021	Monthly	79,515	V	7.8 %	76,331	V	8.5 %
2019 MXN 1.5 billion	2022	Monthly	79,515	V	7.7 %	—		
			159,030			**76,331**		
Paraguayan guarani (PYG):								
2018 PYG 30 billion	2023	Semi-annual	4,650	F	6.1 %	5,040	F	6.1 %
			4,650			**5,040**		
United States dollar:								
2018 $500 million	2021	Quarterly	500,000	V	2.1 %	500,000	V	2.6 %
2019 $250 million	2021	Quarterly	250,000	V	2.1 %	—		
2019 $500 million	2024	Annual	500,000	F	1.8 %	—		
2016 $500 million	2019	Quarterly	—			500,000	V	2.8 %
2011 $50 million	2021	Semi-annual	—			20,000	V	3.5 %
1997 $100 million	2023	Semi-annual	—			100,000	V	3.1 %
			1,250,000			**1,120,000**		
Total borrowings, gross			**$ 1,649,866**			**$ 1,287,602**		
Unamortized premiums/ discounts and issuance costs, net			(1,720)			(1,230)		
Total borrowings, net			**$ 1,648,146**			**$ 1,286,372**		

[1] F: fixed; V: variable

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

			December 31, 2019	
	Available until	Contractual amount	Available amount	Drawdown amount
Colombian peso (COP):				
2018 COP 370 billion	2021	$ 112,850	$ 76,116	**$ 36,734**
Multi-currency:				
1997 $300 million	2022	$ 300,000	$ 149,165	**$ 150,835**

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

	Year ended December 31	
	2019	2018
Interest expense	$ 43,433	$ 26,120
Fees expense	693	209
Amortization of premiums/discounts and issuance costs, net	444	283
Total borrowings expense	**$ 44,570**	**$ 26,612**

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 $10,000 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 sheets, 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 5.0% 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 sheets.

Capital contributions of $160.7 million were received during the year ended December 31, 2019 for a total of $1.0 billion in contributions corresponding to Annex A Shares under GCI-II. In March 2019, the Board of Governors approved income distributions corresponding to Annex B Shares transfers from the IDB on behalf of its shareholders that are also member countries of IDB Invest. Following this approval, IDB Invest received $49.5 million in income distributions (transfers) for a total of $99.0 million contributions corresponding to Annex B Shares under GCI-II, which are included as part of Total paid-in capital in the balance sheets. Total capital contributions of $1.1 billion have been received under GCI-II through December 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):

	December 31							
	Capital						Voting power	
	Shares[(1)]	Capital, par value	Additional paid-in capital[(2)]	Receivable from members[(3)]	Total paid in capital	Percent of total paid in capital[(4)]	Number of votes	Percent of total votes[(4)]
Argentina	18,078	$ 180,780	$ 61,953	$ 234	$ 242,499	13.23	16,331	12.12
Austria	896	8,960	3,419	1,683	10,696	0.58	792	0.59
Bahamas	320	3,200	1,106	518	3,788	0.21	288	0.21
Barbados	228	2,280	816	1,109	1,987	0.11	160	0.12
Belgium	189	1,890	128	—	2,018	0.11	189	0.14
Belize	108	1,080	46	—	1,126	0.06	108	0.08
Bolivia	1,454	14,540	4,974	2,297	17,217	0.94	1,312	0.97
Brazil	18,078	180,780	63,917	43,351	201,346	10.99	14,624	10.85
Canada	4,335	43,350	25,875	11,975	57,250	3.12	3,594	2.67
Chile	4,648	46,480	16,356	7,459	55,377	3.02	4,187	3.11
China	9,330	93,300	56,685	27,924	122,061	6.66	7,604	5.64
Colombia	4,648	46,480	15,842	—	62,322	3.40	4,200	3.12
Costa Rica	699	6,990	2,386	1,117	8,259	0.45	630	0.47
Croatia	3	30	19	—	49	0.00	3	0.00
Denmark	1,081	10,810	70	—	10,880	0.59	1,081	0.80
Dominican Republic	970	9,700	3,309	1,521	11,488	0.63	876	0.65
Ecuador	979	9,790	3,357	323	12,824	0.70	882	0.65
El Salvador	699	6,990	2,495	1,116	8,369	0.46	630	0.47
Finland	1,030	10,300	3,950	—	14,250	0.78	910	0.68
France	2,985	29,850	5,088	2,200	32,738	1.79	2,849	2.11
Germany	1,451	14,510	726	—	15,236	0.83	1,451	1.08
Guatemala	932	9,320	3,173	1,504	10,989	0.60	839	0.62
Guyana	265	2,650	912	341	3,221	0.18	239	0.18
Haiti	699	6,990	2,739	5,082	4,647	0.25	400	0.30
Honduras	699	6,990	2,453	1,187	8,256	0.45	625	0.46
Israel	400	4,000	1,419	749	4,670	0.25	315	0.23
Italy	4,740	47,400	15,935	7,522	55,813	3.05	4,275	3.17
Jamaica	455	4,550	227	—	4,777	0.26	455	0.34
Japan	5,259	52,590	17,099	7,539	62,150	3.39	4,793	3.56
Korea	8,293	82,930	50,278	24,769	108,439	5.92	6,762	5.02
Mexico	11,575	115,750	39,350	—	155,100	8.46	10,462	7.76
Netherlands	1,083	10,830	79	—	10,909	0.60	1,083	0.80
Nicaragua	699	6,990	2,384	1,117	8,257	0.45	630	0.47
Norway	1,026	10,260	3,919	1,925	12,254	0.67	907	0.67
Panama	1,000	10,000	4,161	1,990	12,171	0.66	877	0.65
Paraguay	733	7,330	2,512	1,197	8,645	0.47	659	0.49
Peru	5,265	52,650	19,659	1	72,308	3.95	4,683	3.47
Portugal	392	3,920	1,308	1,283	3,945	0.22	313	0.23
Slovenia	1	10	20	—	30	0.00	1	0.00
Spain	7,083	70,830	28,373	10,957	88,246	4.82	6,243	4.63
Suriname	106	1,060	38	—	1,098	0.06	106	0.08
Sweden	966	9,660	3,543	1,731	11,472	0.63	859	0.64
Switzerland	2,317	23,170	7,700	3,737	27,133	1.48	2,086	1.55
Trinidad and Tobago	697	6,970	2,777	6,175	3,572	0.19	340	0.25
United States	17,874	178,740	11,469	—	190,209	10.38	17,874	13.26
Uruguay	1,924	19,240	6,567	—	25,807	1.41	1,737	1.29
Venezuela	10,658	106,580	46,140	106,207	46,513	2.54	4,521	3.35
Total as of December 31, 2019	**157,350**	**$ 1,573,500**	**$ 546,751**	**$ 287,840**	**$ 1,832,411**	**100**	**134,785**	**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.
(3) Represents receivable from members under GCI-II.
(4) Data are rounded; detail may not add to total because of rounding.

9. Fair Value Measurements

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

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

Cash and cash equivalents

The carrying amount reported in the balance sheets 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 pricing 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 at fair value if publicly traded in certain markets, or IDB Invest elects the FVO. 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):

	December 31, 2019				
	Carrying amount	Level 1	Level 2	Level 3	Fair value
Investment securities					
Corporate securities	$ 908,613	$ —	$ 908,613	$ —	$ 908,613
Government securities	269,492	2,995	266,497	—	269,492
Agency securities	136,336	—	136,336	—	136,336
Supranational securities	23,223	—	23,223	—	23,223
	1,337,664	2,995	1,334,669	—	1,337,664
Loans					
Amortized cost	2,042,297	—	—	2,099,284	2,099,284
Fair value	27,527	—	—	27,527	27,527
	2,069,824	—	—	2,126,811	2,126,811
Equity investments					
Cost-based measurement alternative	4,695	—	—	4,695	4,695
Fair value	27,239	1,298	—	25,941	27,239
NAV[1]	64,741				64,741
	96,675	1,298	—	30,636	96,675
Debt securities					
Held to maturity	133,624	—	—	144,720	144,720
Fair value	197,406	—	—	197,406	197,406
NAV[1]	45,894				45,894
	376,924	—	—	342,126	388,020
Borrowings	1,648,146	—	1,655,632	—	1,655,632

[1] In accordance with ASC 820, investments that are recorded using net asset value per share as a practical expedient to fair value have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the balance sheets.

	December 31, 2018				
	Carrying amount	Level 1	Level 2	Level 3	Fair value
Investment securities					
Corporate securities	$ 1,060,030	$ —	$ 1,060,030	$ —	$ 1,060,030
Government securities	118,752	—	118,752	—	118,752
Agency securities	233,279	—	233,279	—	233,279
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					
Cost-based measurement alternative	14,211	—	—	14,211	14,211
Fair value	5,994	5,994	—	—	5,994
NAV[(1)]	46,351				46,351
	66,556	5,994	—	14,211	66,556
Debt securities					
Held to maturity	84,469	—	—	79,458	79,458
Fair value	60,333	—	—	60,333	60,333
NAV[(1)]	30,962				30,962
	175,764	—	—	139,791	170,753
Borrowings	1,286,372	—	1,286,691	—	1,286,691

[1)]In accordance with ASC 820, investments that are recorded using net asset value per share as a practical expedient to fair value have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the balance sheets.

The following table presents changes in carrying value of IDB Invest's Level 3 financial instruments that are carried at fair value for the year ended December 31, 2019 and 2018 (US$ thousands):

	Year ended December 31, 2019				
	Balance as of January 1, 2019	Net gains and losses included in earnings	Disbursements, purchases, fair value elections	Balance as of December 31, 2019	Net unrealized gains/ (losses) included in earnings related to assets/liabilities held at December 31, 2019
Loans	$ 7,714	$ (905)	$ 20,718	$ 27,527	$ (905)
Equity investments	—	1,141	24,800	25,941	1,141
Debt securities	60,333	(84)	137,157	197,406	(84)
Total assets at fair value	**$ 68,047**	**$ 152**	**$ 182,675**	**$ 250,874**	**$ 152**

	Year ended December 31, 2018				
	Balance as of January 1, 2018	Net gains and losses included in earnings	Disbursements, purchases, fair value elections	Balance as of December 31, 2018	Net unrealized gains/ (losses) included in earnings related to assets/liabilities held at December 31, 2018
Loans	$ —	$ —	$ 7,714	$ 7,714	$ —
Debt securities	—	—	60,333	60,333	—
Total assets at fair value	**$ —**	**$ —**	**$ 68,047**	**$ 68,047**	**$ —**

The following table presents the valuation techniques and significant unobservable inputs for development related investments classified as Level 3 as of December 31, 2019 and 2018 (US$ thousands):

	December 31, 2019				
	Fair value	Valuation technique	Significant inputs	Range	Weighted average
Loans	$ 26,096	Discounted cash flows	Discount rate	6.5%-15.0%	10.1%
	1,431	Recent transaction			
	27,527				
Equity investments	15,500	Recent transaction			
	10,441	Various techniques (1)			
	25,941				
Debt securities	177,524	Discounted cash flows	Discount rate	3.9%-9.3%	5.6%
	19,882	Listed price			
	197,406				
Total	**$ 250,874**				

(1) Includes a combination of valuation techniques including discounted cash flows, recent transactions and valuation multiples.

	December 31, 2018				
	Fair value	Valuation technique	Significant inputs	Range	Weighted average
Loans(1)	$ 7,714	Discounted cash flows	Discount rate	15.0%	15.0%
Debt securities	60,333	Recent transaction			
Total	**$ 68,047**				

(1) No range is provided as all of the projects that use this valuations technique are with the same institution.

There were no transfers between levels during the year ended December 31, 2019 nor December 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 and includes a renewal option to extend the lease term, of which IDB Invest is reasonably certain to exercise. 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 operating lease right-of-use assets and operating lease liabilities outstanding as of December 31, 2019.

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

		Year ended December 31
Operating leases		
Operating lease expense	$	6,109
Total lease expense	**$**	**6,109**
Supplemental disclosure:		
Weighted average of lease terms (years)		10.90
Discount rate		3.1 %

Discount rate is determined as IDB Invest's incremental borrowing rate under the IDB multi-currency facility.

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

		December 31, 2019
Undiscounted cash flows in 2020		5,238
Undiscounted cash flows in 2021		5,298
Undiscounted cash flows in 2022		5,232
Undiscounted cash flows in 2023		5,343
Undiscounted cash flows in 2024 and thereafter		42,167
Total operating leases	**$**	**63,278**
Discount		(9,890)
Operating lease liability	**$**	**53,388**

Prior to adoption of ASC 842, expenses incurred for leases amounted to $4.6 million for the year end December 31, 2018 and expected payments under the prior year lease agreements with the IDB were as follows (US$ thousands):

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

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 IDB Group 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. These amounts are included in Service fees from related parties in the income statements.

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. These fees are included in Service fees from related parties in the income statements.

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. Costs expected to be incurred approximate the allocable fee. The Trust Fund organizational documents provide for either the payment of a lump sum or scheduled payments. The timing of the payments may not correspond to the incurrence of the related costs.

For the year ended December 31, 2019, IDB Invest received $1.2 million for these services ($5.4 million for the year ended December 31, 2018). As of December 31, 2019, IDB Invest has recorded deferred revenue of $12.5 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 sheets.

Revenue from related party transactions are as follows (US$ thousands):

	Year ended December 31	
	2019	2018
SLA revenue	$ 73,652	$ 74,621
Management of external funds revenue	2,202	2,119
IDB administered funds revenue	1,566	2,290
Total	**$ 77,420**	**$ 79,030**

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 $14.6 million for receiving these SLA services from the IDB for the year ended December 31, 2019 ($12.8 million for the year ended December 31, 2018) that are included in Administrative expenses in the income statements. Payables related to these SLA expenses are included in the total due to IDB, net of $8.4 million as of December 31, 2019 ($4.7 million as of December 31, 2018). Refer to Note 6.

Other Transactions with Related Parties

IDB Invest has a renewable credit facility with the IDB amounting to $300.0 million. On September 21, 2018, this renewable credit facility was modified from a United States dollar facility to a multicurrency facility and the original expiration date of November 2020 was modified and extended to December 2022. As of December 31, 2019, IDB Invest's total drawdowns from the IDB multi-currency credit facility were $150.8 million and $149.2 million remain available ($131.0 million total drawdowns and $169.0 million available as of December 31, 2018). Refer to Note 7 for additional details.

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.

Obligations and funded status

IDB Invest uses a December 31 measurement date for the Pension Plans and the PRBP. The following table summarizes the change in benefit obligation, change in plan assets, funded status of the Pension Plans and the PRBP, and the amounts recognized in the balance sheets (US$ thousands):

	Pension Plans		PRBP	
	2019	**2018**	**2019**	**2018**
Reconciliation of benefit obligation				
Obligation as of January 1	$ (224,152)	$ (226,252)	$ (136,934)	$ (152,806)
Service cost	(12,303)	(13,551)	(5,228)	(5,586)
Interest cost	(9,317)	(7,900)	(5,525)	(5,105)
Participants' contributions	(3,458)	(3,204)	—	—
Plan amendments	—	—	—	78
Net transfers between IDB and IIC	1,590	(769)	1,516	(579)
Actuarial gains/(losses)	(62,204)	24,542	(35,997)	26,123
Benefits paid	3,346	2,982	1,695	952
Retiree Part D subsidy	—	—	(9)	(11)
Obligation as of December 31	**$ (306,498)**	**$ (224,152)**	**$ (180,482)**	**$ (136,934)**
Reconciliation of fair value of plan assets				
Fair value of plan assets as of January 1	184,260	187,559	132,799	136,952
Net transfers between IDB and IIC	(1,590)	769	(1,516)	579
Actual return on plan assets	38,699	(10,870)	28,399	(8,113)
Benefits paid	(3,346)	(2,982)	(1,695)	(952)
Participants' contributions	3,458	3,204	—	—
Employer contributions	7,097	6,580	4,697	4,333
Fair value of plan assets as of December 31	**$ 228,578**	**$ 184,260**	**$ 162,684**	**$ 132,799**
Funded status				
Funded/(Underfunded) status as of December 31	(77,920)	(39,892)	(17,798)	(4,135)
Net amount recognized as of December 31	**$ (77,920)**	**$ (39,892)**	**$ (17,798)**	**$ (4,135)**
Amounts recognized as assets/(liabilities) consist of:				
Plan benefits assets/(liabilities)	(77,920)	(39,892)	(17,798)	(4,135)
Net amount recognized as of December 31	**$ (77,920)**	**$ (39,892)**	**$ (17,798)**	**$ (4,135)**
Amounts recognized in Accumulated other comprehensive income/(loss) consist of:				
Net actuarial gains/(losses)	52,011	17,667	31,574	16,291
Prior service (credit)/costs	—	—	(1,836)	(2,273)
Net amount recognized as of December 31	**$ 52,011**	**$ 17,667**	**$ 29,738**	**$ 14,018**

The accumulated benefit obligation attributable to IDB Invest for the Pension Plans, which excludes the effect of future salary increases was $248.4 million and $183.7 million as of December 31, 2019 and 2018, respectively.

Components of net periodic benefit cost

Pension Plans and PRBP net periodic benefit costs recognized in the income statements consists of the following components (US$ thousands):

	Year ended December 31			
	Pension Plans		PRBP	
	2019	2018	2019	2018
Service cost [1]	$ 12,303	$ 13,551	$ 5,228	$ 5,586
Interest cost [3]	9,317	7,900	5,525	5,105
Expected return on plan assets [2][3]	(10,946)	(10,178)	(7,815)	(7,399)
Amortization of: [3]				
Net actuarial (gain)/loss	107	1,388	130	1,304
Prior service (credit)/cost	—	—	(437)	(426)
Net periodic benefit cost	**$ 10,781**	**$ 12,661**	**$ 2,631**	**$ 4,170**

(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.

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

	Year ended December 31			
	Pension Plans		PRBP	
	2019	2018	2019	2018
Current actuarial (gain)/loss	$ 34,451	$ (3,494)	$ 15,413	$ (10,611)
Current year prior service (credit)/cost	—	—	—	(78)
Amortization of:				
Net actuarial (gain)/loss	(107)	(1,388)	(130)	(1,304)
Prior service (credit)/cost	—	—	437	426
Total recognized in other comprehensive (income)/loss	**$ 34,344**	**$ (4,882)**	**$ 15,720**	**$ (11,567)**
Total recognized in Net periodic benefit cost and Other comprehensive (income)/loss	**$ 45,125**	**$ 7,779**	**$ 18,351**	**$ (7,397)**

The estimated amounts that will be amortized from accumulated other comprehensive income into net periodic benefit cost during 2020 are actuarial losses of $4.4 million for the Pension Plans and net prior service credits of $2.6 million for the PRBP.

Actuarial assumptions

The actuarial assumptions used in the Pension Plans and PRBP valuations are based on financial market interest rates, past experience, and management's best estimate of future benefit changes and economic conditions. Changes in these assumptions will impact future benefit costs and obligations. Actuarial gains and losses occur when actual results are different from expected results. Actuarial gains and losses recognized in Accumulated other comprehensive income, which exceed 10% of the greater of the benefit obligation or market-related value of the plan assets at the beginning of the period, are amortized to income over the average remaining service period of active participants expected to receive benefits under the Pension Plans and PRBP, which is approximately 10.5 and 12.5 years, respectively.

Unrecognized prior service credit is amortized over a range of 3.4 years to 6.0 years for the PRBP.

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

	Pension Plans		PRBP	
	2019	2018	2019	2018
Weighted average assumptions used to determine benefit obligation as of December 31				
Discount rate	3.17 %	4.17 %	3.23 %	4.22 %
Inflation rate	2.20 %	2.21 %	2.20 %	2.21 %
Rate of compensation increase	4.34 %	4.27 %		

	Pension Plans		PRBP	
	2019	2018	2019	2018
Weighted average assumptions used to determine net periodic benefit cost for years ended December 31				
Discount rate	4.17 %	3.54 %	4.22 %	3.61 %
Expected long-term return on plan assets	6.00 %	6.00 %	6.00 %	6.00 %
Rate of compensation increase	4.27 %	4.14 %		

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

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

	PRBP	
	2019	2018
Health care cost trend rates assumed for next year		
Medical, Non-Medicare	4.75 %	5.00 %
Medical, Medicare	2.75 %	3.00 %
Prescription drugs	6.50 %	7.00 %
Dental	4.50 %	4.50 %
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)		
Medical, Non-Medicare	4.50 %	4.50 %
Medical, Medicare	2.50 %	2.50 %
Prescription drugs	6.00 %	6.00 %
Dental	4.50 %	4.50 %
Year that the rate reaches the ultimate trend rate	2021	2021

For those participants assumed to retire outside of the United States, a 5.50% and 6.00% health care cost trend rate was used for 2019 and 2018, respectively with an ultimate trend rate of 4.50% in 2023.

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

	Year ended December 31			
	One-percentage-point increase		One-percentage-point decrease	
	2019	2018	2019	2018
Effect on total of service and interest cost components	$ 3,303	$ 2,711	$ (2,280)	$ (1,895)
Effect on postretirement benefit obligation	45,672	33,244	(32,475)	(23,892)

Pension Plans and PRBP Assets

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

The Pension and Managing Committees of the Pension Plans and PRBP approve Investment Policy Statements (IPS) and Strategic Asset Allocations (SAA), which comply with the IDB's Risk Appetite (RA) and Long-term Funding (LTF) policies.

The IPS SAA target allocations as of December 31, 2019, are as follows:

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

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

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

- U.S. equities - For the Pension Plans and PRBP, commingled funds that invest, long-only, in U.S. common stocks. Management of the funds replicates or optimizes the all capitalization (cap) Russell 3000 Index, for the SRP and PRBP only, approximately 40% of U.S. equities assets are managed in separate accounts holding individual stocks;

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

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

- Public real estate equities - For the SRP and PRBP, commingled funds that invest long-only, in real estate securities. Management of the funds replicates the MSCI U.S. REIT Index;

- Long duration diversified fixed income - For the SRP and PRBP, long duration fixed income assets are invested in separate accounts holding individual bonds generally comprised within the Bloomberg Barclays U.S. Long Government/Credit Bond Index. For the CSRP, actively managed commingled funds and/or mutual funds that invest, long-only, in long duration government and credit securities. Management of the funds select securities, based upon fundamental characteristics, which are generally comprised within the Bloomberg Barclays U.S. Long Government/Credit Bond Index, as well as opportunistic investments in non-index securities;

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

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

- U.S. inflation-indexed fixed income - For the Pension Plans and PRBP, investment in individual U.S. TIPS in accounts managed internally. For the SRP and PRBP, replicate or optimize the Bloomberg Barclays U.S. Treasury Inflation Notes 10+ Years Index. For the SRP and PRBP Stabilization Reserve Funds, replicate or optimize the Bloomberg Barclays U.S. Treasury Inflation TIPS 0-5 Years Index. For the CSRP, replicates or optimizes the Bloomberg Barclays U.S. Treasury Inflation Notes 10+ Years Index;

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

- Private real estate - For the Pension Plans and PRBP, an open-end commingled funds which invest, long-only, in U.S. real estate properties. The funds are actively-managed based upon fundamental characteristics of the properties. The new asset class for the PRBP is not implement yet;

- Public Infrastructure - For the Pension Plans and PRBP, an enhanced index exchange-traded fund that invests, long-only, in U.S. and developed markets common stocks within the infrastructure industries. Management of the fund selects securities, based upon fundamental characteristics, which are generally comprised within the MSCI World Infrastructure Index. For the SRP and PRBP only, approximately 60% of assets are actively managed in a separate account holding individual stocks;

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

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

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

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

Effective December 2015, the IDB Board of Executive Directors approved the Long-Term Funding Policy (LTF) for the Pension Plans (SRP and CSRP) and the PRBP that established stable contribution rates of 20% (SRP), 0.71% (CSRP) and 12% (PRBP) of applicable salaries and established the Stabilization Reserve Funds (SRFs) for the SRP and PRBP for the IDB Invest and IDB. The LTF Policy had a five-year initial term. In July 2019, following a review of the LTF Policy components, the Board adopted and enhanced version of the LTF policy as part of the ongoing financial policies of the IDB. The enhanced version of the LTF policy removes its sunset period, continues to keep the IDB Invest and IDB contribution rates at a stable level, and establishes a rules based mechanism to guide Management decision making to allocate IDB Invest and IDB contributions when the SRFs reaches its limits, as well as when the Pension Plans and PRBP reach their fully funded status. IDB Invest contributions made in excess (deficit) of the actuary's theoretical contribution rate are allocated (withdrawn) to (from) the SRFs. The approved Investment Policy Strategic Asset Allocation for the Reserve Funds is 50% cash and 50% Core Fixed Income.

The following tables set forth the investments of the Pension Plans and the PRBP as of December 31, 2019 and 2018, which are measured at fair value and presented together with their weighted average allocation, by level within the fair value hierarchy. As required by the fair value measurements accounting framework, these investments are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Investments in funds that do not have a readily determinable fair value are measured at NAV as a practical expedient and are not classified within the fair value hierarchy (US$ thousands).

	Pension Plans			
	December 31, 2019			
	Level 1	**Level 2**	**Total**	**Weighted average allocations**
Equity securities				
U.S. equities	16,489	28,172	44,661	20 %
Non-U.S. equities	25,756	14,101	39,857	17 %
Emerging markets equities	5,144	4,385	9,529	4 %
Public real estate equities	348	6,342	6,690	3 %
Public infrastructure	11,087	—	11,087	5 %
Government and diversified fixed income and fixed income funds				
Long duration U.S. Government and Agencies fixed income	21,501	1,334	22,835	10 %
Long duration diversified fixed income	386	35,312	35,698	15 %
Core fixed income	—	13,731	13,731	6 %
Emerging markets fixed income	—	6,567	6,567	3 %
High yield fixed income	125	4,137	4,261	2 %
U.S. inflation-indexed fixed income	9,126	—	9,126	4 %
Tactical asset allocation	5,211	4,851	10,062	4 %
Short-term fixed income funds	1,359	6,168	7,527	3 %
	$ 96,532	**$ 125,100**	**$ 221,632**	
Investments measured at NAV				
Private real estate fund			9,101	4 %
			$ 230,733	**100 %**
Other assets / (liabilities), net [(1)]			(2,155)	
			$ 228,578	

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

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

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

	PRBP			
	December 31, 2019			
	Level 1	Level 2	Total	Weighted average allocations
Equity and equity funds				
U.S. equities	$ 11,891	$ 21,555	$ 33,446	20 %
Non-U.S. equities	17,056	13,949	31,005	19 %
Emerging markets equities	3,217	3,243	6,460	4 %
Public real estate equities	245	4,487	4,732	3 %
Public Infrastructure	7,796	—	7,796	5 %
Government and diversified fixed income and fixed income funds				
Long duration U.S. Government and Agencies fixed income	15,354	888	16,242	10 %
Long duration diversified fixed income	—	24,713	24,713	15 %
Core fixed income	—	11,289	11,289	7 %
Emerging markets fixed income	—	4,534	4,534	3 %
High yield fixed income	—	3,051	3,051	2 %
U.S. inflation-indexed fixed income	6,493	—	6,493	4 %
Tactical asset allocation	3,833	3,800	7,633	4 %
Short-term fixed income funds	7,027	31	7,058	4 %
	$ 72,912	**$ 91,540**	**$ 164,452**	**100 %**
Other assets / (liabilities), net [1]			(1,768)	
			$ 162,684	

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

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

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

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

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

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

Contributions

Contributions from IDB Invest to the Pension Plans and the PRBP during 2020 are expected to be approximately $7.4 million and $4.3 million, respectively. All contributions are made in cash.

Estimated future benefit payments

The following table summarizes the benefit payments, which reflect expected future service, as appropriate, expected to be paid in each of the next five years and in the aggregate for the subsequent five years. These amounts are based on the same assumptions used to measure the benefit obligation as of December 31, 2019 (US$ thousands).

	Pension Plans	PRBP
Estimated future benefit payments		
January 1, 2020 - December 31, 2020	$ 4,403	$ 1,444
January 1, 2021 - December 31, 2021	4,738	1,591
January 1, 2022 - December 31, 2022	5,148	1,760
January 1, 2023 - December 31, 2023	5,698	1,956
January 1, 2024 - December 31, 2024	6,293	2,158
January 1, 2025 - December 31, 2029	42,639	15,656

13. Subsequent Events

Management has evaluated subsequent events through March 3, 2020, 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.*

APPENDIX 2: TASKFORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

The G20's Financial Stability Board Task Force on Climate-related Financial Disclosures (TCFD) developed recommendations for companies and investors to gauge and manage climate-related risks and opportunities in financial markets. Those recommendations are organized across four pillars: governance, strategy, risk management and metrics & targets.
IDB Invest became a supporter of the TCFD recommendations in 2019. It had been adding climate finance targets into its strategy for the previous three years. Over that period, not only has IDB Invest doubled its climate finance, but also increased the proportion of adaptation financing from 2% to 40%, and diversified its portfolio by increasing the proportion of climate finance dedicated to non- energy and infrastructure sectors, from less than 25% in 2016 to more than half in 2019.

Governance

Board oversight:
IDB Invest has made a commitment to its Board of Executive Directors to screen all investments for climate risks. The institution is accountable to the Board to report on and meet the climate finance targets and climate metrics established in the Corporate Results Framework. The IDB Invest Board of Executive Directors is presented with updates on climate advisory engagements on a quarterly basis and on the climate action plan on an annual basis. Finally, IDB Invest will begin reporting to its Board on alignment with the TCFD recommendations.

Management

Management was debriefed on climate change implications and financial market trends, to which it responded by exploring strategies to increase climate finance. Moreover, IDB Invest's Management publicly supports the TCFD recommendations and the establishment of a cross-functional steering committee to identify strategies for continuous improvement of IDB Invest's TCFD disclosures.

Strategy

Both climate change mitigation and adaptation are strategic priorities for IDB Invest's investment and technical assistance activities in the region. As part of IDB Invest's climate finance commitment, we are investing in mitigation and adaptation. IDB Invest consistently reduces transition risks in preparation for a low-carbon economy, as well as physical risks posed by climate change. Moreover, IDB Invest has targeted 10% of all financing to nine small and island states, which present a clear opportunity for adaptation financing. Management's directive to raise the ambition to become a climate-smart institution implies mainstreaming climate considerations transversally across IDB Invest. A dedicated advisory services team develops and disseminates climate knowledge, tools and capacity for our clients and for markets. In order to meet our commitments and targets, we identify and finance more products and services aligned with global climate action ambitions. Our blended finance and resource mobilization units are key to multiplying our impact in the region.

Maximizing development impact is at the center of what we do. We have developed the Development Effectiveness Learning Tracking Assessment tool (DELTA), which scores every project on development impact, including climate. Scores impact our investment decision-making, including clear minimum thresholds and balancing against economic returns. We use the DELTA analytics data to measure projects' contributions to each of the 17 SDGs, enabling a data-driven approach to maximize our positive impact in the region.

Risk Management

Our risk management department works closely with our business department. Every project under consideration and in our portfolio is assigned a designated credit risk officer as well as an environmental and social officer. This means that as part of our screening and due diligence, we review potential climate-related issues for proposed high-risk investments. We are developing tools to factor in climate-related physical and transition risks during our investment approval process. If deemed necessary, actions to mitigate and manage those risks are incorporated as requirements of our obligors under our financing documentation. Finally, we proactively identify opportunities and make recommendations for our clients to reduce, limit or sequester GHG emissions, as well as to contribute to resilience (including socio-economic resilience) or adaptation to climate change by addressing a specific climate vulnerability within the context of a project.

Metrics and targets

We track our climate finance proportion according to a joint Multilateral Development Bank methodology and measure against the targets set out in our Corporate Results Framework annually. Furthermore, we require our clients to measure gross emissions of projects with significant GHG emissions and calculate net avoided emissions for select transactions as per the joint methodology. This data feeds into projects' DELTA scores. The Corporate Sustainability Program manages and sets targets for Scope 1 and Scope 2 as well as relevant Scope 3 emissions for the IDB Group, which includes IDB Invest. The largest proportion of IDB Invest's footprint, business travel-related emissions, are offset via projects in the region selected carefully every year by the program.