

INTER-AMERICAN INVESTMENT CORPORATION

Condensed Interim Financial Statements (Unaudited)

September 30, 2021

Inter-American Investment Corporation

Balance Sheets (Unaudited)

<i>Expressed in thousands of United States dollars</i>	Notes	September 30, 2021	December 31, 2020
Assets			
Cash and cash equivalents	3	\$ 59,293	\$ 41,592
Investment securities	3 & 10	3,268,001	2,079,036
Development related investments			
Loans and debt securities			
At amortized cost		4,111,563	3,782,696
Allowance for credit losses		(171,252)	(181,098)
		<u>3,940,311</u>	<u>3,601,598</u>
At fair value		533,643	443,883
		<u>4,473,954</u>	<u>4,045,481</u>
Equity investments			
At cost-based measurement alternative		—	4,695
At fair value		221,250	126,713
		<u>221,250</u>	<u>131,408</u>
Total development related investments, net	4 & 10	4,695,204	4,176,889
Derivative assets	7 & 10	15,180	5,461
Receivables and other assets	5	188,904	121,334
Total assets		8,226,582	6,424,312
Liabilities			
Borrowings	6 & 10		
At amortized cost		2,276,037	1,792,818
At fair value		3,081,093	2,115,639
		<u>5,357,130</u>	<u>3,908,457</u>
Derivative liabilities	7 & 10	48,256	1,834
Payables and other liabilities	8	415,384	405,807
Total liabilities		5,820,770	4,316,098
Capital			
Capital, par value		1,732,650	1,640,850
Additional paid-in-capital		655,547	593,835
Receivable from members		(207,944)	(217,596)
Total paid-in-capital	9	2,180,253	2,017,089
Retained earnings		377,433	239,882
Accumulated other comprehensive income/(loss)		(151,874)	(148,757)
Total capital		2,405,812	2,108,214
Total liabilities and capital		\$ 8,226,582	\$ 6,424,312

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

Inter-American Investment Corporation

Income Statements (Unaudited)

<i>Expressed in thousands of United States dollars</i>	Notes	Nine months ended September 30	
		2021	2020
Income from development related investments			
Development related investments			
Loans and debt securities			
Interest and other income		\$ 142,394	\$ 133,914
(Provision)/release of provision for credit losses		49,977	(79,454)
		192,371	54,460
Equity investments			
Realized gain/(loss) from sales, dividends and other income, net		1,487	495
Unrealized gain/(loss) from changes in fair value and measurement adjustments, net		15,030	(5,571)
		16,517	(5,076)
Income from development related investments, net	4	208,888	49,384
Gain/(loss) from liquid assets, net	3	10,835	8,283
Borrowings expense	6	(45,624)	(36,038)
Other income			
Service fees from related parties	13	59,872	58,664
Mobilization fees and other income		9,777	6,669
Total other income		69,649	65,333
Income/(expense) from development related investments, liquid assets and other income, net of borrowings expense		243,748	86,962
Other expenses			
Administrative expenses		111,550	98,558
Other components of pension benefit costs, net	14	5,434	1,493
Other expenses/(credits)		(8)	2,985
Total other expenses		116,976	103,036
Gain/(loss) from changes in fair value on non-trading portfolios and foreign exchange transactions, net	11	10,779	16,742
Net income/(loss)		\$ 137,551	\$ 668

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

Statements of Comprehensive Income/(Loss)

<i>Expressed in thousands of United States dollars</i>	Notes	Nine months ended September 30	
		2021	2020
Net income/(loss)		\$ 137,551	\$ 668
Other comprehensive income/(loss)			
Recognition of net actuarial losses and prior service credit on Pension Plans and Postretirement Benefit Plan	14	7,969	4,605
Recognition of unrealized gain/(loss) related to available-for-sale securities, net	3	—	(3,172)
Net fair value adjustments on borrowings attributable to changes in instrument-specific credit risk	6	(11,086)	(12,394)
Total other comprehensive income/(loss)		(3,117)	(10,961)
Comprehensive income/(loss)		\$ 134,434	\$ (10,293)

Statements of Changes in Capital

<i>Expressed in thousands of United States dollars, except for share information</i>	Notes	Shares	Total paid-in capital	Retained earnings	Accumulated other comprehensive income/(loss)	Total capital
As of December 31, 2019		157,350	\$ 1,832,411	\$ 279,227	\$ (78,576)	\$ 2,033,062
Nine months ended September 30, 2020						
Cumulative effect of adoption of ASU 2016-13	2			(46,233)		(46,233)
Net income/(loss)			—	668	—	668
Other comprehensive income/(loss)			—	—	(10,961)	(10,961)
Change in shares	9	6,735				
Payments received for capital	9		132,096	—	—	132,096
As of September 30, 2020		164,085	1,964,507	233,662	(89,537)	2,108,632
As of December 31, 2020		164,085	2,017,089	239,882	(148,757)	2,108,214
Nine months ended September 30, 2021						
Net income/(loss)			—	137,551	—	137,551
Other comprehensive income/(loss)			—	—	(3,117)	(3,117)
Change in shares	9	9,180				
Payments received for capital	9		163,164	—	—	163,164
As of September 30, 2021		173,265	\$ 2,180,253	\$ 377,433	\$ (151,874)	\$ 2,405,812

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Inter-American Investment Corporation
Statements of Cash Flows (Unaudited)

<i>Expressed in thousands of United States dollars</i>	Nine months ended September 30	
	2021	2020
Cash flows from investing activities		
Loan disbursements	\$ (2,236,438)	\$ (2,185,660)
Loan proceeds	1,894,909	759,201
Development related debt securities purchases	(121,188)	(4,570)
Development related debt securities proceeds	6,842	10,198
Equity investment disbursements	(64,704)	(37,837)
Equity investment proceeds	5,235	16,015
Capital asset expenditures	(3,025)	(2,665)
Net cash provided by/(used in) investing activities	\$ (518,369)	\$ (1,445,318)
Cash flows from financing activities		
Proceeds from issuance of borrowings	1,591,183	2,047,872
Borrowings repayments	(76,585)	(9,046)
Payments received for capital	163,164	132,096
Net cash provided by/(used in) financing activities	\$ 1,677,762	\$ 2,170,922
Cash flows from operating activities		
Net income/(loss)	137,551	668
Adjustments to reconcile net income/(loss) to net cash provided by/(used in) operating activities:		
Change in fair value of equity investments and measurement adjustments	(15,030)	5,571
Provision/(release) of provision for credit losses	(49,977)	79,454
(Gain)/loss from investment securities, net	(960)	3,234
Depreciation and amortization	(5,757)	(1,826)
(Gain)/loss from changes in fair value on non-trading portfolios and foreign exchange transactions, net	(10,779)	(16,742)
Realized (gain)/loss on sales of equity investments, net	(1,453)	(232)
Change in receivables and other assets	(70,308)	(21,263)
Change in payables and other liabilities	34,850	34,046
Change in Pension Plans and Postretirement Benefit Plan, net	21,894	11,922
Change in investment securities	(1,188,005)	(794,834)
Other, net	3,853	3,664
Net cash provided by/(used in) operating activities	\$ (1,144,121)	\$ (696,338)
Change in cash and cash equivalents	15,272	29,266
Effect of exchange rate changes on cash and cash equivalents, net	2,429	(1,417)
Net increase/(decrease) in cash and cash equivalents	\$ 17,701	\$ 27,849
Cash and cash equivalents as of January 1	41,592	22,749
Cash and cash equivalents as of September 30	\$ 59,293	\$ 50,598
Supplemental disclosure:		
Interest paid during the period	(31,505)	(23,753)
Non-cash items:		
Loan conversion to equity investment, net	13,890	—

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Inter-American Investment Corporation

Notes to Condensed Interim Financial Statements (Unaudited)

1. Purpose

The Inter-American Investment Corporation (the IIC or IDB Invest) is an international organization established in 1986, beginning operations in 1989, and is owned by its member countries, including 26 regional developing member countries, all of which are located in Latin America and the Caribbean (the Regional Developing Member Countries), and 21 countries outside of Latin America and the Caribbean. 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 its development related investments that include 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 (commercially known as IDB Lab).

2. Summary of Significant Accounting Policies

Basis of presentation – Certain financial information that is normally included in annual financial statements prepared in accordance with generally accepted accounting principles in the United States of America (US GAAP), but is not required for interim reporting purposes, has been condensed or omitted. References to US GAAP issued by the Financial Accounting Standards Board (FASB) in these notes are to the FASB Accounting Standards Codification (ASC) or Accounting Standards Update (ASU).

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

Use of estimates – The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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 credit losses; the evaluation for other-than-temporary impairment on held-to-maturity debt securities and equity investments; the fair value of investment securities, loan and equity investments, debt securities, derivative instruments and borrowings; the determination of the projected benefit obligations of the pension and postretirement benefit plans; the fair value of plan assets, and 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 investments 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 for project related activities.

Liquid asset portfolio – IDB Invest's liquid asset portfolio consists of Cash and cash equivalents¹ and Investment securities. IDB Invest's overall portfolio management strategy is to provide liquidity and resources to finance development related investments and to invest in money market funds and debt securities issued by

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.

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corporations, governments, supranationals and agencies (Investment securities). These investments may include fixed and floating rate bonds, notes, bills, certificates of deposit, commercial paper and mutual funds.

Securities are classified based on management's intention on the date of purchase. Purchases and sales of securities are recorded on a trade date basis. The first-in, first-out method is used to determine the cost basis of securities sold. Within the liquid asset portfolio, Investment securities are classified as trading and are recorded at fair value with unrealized gains and losses reported in income from Gain/(loss) from liquid assets, net.

Loans and development related debt securities (Development related debt investments) – Loans and debt securities in the development related investments portfolio are recorded when disbursed. As described in Note 4, these development related debt investments are carried at amortized cost or fair value through income, depending on the nature of the instrument. Debt securities designated as held-to-maturity (HTM) and carried at amortized cost and loans carried at amortized cost are adjusted for an allowance for expected credit losses. IDB Invest utilizes the net asset value (NAV) as a practical expedient for the fair value measurement for certain development related debt securities.

For credit monitoring and portfolio management purposes, the development related debt investments portfolio includes loans and debt securities. Loans are classified into three portfolio segments: corporates, financial institutions and project finance. Debt securities are classified as corporate securities.

IDB Invest's loans may be secured or unsecured. Secured loans may be guaranteed by mortgages and other forms of collateral security, as well as third-party guarantees. IDB Invest also enters into standalone insurance contracts as a form of credit enhancements that are generally not transferable. IDB Invest estimates its recovery assets under these contracts and records them as Receivables and other assets in the balance sheets and as Interest and other income in the income statements.

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 Regional Developing Member Countries 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 following the current expected credit losses (CECL) methodology.

Any stand-ready and contingent liabilities associated with the guarantees are included in Payables and other liabilities in the balance sheets. The expense related to the contingent liability is recorded in (Provision)/release of provision for credit losses on development related investments in the income statements. Guarantee fee income is recognized as IDB Invest is released from risk and its stand-ready obligation to perform and recorded in Interest and other income in the income statements. In the event the guarantees are called, the amount disbursed is recorded as a loan and reserves are established based on the expected credit loss methodology.

Undisbursed commitments – Under CECL, IDB Invest estimates expected credit losses over the contractual period in which it is exposed to credit risk through a contractual obligation to extend credit unless management has the discretion to cancel the commitment at any time (unconditionally cancellable). The estimate considers the likelihood that funding will occur and the expected credit losses on estimated funded commitments over its estimated life. Liability for off-balance sheet credit losses is recorded as a contingent liability and included in Payables and other liabilities in the balance sheets. The expense related to the contingent liability is recorded in (Provision)/release of provision for credit losses on development related investments in the income statements.

Allowance for credit losses – The allowance for expected credit losses considers historical credit loss information that is adjusted for current conditions and reasonable and supportable (R&S) forecasts of future

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economic conditions in the related portfolio as of the balance sheet date and is recorded as a reduction of the respective development related debt investments carried at amortized cost (loans and HTM debt securities) and as a contingent liability for undisbursed commitments and guarantees (related off-balance sheet credit exposures). Changes in the allowance for credit losses are recorded through the (Provision)/release of provision for credit losses in the income statements. IDB Invest has elected the practical expedient permissible under CECL to not record an allowance for credit losses on accrued interest receivable as it has a substantive nonaccrual policy.

Expected credit losses are estimated for development related debt investments based on the expected credit risk over the term of such investments, as adjusted for expected prepayments, and for related off-balance sheet exposures based on projected disbursements for unfunded commitments, considering historical experience and contractual amortization schedules. Prepayment assumptions are based on historical data from IDB's private sector portfolio given the common portfolio characteristics that include borrower's country, risk rating and industry sector. The contractual term excludes expected extensions, renewals, and modifications unless either of the following applies: (i) management has a reasonable expectation at the reporting date that a troubled debt restructuring (TDR) will be executed with an individual borrower or (ii) the extension or renewal options are included in the original or modified contract at the reporting date and are not controlled by IDB Invest (not unconditionally cancellable by IDB Invest).

The CECL methodology incorporates exposure at default (EAD), Point in Time (PIT) term structures for probability of default (PD), which are updated quarterly, and loss given default (LGD). In addition, the methodology incorporates forward looking conditioning, which takes into consideration current market conditions, macroeconomic forecasts and their corresponding impact to the PIT PDs and LGDs. The macroeconomic forecasts in the CECL model include various scenarios, where each scenario represents a different state of the economy in the R&S period. Management currently considers the R&S period to be three years, after which the model reverts to historical averages for long-term values over a two year period. For each scenario, a lifetime loss rate for each instrument is calculated using the appropriate PD and LGD for every quarter of the remaining life of the instrument. The results are then multiplied by the instrument's amortized cost. If multiple scenarios are considered, then results are weighted.

IDB Invest assigns a risk rating to each borrower and each development related debt investment based on a periodic risk assessment. The risk ratings assigned to the borrower and the investment correspond to specific PDs and LGDs and are determined based on a series of sector specific scorecards, which are aligned to IDB Invest's portfolio segments — corporates, financial institutions and project finance. IDB Invest maps internal ratings to long-term PDs published annually by an international rating agency. For LGDs, IDB Invest uses a decision-tree scorecard model developed by an international rating agency to capture exposure specific information, such as seniority, collateral, industry, guarantees, and jurisdiction at the facility level that may not be shared across different exposures of the same borrower.

The major credit risk factors considered for a project finance development related debt investment may be grouped into the following categories: political risk, commercial or project risk, technical and construction risk, and financial risk. Political risks can be defined as the risks to a project's financing emanating from governmental sources, either from a legal or regulatory perspective. Commercial or project risks are related to the construction or completion risks, economic or financial viability of a project and operational risks. Financial risks consider the project's exposures to cash flow generation, interest rate and foreign currency volatility, inflation risk, liquidity risk, and funding risk.

The major credit risk factors considered for a development related debt investment to a financial institution are country-related risk including regulatory, competition, government support and macro-economic risks, which act as an anchor for the risk assessment as a whole. Additionally, the rating scorecard assesses the following institution-specific factors: capital adequacy, asset quality, operating policies & procedures and risk management framework; quality of management and decision making; earnings and market position, liquidity and sensitivity to market risk; quality of regulations and regulatory agencies; and potential government or shareholder support.

The major credit risk factors considered for corporate development related debt investments are country and industry risks, business and market risks, an assessment of the borrower's management, and financial risks,

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including a qualitative assessment of financial risks and a quantitative assessment of financial ratios. After consideration of these borrower specific characteristics, extraordinary support from shareholders or from the government may be considered if applicable.

To augment the quantitative process described above, qualitative adjustments arising from information lags implicit in the quantitative loss estimation models, known model or data limitations, significant changes in portfolio composition or lending operations and uncertainty associated with economic and business conditions are applied as necessary based on management judgment.

The recent global crisis triggered by the COVID-19 pandemic has had a direct effect on economies within IDB Invest's Regional Developing Member Countries. The crisis affected risk parameters of the portfolio, such as internal ratings in specific industries and countries. These parameters are considered in the CECL methodology, as well as the deterioration in the macroeconomic forecasts during the R&S period and mean reverting period to historical losses.

IDB Invest individually assesses the current expected credit losses on development related debt investments that have been or are reasonably expected to be restructured through a TDR. The determination of the allowance for credit losses reflects management's best judgment of the creditworthiness of the borrower and is established based upon the periodic review of individual development related debt investments. This estimate considers all available evidence including, as appropriate, the present value of the expected future cash flows to be received, the fair value of collateral less disposal costs, and other market data. Due to the nature of the development related debt investments, secondary market values are usually not available. For development related debt investments restructured or reasonably expected to be restructured through a TDR, IDB Invest also considers the effects of the modification in its determination of the allowance for credit losses.

A modification of a development related debt investment is considered a TDR 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. IDB Invest monitors its development related debt investments for signs that the borrower may be facing financial difficulty. Information and events considered in determining whether a TDR is reasonably expected include the borrower's financial situation and 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, and geopolitical and macroeconomic factors.

In light of the COVID-19 pandemic, IDB Invest has implemented loan modifications in response to requests from borrowers for short-term relief for loans that were otherwise performing. Modifications that meet the conditions set forth in the Interagency Statement² are not accounted for as TDRs. Additional information is included in Note 4.

Development related debt investments are partially or fully written off when IDB Invest has exhausted all possible means of recovery through a legal agreement, final bankruptcy settlement or when IDB Invest has determined with a reasonable degree of certainty that the relevant amount will not be collected. IDB Invest reduces the investment and related allowance for credit losses. Such reductions in the allowance are partially offset by recoveries, if any, associated with previously written off development related debt investments.

Revenue recognition on development related debt investments – Interest on development related debt investments is included in Interest and other income from development related investments, net in the income statements. Accrued interest income receivable is presented separately from development related debt investments and is included in the balance sheets in Receivables and other assets.

Development related debt investments are 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 and ceases amortization of any premiums or discounts on development related debt investments in nonaccrual status. Any uncollected interest accrued on a development related debt investment placed in nonaccrual status

² The Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus was issued jointly by the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Office of the Comptroller of the Currency, and the Consumer Financial Protection Bureau.

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is reversed out of income and is thereafter recognized as income in Interest and other income in the income statements when the payment is received. A development related debt investment is returned to accrual status once management has concluded that the borrower has demonstrated its ability to make periodic interest and principal payments.

Development related debt investment fees and costs, net, are deferred and amortized over the life of the asset on a straight-line basis. Amortization of the net deferred fees and costs is included in Interest and other income in the income statements thereby approximating how fees and costs would be reflected under the effective interest method. The net deferred amounts are included in Payables and other liabilities in the balance sheets.

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

IDB Invest accounts for its equity investments at fair value through the income statements, except for equity investments without readily determinable fair values that are accounted for under the cost-based measurement alternative. For investments in entities over which IDB has significant influence, IDB Invest elects the fair value option in lieu of applying the equity method of accounting.

IDB Invest utilizes the net asset value (NAV) reported by the fund managers as a practical expedient for the fair value measurement of interests in 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 Unrealized gain/(loss) from changes in fair value and measurement adjustments, net in the income statements. IDB Invest may subsequently elect to measure an equity investment that continues to qualify for the cost-based measurement alternative at fair value. Such election is irrevocable, and any resulting gains or losses would be recorded through income at the time of election and thereafter.

Equity investments accounted for under the cost-based measurement alternative 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 estimated 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 in Realized gain/(loss) from sales, dividends and other income, net in the income statements upon receipt. 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 Realized gain/(loss) from sales, dividends, and other income, net in the income statements.

For equity investments accounted for at fair value, unrealized gains and losses are recorded as Unrealized gain/(loss) from changes in fair value and measurement adjustments, net in the income statements. Disbursements and distributions that represent return of capital are recorded as changes to the outstanding balance of these equity investments and reflected in the balance of Equity investments in the balance sheets.

Consolidation, non-controlling interests, variable interest entities – Pursuant to ASC 810, *Consolidation*, IDB Invest is required to consolidate an entity if (a) the entity is a variable interest entity (VIE) for which IDB Invest is the primary beneficiary or (b) the entity is not a VIE and IDB Invest has a controlling financial interest or holds a majority voting interest in the entity. Additional information about VIEs is included in Note 4.

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Revenue recognition for service fees – IDB Invest recognizes income for services provided to related parties. 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 as IDB Invest fulfills its performance obligation over the annual service period. 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 13.

Risk management and use of derivative instruments – IDB Invest uses derivative instruments primarily for market risk management purposes in connection with its principal business activities. IDB Invest enters into cross currency and interest rate swaps to manage foreign exchange and interest rate risks arising from mismatches between its development related debt investments and its borrowing liabilities. None are designated as hedging instruments under ASC 815, *Derivatives*.

Derivatives are recognized in the balance sheet at their fair value and are classified as either Derivative assets or Derivative liabilities, depending on their net fair value amount. Changes in fair value of derivatives are recorded in Gain/(loss) from changes in fair value on non-trading portfolios and foreign exchange transactions, net in the income statements. Additional information about derivatives is included in Note 7.

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.

Leases – In accordance with ASC 842, *Leases*, IDB Invest recognizes 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 included in Receivable and other assets in the balance sheets and are amortized based on each period's discounted cash flows, and the lease liabilities are monetary liabilities included in Payables and other liabilities in the balance sheets and are reduced based on each period's discounted cash flows. 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, 8 and 12.

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 or fair value in the balance sheets.

For those borrowings 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 Borrowings in the balance sheets. Interest expense on all borrowings is recognized on an accrual basis and is included in Borrowings expense in the income statements.

For those borrowings carried at fair value, fair value changes are reported in accordance with ASU 2016-01, *Financial Instruments*. Accordingly, the change in fair value resulting from changes in instrument-specific credit risk is reported in Net fair value adjustments on borrowings attributable to changes in instrument-specific credit risk in the statements of other comprehensive income, while the remaining change in fair value is reported in Gain/(loss) from changes in fair value on non-trading portfolios and foreign exchange transactions, net and Borrowings expense in the income statements. Additional information about borrowings is included in Note 6.

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Non-trading portfolio – IDB Invest's non-trading portfolio includes development related debt investments composed of loans and debt securities, derivatives, and borrowings accounted for at fair value. The reported income volatility resulting from these non-trading financial instruments is not fully representative of the underlying economics of the transactions as IDB Invest does not intend to actively trade such instruments. Therefore, Gain/(loss) from changes in fair value on non-trading portfolios and foreign currency transactions, net, are reported separately from Income/(expense) from development related investments, liquid assets and other income, net of borrowing expenses in the income statements.

Remeasurements of foreign currency transactions – Monetary assets and liabilities denominated in currencies other than the US\$ are translated into US\$ at market exchange rates prevailing at the balance sheet dates. Income and expenses are translated 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) from changes in fair value on non-trading portfolios and 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 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 the best information available 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 debt 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 money market funds, investment securities that are not actively traded, and investments in obligations of banks, governments and agencies or instrumentalities other than the United States, sovereigns, local and regional governments, corporate bonds, borrowings and derivative instruments.

- 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 and borrowings that are measured for impairment or disclosed at fair value.

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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 or required to be accounted for at fair value under other accounting standards. IDB Invest has elected the FVO for the following classes of financial assets and liabilities: i) certain development related investments in debt securities that IDB Invest does not have the ability and intent to hold until maturity, ii) certain development related investments with special features, iii) investments that would otherwise be accounted for under the equity method, iv) certain development related investments in equity securities that do not have quoted market prices, v) certain hybrid instruments that would otherwise require bifurcation of the host and embedded derivative, and vi) certain borrowings that are economically hedged with derivative financial instruments.

Financial assets and borrowings 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 Gain/(loss) from changes in fair value on non-trading portfolios and foreign exchange transactions, net in the income statements. Interest income on these financial instruments is recognized on an accrual basis, where applicable.

Loan participations – IDB Invest mobilizes funds from commercial banks and other financial institutions (Participants) by facilitating loan participations, without recourse. These loan participations are administered and serviced by IDB Invest on behalf of the Participants in exchange for a fee. Such fees are recognized upon receipt and are reported in Mobilization fees and other income in the income statements. The disbursed and outstanding balances of loan participations 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 (CSR), 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 if meet certain requirements, are eligible for postretirement benefits under the Postretirement Benefits 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.

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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 Payables 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 14.

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 January 2020, the FASB issued ASU 2020-01, *Investments—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815)* Investments. The amendments in this Update clarify the interaction of the accounting for equity securities under Topic 321 and investments accounted for under the equity method of accounting in Topic 323 and the accounting for certain forward contracts and purchased options accounted for under Topic 815. For IDB Invest, this Update is effective on January 1, 2021. This Update did not have a material impact on IDB Invest's financial statements.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848)*. This Update and related ASUs provide temporary optional expedients and exceptions to the US GAAP guidance on contract modifications and hedge accounting to ease the financial reporting burden of the expected marked transition from LIBOR and other interbank offered rates. To be eligible for the optional expedients, modifications of contractual terms that change (or have the potential to change) the amount or timing of contractual cash flows must be related to replacement of a reference rate. IDB Invest is exposed to LIBOR through its LIBOR-based development related debt investments, investment securities, borrowings and swaps. The amendments in this Update may be implemented any time before December 31, 2022. IDB Invest has elected to apply the optional expedients related to contract modifications effective December 31, 2020.

In October 2020, the FASB issued ASU 2020-08, *Codification Improvements to Subtopic 310-20, Receivables - Nonrefundable Fees and Other Costs*. The amendments in this Update state that for callable bonds purchased at a premium, an entity must reevaluate to ensure that the premium is not amortized to the earliest call date. For IDB Invest, this Update is effective on January 1, 2021. This Update did not have a material impact on IDB Invest's financial statements.

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3. Liquid Assets

Liquid assets consists of the following (US\$ thousands):

	September 30, 2021	December 31, 2020
Cash and cash equivalents ⁽¹⁾	\$ 59,293	\$ 41,592
Money market funds	1,764,393	617,053
Debt securities		
Corporate securities	839,812	967,805
Agency securities	486,660	309,103
Government securities	127,433	114,850
Supranational securities	49,703	70,225
Total debt securities	1,503,608	1,461,983
Total	\$ 3,327,294	\$ 2,120,628

⁽¹⁾ Includes restricted cash of \$23.9 million as of September 30, 2021 (\$22.6 million as of December 31, 2020).

The total income from Liquid assets is summarized below (US\$ thousands):

	Nine months ended September 30	
	2021	2020
Interests and dividends, net	\$ 7,446	\$ 12,834
Gain/(loss) from changes in fair value and gain/(loss) from foreign exchange transactions, net	3,389	(4,551)
Total	\$ 10,835	\$ 8,283

Net unrealized losses recognized in income for the nine months ended September 30, 2021 relating to trading securities still held as of September 30, 2021 were \$2.5 million (\$6.6 million net unrealized gains for the nine months ended September 30, 2020).

The maturity structure of debt securities included in Liquid assets is as follows (US\$ thousands):

	September 30, 2021	December 31, 2020
Less than one year	\$ 885,895	\$ 608,857
Between one and five years	617,713	853,126
Total	\$ 1,503,608	\$ 1,461,983

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Notes to Condensed Interim Financial Statements (Unaudited)

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

	Nine months ended September 30	
	2021	2020
Reclassification of (gain)/loss to net income/(loss)	\$ —	\$ (3,172)
Total recognized in other comprehensive income/(loss) related to available-for-sale investment securities	\$ —	\$ (3,172)

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, debt securities, equity investments, 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 cost and carrying amount of development related investments are as follows (US\$ thousands):

	September 30, 2021		December 31, 2020	
	Cost	Carrying amount	Cost	Carrying amount
Loans				
At amortized cost	\$ 3,989,300	3,989,300	\$ 3,654,492	\$ 3,654,492
At fair value	149,699	142,708	156,554	155,647
Total loans	4,138,999	4,132,008	3,811,046	3,810,139
Debt securities				
At amortized cost	122,263	122,263	128,204	128,204
At fair value	393,464	390,935	289,022	288,236
Total debt securities	515,727	513,198	417,226	416,440
Total development related debt investments	4,654,726	4,645,206	4,228,272	4,226,579
Equity investments				
At cost-based measurement alternative	—	—	4,695	4,695
At fair value	202,156	221,250	125,373	126,713
Total equity investments	202,156	221,250	130,068	131,408
Allowance for credit losses		(171,252)		(181,098)
Total development related investments, net	\$ 4,856,882	\$ 4,695,204	\$ 4,358,340	\$ 4,176,889

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The distribution of the portfolio by country, and a reconciliation of total cost to carrying amount, is as follows (US\$ thousands):

Country ⁽¹⁾	September 30, 2021				December 31, 2020			
	Loans	Debt securities	Equity investments	Total	Loans	Debt securities	Equity investments	Total
Brazil	\$ 531,184	\$ 79,768	\$ 40,700	\$ 651,652	\$ 680,459	\$ 62,595	\$ 35,676	\$ 778,730
Mexico	509,068	12,751	75,705	597,524	471,292	4,427	39,080	514,799
Chile	514,772	78,512	—	593,284	389,782	—	—	389,782
Peru	356,318	26,941	15,500	398,759	212,951	28,932	15,500	257,383
Ecuador	352,208	32,500	13,195	397,903	393,402	35,000	—	428,402
Colombia	245,054	102,067	37,325	384,446	336,778	153,514	32,099	522,391
Guatemala	285,584	77,742	1,000	364,326	266,870	40,000	1,000	307,870
El Salvador	268,916	12,143	—	281,059	123,550	14,286	—	137,836
Uruguay	122,913	35,803	10,728	169,444	116,076	19,472	—	135,548
Argentina	160,289	7,500	—	167,789	168,352	9,000	—	177,352
Panama	105,627	50,000	—	155,627	100,115	50,000	—	150,115
Paraguay	116,034	—	—	116,034	134,355	—	—	134,355
Italy	100,000	—	—	100,000	—	—	—	—
Honduras	88,296	—	—	88,296	107,542	—	—	107,542
Trinidad and Tobago	74,452	—	1,640	76,092	74,490	—	—	74,490
Nicaragua	62,415	—	4,695	67,110	70,286	—	4,695	74,981
Costa Rica	53,113	—	—	53,113	69,601	—	—	69,601
Bolivia	48,773	—	1,668	50,441	43,897	—	2,018	45,915
Netherlands	36,276	—	—	36,276	—	—	—	—
Jamaica	35,000	—	—	35,000	—	—	—	—
Belize	27,293	—	—	27,293	12,428	—	—	12,428
Dominican Republic	12,709	—	—	12,709	12,436	—	—	12,436
Spain	10,944	—	—	10,944	10,944	—	—	10,944
Guyana	9,000	—	—	9,000	—	—	—	—
Haiti	8,025	—	—	8,025	8,874	—	—	8,874
Suriname	4,101	—	—	4,101	5,136	—	—	5,136
Bahamas	635	—	—	635	1,430	—	—	1,430
Total cost	4,138,999	515,727	202,156	4,856,882	3,811,046	417,226	130,068	4,358,340
Fair value adjustments	(6,991)	(2,529)	19,094	9,574	(907)	(786)	1,340	(353)
Total carrying value	4,132,008	513,198	221,250	4,866,456	3,810,139	416,440	131,408	4,357,987
Allowance for credit losses	(165,158)	(6,094)	—	(171,252)	(173,247)	(7,851)	—	(181,098)
Total development related investments, net	\$3,966,850	\$ 507,104	\$ 221,250	\$4,695,204	\$3,636,892	\$ 408,589	\$ 131,408	\$4,176,889

⁽¹⁾ For investments in multiple countries, this table reflects a single country representing the activities or location of the borrower or ultimate guarantor (country of risk).

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Income from development related investments is summarized below (US\$ thousands):

	Nine months ended September 30	
	2021	2020
Loans, debt securities and guarantees		
Interest income	\$ 130,022	\$ 110,241
Fees and other income, net	9,433	9,758
Recovery asset income/(release)	2,939	13,915
(Provision)/release of provision for credit losses	49,977	(79,454)
Income/(expense) from loans, debt securities and guarantees	192,371	54,460
Equity investments		
Realized gain/(loss) from sales, net	1,453	232
Realized dividends and other income	34	263
Unrealized gain/(loss) from changes in fair value and measurement adjustments, net ⁽¹⁾	15,030	(5,571)
Income/(expense) from equity investments	16,517	(5,076)
Income from development related investments, net	\$ 208,888	\$ 49,384

⁽¹⁾ Includes net gains/(losses) for equity investments carried at fair value or observable price change/impairment adjustments for equity investments recorded using the cost-based measurement alternative.

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

	September 30, 2021	December 31, 2020
Loans	\$ 896,967	\$ 1,090,707
Debt securities	162,761	59,478
Equity investments	142,812	153,952
Total	\$ 1,202,540	\$ 1,304,137

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

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
Loans		
Due in one year or less	\$ 1,264,939	\$ 1,343,945
Due after one year through five years	1,616,066	1,452,793
Due after five years through ten years	998,230	830,520
Due after ten years and thereafter	272,475	191,797
Total loans	4,151,710	3,819,055
Debt securities		
Due in one year or less	20,545	12,969
Due after one year through five years	277,844	301,963
Due after five years through ten years	228,145	92,736
Due after ten years and thereafter	8,017	9,558
Total debt securities	534,551	417,226
Total development related debt investments, gross	4,686,261	4,236,281
Unamortized discounts for debt investments	(31,535)	(8,009)
Total development related debt investments at cost, net	4,654,726	4,228,272
Fair value adjustments for debt investments	(9,520)	(1,693)
Total development related debt investments at carrying amount, net	\$ 4,645,206	\$ 4,226,579

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Development related debt investments by currency and range of contractual interest rates, and a reconciliation of total cost to carrying amount are summarized below (US\$ thousands):

	September 30, 2021		December 31, 2020	
	Amount	Interest rate range	Amount	Interest rate range
Brazilian real (BRL)				
Loans	\$ 37,379	8.1%-11.6%	\$ 26,282	3.9%-6.7%
Debt securities	29,767	8.2%	12,595	3.9%
	67,146		38,877	
Colombian peso (COP)				
Loans	61,442	7.7%-11.6%	58,903	7.6%-9.2%
Debt securities	123,809	3.5%-9.5%	137,513	3.3%-9.5%
	185,251		196,416	
Dominican Republic peso (DOP)				
Loans	8,863	10.5%	8,590	10.5%
	8,863		8,590	
Mexican peso (MXN)				
Loans	84,165	6.2%-9.0%	58,036	5.9%-8.7%
Debt securities	12,751	5.8%-13.0%	4,427	5.5%
	96,916		62,463	
Paraguayan guarani (PYG)				
Loans	20,844	7.5%-9.0%	21,388	7.5%-9.0%
	20,844		21,388	
Peruvian sol (PEN)				
Loans	13,820	10.5%	15,793	10.5%
Debt securities	13,941	8.0%	15,931	8.0%
	27,761		31,724	
Trinidad and Tobago dollar (TTD)				
Loans	36,952	3.8%	36,990	3.8%
	36,952		36,990	
United States dollar (USD)				
Loans	3,414,023	0.5%-13.3%	3,155,537	1.1%-12.0%
Debt securities	256,946	2.2%-8.0%	246,758	2.2%-8.0%
	3,670,969		3,402,295	
Total development related debt investments, before discounted debt investments	4,114,702		3,798,743	
Discounted debt investments with no stated rate (USD)	415,389		363,443	
Discounted debt investments with no stated rate (MXN)	124,635		66,086	
Total development related debt investments at cost, net	4,654,726		4,228,272	
Fair value adjustments for debt investments	(9,520)		(1,693)	
Total development related debt investments at carrying amount, net	\$ 4,645,206		\$ 4,226,579	

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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.

Development related debt investments

An aging analysis, based on contractual terms, for development related debt investments at cost as of September 30, 2021 and December 31, 2020 is as follows (US\$ thousands):

	September 30, 2021				
	1-90 days past due	>90 days past due	Total past due	Total current	Total portfolio
Loans	\$ 323	\$ 17,984	\$ 18,307	\$ 4,120,692	\$ 4,138,999
Debt securities	—	—	—	515,727	515,727
Total	\$ 323	\$ 17,984	\$ 18,307	\$ 4,636,419	\$ 4,654,726

	December 31, 2020				
	1-90 days past due	>90 days past due	Total past due	Total current	Total portfolio
Loans	\$ 8,049	\$ 17,774	\$ 25,823	\$ 3,785,223	\$ 3,811,046
Debt securities	—	—	—	417,226	417,226
Total	\$ 8,049	\$ 17,774	\$ 25,823	\$ 4,202,449	\$ 4,228,272

Nonaccrual loans at amortized cost is summarized as of September 30, 2021 and December 31, 2020 as follows (US\$ thousands):

	September 30, 2021		Nine months ended September 30, 2021	
	Total nonaccrual	> 90 days past due and accruing	Interest income recognized on nonaccrual status	Accrued interest income written off
Loans	\$ 32,108	\$ —	\$ 534	\$ —
Total	\$ 32,108	\$ —	\$ 534	\$ —

	December 31, 2020		Nine months ended September 30, 2020	
	Total nonaccrual	> 90 days past due and accruing	Interest income recognized on nonaccrual status	Accrued interest income written off
Loans	\$ 32,377	\$ —	\$ 464	\$ 160
Total	\$ 32,377	\$ —	\$ 464	\$ 160

There were no debt securities in nonaccrual status as of September 30, 2021 nor December 31, 2020.

There were no development related debt investments at amortized cost classified as nonaccrual without a related allowance for credit losses as of September 30, 2021 (none as of December 31, 2020).

For the nine months ended September 30, 2021, there were three operations in the portfolio considered a TDR with an outstanding balance of \$7.4 million and individually assessed allowance for credit losses of \$2.3 million. There was one operation with an outstanding balance of \$6.4 million and individually assessed allowance for credit losses of \$1.9 million for the nine months ended September 30, 2020. IDB Invest does not have commitments to extend additional funds to borrowers whose terms have been modified in a TDR.

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During 2020, IDB Invest implemented loan modification measures in response to requests received from borrowers for short-term modifications as a result of the COVID-19 pandemic. As of December 31, 2020, IDB Invest evaluated loans with a total outstanding balance of \$65.7 million under the Interagency Statement and determined that the modifications were not considered TDRs. These loans were fully performing at the time the measures were implemented. The reliefs provided are short-term arrangements of principal deferrals amounting to \$5.2 million as of December 31, 2020. The loans continue to accrue interest during the deferral period and are not reported as past due nor in nonaccrual status. IDB Invest continues to estimate the allowance for expected credit losses for these loans under the CECL provision. No new loan modifications were evaluated under the Interagency Statement during the nine months ended September 30, 2021.

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Changes in the allowance for expected credit losses are summarized below (US\$ thousands):

	Nine months ended September 30, 2021			
	Financial institutions	Corporates	Project finance	Total
Loans				
Beginning balance	\$ (59,862)	\$ (72,064)	\$ (41,321)	\$ (173,247)
Recoveries	(38)	—	—	(38)
(Provision)/release of provision for credit losses	12,355	7,259	(11,487)	8,127
Loans ending balance	<u>(47,545)</u>	<u>(64,805)</u>	<u>(52,808)</u>	<u>(165,158)</u>
Debt securities				
Beginning balance	(4,630)	(2,558)	(663)	(7,851)
(Provision)/release of provision for credit losses	1,303	293	161	1,757
Debt securities ending balance	<u>(3,327)</u>	<u>(2,265)</u>	<u>(502)</u>	<u>(6,094)</u>
Allowance for credit losses	<u>(50,872)</u>	<u>(67,070)</u>	<u>(53,310)</u>	<u>(171,252)</u>
Undisbursed commitments				
Beginning balance	(18,072)	(14,371)	(27,887)	(60,330)
(Provision)/release of provision for credit losses	12,359	6,947	7,443	26,749
Undisbursed commitments ending balance	<u>(5,713)</u>	<u>(7,424)</u>	<u>(20,444)</u>	<u>(33,581)</u>
Guarantees				
Beginning balance	(282)	(1,142)	(16,039)	(17,463)
(Provision)/release of provision for credit losses	261	1,142	11,941	13,344
Guarantees ending balance	<u>(21)</u>	<u>—</u>	<u>(4,098)</u>	<u>(4,119)</u>
Liability for off-balance sheet credit losses	<u>(5,734)</u>	<u>(7,424)</u>	<u>(24,542)</u>	<u>(37,700)</u>
 (Provision)/release of provision for credit losses	 \$ 26,278	 \$ 15,641	 \$ 8,058	 \$ 49,977

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	Year ended December 31, 2020			
	Financial institutions	Corporates	Project finance ⁽¹⁾	Total
Loans				
Beginning balance	\$ (32,926)	\$ (64,688)	\$ —	\$ (97,614)
Cumulative effect of adoption of ASU 2016-13	5,490	26,988	(30,082)	2,396
Recoveries	(40)	—	—	(40)
(Provision)/release of provision for credit losses	(32,386)	(34,364)	(11,239)	(77,989)
Loans ending balance	(59,862)	(72,064)	(41,321)	(173,247)
Debt securities				
Beginning balance ⁽²⁾	—	—	—	—
Cumulative effect of adoption of ASU 2016-13	(3,755)	(3,021)	(732)	(7,508)
(Provision)/release of provision for credit losses	(875)	463	69	(343)
Debt securities ending balance	(4,630)	(2,558)	(663)	(7,851)
Allowance for credit losses	(64,492)	(74,622)	(41,984)	(181,098)
Undisbursed commitments				
Beginning balance ⁽²⁾	—	—	—	—
Cumulative effect of adoption of ASU 2016-13	(3,356)	(10,134)	(18,431)	(31,921)
(Provision)/release of provision for credit losses	(14,716)	(4,237)	(9,456)	(28,409)
Undisbursed commitments ending balance	(18,072)	(14,371)	(27,887)	(60,330)
Guarantees				
Beginning balance	(187)	(314)	(2,747)	(3,248)
Cumulative effect of adoption of ASU 2016-13	110	(542)	(8,768)	(9,200)
(Provision)/release of provision for credit losses	(205)	(286)	(4,524)	(5,015)
Guarantees ending balance	(282)	(1,142)	(16,039)	(17,463)
Liability for off-balance sheet credit losses	(18,354)	(15,513)	(43,926)	(77,793)
(Provision)/release of provision for credit losses	\$ (48,182)	\$ (38,424)	\$ (25,150)	\$ (111,756)

⁽¹⁾ Project finance was not presented as a separate segment prior to the adoption of ASU 2016-13.

⁽²⁾ Debt securities and undisbursed commitments were not subject to provisioning prior to the adoption of ASU 2016-13.

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	Nine months ended September 30, 2020			
	Financial institutions	Corporates	Project finance ⁽¹⁾	Total
Loans				
Beginning balance	\$ (32,926)	\$ (64,688)	\$ —	\$ (97,614)
Cumulative effect of adoption of ASU 2016-13	5,490	26,988	(30,082)	2,396
Recoveries	(33)	—	—	(33)
(Provision)/release of provision for credit losses	(30,811)	(30,097)	(2,197)	(63,105)
Loans ending balance	(58,280)	(67,797)	(32,279)	(158,356)
Debt securities				
Beginning balance ⁽²⁾	—	—	—	—
Cumulative effect of adoption of ASU 2016-13	(3,755)	(3,021)	(732)	(7,508)
(Provision)/release of provision for credit losses	(1,365)	505	154	(706)
Debt securities ending balance	(5,120)	(2,516)	(578)	(8,214)
Allowance for credit losses	(63,400)	(70,313)	(32,857)	(166,570)
Undisbursed commitments				
Beginning balance ⁽²⁾	—	—	—	—
Cumulative effect of adoption of ASU 2016-13	(3,356)	(10,134)	(18,431)	(31,921)
(Provision)/release of provision for credit losses	(2,718)	(938)	(6,461)	(10,117)
Undisbursed commitments ending balance	(6,074)	(11,072)	(24,892)	(42,038)
Guarantees				
Beginning balance	(187)	(314)	(2,747)	(3,248)
Cumulative effect of adoption of ASU 2016-13	110	(542)	(8,768)	(9,200)
(Provision)/release of provision for credit losses	(258)	269	(5,537)	(5,526)
Guarantees ending balance	(335)	(587)	(17,052)	(17,974)
Liability for off-balance sheet credit losses	(6,409)	(11,659)	(41,944)	(60,012)
(Provision)/release of provision for credit losses	\$ (35,152)	\$ (30,261)	\$ (14,041)	\$ (79,454)

⁽¹⁾ Project finance was not presented as a separate segment prior to the adoption of ASU 2016-13.

⁽²⁾ Debt securities and undisbursed commitments were not subject to provisioning prior to the adoption of ASU 2016-13.

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A description of credit quality indicators is presented in the table below:

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.

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A summary of development related debt investments carried at amortized cost by credit quality indicator, class of financing receivable and major security type, and vintage as of September 30, 2021 and December 31, 2020 are as follows (US\$ thousands):

	September 30, 2021						Revolving loans amortized cost basis	Total
	Amortized cost basis by origination year ⁽¹⁾							
	2021	2020	2019	2018	Prior			
Loans								
Strong	\$ 378	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 378
Adequate	43,943	274,000	11,850	—	14,104	219,212	563,109	
Moderate	308,574	489,089	328,912	250,318	101,461	292,293	1,770,647	
Weak	245,065	566,081	260,734	199,845	124,286	71,755	1,467,766	
Very weak	—	22,647	28,577	58,791	77,385	—	187,400	
Total loans	597,960	1,351,817	630,073	508,954	317,236	583,260	3,989,300	
Debt securities								
Strong	—	—	—	—	—	—	—	
Adequate	—	—	—	—	—	—	—	
Moderate	—	—	50,000	45,757	6,006	—	101,763	
Weak	—	—	—	13,000	—	—	13,000	
Very weak	—	—	—	7,500	—	—	7,500	
Total debt securities	—	—	50,000	66,257	6,006	—	122,263	
Total amortized cost loans and debt securities	\$ 597,960	\$ 1,351,817	\$ 680,073	\$ 575,211	\$ 323,242	\$ 583,260	\$ 4,111,563	

⁽¹⁾ Includes short-term loans with maturities of less than one year. For the nine months ended September 30, 2021, there were no line of credit arrangements converted to term loans.

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December 31, 2020						
	Amortized cost basis by origination year ⁽¹⁾				Revolving loans amortized cost basis	Total
	2020	2019	2018	Prior		
Loans						
Adequate	\$ 270,000	\$ 60,750	\$ —	\$ 29,404	\$ 331,111	\$ 691,265
Moderate	755,716	287,107	323,748	115,225	232,869	1,714,665
Weak	461,220	240,847	190,829	158,377	16,477	1,067,750
Very weak	6,000	37,811	51,015	85,986	—	180,812
Total loans	1,492,936	626,515	565,592	388,992	580,457	3,654,492
Debt securities						
Adequate	—	—	—	—	—	—
Moderate	—	50,000	50,085	6,119	—	106,204
Weak	—	—	13,000	—	—	13,000
Very weak	—	—	9,000	—	—	9,000
Total debt securities	—	50,000	72,085	6,119	—	128,204
Total amortized cost loans and debt securities	\$ 1,492,936	\$ 676,515	\$ 637,677	\$ 395,111	\$ 580,457	\$ 3,782,696

⁽¹⁾ Includes short-term loans with maturities of less than one year and \$1.2 million of line-of-credit arrangements that were converted to term loans during the year ended December 31, 2020.

The fair value of development related debt securities carried at amortized cost and a comparison of the allowance for credit losses with the gross unrecognized holding gains/(losses) that would have been recorded instead of the allowance if the development related debt securities carried at amortized cost were recorded at fair value is as follows (US\$ thousands):

September 30, 2021						
	Amortized cost	Allowance for credit losses	Net carrying amount	Gross unrecognized holding		Fair value
				gains	losses	
Debt securities	\$ 122,263	\$ (6,094)	\$ 116,169	\$ 13,494	\$ —	\$ 135,757
Total	\$ 122,263	\$ (6,094)	\$ 116,169	\$ 13,494	\$ —	\$ 135,757
December 31, 2020						
	Amortized cost	Allowance for credit losses	Net carrying amount	Gross unrecognized holding		Fair value
				gains	losses	
Debt securities	\$ 128,204	\$ (7,851)	\$ 120,353	\$ 17,573	\$ —	\$ 145,777
Total	\$ 128,204	\$ (7,851)	\$ 120,353	\$ 17,573	\$ —	\$ 145,777

Guarantees

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

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IDB Invest's current outstanding exposure for guarantees was \$70.9 million as of September 30, 2021 (\$107.3 million as of December 31, 2020). 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 \$84.9 million as of September 30, 2021 (\$156.8 million as of December 31, 2020). As of September 30, 2021, the allowance for losses on guarantees is \$4.1 million (\$17.5 million as of December 31, 2020), and guarantees issued and recorded at fair value amounted to \$1.1 million, both are recorded in Payables and other liabilities in the balance sheets. The net unrealized losses on guarantees issued and recorded at fair value for the nine months ended September 30, 2021 were \$1.1 million recorded in Gain/(loss) from changes in fair value on non-trading portfolios and foreign exchange transactions, net.

Loan participations

As of September 30, 2021, IDB Invest serviced loan participations outstanding of \$2.0 billion (\$1.4 billion as of December 31, 2020) and recognized servicing fees of \$912 thousand for the nine months ended September 30, 2021 (\$496 thousand for the nine months ended September 30, 2020) included in Mobilization fees and other income in the income statements.

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 \$3.0 million in loans for one VIE for which it is deemed to be the primary beneficiary as of September 30, 2021 (\$6.4 million in loans for one VIE as of December 31, 2020). IDB Invest's involvement with this VIE is limited to development related investments, which are reflected as such in IDB Invest's financial statements as of September 30, 2021 and December 31, 2020, respectively. Based on the most recent available data, the size of this VIE measured by total assets with a notional value of approximately \$2.7 million as of September 30, 2021 is considered immaterial compared to the carrying value of \$3.0 million, and thus not consolidated in IDB Invest's financial statements (\$6.5 million notional value and \$6.4 million carrying value at December 31, 2020).

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):

	September 30, 2021	December 31, 2020
Operating lease right-of-use asset	\$ 72,741	\$ 48,400
Other assets	42,275	6,736
Interest receivable on development related debt investments	28,358	24,377
Recovery assets	26,599	23,660
Fixed and intangible assets	12,726	12,650
Interest receivable on investment securities	6,205	5,511
Total receivables and other assets	\$ 188,904	\$ 121,334

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6. Borrowings

Borrowings outstanding by currency and range of contractual interest rates, and a reconciliation of total cost to carrying amount are summarized as follows (US\$ thousands):

	September 30, 2021		December 31, 2020	
	Amount outstanding	Interest rate range	Amount outstanding	Interest rate range
Australian dollar (AUD)	\$ 437,448	1.1% - 1.7%	\$ 107,925	1.5 %
Brazilian real (BRL)	51,156	6.4% - 8.6%	33,712	2.7% - 4.3%
Colombian peso (COP)	181,435	2.4% - 8.6%	192,177	2.2% - 6.6%
Dominican peso (DOP)	8,863	8.8%	8,589	8.8 %
Mexican peso (MXN)	290,712	4.7% - 4.8%	251,240	4.5% - 4.6%
Paraguayan guarani (PYG)	20,844	5.4% - 6.1%	21,388	5.4% - 6.1%
Trinidad and Tobago dollar (TTD)	36,952	2.1%	36,990	2.1 %
United States dollar (USD)	4,350,000	0.2% - 1.8%	3,250,000	0.3% - 1.8%
Total borrowings, gross	5,377,410		3,902,021	
Fair value (gain)/loss adjustments, net	(14,269)		8,084	
Unamortized premiums/discounts and issuance costs, net	(6,011)		(1,648)	
Total borrowings at carrying amount, net	\$ 5,357,130		\$ 3,908,457	
At amortized cost	2,276,037		1,792,818	
At fair value	\$ 3,081,093		\$ 2,115,639	

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

	Available until	Contractual amount	September 30, 2021	
			Available amount	Drawdown amount
Colombian peso (COP)				
2018 COP 254 billion	2024	\$ 66,588	\$ 8,962	\$ 57,626
Multi-currency				
1997 \$300 million	2022	\$ 300,000	\$ 93,893	\$ 206,107

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

	Nine months ended September 30	
	2021	2020
Interest expense	\$ 42,994	\$ 33,467
Fees expense	276	416
Amortization of premiums/discounts and issuance costs, net	2,354	2,155
Total borrowings expense, net	\$ 45,624	\$ 36,038

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Changes in fair value of borrowings attributable to changes in instrument-specific credit risk recognized in Other comprehensive income/(loss) are as follows (US\$ thousands):

	Nine months ended September 30	
	2021	2020
Unrealized gain/(loss) during the period	\$ (11,086)	\$ (12,394)
Total recognized in other comprehensive income/(loss)	\$ (11,086)	\$ (12,394)

7. Derivative instruments

IDB Invest enters into transactions in certain derivative instruments primarily for market risk management purposes in connection with its principal business activities. None of these derivative instruments are designated as hedging instruments under ASC 815, *Derivatives*.

The location in the balance sheets and the fair value of derivative instruments by type and purpose are summarized below (US\$ thousands):

Derivative purpose	Derivative type	September 30, 2021		December 31, 2020	
		Derivative assets	Derivative liabilities	Derivative assets	Derivative liabilities
Development related debt investments	Cross currency swaps	\$ 6,773	\$ —	\$ 266	\$ (444)
	Interest rate swaps	6,867	(1,785)	164	(90)
Borrowings	Cross currency swaps	—	(26,363)	3,848	—
	Interest rate swaps	1,540	(20,108)	1,183	(1,300)
Total		\$ 15,180	\$ (48,256)	\$ 5,461	\$ (1,834)

The effect of derivative instruments in the income statements are summarized below (US\$ thousands):

Derivative type and purpose	Income statement location	Nine months ended September 30	
		2021	2020
Development related debt investments	Cross currency swaps	\$ 6,528	\$ —
	Interest rate swaps	5,470	97
Borrowings	Cross currency swaps	(28,950)	(1,425)
	Interest rate swaps	(13,828)	349
Total		\$ (30,780)	\$ (979)

The income related to each derivative type includes realized and unrealized gains and losses.

As of September 30, 2021, the outstanding volume, measured by notional amount, of swap contracts was \$4.2 billion (\$2.4 billion as of December 31, 2020).

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IDB Invest does not present derivative assets and liabilities related to contracts entered into with the same counterparty under a legally enforceable netting agreement on a net basis in the balance sheets. The following tables provide the gross and net positions of IDB Invest's derivative contracts considering amounts and collateral held or pledged in accordance with enforceable counterparty credit support and netting agreements described below (US\$ thousands):

September 30, 2021

	Gross amount of assets presented in the balance sheets	Gross amounts not offset in the balance sheets		Net amount	
		Financial instruments			Collateral received⁽¹⁾
		Financial instruments	Collateral received⁽¹⁾		Net amount
Derivative assets	\$ 15,180	\$ (7,216)	\$ (6,300)	\$ 1,664	

September 30, 2021

	Gross amount of liabilities presented in the balance sheets	Gross amounts not offset in the balance sheets		Net amount	
		Financial instruments			Collateral pledged⁽¹⁾
		Financial instruments	Collateral pledged⁽¹⁾		Net amount
Derivative liabilities	\$ (48,256)	\$ 7,216	\$ 38,900	\$ (2,140)	

⁽¹⁾ As of September 30, 2021, the total amount of cash collaterals received and pledged are equal to the amounts disclosed in this Offsetting table. No securities collaterals are received or pledged as of September 30, 2021.

December 31, 2020

	Gross amount of assets presented in the balance sheets	Gross amounts not offset in the balance sheets		Net amount	
		Financial instruments			Collateral received⁽¹⁾
		Financial instruments	Collateral received⁽¹⁾		Net amount
Derivative assets	\$ 5,461	\$ (1,834)	\$ (2,205)	\$ 1,422	

December 31, 2020

	Gross amount of liabilities presented in the balance sheets	Gross amounts not offset in the balance sheets		Net amount	
		Financial instruments			Collateral pledged
		Financial instruments	Collateral pledged		Net amount
Derivative liabilities	\$ (1,834)	\$ 1,834	\$ —	\$ —	

⁽¹⁾ Total cash collateral received was \$2.6 million as of December 31, 2020.

IDB Invest's derivative contracts with market counterparties are entered into under standardized master agreements published by the International Swaps and Derivatives Association ("ISDA" Agreements). ISDA Agreements provide for a single lump sum settlement amount upon the early termination of transactions following a default or termination event whereby amounts payable by the non-defaulting party to the other party may be applied to reduce any amounts that the other party owes the non-defaulting party. This setoff effectively reduces any amount payable by the non-defaulting party to the defaulting party.

IDB Invest's ISDA Agreements are appended by a Credit Support Annex ("CSA") that provides for the receipt and posting of collateral in the form of cash in US\$ or U.S. Treasury securities to reduce mark-to-market exposure among derivative market counterparties. IDB Invest recognizes cash collateral received and a corresponding liability in its balance sheets for the obligation to return it. As of September 30, 2021, IDB Invest had \$6.3 million of outstanding obligations to return cash collateral under CSAs (\$2.6 million as of December 31, 2020). IDB Invest recognizes a receivable in its balance sheets for its rights to cash collateral posted. As of September 30, 2021, \$38.9 million of cash collateral was posted under CSAs (none as of December 31, 2020).

Securities received as collateral are not recognized in the balance sheets. In accordance with the CSAs, IDB Invest may rehypothecate securities received as collateral, subject to the obligation to return such collateral and any related distributions received. In the event of a counterparty default, IDB Invest may exercise certain rights

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and remedies, including the right to setoff any amounts payable by the counterparty against any collateral held by IDB Invest and the right to liquidate any collateral held.

8. Payables and Other Liabilities

Payables and other liabilities are summarized below (US\$ thousands):

	<u>Notes</u>	<u>September 30, 2021</u>	<u>December 31, 2020</u>
Pension and Postretirement Benefit Plans			
Pension Plans, net liability		\$ 134,805	\$ 123,105
Postretirement Benefit Plan, net liability		36,920	34,694
Operating lease liability	12	74,246	49,939
Liability for off-balance sheet credit losses	4	37,700	77,793
Loan origination fees and costs, net		33,113	29,634
Borrowings related Interest and commitment fees payable		23,075	11,866
Deferred revenue		16,672	15,373
Employment benefits payable		12,842	14,600
Due to IDB, net	13	10,892	14,825
Other liabilities		35,119	33,978
Total payables and other liabilities		\$ 415,384	\$ 405,807

Deferred revenue includes service fees collected from related parties. Additional information about IDB Invest's related party transactions is included in Note 13.

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9. 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 \$14.6 million were received during the nine months ended September 30, 2021 for a total of \$1.1 billion in contributions corresponding to Annex A Shares under GCI-II. In March 2021, 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 \$148.6 million in income distributions (transfers) for a total of \$356.5 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 \$1.5 billion have been received under GCI-II through September 30, 2021.

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.

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

	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	19,903	\$ 199,030	\$ 73,233	\$ 233	\$ 272,030	12.48	19,223	12.14
Austria	922	9,220	3,574	680	12,114	0.56	880	0.56
Bahamas	354	3,540	1,321	532	4,329	0.20	322	0.20
Barbados	250	2,500	978	190	3,288	0.15	238	0.15
Belgium	242	2,420	453	—	2,873	0.13	242	0.15
Belize	126	1,260	170	—	1,430	0.07	126	0.08
Bolivia	1,601	16,010	5,876	922	20,964	0.96	1,459	0.92
Brazil	19,903	199,030	77,201	40,242	235,989	10.82	17,231	10.88
Canada	4,978	49,780	29,849	2,232	77,397	3.55	4,690	2.96
Chile	5,150	51,500	19,653	7,667	63,486	2.91	4,689	2.96
China	9,330	93,300	56,693	10,888	139,105	6.38	8,657	5.47
Colombia	5,150	51,500	18,932	—	70,432	3.23	4,974	3.14
Costa Rica	772	7,720	2,842	453	10,109	0.46	744	0.47
Croatia ⁽⁵⁾	10	100	75	—	175	0.01	10	0.01
Denmark	1,108	11,080	241	—	11,321	0.52	1,108	0.70
Dominican Republic	1,068	10,680	3,913	615	13,978	0.64	1,030	0.65
Ecuador	1,077	10,770	3,957	324	14,403	0.66	1,038	0.66
El Salvador	772	7,720	2,971	469	10,222	0.47	703	0.44
Finland	1,056	10,560	4,105	—	14,665	0.67	1,008	0.64
France	3,289	32,890	6,978	890	38,978	1.79	3,234	2.04
Germany	1,755	17,550	2,615	—	20,165	0.92	1,755	1.11
Guatemala	1,025	10,250	3,744	631	13,363	0.61	986	0.62
Guyana	291	2,910	1,069	17	3,962	0.18	280	0.18
Haiti	772	7,720	3,461	2,568	8,613	0.40	473	0.30
Honduras	772	7,720	2,917	531	10,106	0.46	739	0.47
Israel	426	4,260	1,569	243	5,586	0.26	404	0.26
Italy	5,056	50,560	17,885	2,961	65,484	3.00	4,873	3.08
Jamaica	548	5,480	796	—	6,276	0.29	548	0.35
Japan	6,063	60,630	22,065	2,977	79,718	3.66	5,879	3.71
Korea	8,293	82,930	50,286	9,659	123,557	5.67	7,696	4.86
Mexico	12,748	127,480	46,604	—	174,084	7.98	12,314	7.78
Netherlands	1,115	11,150	277	—	11,427	0.52	1,115	0.70
Nicaragua	772	7,720	2,837	453	10,104	0.46	744	0.47
Norway	1,053	10,530	4,091	405	14,216	0.65	1,005	0.63
Panama	1,073	10,730	4,625	404	14,951	0.69	950	0.60
Paraguay	806	8,060	2,965	502	10,523	0.48	775	0.49
Peru	5,510	55,100	21,161	—	76,261	3.50	5,282	3.34
Portugal	401	4,010	1,365	295	5,080	0.23	360	0.23
Slovenia ⁽⁶⁾	6	60	47	—	107	0.00	6	0.00
Spain	7,399	73,990	30,323	—	104,313	4.78	7,072	4.47
Suriname	120	1,200	128	—	1,328	0.06	120	0.08
Sweden	1,018	10,180	3,876	712	13,344	0.61	911	0.58
Switzerland	2,392	23,920	8,174	1,488	30,606	1.40	2,161	1.36
Trinidad and Tobago	767	7,670	3,506	3,978	7,198	0.33	490	0.31
United States	22,698	226,980	41,277	—	268,257	12.30	22,698	14.33
Uruguay	2,120	21,200	7,774	—	28,974	1.33	2,046	1.29
Venezuela	11,205	112,050	57,095	113,783	55,362	2.54	5,068	3.20
Total as of September 30, 2021	173,265	\$ 1,732,650	\$ 655,547	\$ 207,944	\$ 2,180,253	100	158,356	100
Total as of December 31, 2020	164,085	\$ 1,640,850	\$ 593,835	\$ 217,596	\$ 2,017,089		149,176	

⁽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.

⁽⁵⁾ Croatia's voting power is 0.0063.

⁽⁶⁾ Slovenia's voting power is 0.0038.

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10. Fair Value Measurements

Certain of IDB Invest's financial instruments are not actively traded in any market. Determining future cash flows for fair value estimation is subjective, and minor changes in assumptions or methodologies may affect the estimated values. Also, there is a heightened degree of uncertainty and judgment in incorporating the impact of COVID-19. 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 as of September 30, 2021.

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.

Liquid assets – Fair values for money market funds and debt securities are based on either unadjusted quoted prices for identical assets or liabilities in active markets or 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, supnationals 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.

Development related debt investments – For disclosure purposes, IDB Invest estimates the fair value of its development related debt investments. 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. The fair values are 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.

Any excess or deficit resulting from the difference between the carrying amounts of the development related debt investments carried at amortized cost 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 – Equity investments includes direct equity investments and LPs primarily in small and medium-sized enterprises and financial instruments. In most cases, market prices are not available, and alternate valuation techniques require a significant degree of judgment. IDB Invest intends to hold investments in LPs until the final liquidation of the underlying assets of the LPs in order to participate fully in the performance of the LP. IDB Invest does not have redemption rights in any of these investments. IDB Invest estimates that the underlying assets of the LPs generally may be liquidated over a period of 10 years.

Equity investments at fair value – Equity investments are recorded at fair value if publicly traded in certain markets, or IDB Invest elects the FVO. For investments in LPs, IDB Invest utilizes the NAVs reported by the fund managers as the basis of the fair value measurement. These NAVs are derived from the fair values of the underlying investments and adjusted further by IDB Invest, as needed.

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 or observable price change adjustments. IDB Invest relies on third-party valuation specialists when available, internal estimates, or a combination of both.

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During the quarter ended June 30, 2021, IDB Invest elected to measure one equity investment at fair value previously recorded using the cost-based measurement alternative. All equity investments are measured at fair value since June 30, 2021.

Derivative instruments – These include cross currency and interest rate swap contracts. Fair values are determined by obtaining the present value of estimated future cash flows using appropriate discount rates.

Borrowings – IDB Invest's borrowings are recorded at amortized cost or fair value. The fair value of IDB Invest's borrowings is estimated using traded prices, 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 Payables and other liabilities approximates fair value due to their liquid or short-term nature. Payables and other liabilities includes guarantees issued and measured at fair value.

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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, *Fair Value Measurement*, and are as follows (US\$ thousands):

	September 30, 2021				
	Carrying amount	Level 1	Level 2	Level 3	Fair value
Investment securities					
Money market funds	\$ 1,764,393	\$ —	\$ 1,764,393	\$ —	\$ 1,764,393
Corporate securities	839,812	—	839,812	—	839,812
Agency securities	486,660	—	486,660	—	486,660
Government securities	127,433	—	127,433	—	127,433
Supranational securities	49,703	—	49,703	—	49,703
	3,268,001	—	3,268,001	—	3,268,001
Loans					
Amortized cost	3,989,300	—	—	4,091,879	4,091,879
Fair value	142,708	—	—	142,708	142,708
	4,132,008	—	—	4,234,587	4,234,587
Debt securities					
Amortized cost	122,263	—	—	135,757	135,757
Fair value	360,910	—	—	360,910	360,910
NAV ⁽¹⁾	30,025	—	—	—	30,025
	513,198	—	—	496,667	526,692
Equity investments					
Fair value	89,887	965	—	88,922	89,887
NAV ⁽¹⁾	131,363	—	—	—	131,363
	221,250	965	—	88,922	221,250
Derivative assets					
Cross currency swaps	6,773	—	6,773	—	6,773
Interest rate swaps	8,407	—	8,407	—	8,407
	15,180	—	15,180	—	15,180
Borrowings					
Amortized cost	2,276,037	—	2,032,414	269,000	2,301,414
Fair value	3,081,093	—	3,081,093	—	3,081,093
	5,357,130	—	5,113,507	269,000	5,382,507
Derivative liabilities					
Cross currency swaps	26,363	—	26,363	—	26,363
Interest rate swaps	21,893	—	21,893	—	21,893
	48,256	—	48,256	—	48,256
Payables and other liabilities					
Guarantees measured at fair value	1,132	—	—	1,132	1,132
	\$ 1,132	\$ —	\$ —	\$ 1,132	\$ 1,132

⁽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.

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Notes to Condensed Interim Financial Statements (Unaudited)

	December 31, 2020				
	Carrying amount	Level 1	Level 2	Level 3	Fair value
Investment securities					
Money market funds	\$ 617,053	\$ —	\$ 617,053	\$ —	\$ 617,053
Corporate securities	967,805	—	967,805	—	967,805
Agency securities	309,103	—	309,103	—	309,103
Government securities	114,850	—	114,850	—	114,850
Supranational securities	70,225	—	70,225	—	70,225
	2,079,036	—	2,079,036	—	2,079,036
Loans					
Amortized cost	3,654,492	—	—	3,739,510	3,739,510
Fair value	155,647	—	—	155,647	155,647
	3,810,139	—	—	3,895,157	3,895,157
Debt securities					
Amortized cost	128,204	—	—	145,777	145,777
Fair value	275,593	—	—	275,593	275,593
NAV ⁽¹⁾	12,643	—	—	—	12,643
	416,440	—	—	421,370	434,013
Equity investments					
Cost-based measurement alternative	4,695	—	—	4,695	4,695
Fair value	43,441	1,119	—	42,322	43,441
NAV ⁽¹⁾	83,272	—	—	—	83,272
	131,408	1,119	—	47,017	131,408
Derivative assets					
Cross currency swaps	4,114	—	4,114	—	4,114
Interest rate swaps	1,347	—	1,347	—	1,347
	5,461	—	5,461	—	5,461
Borrowings					
Amortized cost	1,792,818	—	1,572,243	258,166	1,830,409
Fair value	2,115,639	—	2,115,639	—	2,115,639
	3,908,457	—	3,687,882	258,166	3,946,048
Derivative liabilities					
Cross currency swaps	444	—	444	—	444
Interest rate swaps	1,390	—	1,390	—	1,390
	\$ 1,834	\$ —	\$ 1,834	\$ —	\$ 1,834

⁽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.

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Notes to Condensed Interim Financial Statements (Unaudited)

The following tables present changes in carrying value of IDB Invest's Level 3 financial instruments that are carried at fair value as follows (US\$ thousands):

Nine months ended September 30, 2021					
	Balance as of January 1, 2021	Net gains/ (losses) included in income	Disbursements, purchases, sales, settlements and other	Balance as of September 30, 2021	Net unrealized gains/ (losses) included in earnings related to assets/liabilities held at September 30, 2021
Loans	\$ 155,647	\$ (8,292)	\$ (4,647)	\$ 142,708	\$ (8,292)
Debt securities	275,593	(12,244)	97,561	360,910	(13,705)
Equity investments	42,322	7,414	39,186	88,922	7,414
Total assets at fair value	473,562	(13,122)	132,100	592,540	(14,583)
Payables and other liabilities	—	(1,132)	—	(1,132)	(1,132)
Total liabilities at fair value	\$ —	\$ (1,132)	\$ —	\$ (1,132)	\$ (1,132)

Year ended December 31, 2020					
	Balance as of January 1, 2020	Net gains/ (losses) included in income	Disbursements, purchases, sales, settlements and other	Balance as of December 31, 2020	Net unrealized gains/ (losses) included in earnings related to assets/liabilities held at December 31, 2020
Loans	\$ 27,527	\$ (189)	\$ 128,309	\$ 155,647	\$ (189)
Debt securities	197,406	(5,485)	83,672	275,593	\$ (5,485)
Equity investments	25,941	1,754	14,627	42,322	\$ 1,506
Total assets at fair value	\$ 250,874	\$ (3,920)	\$ 226,608	\$ 473,562	\$ (4,168)

Nine months ended September 30, 2020					
	Balance as of January 1, 2020	Net gains/ (losses) included in income	Disbursements, purchases, sales, settlements and other	Balance as of September 30, 2020	Net unrealized gains/ (losses) included in earnings related to assets/liabilities held at September 30, 2020
Loans	\$ 27,527	\$ (631)	\$ 102,873	\$ 129,769	\$ (631)
Debt securities	197,406	(16,749)	3,807	184,464	(16,749)
Equity investments	25,941	1,523	9,695	37,159	1,272
Total assets at fair value	\$ 250,874	\$ (15,857)	\$ 116,375	\$ 351,392	\$ (16,108)

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The following tables present gross purchases, sales, issuances and settlements related to the changes in the carrying value of IDB Invest's Level 3 financial instruments that are carried at fair value (US\$ thousands):

Nine months ended September 30, 2021					
	Disbursements/ Purchases	Repayments/ Sales	Issuances	Settlements and others	Net
Loans	\$ 8,000	\$ (13,814)	\$ —	\$ 1,167	\$ (4,647)
Debt securities	102,637	(5,078)	—	2	97,561
Equity investments	34,840	(349)	—	4,695	39,186
Total assets at fair value	\$ 145,477	\$ (19,241)	\$ —	\$ 5,864	\$ 132,100

Nine months ended September 30, 2020					
	Disbursements/ Purchases	Repayments/ Sales	Issuances	Settlements and others	Net
Loans	\$ 103,755	\$ (882)	\$ —	\$ —	\$ 102,873
Debt securities	3,807	—	—	—	3,807
Equity investments	10,857	(1,162)	—	—	9,695
Total assets at fair value	\$ 118,419	\$ (2,044)	\$ —	\$ —	\$ 116,375

The following tables present the valuation techniques and significant unobservable inputs for development related investments classified as Level 3 as of September 30, 2021 and December 31, 2020 (US\$ thousands):

September 30, 2021					
	Fair value	Valuation technique	Significant inputs	Range	Weighted average
Loans	\$ 134,708	Discounted cash flows	Discount rate	3.1%-15.0%	5.3%
	8,000	Recent transaction			
	142,708				
Debt securities	356,028	Discounted cash flows	Discount rate	1.9%-8.0%	4.0%
	4,875	Recent transaction			
	7	Various techniques ⁽¹⁾			
	360,910				
Equity investments	18,634	Discounted cash flows	Discount rate	15.7%	15.7%
	39,600	Recent transaction			
	30,688	Various techniques ⁽¹⁾			
	88,922				
Payables and other liabilities	(1,132)	Various techniques ⁽¹⁾			
	(1,132)				
Total	\$ 591,408				

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

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December 31, 2020					
	Fair value	Valuation technique	Significant inputs	Range	Weighted average
Loans	\$ 128,247	Discounted cash flows	Discount rate	2.5%-15.0%	4.1%
	27,400	Recent transaction			
	155,647				
Debt securities	194,661	Discounted cash flows	Discount rate	2.3%-6.0%	3.5%
	80,932	Recent transaction			
	275,593				
Equity investments	16,889	Discounted cash flows	Discount rate	18.4%	18.4%
	15,857	Recent transaction			
	9,576	Various techniques ⁽¹⁾			
	42,322				
Total	\$ 473,562				

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

There were no transfers between levels during the nine months ended September 30, 2021 nor September 30, 2020.

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11. Non-trading portfolios

Net gains and losses from changes in fair value on non-trading portfolios and foreign exchange transactions are as follows (US\$ thousands):

	Nine months ended September 30	
	2021	2020
Changes in fair value		
Development related debt investments	\$ (5,252)	\$ (1,802)
Borrowings	42,187	4,546
Derivatives		
Realized gain/(loss) on swaps	5,923	2,190
Unrealized gain/(loss) on swaps	(36,703)	(3,169)
Gain/(loss) from changes in fair value, net	6,155	1,765
Foreign exchange transactions		
Development related debt investments	(32,818)	(53,594)
Borrowings	37,179	68,260
Other assets/liabilities	263	311
Gain/(loss) from foreign exchange transactions, net	4,624	14,977
Gain/(loss) from changes in fair value and foreign exchange transactions, net	\$ 10,779	\$ 16,742

IDB Invest's non-trading portfolio includes development related debt investments and borrowings accounted for at fair value under the FVO as well as the related derivative instruments at fair value. Changes in the fair value of borrowings resulting from changes in IDB Invest's own credit risk spread are recorded through Other comprehensive income whereas changes in fair value due to market risk, and all fair value changes on derivatives, are accounted for in the income statements.

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12. Contingencies and Leases

In the ordinary course of business, IDB Invest is from time to time named as a defendant, co defendant 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.

The global outbreak of the COVID-19 pandemic has disrupted economic markets and created significant volatility. The operational and financial performance of the companies IDB Invest finances depends on future developments, including the duration and spread of the outbreak. Such uncertainty may impact the fair value of IDB Invest's development related investments and the credit worthiness of IDB Invest's borrowers. IDB Invest has capital buffers in place to absorb additional stress and credit rating downgrades.

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 expires in 2030 and includes a ten year 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 generally renewed annually. The lease agreements in Argentina, Colombia and Panama include renewal options which extend the lease term between 2022 and 2029, all of which IDB Invest is reasonably certain to exercise for the duration established in the contract.

Refer to Notes 5 and 8 for additional information related to IDB Invest's operating lease right-of-use assets and operating lease liabilities outstanding as of September 30, 2021 and December 31, 2020.

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

	Nine months ended September 30	
	2021	2020
Operating leases		
Operating lease expense	\$ 3,990	\$ 4,588
Total lease expense	\$ 3,990	\$ 4,588
Supplemental disclosure:		
Weighted average of lease terms (years)	19.04	10.17
Weighted average discount rate	2.8 %	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):

	September 30, 2021	
Undiscounted cash flows in 2021	\$	1,711
Undiscounted cash flows in 2022		5,095
Undiscounted cash flows in 2023		5,066
Undiscounted cash flows in 2024		4,977
Undiscounted cash flows in 2025		4,981
Undiscounted cash flows in 2026 and thereafter		73,255
Total operating leases	\$	95,085
Discount		(20,839)
Operating lease liability	\$	74,246

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13. 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 12.

Service Level Agreements

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

Non-Sovereign Guaranteed Operations

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. IDB Invest also provides certain technical assistance activities for private sector operations on behalf of donor trust funds that are directly funded by IDB Trust Funds. These arrangements are recognized on a cost reimbursement basis and presented gross in Service fees from related parties and Administrative expenses in the income statements.

For the nine months ended September 30, 2021, IDB Invest received \$3.3 million for these services (\$3.3 million for the nine months ended September 30, 2020). As of September 30, 2021, IDB Invest has recorded deferred revenue of \$16.6 million related to these services (\$15.0 million as of December 31, 2020), which will be recognized as revenue as services are provided. Deferred revenue is presented as a component of Payables and other liabilities in the balance sheets.

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

	Nine months ended September 30	
	2021	2020
SLA revenue	\$ 56,620	\$ 55,766
Management of external funds revenue	1,522	1,603
IDB administered funds revenue	1,730	1,295
Total	\$ 59,872	\$ 58,664

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 \$11.4 million for receiving these SLA services from the IDB for the nine months ended September 30, 2021 (\$11.8 million for the nine months ended September 30, 2020) 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 \$10.9 million as of September 30, 2021 (\$14.8 million as of December 31, 2020). Refer to Note 8 for additional details.

Other Transactions with Related Parties

IDB Invest has a renewable multi-currency credit facility with the IDB amounting to \$300.0 million with an expiration date of December 2022. As of September 30, 2021, IDB Invest's total drawdowns from the IDB multi-currency credit facility were \$206.1 million and \$93.9 million remain available (\$185.1 million total drawdowns and \$114.9 million available as of December 31, 2020). Refer to Note 6 for additional details.

14. Pension Plans and Postretirement Benefit Plan

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.

All employer contributions are made in cash during the fourth quarter of the year. As of September 30, 2021, the estimate of contributions expected to be paid for 2021 are \$8.4 million to the Pension Plans, and \$5.6 million to the PRBP, the same amounts disclosed in the December 31, 2020 financial statements. Contributions for 2020 were \$7.5 million to the Pension Plans and \$5.0 million to the PRBP.

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Net periodic benefit costs are included in Other expenses in the income statements. The following table summarizes the net periodic benefit costs associated with the Pension Plans and the PRPB for the nine months ended September 30, 2021 and 2020 (US\$ thousands):

	Nine months ended September 30			
	Pension Plans		PRBP	
	2021	2020	2021	2020
Service cost ⁽¹⁾	\$ 18,917	\$ 14,038	\$ 7,946	\$ 5,753
Interest cost ⁽³⁾	7,005	7,227	4,110	4,190
Expected return on plan assets ⁽²⁾⁽³⁾	(8,032)	(8,693)	(5,618)	(5,836)
Amortization of: ⁽³⁾				
Net actuarial (gain)/loss	5,255	3,143	3,042	1,790
Prior service (credit)/cost	—	—	(328)	(328)
Net periodic benefit cost	\$ 23,145	\$ 15,715	\$ 9,152	\$ 5,569

⁽¹⁾ Included in Administrative expenses.

⁽²⁾ The expected return on plan assets is 4.75% in 2021 and 5.75% in 2020.

⁽³⁾ Included in Other components of pension benefit costs, net.

15. Subsequent Events

Management has evaluated subsequent events through November 9, 2021, which is the date the financial statements were issued. Management determined that there were no subsequent events that require disclosure under ASC Topic 855, *Subsequent Events*.