INTER-AMERICAN INVESTMENT CORPORATION

Financial Statements
as of June 30, 2014

INTER-AMERICAN INVESTMENT CORPORATION

BALANCE SHEET (Unaudited)

USD Thousands (except share data)		June 30 2014		June 30 2013
ASSETS				
Cash and cash equivalents	$	20,341	$	14,185
Investment securities				
Available-for-sale		407,597		321,490
Trading		245,392		400,535
Held-to-maturity		40,010		40,226
Investments				
Loan investments		956,224		985,401
Less allowance for losses		(44,420)		(46,700)
		911,804		938,701
Equity investments ($13,031 and $13,903 at fair value, respectively)		23,633		25,866
Total investments		935,437		964,567
Receivables and other assets		27,010		18,386
Total assets	**$**	**1,675,787**	**$**	**1,759,389**
LIABILITIES AND CAPITAL				
Accounts payable and other liabilities	$	24,980	$	66,042
Interest and commitment fees payable		2,924		3,309
Borrowings, short-term		141,701		122,064
Borrowings and long-term debt		642,176		783,812
Total liabilities		**811,781**		**975,227**
Capital				
Authorized:				
70,590 and 70,590 shares, respectively (Par $10,000)				
Subscribed shares:				
70,590 and 70,330 shares, respectively (Par $10,000)		705,900		703,300
Less subscriptions receivable		(10,310)		(12,520)
		695,590		690,780
Retained earnings		166,096		143,587
Accumulated other comprehensive income/(loss)		2,320		(50,205)
Total capital		**864,006**		**784,162**
Total liabilities and capital	**$**	**1,675,787**	**$**	**1,759,389**

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

INTER-AMERICAN INVESTMENT CORPORATION

STATEMENT OF INCOME (Unaudited)

USD Thousands	Six months ended June 30 2014	2013
INCOME		
Loan investments		
Interest and fees	$ 23,807	$ 23,563
Other income	261	352
	24,068	23,915
Equity investments		
Dividends and distributions	207	190
Gain on sale	67	6
Changes in fair value	(927)	2,681
Other income	33	21
	(620)	2,898
Investment securities	4,897	4,543
Advisory service, cofinancing, and other income	2,276	1,512
Total income	**30,621**	**32,868**
Borrowings and long-term debt related expense	6,667	8,830
Total income, net of interest expense	**23,954**	**24,038**
RELEASE OF PROVISION FOR LOAN INVESTMENT LOSSES	**(3,019)**	**(1,930)**
OTHER THAN TEMPORARY IMPAIRMENT LOSSES ON EQUITY INVESTMENTS	-	**39**
OPERATING EXPENSES		
Administrative	15,038	14,005
Pension Plan and Postretirement Benefit Plan expense	2,457	5,711
(Gain)/loss on foreign exchange transactions, net	(44)	100
Other expenses	91	1
Total operating expenses	**17,542**	**19,817**
Income before technical assistance activities	**9,431**	**6,112**
Technical assistance activities	145	129
NET INCOME	**$ 9,286**	**$ 5,983**

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

INTER-AMERICAN INVESTMENT CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME AND CHANGES IN CAPITAL (Unaudited)

STATEMENT OF COMPREHENSIVE INCOME

USD Thousands	Six months ended June 30 2014	2013
NET INCOME	$ 9,286	$ 5,983
OTHER COMPREHENSIVE INCOME/(LOSS)		
Unrealized gain/(loss) on investment securities available-for-sale - Note 3	1,004	(1,791)
Total other comprehensive income/(loss)	1,004	(1,791)
COMPREHENSIVE INCOME	**$ 10,290**	**$ 4,192**

STATEMENT OF CHANGES IN CAPITAL

USD Thousands	Suscribed Shares	Capital Stock (*)	Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total Capital
As of December 31, 2012	**68,979**	**$ 689,390**	**$ 137,604**	**$ (48,414)**	**$ 778,580**
Six months ended June 30, 2013					
Net income	-	-	5,983	-	5,983
Other comprehensive loss	-	-	-	(1,791)	(1,791)
Change in subscribed shares	1,351	-	-	-	-
Payments received for capital stock subscribed	-	1,390	-	-	1,390
As of June 30, 2013	**70,330**	**$ 690,780**	**$ 143,587**	**$ (50,205)**	**$ 784,162**
As of December 31, 2013	**70,440**	**$ 693,700**	**$ 156,810**	**$ 1,316**	**$ 851,826**
Six months ended June 30, 2014					
Net income	-	-	9,286	-	9,286
Other comprehensive gain	-	-	-	1,004	1,004
Change in subscribed shares	150	-	-	-	-
Payments received for capital stock subscribed	-	1,890	-	-	1,890
As of June 30, 2014	**70,590**	**$ 695,590**	**$ 166,096**	**$ 2,320**	**$ 864,006**

(*) Net of subscriptions receivable.

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

INTER-AMERICAN INVESTMENT CORPORATION

STATEMENT OF CASH FLOWS (Unaudited)

	Six months ended June 30	
USD Thousands	2014	2013
CASH FLOWS FROM INVESTING ACTIVITIES		
Loan disbursements	$ (100,777)	$ (95,352)
Equity disbursements	(1,476)	(1,803)
Loan repayments	172,366	169,487
Sales of equity investments	3,033	5,143
Available-for-sale securities		
Purchases	(76,132)	(173,574)
Maturities	50,000	-
Capital expenditures	(669)	(534)
Proceeds from sales of recovered assets	383	1,167
Net cash provided by/(used in) investing activities	**$ 46,728**	**$ (95,466)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of borrowings	(60,553)	(111,140)
Proceeds from issuance of debt securities	-	50,000
Repayments of debt securities	(68,248)	-
Capital subscriptions	1,890	1,390
Net cash used in financing activities	**$ (126,911)**	**$ (59,750)**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	9,286	5,983
Adjustments to reconcile net income to net cash provided by operating activities:		
Change in fair value of equity investments	927	(2,640)
Provision for loan investment losses	(3,019)	(1,881)
Unrealized gain on investment securities, net	(4,869)	(3,674)
Unrealized (gain)/loss on loan investments	(1,085)	2,204
Unrealized loss/(gain) on borrowings and debt securities	9,189	(2,402)
Realized gains on equity sales	(67)	(6)
Change in receivables and other assets	5,015	3,129
Change in accounts payable and other liabilities	(3,573)	2,804
Other, net	508	1,377
	3,026	(1,089)
Trading securities		
Purchases	(382,713)	(474,819)
Sales and maturities	452,370	610,861
	69,657	136,042
Net cash provided by operating activities	**$ 81,969**	**$ 140,936**
Net effect of exchange rate changes on cash and cash equivalents	282	27
Net increase/(decrease) in cash and cash equivalents	2,068	(14,253)
Cash and cash equivalents as of January 1	18,273	28,438
Cash and cash equivalents as of June 30	**$ 20,341**	**$ 14,185**

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

Purpose

The Inter-American Investment Corporation (the Corporation), a multilateral organization, was established in 1986 and began operations in 1989 with the mission to promote the economic development of its Latin American and Caribbean member countries by financing small and medium-size enterprises. The Corporation, together with private investors, accomplishes this mission by making loan and equity investments where sufficient private capital is not otherwise available on reasonable terms. The Corporation also plays a catalytic role in mobilizing additional project funding from other investors and lenders, either through cofinancing or through loan syndications, loan participations, underwritings, and guarantees. In addition to project finance and resource mobilization, the Corporation provides financial and technical advisory services to clients. The Corporation receives its share capital from its member countries, conducts its operations principally in United States dollars, and limits operational activity to its twenty-six regional member countries. The Corporation is a member of the Inter-American Development Bank Group (IDB Group), which also includes the Inter-American Development Bank (IDB) and the Multilateral Investment Fund (MIF).

1. Basis of Presentation

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

All amounts presented in the accompanying financial statements and notes are expressed, unless otherwise indicated, in thousands of dollars of the United States of America (U.S. dollars, USD, or $), which is the Corporation's functional currency.

2. Summary of Significant Accounting Policies

Use of estimates – The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. A significant degree of judgment has been used in the determination of the adequacy of the allowance for losses on loan investments and guarantees, the evaluation for other-than-temporary impairment on investment securities and equity investments, the fair value of certain investment securities, loan and equity investments, borrowings, and derivative instruments, and the determination of the net periodic benefit cost from pension and postretirement benefit plans and the present value of benefit obligations. There are inherent risks and uncertainties related to the Corporation's operations. The possibility exists that changing economic conditions could have an adverse effect on the financial position of the Corporation.

Cash and cash equivalents – Highly liquid investment instruments purchased with original maturities of six months or less, other than those held as trading securities, are considered cash equivalents. The Corporation may hold cash deposits in excess of FDIC insured limits.

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

Investment securities held by the Corporation are classified based on management's intention on the date of purchase and recorded as of the trade date. The Corporation's portfolio classified as trading is stated at fair value with unrealized gains and losses reported in income from investment securities. Fixed-term securities classified as held-to-maturity represent securities that the Corporation has both the ability and the intent to hold until maturity and are carried at amortized cost. All other securities are classified as available-for-sale and carried at fair value with net unrealized gains or losses included in accumulated other comprehensive income. Interest and dividends on securities, amortization of premiums, accretion of discounts, and realized gains and losses on trading and available-for-sale securities are reported in income from investment securities. The Corporation's investments in debt securities in Latin American and Caribbean markets resulting from development activities are classified as held-to-maturity and carried at amortized cost on the balance sheet.

The Corporation evaluates its available-for-sale and held-to-maturity securities whose values have declined below their amortized cost to assess whether the decline in fair value is other-than-temporary at year-end. The Corporation considers various factors in determining whether a decline in fair value is other-than-temporary including the issuer's financial condition, the effects of changes in interest rates or credit spreads, the expected recovery period, and other quantitative and qualitative information. The valuation of securities for impairment is a process subject to estimation, judgment and uncertainty and is intended to determine whether declines in fair value of investment securities should be recognized in current period earnings. The risks and uncertainties include changes in general economic conditions and future changes in assessments of the aforementioned factors. It is expected that such factors will change in the future. For impairments of available-for-sale and held-to-maturity securities that are deemed to be other-than-temporary, the credit portion of an other-than-temporary impairment loss is recognized in earnings and the non-credit portion is recognized in accumulated other comprehensive income.

Loan and equity investments – Loan and equity investment commitments are legal obligations when the loan or equity agreement is signed and are recorded as assets when disbursed. Loans are carried at the principal amount outstanding adjusted for allowance for losses. The Corporation, in certain instances, obtains collateral security such as, but not limited to, mortgages and third-party guarantees. Equity investments include ownership interests in limited partnerships and similar fund structures (LPs) and direct equity investments. Direct equity investments and certain LPs for which the Corporation maintains specific ownership accounts—and on which the Corporation does not have significant influence—are carried at cost less impairment, if any. For all other equity investments in LPs, the Corporation has elected fair value accounting for equity investments in LPs under ASC 825.

The Corporation considers a loan impaired when, based on current information and events, it is probable that the Corporation will be unable to collect all amounts due according to the loan's contractual terms. Information and events, with respect to the borrower and/or the economic and political environment in which it operates, considered in determining that a loan is impaired include, but are not limited to, the borrower's financial difficulties, the borrower's competitive position in the marketplace, the risk associated with the underlying collateral, the sponsor's willingness and capacity to support the investment, the management team risk, as well as geopolitical conflict and macro economic crises.

Equity investments, which are not accounted for at fair value, are assessed for impairment on the basis of the latest financial information and any supporting research documents available. Also considered are the issuer's industry trends, the historical performance of the company, and the Corporation's intent to hold the investment for an extended period. When impairment is identified and is deemed to be other than temporary, the equity investment is written down to the fair value, which becomes the new carrying value for the equity investment. Impairment losses are not reversed for subsequent recoveries in value of the equity investment unless sold at a gain.

Variable interest entities – ASC Topic 810, Consolidation provides for consolidation when a reporting entity is the primary beneficiary for a variable interest entity (VIE), or if an entity does not meet the definitional elements of a VIE, consolidation is required if a reporting entity has a controlling financial interest in an entity. The Corporation evaluated its investees and other entities with which the Corporation has contractual and other arrangements, and concluded that the Corporation is not the primary beneficiary for any VIEs, nor does the Corporation have a significant variable interest in any VIE, which would require disclosure.

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

Allowance for losses on loan investments – The Corporation recognizes loan portfolio impairment or performance improvement in the balance sheet through the allowance for losses on loan investments, recording a provision or release of provision for losses on loan investments in net income, which increases or decreases the allowance for losses on loan investments. Loan investments charged off, as well as any subsequent recoveries, are recorded through the allowance account. The allowance for losses is maintained at a level that, in management's judgment, is adequate to absorb estimated probable losses in the loan portfolio. Management's judgment is based on the risk ratings and performance of individual loan investments, economic conditions, and other factors considered significant by management.

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

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

For the remaining loan portfolio, the allowance for losses is established via a process that estimates the probable loss inherent in the portfolio based on various analyses. Each loan is rated as a function of its risk and loss estimates are derived for each rating classification. These ratings are based on past experience and available market information and include country risk, the risk of correlation or contagion of losses between markets, nonperformance under sponsor guarantees and support agreements, as well as on financial statements prepared in accordance with accounting principles other than those generally accepted in the United States of America. The loss estimates are derived from industry data and the Corporation's historical data. There were no changes, during the periods presented herein, to the Corporation's accounting policies and methodologies used to estimate its allowance for losses on loan investments.

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

Revenue recognition on loan investments – Interest and fees are recognized as income in the periods in which they are earned. The Corporation does not recognize income on loans where collectability is in doubt or, generally, when payments of interest or principal are past due more than 90 days. Any uncollected interest accrued on a loan placed in nonaccrual status is reversed out of income and is thereafter recognized as income only when received and is returned to accrual status once management has concluded that the borrower's ability to make periodic interest and principal payments has been demonstrated.

Net loan origination fees and costs are deferred and amortized over the life of the loan.

Revenue recognition on equity investments – Dividend and profit participations received from equity investments that are accounted for under the cost method are recorded as income when such distributions are declared and paid. Gains on the sale or redemption of equity investments accounted for under the cost less impairment method are recorded as income at disposition.

For LPs carried at fair value under the Fair Value option, unrealized gains and losses are considered in the determination of net asset value and recorded as changes in fair value of equity investments in the income statement.

Guarantees – The Corporation offers credit guarantees covering, on a risk-sharing basis, third-party obligations on loans undertaken for or securities issued in support of projects located within a member country to enhance their credit standing and enable them to complete a wide variety of business transactions. These financial guarantees are commitments issued by the Corporation to guarantee payment performance by a borrower to a third party. The Corporation's policy for requiring collateral security with respect to these instruments and the types of collateral security held is generally the same as for loans. Guarantees are regarded as issued when the Corporation executes the guarantee agreement, outstanding when the underlying financial obligation of the third party is incurred, and called when the Corporation's obligation under the guarantee has been invoked. There are two obligations associated with the guarantees: (1) the stand-ready obligation to perform; and (2) the contingent obligation to make future payments. The stand-ready obligation to perform is recognized at the issuance date at fair value. The contingent liability associated with the financial guarantee is recognized when it is probable that the guarantee will be called and when the amount of the guarantee can be reasonably estimated. Any stand-ready and contingent liabilities associated with guarantees are included in other liabilities. The offsetting entry is consideration received or receivable with the latter included in other assets on the balance sheet. In the event the guarantees are called, the amount disbursed is recorded as a loan investment and specific reserves are established based on the estimated probable loss. Income is earned as the Corporation is released from risk upon the expiration or settlement of the guarantee.

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

Derivatives are recognized in the balance sheet at their fair value and classified as either assets or liabilities, depending on their nature and their net fair value amount. Changes in fair value of borrowings-related derivatives are recorded in Borrowings and long-term debt related expense.

Deferred advisory service revenues – Certain revenues related to advisory services for external funds are deferred and amortized over the related service period. These fees are included in the Advisory service, cofinancing and other income on the income statement.

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

Fixed assets – The Corporation records fixed assets at cost less accumulated depreciation and amortization. Depreciation and amortization are recognized using the straight-line method over the estimated useful lives of the assets, which range from three to seven years.

Foreign currency transactions – Assets and liabilities not denominated in United States dollars are translated into U.S. dollar equivalents using the foreign exchange rates at which the related asset or liability could be reasonably settled at that date. Revenues and expenses are translated monthly at amounts that approximate weighted average exchange rates. Resulting gains and losses are included in (Gain)/Loss on foreign exchange transactions, net.

Fair value of financial instruments – The Codification requires entities to disclose information about the estimated fair value of their financial instruments and their fair value measurement, whether or not those values are recognized on the balance sheet.

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the “exit price”) in an orderly transfer between market participants at the measurement date under current market conditions. Fair value measurement further assumes that a transaction to sell the asset or liability takes place either in the principal market or, in the absence of a principal market, in the most advantageous market for the asset or liability.

In determining fair value, the Corporation uses various valuation approaches, including market, income and/or cost approaches. The Codification establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Corporation. Unobservable inputs are inputs that reflect the Corporation’s assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

- Level 1— Unadjusted quoted prices for identical assets or liabilities in active markets.

  Assets and liabilities utilizing Level 1 inputs include investment securities that are actively traded and primarily include debt securities of the United States government and its agencies.

- Level 2—Valuations based on quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities that are not actively traded; or pricing models for which all significant inputs are observable, directly or indirectly, for substantially the full term of the asset or liability.

  Assets and liabilities utilizing Level 2 inputs include investment securities that are not actively traded, investments in obligations primarily of non-United States governments, corporate bonds, derivative contracts, and structured borrowings.

- Level 3—Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

  Assets and liabilities utilizing Level 3 inputs include certain loans and equity investments in LPs.

The availability of observable inputs can vary from product to product and is affected by a wide variety of factors, including, for example, the type of product, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Corporation in determining fair value is greatest for instruments categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Fair value for the majority of the Corporation’s financial instruments is derived using pricing models. Pricing models take into account the contract terms (including maturity) as well as multiple inputs, including, where applicable, interest rate yield curves, credit spreads, creditworthiness of the counterparty, option volatility, and currency rates. In accordance with ASC 820-10, the impact of the Corporation’s own credit spreads is also considered when measuring the fair value of liabilities, including derivative contracts. Where appropriate, valuation adjustments are made to account for various factors, including bid-ask spreads, credit quality, and market liquidity. These adjustments are applied on a consistent basis and are based upon observable inputs where available.

The following methods and assumptions were used by management in estimating the fair value of the Corporation’s financial instruments:

Cash and cash equivalents: The carrying amount reported in the balance sheet approximates fair value.

Investment securities: Fair values for investment securities are based on quoted prices in active markets for identical assets as of the balance sheet date, when observable. For investments for which prices and other relevant information, generated by market transactions involving identical or comparable assets, are not available, the income approach valuation has been employed, using yield curves, bond or credit default swap spreads and recovery rates based on collateral values as key inputs. Investment securities are generally categorized in Level 1 and Level 2 of the fair value hierarchy.

Loan investments: The Corporation's methodology to measure the fair value of those loans provided to certain financial institutions through agreements that foster economic development, and for which a combination of observable and unobservable inputs is generally available, requires the use of estimates and present value calculations of future cash flows. The fair value of loan investments is estimated using recently executed transactions, market price quotations (where observable), and market observable credit default swap levels along with proprietary valuation models where such transactions and quotations are unobservable. Determining future cash flows for fair value estimation purposes is subjective and imprecise, and minor changes in assumptions or methodologies may materially affect the estimated values. The lack of objective pricing standards adds a greater degree of subjectivity and volatility to these derived or estimated fair values.

For certain of the Corporation's corporate and financial institution loan investments it is not practicable to estimate the fair value given the nature and geographic location of the borrower. The Corporation's loan agreements are tailored to the unique risk characteristics and needs of the borrower. Contractual clauses limit the Corporation's ability to sell assets or transfer liabilities to market participants. Also, the Corporation has historically been granted preferred creditor status. This status is not transferable, thus limiting the Corporation's ability to transfer assets and liabilities. Furthermore, there are few –if any– transactions with similar credit ratings, interest rates, and maturity dates. Based on management's experience, it is deemed that there are some countries with no participants interested in the Corporation's principal or most advantageous market given the unique country risk, size, and term of many of the Corporation's assets and liabilities. Therefore, in accordance with ASC 820, additional disclosures pertinent to estimating fair value, such as the carrying amount, interest rate, and maturity are provided. Additional information about loan investments is included in Note 9.

Equity investments: The Corporation purchases the share capital of small and medium-size private sector enterprises in Latin America and the Caribbean and also invests as an investor in LPs. In most cases, market prices are not available and alternate valuation techniques require a significant degree of judgment. LPs are categorized within Level 3 of the fair value hierarchy. Additional information about LPs carried at fair value is included in Note 9.

For the Corporation's direct equity investments it is not practicable to determine the fair value as these are custom-tailored private placement transactions operating in the Corporation's regional member countries. Furthermore, contractual clauses limit the Corporation's ability to sell or transfer its participation in the Corporation's principal or most advantageous markets given the size and scale of the Corporation's direct equity investments.

(dollars in thousands, unless otherwise indicated)

Derivative contracts: These include swap and option contracts related to interest rates. Fair values are determined by obtaining the present value of estimated future cash flows using appropriate discount rates. The pricing models used do not entail material subjectivity because the methodologies employed do not necessitate significant judgment, and the pricing inputs are observed from actively quoted markets, as is the case for generic interest rate swap and option contracts. All the derivative products valued by the Corporation using pricing models fall into this category and are categorized within Level 2 of the fair value hierarchy.

Borrowings and long-term debt: Fair values are determined by obtaining the present value of estimated future cash flows using appropriate discount rates. The estimated fair value of borrowings and long-term debt is disclosed in Note 9.

Taxes – The Corporation, its property, other assets, income, and the operations and transactions it carries out pursuant to the Agreement Establishing the Inter-American Investment Corporation, as amended, are immune from taxation and from custom duties in its member countries.

Accounting and financial reporting developments – In February 2010, the FASB issued Accounting Standards Update (ASU) 2010-10, *Consolidation (Topic 810) Amendments for Certain Investment Funds*, which primarily deferred the effective date of FAS 167 for enterprises that hold investments in entities that are investment companies, including principal and agent relationships (as that term is defined in ASC Topic 946-Financial Services – Investment Companies). Therefore, the Corporation has deferred the adoption of FAS 167 with respect to its evaluation of investments in its LPs, including principal and agent relationships. This Update is not expected to have a material impact on the Corporation's financial position, results of operations, or cash flows.

3. Investment Securities

The following reflects net income from investment securities by source:

	Six-months ended June 30	
USD Thousands	2014	2013
Net realized gain	$ 4,797	$ 4,043
Interest income	28	796
Net change in unrealized gain/(loss)	72	(296)
	$ 4,897	**$ 4,543**

Trading securities consist of the following:

	June 30	
USD Thousands	2014	2013
Corporate securities	$ 230,812	$ 363,949
Government securities	14,580	36,586
	$ 245,392	**$ 400,535**

(dollars in thousands, unless otherwise indicated)

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

USD Thousands	June 30 2014		June 30 2013	
Corporate securities	$	330,990	$	321,490
Agency securities		76,607		-
	$	**407,597**	**$**	**321,490**

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

USD Thousands	June 30, 2014 Amortized Cost		Gross Unrealized Gains		Gross Unrealized Losses		Fair Value	
Corporate securities	$	327,810	$	3,180	$	-	$	330,990
Agency securities		75,647		960				76,607
	$	**403,457**	**$**	**4,140**	**$**	**-**	**$**	**407,597**

The Corporation did not hold any available-for-sale securities in a continuous unrealized loss position as of June 30, 2014.

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

USD Thousands	June 30 2014		June 30 2013	
Unrealized gain/(loss) during the period	$	1,004		(1,791)
Total recognized in Other comprehensive income/(loss) related to available-for-sale securities	**$**	**1,004**	**$**	**(1,791)**

The Corporation did not sell any security classified in its available-for-sale securities portfolio during the six months ended June 30, 2014 (none sold during the six months ended June 30, 2013).

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

USD Thousands	June 30 2014		June 30 2013	
Within one year	$	54,517	$	65,396
After one year through five years		353,080		256,094
	$	**407,597**	**$**	**321,490**

The amortized cost of the held-to-maturity investment is as follows:

USD Thousands	June 30 2014		June 30 2013	
Corporate security	$	40,010	$	40,226
	$	**40,010**	**$**	**40,226**

(dollars in thousands, unless otherwise indicated)

As of June 30, 2014 and 2013, the corporate security amounts to $40,010 and $40,226, respectively, corresponding to a development-related asset with characteristics similar to other investment securities held-to-maturity.

The fair value of the held-to-maturity investment is as follows:

	June 30, 2014	
USD Thousands	Amortized Cost	Fair Value
Corporate security	$ 40,010	$ 41,562
	$ 40,010	**$ 41,562**

	June 30, 2013	
USD Thousands	Amortized Cost	Fair Value
Corporate security	$ 40,226	$ 43,660
	$ 40,226	**$ 43,660**

Gross unrealized gains as of June 30, 2014 amounted to $1,552 ($3,434 unrealized gains as of June 30, 2013).

The maturity structure of the held-to-maturity investment is as follows:

	June 30	
USD Thousands	2014	2013
Within one year	$ 40,010	$ -
After one year through five years	-	40,226
	$ 40,010	**$ 40,226**

4. Loan and Equity Investments

The Corporation monitors its outstanding investments in loans and investments in equity and LPs for geographic concentration of credit risk. As of June 30, 2014, individual countries with the largest aggregate credit exposure to the Corporation included Peru, Brazil, and Panama (Brazil, Peru, and Costa Rica as of June 30, 2013). As of June 30, 2014, outstanding investments in loans and investments in equity and LPs denominated in foreign currency amounted to $63,331 ($85,929 as of June 30, 2013). One of the Corporation’s exposures is designated as Regional, which consists primarily of multi-country loan and equity investments.

(dollars in thousands, unless otherwise indicated)

The distribution of the outstanding portfolio by country and by sector is as follows:

	June 30					
USD Thousands	2014			2013		
	Loan	Equity	Total	Loan	Equity	Total
Peru	$ 131,872	$ -	$ 131,872	$ 134,559	$ -	$ 134,559
Brazil	128,842	1,093	129,935	145,284	-	145,284
Panama	101,090	4,000	105,090	82,605	4,000	86,605
Chile	93,868	1,600	95,468	76,605	2,781	79,386
Costa Rica	92,985	-	92,985	87,411	-	87,411
Ecuador	65,688	-	65,688	55,105	-	55,105
Colombia	59,393	1,449	60,842	85,721	1,324	87,045
Mexico	50,692	9,567	60,259	81,792	4,820	86,612
Argentina	51,476	356	51,832	67,539	365	67,904
Nicaragua	45,347	-	45,347	47,209	-	47,209
Paraguay	26,480	-	26,480	32,235	-	32,235
Regional	16,294	4,432	20,726	22,708	11,440	34,148
Uruguay	19,635	-	19,635	12,336	-	12,336
Dominican Republic	17,500	1,136	18,636	3,300	1,136	4,436
El Salvador	17,401	-	17,401	13,843	-	13,843
Plurinational State of Bolivia	11,102	-	11,102	11,248	-	11,248
Jamaica	10,548	-	10,548	15,253	-	15,253
Honduras	9,333	-	9,333	139	-	139
Guatemala	4,946	-	4,946	8,508	-	8,508
Haiti	1,732	-	1,732	1,601	-	1,601
Guyana	-	-	-	400	-	400
	$ 956,224	**$ 23,633**	**$ 979,857**	**$ 985,401**	**$ 25,866**	**$ 1,011,267**
Financial Services	$ 626,023	$ 6,996	$ 633,019	$ 635,552	$ 9,295	$ 644,847
Energy and Power	78,817	-	78,817	72,495	-	72,495
Agricultural Products	52,924	-	52,924	41,504	-	41,504
Transportation and Logistics	28,664	-	28,664	42,542	-	42,542
Fertilizers and Agricultural Services	26,108	-	26,108	32,038	-	32,038
Distribution and Retail	22,830	-	22,830	26,042	-	26,042
Food and Beverages	15,454	-	15,454	27,306	-	27,306
Aquaculture and Fisheries	14,137	-	14,137	15,331	-	15,331
General Manufacturing	12,845	-	12,845	19,070	-	19,070
Investment funds	1,158	11,398	12,556	1,158	15,435	16,593
Hotels and Tourism	12,419	-	12,419	11,824	-	11,824
Livestock and Poultry	11,091	-	11,091	14,619	-	14,619
Construction, Materials and Fixtures	6,733	4,103	10,836	7,373	-	7,373
Utilities	10,194	-	10,194	8,393	-	8,393
Textiles, Apparel, and Leather	9,341	-	9,341	4,467	-	4,467
Oil, Gas and Mining	7,982	-	7,982	7,855	-	7,855
Wood, Pulp, and Paper	6,158	-	6,158	3,775	-	3,775
Education	5,617	-	5,617	3,475	-	3,475
Information, Comm. and Tech.	2,700	1,136	3,836	2,500	1,136	3,636
Containers and Packaging	2,834	-	2,834	5,612	-	5,612
Health Services and Supplies	2,195	-	2,195	321	-	321
Nonfinancial services	-	-	-	2,149	-	2,149
	$ 956,224	**$ 23,633**	**$ 979,857**	**$ 985,401**	**$ 25,866**	**$ 1,011,267**

(dollars in thousands, unless otherwise indicated)

Investment portfolio

The Corporation's development-related assets are the result of lending and investing activities that include loans, equity investments and certain LPs, investment securities and guarantees that promote the economic development of the Corporation's regional developing member countries through the establishment, expansion and modernization of private enterprises, preferably those that are small and medium in size. The Corporation's portfolio is segmented between financial institutions and corporates. All development-related assets are individually evaluated for purposes of monitoring and evaluating credit performance and risk.

The distribution of the outstanding portfolio by investment type as of June 30, 2014:

	June 30 2014					
USD Thousands	Financial Institutions		Corporate		Total	
Loan	$	627,181	$	329,043	$	956,224
Equity		18,394		5,239		23,633
Investment security (*)		40,010		-		40,010
Guarantees (**)		-		5,801		5,801
Total	**$**	**685,585**	**$**	**340,083**	**$**	**1,025,668**

(*) Represents an investment in a security that is issued in or by entities domiciled in regional developing member countries the proceeds of which are used for development-related activities.
(**) Represents maximum potential amount of future payments - Note 10.

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

	June 30	
USD Thousands	**2014**	**2013**
Loan	$ 143,005	$ 101,694
Equity - LPs	10,720	9,708
	$ 153,725	**$ 111,402**

Loan investments

The Corporation's loans accrue interest at fixed and variable rates. The unpaid principal balance of the fixed rate loan portfolio amounted to $259,026 as of June 30, 2014 ($272,580 as of June 30, 2013).

Loans on which the accrual of interest has been discontinued totaled $15,334 as of June 30, 2014 ($22,133 as of June 30, 2013). Interest collected on loans in nonaccrual status for the six months ended June 30, 2014, was $393 ($270 for the six months ended June 30, 2013).

The Corporation's investment in impaired loans as of June 30, 2014 was $13,900 ($19,725 as of June 30, 2013). The average investment in impaired loans for the six months ended June 30, 2014, was $15,216 ($11,990 for the six months ended June 30, 2013). The total amount of the allowance related to impaired loans as of June 30, 2014 and 2013, was $7,433 and $7,559, respectively. The Corporation's loan investment portfolio includes one loan that was considered a troubled debt restructuring as of December 31, 2009 and is considered within the impaired loans as of June 30,

(dollars in thousands, unless otherwise indicated)

2014. There were no troubled debt restructurings within the Corporation's loan portfolio for the six months ended June 30, 2014 (none for the six months ended June 30,2013).

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

USD Thousands	2014			2013		
	Financial Institutions	**Corporate**	**Total**	**Financial Institutions**	**Corporate**	**Total**
Balance as of January 1	$ 22,189	$ 24,867	$ 47,056	$ 22,266	$ 25,148	$ 47,414
Recoveries	84	299	383	160	1,007	1,167
Release of provision for losses	(2,486)	(533)	(3,019)	(259)	(1,622)	(1,881)
Balance as of June 30	**$ 19,787**	**$ 24,633**	**$ 44,420**	**$ 22,167**	**$ 24,533**	**$ 46,700**

Equity investments

As of June 30, 2014, the Corporation has seven direct equity investments (six as of June 30, 2013) with a carrying value of $10,602 ($8,930 as of June 30, 2013). The direct equity investments are reported at cost and the Corporation's other-than-temporary impairment losses on these investments as of June 30, 2014 were $0 ($39 as of June 30, 2013).

The Corporation has eleven investments in LPs as of June 30, 2014 (twelve as of June 30, 2013) with none carried at cost (one at $3,033 as of June 30, 2013) and eleven carried at fair value of $13,031 (eleven at fair value of $13,903 as of June 30, 2013). The Corporation's investments in LPs may be generally liquidated over a period of 10 years with up to two one-year extensions.

(dollars in thousands, unless otherwise indicated)

5. Receivables and Other Assets

Receivables and other assets are summarized below:

USD Thousands	June 30 2014	June 30 2013
Other current assets		
Interest receivable on loan investments	$ 10,113	$ 9,207
Interest receivable on investment securities	672	672
Other current assets	5,109	5,834
	15,894	15,713
Other noncurrent assets		
Postretirement Benefit Plan, net asset	9,373	-
Other noncurrent assets	1,743	2,673
	11,116	2,673
Total receivables and other assets	**$ 27,010**	**$ 18,386**

As of June 30, 2014, the Postretirement Benefit Plan net asset reflects the overfunded status of the Plan. Refer to Note 14.

6. Accounts Payable and Other Liabilities

Accounts payable and other liabilities are summarized below:

USD Thousands	June 30 2014	June 30 2013
Pension Plan, net liability	$ 8,681	$ 33,629
Deferred revenue	6,445	6,199
Employment benefits payable	4,882	8,605
Due to other IDB Group entities	2,649	2,305
Postretirement Benefit Plan, net liability	-	10,897
Accounts payable and other liabilities	2,323	4,407
Total accounts payable and other liabilities	**$ 24,980**	**$ 66,042**

As of June 30, 2014 and 2013, the Pension Plan net liability reflects the underfunded status of the Plan. As of June 30, 2013, the Postretirement Benefit Plan net liability reflects the underfunded status of the Plan. Refer to Note 14.

(dollars in thousands, unless otherwise indicated)

7. Borrowings and Long-term Debt

Borrowings and long-term debt outstanding, by currency, are as follows:

	June 30			
USD Thousands	2014		2013	
	Amount Outstanding	Weighted Avg. Cost	Amount Outstanding	Weighted Avg. Cost
U.S. dollar	$ 700,035	0.82%	$ 760,060	0.91%
Mexican peso	61,675	3.80%	122,813	4.70%
Brazilian real	20,437	10.20%	20,316	10.20%
Euro	1,730	1.12%	2,054	1.06%
Peruvian nuevo sol	-	-	600	7.10%
Argentinean peso	-	-	33	9.15%
	$ 783,877		**$ 905,876**	
Short-term borrowings	(141,701)		(122,064)	
Long-term borrowings	**$ 642,176**		**$ 783,812**	

The Corporation has available a renewable borrowing facility with the IDB amounting to $300,000. In August 2008, the Corporation borrowed $100,000 under this facility and $200,000 remain available for disbursement. Borrowings under the IDB facility are due fifteen years after the respective disbursement. The Corporation has the right to use this facility until November 2015. In addition, as of June 30, 2014, the Corporation has available a stand-by credit facility with a AA- institution amounting to $100,000. The Corporation has the right to use this stand-by credit facility until June 2015. Other credit facilities available amount to $283,520 as of June 30, 2014.

The Corporation's outstanding borrowings as of June 30, 2014, consist of debt securities amounting to $461,710 and borrowings amounting to $322,167.

On November 16, 2012, the Corporation issued U.S.-dollar denominated, 3-month LIBOR plus 0.35% notes as part of its Euro Medium-Term Note program in the capital markets in the amount of $350,000, maturing in 2015, followed by an additional $50,000 issue on February 19, 2013, which was issued at a premium, maturing in 2015. Interest on the notes is payable quarterly and at maturity. The term note program offering was the Corporation's first on the international financial market, aimed at diversifying its sources of funding.

On May 13, 2011, the Corporation issued interbank reference rate (TIIE) plus 0.05% foreign-currency bonds in the amount of 800 million Mexican pesos (equivalent to $68,248) before underwriting and other issuance costs, which matured on May 9, 2014. On April 27, 2012, the Corporation also issued interbank reference rate (TIIE) plus 0.22% foreign-currency bonds in the amount of 800 million Mexican pesos (equivalent to $61,675) before underwriting and other issuance costs, maturing in 2015. The proceeds were used to provide financing for reinvestment in local markets. Interest on the bonds is payable monthly and at maturity. The bonds are negotiable on the Mexican Stock Exchange. The bonds represent unsecured obligations of the Corporation ranking equal in right of payment to all existing and future debt, including claims of other general creditors. The bonds may not be redeemed prior to their maturity.

(dollars in thousands, unless otherwise indicated)

The maturity structure of borrowings and debt securities outstanding is as follows:

USD Thousands	2015	2016	2017	2018	Through 2025
Borrowings	$ 80,000	$ 90,437	$ -	$ 1,730	$ 150,000
Debt securities	461,710	-	-	-	-
	$ 541,710	**$ 90,437**	**$ -**	**$ 1,730**	**$ 150,000**

As of June 30, 2014, borrowings and long-term debt-related expense includes interest expense of $6,179 ($7,879 as of June 30, 2013).

8. Capital

The Corporation's original authorized share capital was increased from $200 million to $705.9 million, through a general $500 million capital increase approved in 1999, and several special increases to allow for admission of new members. The increases allocated a total of $505.9 million for subscriptions by new and existing member countries, during the subscription periods, as set forth in the corresponding resolutions. The Corporation issues only full shares, with a par value of ten thousand dollars.

In May 2012, 1,581 shares issued in the context of the 1999 capital increase reverted back to the Corporation as unsubscribed shares. Of these, 40 shares were purchased each by China and Korea, and 150 were purchased by Canada in the context of its admission to membership at the IIC. The remaining 1,351 capital increase shares were designated for reallocation among the Corporation's shareholders pursuant to a mechanism adopted by the Board of Executive Directors in 2008. The first round of reallocation subscriptions concluded in May 2013; all 1,351 available shares were subscribed and are expected to be paid in full according to schedule.

Under the Agreement Establishing the Inter-American Investment Corporation, any member may withdraw from the Corporation by notifying the Corporation's principal office in writing of its intention to do so. Such withdrawal shall become effective on the date specified in the notice but in no event prior to six months from the date on which such notice was delivered to the Corporation. Even after withdrawing, a member shall remain liable for all obligations to the Corporation to which it was subject on the date of delivery of the withdrawal notice.

In the event a member withdraws from the Corporation, the Corporation and the member may agree on the withdrawal from membership and the repurchase of shares of said member on terms appropriate under the circumstances. If such agreement is not reached within six months of the date on which such member expresses its desire to withdraw from membership, or within a term agreed upon between both parties, the repurchase price of the member's shares shall be equal to the book value thereof on the date when the member ceases to belong to the Corporation, such book value to be determined by the Corporation's audited financial statements. Payment for shares shall be made in such installments and at such times, and in such available currencies as the Corporation shall determine, taking into account its financial position.

(dollars in thousands, unless otherwise indicated)

The following table lists the capital stock subscribed and subscriptions receivable from members:

	June 30		
	TOTAL Capital Stock Subscribed		Subscriptions Receivable
	Shares	Amount	from Members
		USD Thousands	
Argentina	8,089	$ 80,890	$ 3,220
Austria	345	3,450	-
Bahamas	144	1,440	-
Barbados	101	1,010	-
Belgium	169	1,690	-
Belize	101	1,010	-
Bolivarian Republic of Venezuela	4,311	43,110	-
Brazil	8,089	80,890	3,220
Canada	150	1,500	-
Chile	2,003	20,030	-
Colombia	2,086	20,860	-
Costa Rica	314	3,140	-
Denmark	1,071	10,710	-
Dominican Republic	437	4,370	170
Ecuador	437	4,370	170
El Salvador	314	3,140	-
Finland	393	3,930	-
France	2,162	21,620	-
Germany	1,334	13,340	-
Guatemala	420	4,200	-
Guyana	120	1,200	-
Haiti	314	3,140	-
Honduras	314	3,140	-
Israel	173	1,730	-
Italy	2,162	21,620	-
Jamaica	420	4,200	-
Japan	2,492	24,920	-
Mexico	5,207	52,070	2,070
Netherlands	1,071	10,710	-
Nicaragua	314	3,140	-
Norway	393	3,930	-
Panama	327	3,270	130
Paraguay	327	3,270	-
People’s Republic of China	156	1,560	60
Peru	2,086	20,860	830
Plurinational State of Bolivia	650	6,500	-
Portugal	182	1,820	-
Republic of Korea	156	1,560	60
Spain	2,492	24,920	-
Suriname	105	1,050	40
Sweden	393	3,930	-
Switzerland	1,071	10,710	-
Trinidad and Tobago	314	3,140	-
United States	16,019	160,190	-
Uruguay	862	8,620	340
Total 2014	**70,590**	**$ 705,900**	**$ 10,310**
Total 2013	**70,330**	**$ 703,300**	**$ 12,520**

(dollars in thousands, unless otherwise indicated)

9. Measurements and Changes in Fair Value

The Corporation's assets and liabilities recorded at fair value have been categorized based on a fair value hierarchy in accordance with FASB ASC 820-10-50-2.

The following fair value hierarchy table presents information about the Corporation's assets measured at fair value on a recurring basis as of June 30, 2014:

USD Thousands	Balance as of June 30, 2014	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
ASSETS				
Corporate securities	$ 561,802	$ -	$ 561,802	$ -
Agency securities	76,607	-	76,607	-
Government securities	14,580	-	14,580	-
Limited partnerships (*)	13,031	-	-	13,031

(*) Represents investments in which fair value accounting has been elected that would otherwise be accounted for under the equity method of accounting.

The following table presents gains and losses due to changes in fair value for items measured at fair value for the six months ended June 30, 2014:

USD Thousands	Changes in fair values included in earnings for the year
ASSETS	
Corporate securities	$ 3,514
Government securities	743
Agency securities	612
Limited partnerships (*)	903
	$ 5,772

(*) Represents investments in which fair value accounting has been elected that would otherwise be accounted for under the equity method of accounting.

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

U.S. government obligations, certain corporate securities, agency securities and mutual funds are measured at fair value based on unadjusted quoted market prices in active markets. Such securities are classified within Level 1 of the fair value hierarchy and are measured at fair value consistent with the market approach.

Substantially all other investment securities are valued based on quoted prices in active markets, quoted prices for identical assets or liabilities that are not active or prices derived from alternative pricing models as these prices are not available from market vendors. These methodologies apply to certain investments in non-U.S. government obligations, agencies and corporate bonds. Also included are commercial papers (CP) and certificates of deposit (CD) issued on a tailor-made basis under large U.S. based CP or CD programs. These securities are classified within Level 2 of the fair value hierarchy and are measured at fair value using valuation techniques consistent with the market and income approaches.

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

The Corporation's borrowings and long-term debt are recorded at historical amounts unless elected for fair value accounting under the Fair Value Option Subsection of Subtopic 825-10. The Corporation held no borrowings and long-term debt at fair value during June 30, 2014 and 2013.

The carrying value of equity investments reported at cost amounted to $10,602 as of June 30, 2014 ($11,963 as of June 30, 2013). For the Corporation's direct equity investments it is not practicable to determine the fair value as these are custom-tailored private placement transactions for small and medium-size enterprises operating in the Corporation's regional member countries. The carrying value of equity investments reported at fair value amounted to $13,031 as of June 30, 2014 ($13,903 as of June 30, 2013).

As a practical expedient, fair value for investments in LPs was determined using the estimated net asset value (NAV) provided by the LPs. The NAVs that have been provided by the LPs are derived from the fair values of the underlying investments as of the reporting date. All investments for which NAV is used as fair value (a) do not have a readily determinable fair value and (b) either prepare financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. Generally, LPs have finite lives and the Corporation does not sell or redeem its investments in LPs. Investments in LPs that the Corporation cannot redeem on the measurement date or in the near term are classified as Level 3. Proceeds are distributed to the Corporation as the LPs sell the underlying investment. Adjustments to the net asset value are made when evidence indicates that fair value differs significantly from net asset value.

10. Guarantees

As of June 30, 2014, no notices of default have been received since inception of the outstanding guarantee product (no notices as of June 30, 2013). Guarantees entered into by the Corporation generally have maturities consistent with those of the loan portfolio. The maximum potential amount of future payments, which represents the notional amounts that could be lost under the guarantee in the event 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 $5,801 as of June 30, 2014 ($5,676 as of June 30, 2013). As of June 30, 2014, the outstanding guarantee was provided in a currency other than the United States dollar. There was no provision for losses on the guarantee in the statement of income as of June 30, 2014 (none as of June 30, 2013). The estimated fair value of the guarantee liability is $1,224 as of June 30, 2014 ($1,222 as of June 30, 2013).

11. Contingencies

In the ordinary course of business, the Corporation is defendant or codefendant or party in various litigation matters inherent to and typical of the operations in which it is engaged. In the opinion of the Corporation's management, the ultimate resolution of these legal proceedings would not have a material adverse effect on the financial position, results of operations, or cash flows of the Corporation.

12. Lending Arrangements

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

During the six month period ended June 30, 2014, the Corporation called and disbursed $14,241 in funds from participating lenders ($7,796 as of June 30, 2013). Undisbursed funds commitments from participating lenders totaled $16,359 as of June 30, 2014 ($13,584 as of June 30, 2013).

(dollars in thousands, unless otherwise indicated)

13. Related-party Transactions

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

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

	Six-months ended June 30	
USD Thousands	**2014**	**2013**
Office space (headquarters and other)	$ 1,105	$ 1,265
Support services	387	679
Other IDB services	76	-
	$ 1,568	**$ 1,944**

Expected payments under the current lease agreement with the IDB are as follows:

USD Thousands	**2014**	**2015**	**2016**	**2017**	**2018**	**2019-2020**
Office space (headquarters)	$ 1,032	$ 2,125	$ 2,189	$ 2,254	$ 2,322	$ 4,855
	$ 1,032	**$ 2,125**	**$ 2,189**	**$ 2,254**	**$ 2,322**	**$ 4,855**

Payables due to the IDB were $2,649 as of June 30, 2014 ($2,305 as of June 30, 2013). Refer to Note 6.

As of June 30, 2014 and 2013, the Corporation had borrowed $100,000 from the IDB credit facility. Refer to Note 7.

The Corporation provides advisory services to IDB Group entities. The Corporation has received payment for fees payable for the full year under these arrangements for a total amount of $100 and has recognized related revenue for the six months ended June 30, 2014 of $50 ($100 fees were received and $50 were recognized as of June 30, 2013).

14. Pension and Postretirement Benefit Plans

The IDB sponsors a defined benefit plan (the Pension Plan) covering substantially all staff of the Corporation and the IDB. The Pension Plan covers international and local employees. Under the Pension Plan, benefits are based on years of service and average compensation, with the staff contributing a fixed percentage of remuneration and the Corporation and the IDB contributing the remainder of the actuarially determined cost of future Pension Plan benefits. Any and all contributions to the Pension Plan are irrevocable and are held separately in retirement funds solely for the payment of benefits under the Plan. The Corporation's required contribution to the Pension Plan was $1,602 and recognized related expenses of $1,753 for the six months ended June 30, 2014 ($88 in contributions and $3,762 in expenses for the six months ended June 30, 2013).

The Corporation also provides certain health care and other benefits to retirees. All current staff who contribute to the Pension Plan, while in active service, and who meet certain requirements are eligible for postretirement benefits under the Postretirement Benefit Plan (PRBP). Retirees contribute toward the health care program based on an established premium schedule. The Corporation contributes the remainder of the actuarially determined cost of future health and other benefits. While all contributions and all other assets and income of the PRBP remain the property of the Corporation, they are held and administered separately and apart from the other property and assets of the Corporation solely for the purpose of payment of benefits under the PRBP. The Corporation contributed $978 and recognized related expenses of $704 to the PRBP for the six months ended June 30, 2014 ($1,949 in contributions and expenses for the six months ended June 30, 2013).

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

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

15. Management of External Funds

The Corporation administers on behalf of donors, which include member countries and other entities, funds restricted for specific uses that include the cofinancing of certain projects, technical studies for borrowers, project-related studies, and research and training programs. These funds are held in trust by the Corporation and are not commingled with the Corporation's funds, nor are they included in the assets of the Corporation. The Corporation receives a management fee that is generally a percentage of the funds received. This fee is shown as an advisory service fee in the statement of income.