INTER-AMERICAN INVESTMENT CORPORATION

Financial Statements
as of March 31, 2017 and 2016

INTER-AMERICAN INVESTMENT CORPORATION

BALANCE SHEET (Unaudited)

USD Thousands	March 31 2017	March 31 2016
ASSETS		
Cash and cash equivalents	$ 24,010	$ 12,033
Investment securities		
Available-for-sale	892,674	478,262
Trading	419,932	66,338
Investments		
Loan investments	860,823	930,211
Less Allowance for losses	(35,148)	(37,510)
	825,675	892,701
Equity investments ($20,095 and $10,534 carried at fair value, respectively)	35,326	30,979
Total investments	861,001	923,680
Receivables and other assets	18,163	27,425
Total assets	**$ 2,215,780**	**$ 1,507,738**
LIABILITIES AND CAPITAL		
Accounts payable and other liabilities	$ 57,006	$ 41,746
Interest and commitment fees payable	2,824	2,043
Borrowings, short-term	442,317	58,913
Borrowings, long-term	633,614	540,773
Total liabilities	**1,135,761**	**643,475**
Capital		
Subscribed capital	1,512,480	1,500,000
Additional paid-in capital	498,378	490,642
Less Members' subscriptions receivable	(1,106,316)	(1,287,479)
	904,542	703,163
Retained earnings	199,965	179,619
Accumulated other comprehensive income/(loss)	(24,488)	(18,519)
Total capital	**1,080,019**	**864,263**
Total liabilities and capital	**$ 2,215,780**	**$ 1,507,738**

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

INTER-AMERICAN INVESTMENT CORPORATION

STATEMENT OF INCOME (Unaudited)

	Three months ended March 31	
USD Thousands	2017	2016
INCOME		
Loan investments		
Interest and fees	$ 10,680	$ 10,693
Other income	1,218	367
	11,898	11,060
Equity investments		
Gain/(Loss) on sale, net	629	-
Changes in fair value	(71)	18
Dividends	(248)	52
	310	70
Investment securities	4,398	1,660
Other income		
Service fees	15,485	14,650
Other income	1,377	465
	16,862	15,115
Total income	**33,468**	**27,905**
Borrowings-related expense	4,110	2,168
Total income, net of Borrowings-related expense	**29,358**	**25,737**
PROVISION FOR LOAN INVESTMENT LOSSES	**618**	**608**
OPERATING EXPENSES		
Administrative	16,923	16,042
Pension Plan and Postretirement Benefit Plan expense	2,784	2,317
(Gain)/Loss on foreign exchange transactions, net	(573)	(63)
Other expenses	558	360
Total operating expenses	**19,692**	**18,656**
NET INCOME	**$ 9,048**	**$ 6,473**

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

INTER-AMERICAN INVESTMENT CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME/(LOSS) AND CHANGES IN CAPITAL (Unaudited)

STATEMENT OF COMPREHENSIVE INCOME/(LOSS)

USD Thousands	Three months ended March 31 2017	2016
NET INCOME	$ 9,048	$ 6,473
OTHER COMPREHENSIVE INCOME/(LOSS)		
Unrealized gain/(loss) on investment securities available-for-sale	2,249	466
Total other comprehensive income/(loss)	2,249	466
COMPREHENSIVE INCOME/(LOSS)	**$ 11,297**	**$ 6,939**

STATEMENT OF CHANGES IN CAPITAL

USD Thousands	Subscribed shares	Capital stock*	Retained earnings	Accumulated other comprehensive income/(loss)	Total capital
As of December 31, 2015	**125,352**	**$ 703,163**	**$ 173,146**	**$ (18,985)**	**$ 857,324**
Three months ended March 31, 2016					
Net income		-	6,473	-	6,473
Other comprehensive income/(loss)		-	-	466	466
Change in subscribed shares	24,648				
Payments received for capital stock subscribed		-	-	-	-
As of March 31, 2016	**150,000**	**$ 703,163**	**$ 179,619**	**$ (18,519)**	**$ 864,263**
As of December 31, 2016	**151,248**	**$ 857,802**	**$ 190,917**	**$ (26,737)**	**$ 1,021,982**
Three months ended March 31, 2017					
Net income		-	9,048	-	9,048
Other comprehensive income/(loss)		-	-	2,249	2,249
Change in subscribed shares	-				
Payments received for capital stock subscribed		46,740	-	-	46,740
As of March 31, 2017	**151,248**	**$ 904,542**	**$ 199,965**	**$ (24,488)**	**$ 1,080,019**

* Net of members subscriptions receivable.

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

INTER-AMERICAN INVESTMENT CORPORATION

STATEMENT OF CASH FLOWS (Unaudited)

USD Thousands	Three months ended March 31 2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES		
Loan disbursements	$ (48,124)	$ (30,770)
Equity disbursements	(4,869)	(1,442)
Loan repayments	44,127	62,865
Returns of equity investments	2,171	-
Available-for-sale securities		
Purchases	(178,880)	(37,000)
Sales and maturities	93,549	37,881
Capital expenditures	(292)	(480)
Proceeds from sales of recovered assets	73	222
Net cash provided by/(used in) investing activities	**$ (92,245)**	**$ 31,276**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of borrowings	10,044	-
Capital subscriptions	46,740	-
Net cash provided by/(used in) financing activities	**$ 56,784**	**$ -**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	9,048	6,473
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:		
Change in fair value of equity investments	71	(18)
Provision for loan investment losses	618	608
Change in fair value of investment securities	(899)	(138)
Realized (gain)/loss on sales of equity investments	(629)	-
Change in receivables and other assets	2,012	(4,773)
Change in accounts payable and other liabilities	(2,494)	(5,690)
Trading investment securities		
Purchases	(219,511)	(71,313)
Sales and maturities	247,060	39,948
Other, net	684	704
Net cash provided by/(used in) operating activities	**$ 35,960**	**$ (34,199)**
Net effect of exchange rate changes on cash and cash equivalents	52	10
Net increase/(decrease) in cash and cash equivalents	551	(2,913)
Cash and cash equivalents as of January 1	23,459	14,946
Cash and cash equivalents as of March 31	**$ 24,010**	**$ 12,033**
Supplemental disclosure:		
Interest paid during the period	$ 3,955	$ 1,734

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

Purpose

The Inter-American Investment Corporation (the IIC or Corporation), an international organization, was established in 1986 and began operations in 1989 with the mission of promoting the economic development of its regional developing member countries, which are located in Latin America and the Caribbean (Region), 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). The IIC makes loans, guarantees and equity investments where sufficient private capital is not otherwise available on adequate terms in the market. The IIC also arranges additional project funding from other investors and lenders, either through joint financing or through loan syndications, loan participations, underwritings and guarantees. In addition, the IIC provides financial and technical advisory services to clients with its own resources and those specifically provided for this purpose by its member countries. As of the date hereof, 45 member countries have subscribed to share capital in the IIC. The IIC conducts its operations principally in United States dollars, and operates within 26 of its member countries, all of which are located in Latin America and the Caribbean, (the Regional Developing Member Countries). The IIC 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 (MIF).

On March 30, 2015, the Boards of Governors of the Corporation and the IDB approved the transfer to the Corporation of all operational and administrative functions associated with the IDB private sector and non-sovereign guaranteed (NSG) activities (the IDBG NSG Reform) to better serve the Region, clients and partners, and to maximize developmental impact. The IDBG NSG Reform was effective on January 1, 2016. Since the effective date, the Corporation and the IDB entered into service level agreements (SLAs) whereby the Corporation provides certain services to the IDB and the IDB provides certain services to the IIC. The Corporation provides loan origination, credit risk evaluation and monitoring and other loan administration services for the IDB NSG operations, as well as for the IDB's legacy portfolio operations pursuant to an SLA. In addition, the IDB will continue to provide the Corporation with services as described in Note 12.

During a seven year period after the effective date, NSG activities will be originated by the IIC and largely co-financed by the IIC and the IDB. Following the closing of a co-financed loan, the Corporation and the IDB maintain separate legal and economic interests in their respective share of the loan principal balance. The Corporation's portion is defined as a percentage of the overall transaction subject to certain minimum amounts as agreed between the Corporation and the IDB.

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 and reporting currency.

2. Summary of Significant Accounting Policies

Use of estimates – The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. A significant degree of judgment has been used in the determination of the adequacy of the allowance for losses on loan investments, the evaluation for other-than-temporary impairment on available-for-sale and equity investments, the fair value of investment securities, loan and equity investments, borrowings, and the determination of the net periodic benefit cost from pension and postretirement benefit plans and the present value of benefit obligations. There are inherent risks and uncertainties related to the Corporation's operations including the potential impacts of changing economic conditions on the Corporation's clients and the global investment markets that 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 three 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, supranational and agency securities according to established investment guidelines. These investments include fixed and floating rate bonds, notes, bills, certificates of deposit, commercial paper, and mutual funds.

Investment securities are classified based on management's intention on the date of purchase. Purchases and sales of investment securities are recorded on a trade date basis. The investment portfolio classified as trading is recorded at fair value with unrealized gains and losses reported in income from investment securities. 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/(loss)[1]. 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.

Available-for-sale securities are evaluated for other than temporary impairment. 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 evaluation 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 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/(loss).

[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.

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 may obtain collateral security or third-party guarantees.

Equity investments include ownership interests in limited partnerships and similar fund structures (LPs) and direct equity investments primarily in small and medium-sized enterprises and financial institutions. Direct equity investments for which the Corporation maintains specific ownership accounts—and for which the Corporation does not have a controlling financial interest or significant influence—are carried at cost less impairment, if any.

For LPs, the Corporation has elected fair value accounting under ASC Topic 825. As a practical expedient, the Corporation relies on the net asset value (NAV) as reported by the LP manager for the fair value measurement. The NAVs that have been provided by the LP manager are derived from the fair values of the underlying investments as of the reporting date. All investments for which NAV is used as a 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 attributes of an investment company.

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 willingness and capacity of the sponsor who organized the project to support the investment, the borrower's management team, as well as geopolitical conflict and macroeconomic crises.

Direct equity investments that are not accounted for at fair value are assessed for impairment no less than annually on the basis of the latest financial information, operating performance and other relevant information including, but not limited to, macroeconomic conditions, specific 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 investment is written down to the fair value, which becomes the new carrying value for the investment. Impairment losses are not reversed for subsequent recoveries in fair value of the 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 and/or holds a majority voting 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 nor does the Corporation hold a majority voting interest in any other entity, nor have significant influence over any entities.

Allowance for losses on loan investments – The allowance for losses represents management's estimate of incurred losses in the loan investment portfolio as of the balance sheet date and is recorded as a reduction to loan investments. The allowance for losses is increased by charges to expense, through the provision for loan investment losses, and decreased by net charge-offs, or release of provision for improvement in the amount and/or severity of previously estimated losses. Considerable judgment is required to estimate the allowance for losses including determination of appropriate risk ratings, potential severity of losses, expected performance of individual loan investments, economic conditions in Latin America and the Caribbean and various other factors. The Corporation believes that the allowance for losses is adequate as of the balance sheet date; however, future changes to the allowance for losses may be necessary based on changes in any of the factors discussed herein.

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

For the general provision, the allowance for losses is established via an internal credit risk classification system that estimates the probable loss inherent in the portfolio based on various analyses.

For the specific provision and for loans evaluated for impairment, the determination of the allowance for identified probable losses reflects management's best judgment of the creditworthiness of the borrower and is established based upon the periodic review of individual 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.

The Corporation segments its loan portfolio as either financial institutions or corporate loans. Corporate loans are extended to enterprises operating in a variety of sectors further detailed in Note 4. IIC loans can be secured or unsecured. Secured loans may be guaranteed by mortgages and other forms of collateral security, as well as third-party guarantees.

The required allowance for each loan or guarantee exposure considers: (i) the probability of default rate for each risk category and the applicable loss emergence period; (ii) the amount of credit exposure in each of these categories; and, (iii) the loss given default (LGD) ratio.

The Corporation refined its loan risk rating process to include ten rating categories published by Standard & Poor's (S&P) as described in Note 4. Each loan is individually monitored and rated to assign an applicable probability of default rate and an LGD ratio on at least an annual basis.

- Probability of Default — A scorecard is completed that contemplates a variety of borrower-specific considerations including, but not limited to: past experience and available market information, country risk, historical loss experience for similar credits, the risk of correlation or contagion of losses between markets, nonperformance under sponsor guarantees and support agreements, as well as an analysis of the financial statements and other information provided by the borrower. The scorecard result produces an internal risk rating that is comparable to a long-term issuer credit rating published by S&P.

- Loss Given Default — The Corporation calculates an LGD ratio for each individual loan or guarantee. A scorecard is completed that contemplates a variety of transaction-specific considerations for each loan or guarantee exposure, including, but not limited to: the seniority of the instrument, the collateral type, third party guarantees and jurisdiction risk or creditor rights under the law of the respective country. The scorecard produces an LGD ratio that is calibrated using empirical evidence of over 20 years of historical loss data collected by S&P.

The Corporation utilizes these external inputs to calculate the allowance for losses because of the Corporation's limited historical loss experience, relatively small volume of business (less than 250 loans), and variation in loan size, sector and geographic dispersion of the portfolio.

Loans are charged off when the Corporation has exhausted all possible means of recovery, by reducing the loan and related allowance for losses on loan investments. Such reductions in the allowance are partially offset by recoveries, if any, 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. A loan is generally placed in nonaccrual status where collectability is in doubt or when payments of interest or principal are past due more than 90 days. The Corporation does not recognize income on loans in nonaccrual status and any uncollected interest accrued on a loan placed in nonaccrual status is reversed out of income and is thereafter recognized as income only when the payment is 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. Interest not previously recognized but capitalized as part of a debt restructuring is recorded as deferred income, included in Accounts payable and other liabilities in the balance sheet, and credited to income only when the related principal is received. Such capitalization is considered in the computation of the Allowance for losses on loan investments in the balance sheet.

Net loan origination fees and costs, included in Receivables and other assets in the balance sheet, are deferred and amortized over the life of the loan on a straight-line basis, which approximates how costs would be reflected under the effective interest method.

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 NAV and recorded as Changes in fair value of equity investments in the statement of income. Disbursements and distributions are recorded as changes to the outstanding balance of LPs and reflected as such in Equity investments in the balance sheet.

Revenue recognition for service fees – A series of service level agreements define the nature of the services and corresponding fees for services provided to the IDB. Revenue is recognized as services are rendered, as the corresponding fees are determinable and collection is reasonably assured. Similarly, the Corporation receives project administration and general administrative fees for services provided to several special purpose trust funds affiliated with the Corporation or the IDB. Additional information about related-party transactions is included in Note 12 and management of external funds in Note 14.

Borrowings – To ensure funds are available for its operational liquidity needs, the Corporation accesses the international capital markets, offering its debt securities to investors. The Corporation's borrowings are carried at amortized cost. The amortization of premiums and accretion of discounts is calculated following a methodology that approximates the effective interest method, and is included in Borrowings-related expense in the statement of income.

The unamortized balance of the borrowing issuance costs related to a recognized debt liability is included as a direct deduction from the carrying amount of the debt liability in Borrowings, short-term and Borrowings, long-term in the balance sheet.

Interest expense on borrowings is recognized on an accrual basis and is included in Borrowings-related expense in the statement of income.

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. The amounts are presented as a reduction to Borrowings and amortized to Borrowings-related expense in the statement of income.

Fixed assets – Fixed assets are presented 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 the transaction 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, in the statement of income.

Fair value measurements – The Codification requires entities to disclose information about recurring and non-recurring fair value measurements, as well as the fair value of financial instruments.

GAAP defines fair value 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 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 agencies.

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

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

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

  Assets utilizing Level 3 inputs include certain loans and direct equity investments.

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. 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 Topic 820, *Fair Value Measurements*, the impact of the Corporation's own credit spreads would be also 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.

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 are immune from all taxation and from all custom duties in its member countries. The Corporation is also immune from any obligation relating to the payment, withholding or collection of any tax or duty in its member countries.

Accounting and financial reporting developments – In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU or Update) 2016-02, *Leases (Topic 842)*. The FASB issued this Update to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. To meet this objective, the FASB has amended the

Codification and created Topic 842 that supersedes *Topic 840, Leases*. The key change from previous GAAP and Topic 840 is the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous GAAP. The core principle of Topic 842 is that a lessee should recognize the assets and liabilities that arise from leases in the balance sheet. For the Corporation, this Update is effective in 2020 and for interim periods in 2021. Early application of the amendments in the Update is permitted for all entities. The Corporation is currently assessing the impact that this Update will have on its financial statements.

In May 2016, the FASB issued ASU 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients*. The amendments in this Update affect entities with transactions included within the scope of Topic 606. The scope of that Topic includes entities that enter into contracts with customers to transfer goods or services (that are an output of the entity's ordinary activities) in exchange for consideration. The amendments in this Update do not change the core principles of the guidance. Rather, the amendments in this Update affect only narrow aspects of Topic 606 including clarifying collectability criterion and implementation considerations. For the Corporation, this Update is effective in 2019 and for interim periods in 2020. The Corporation is currently assessing the impact that this Update will have on its financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The amendments in this Update affect entities holding financial assets and net investments in leases that are not accounted for at fair value through net income. The amendments affect loans, debt securities, trade receivables, net investments in leases, off-balance sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. The amendments replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The use of forecasted information incorporates more timely information in the estimate of expected credit loss that will be more useful to users of the financial statements. For the Corporation, this Update is effective in 2021 and for interim periods in 2022. An entity will apply the amendments in this Update through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective (that is, a modified-retrospective approach). The Corporation is currently assessing the impact that this Update will have on its financial statements.

In March 2017, the FASB issued ASU 2017-07, *Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. The amendments in this Update require that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are required to be presented in the income statement separately from the service cost. For the Corporation, this Update is effective in 2019 and for interim periods in 2020. Early adoption is permitted. The Corporation is currently assessing the impact that this Update will have on its financial statements.

In March 2017, the FASB issued ASU 2017-08, *Receivables – Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization of Purchased Callable Debt Securities*. The amendment in this Update shortens the amortization period to the earliest call date for certain purchased callable debt securities held at a premium. For the Corporation, this Update is effective in 2020 and for interim periods in 2021. Early adoption is permitted. An entity should apply the amendments in this Update on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. Additionally, in the period of adoption, an entity should provide disclosures about a change in accounting principle. The Corporation is currently assessing the impact that this Update will have on its financial statements.

(dollars in thousands, unless otherwise indicated)

3. Investment Securities

Trading securities consist of the following:

	March 31	
USD Thousands	**2017**	**2016**
Corporate securities	$ 328,596	$ 54,922
Supranational securities	69,776	-
Agency securities	12,947	-
Government securities	8,613	11,416
	$ 419,932	**$ 66,338**

Net unrealized gains on trading securities were $596 for the three months ended March 31, 2017 ($26 net unrealized gains for the three months ended March 31, 2016).

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

	March 31	
USD Thousands	**2017**	**2016**
Corporate securities	$ 744,719	$ 358,652
Agency securities	98,237	112,605
Government securities	49,718	-
Supranational securities	-	7,005
	$ 892,674	**$ 478,262**

(dollars in thousands, unless otherwise indicated)

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

	March 31, 2017			
USD Thousands	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Corporate securities	$ 744,194	$ 1,911	$ (1,386)	$ 744,719
Agency securities	98,184	170	(117)	98,237
Government securities	49,832	47	(161)	49,718
	$ 892,210	**$ 2,128**	**$ (1,664)**	**$ 892,674**

	March 31, 2016			
USD Thousands	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Corporate securities	$ 359,016	$ 495	$ (859)	$ 358,652
Agency securities	111,818	794	(7)	112,605
Supranational securities	6,998	7	-	7,005
	$ 477,832	**$ 1,296**	**$ (866)**	**$ 478,262**

The length of time that individual available-for-sale securities have been in a continuous unrealized loss position is as follows:

	March 31, 2017					
	Less than 12 months		12 months or more		Total	
USD Thousands	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
Corporate securities	$ 266,367	$ (1,319)	$ 37,933	$ (67)	$ 304,300	$ (1,386)
Agency securities	61,110	(117)	-	-	61,110	(117)
Government securities	29,679	(161)	-	-	29,679	(161)
	$ 357,156	**$ (1,597)**	**$ 37,933**	**$ (67)**	**$ 395,089**	**$ (1,664)**

	March 31, 2016					
	Less than 12 months		12 months or more		Total	
USD Thousands	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
Corporate securities	$ 121,282	$ (539)	$ 49,769	$ (320)	$ 171,051	$ (859)
Agency securities	27,010	(7)	-	-	27,010	(7)
	$ 148,292	**$ (546)**	**$ 49,769**	**$ (320)**	**$ 198,061**	**$ (866)**

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

	March 31	
USD Thousands	2017	2016
Unrealized gains/(losses) during the period	$ 2,017	$ 466
Reclassification of (gains)/losses to net income	232	-
Changes due to impaired securities	-	-
Total recognized in Other comprehensive income/(loss) related to available-for-sale securities	**$ 2,249**	**$ 466**

(dollars in thousands, unless otherwise indicated)

Proceeds from the sale of available-for-sale securities were $54,549 during the three months ended March 31, 2017 (none were sold during the three months ended March 31, 2016). Gross realized gains were $6 and gross realized losses were $238 from the sale of available-for-sale securities during the three months ended March 31, 2017 (none were sold during the three months ended March 31, 2016). The first-in, first-out identification method was used to determine the cost basis of the securities sold.

Investment securities with unrealized losses are the result of pricing changes in the current market environment and not as a result of other-than-temporary credit impairment. As of March 31, 2017, no other-than-temporary impairment has been recognized in the Corporation's available-for-sale investment securities portfolio (none as of March 31, 2016). Further, for securities in an unrealized loss position, the Corporation does not have the intent to sell securities within the available-for-sale portfolio and it is more likely than not that the Corporation will not be required to sell prior to recovery of the non-credit portion recognized in Accumulated other comprehensive income/(loss).

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

	March 31	
USD Thousands	**2017**	**2016**
Within one year	$ 197,435	$ 176,079
After one year through five years	695,239	302,183
	$ 892,674	**$ 478,262**

For the three months ended March 31, 2017, interest income, net of amortization of premiums and accretion of discounts, was $3,653 ($1,507 for the three months ended March 31, 2016).

4. Loan and Equity Investments

The Corporation has specific metrics for concentrations and monitors its investments in loans for credit risk and investments in equity and LPs for market risk and any potential related effects of geographic concentrations. As of March 31, 2017, the Corporation's largest aggregate investment exposures were in Brazil, Chile and Panama (Brazil, Panama, and Peru as of March 31, 2016). As of March 31, 2017, outstanding investments in loans and investments in equity and LPs denominated in foreign currency amounted to $38,655 ($48,499 as of March 31, 2016). The Corporation's multi-country loan and equity investment exposures are designated as Regional in the following table.

(dollars in thousands, unless otherwise indicated)

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

	March 31					
USD Thousands	2017			2016		
	Loan	Equity	Total	Loan	Equity	Total
Brazil	$ 96,911	$ 2,488	$ 99,399	$ 111,430	$ 956	$ 112,386
Chile	97,047	1,268	98,315	90,404	1,600	92,004
Panama	97,976	-	97,976	102,807	4,000	106,807
Peru	92,364	-	92,364	99,158	1,750	100,908
Ecuador	79,709	-	79,709	76,111	-	76,111
Mexico	68,103	10,105	78,208	78,479	9,050	87,529
Costa Rica	74,851	-	74,851	94,015	-	94,015
Uruguay	50,273	-	50,273	32,860	-	32,860
Colombia	37,726	457	38,183	78,111	495	78,606
Regional	15,019	18,008	33,027	13,821	9,757	23,578
El Salvador	27,131	-	27,131	27,871	-	27,871
Nicaragua	22,725	-	22,725	28,426	-	28,426
Argentina	18,124	-	18,124	24,883	166	25,049
Honduras	17,717	-	17,717	9,175	-	9,175
Paraguay	15,016	-	15,016	29,066	-	29,066
Guatemala	13,670	-	13,670	8,677	-	8,677
Dominican Republic	11,916	-	11,916	12,574	205	12,779
Suriname	10,000	-	10,000	-	-	-
Jamaica	6,861	-	6,861	5,522	-	5,522
Haiti	5,823	-	5,823	5,272	-	5,272
Plurinational State of Bolivia	464	3,000	3,464	1,025	3,000	4,025
Bahamas	1,397	-	1,397	524	-	524
	$ 860,823	**$ 35,326**	**$ 896,149**	**$ 930,211**	**$ 30,979**	**$ 961,190**
Financial Institutions	$ 571,728	$ 23,494	$ 595,222	$ 668,770	$ 18,134	$ 686,904
Energy	105,107	-	105,107	71,525	1,750	73,275
Industry	60,368	5,000	65,368	56,622	3,802	60,424
Agriculture and Rural Development	56,823	-	56,823	71,412	-	71,412
Transport	24,293	-	24,293	29,537	-	29,537
Urban Development and Housing	12,169	2,832	15,001	7,076	3,088	10,164
Sustainable Tourism	13,115	-	13,115	11,175	-	11,175
Science and Technology	4,955	4,000	8,955	6,029	4,205	10,234
Other	6,083	-	6,083	-	-	-
Health	6,000	-	6,000	5,662	-	5,662
Education	104	-	104	2,119	-	2,119
Water and Sanitation	78	-	78	284	-	284
	$ 860,823	**$ 35,326**	**$ 896,149**	**$ 930,211**	**$ 30,979**	**$ 961,190**

(dollars in thousands, unless otherwise indicated)

Loan and equity investment portfolio

The Corporation's development-related assets are the result of lending and investing activities that include loans, equity and LP investments, 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. 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 market risk.

The distribution of the outstanding portfolio by investment type is as follows:

	March 31, 2017		
USD Thousands	Financial institutions	Corporates	Total
Loan	$ 571,728	$ 289,095	$ 860,823
Equity	23,494	11,832	35,326
	$ 595,222	**$ 300,927**	**$ 896,149**

	March 31, 2016		
USD Thousands	Financial institutions	Corporates	Total
Loan	$ 668,770	$ 261,441	$ 930,211
Equity	18,134	12,845	30,979
	$ 686,904	**$ 274,286**	**$ 961,190**

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

USD Thousands	March 31, 2017
Loan	$ 89,546
Equity	26,373
	$ 115,919

(dollars in thousands, unless otherwise indicated)

Loan investments

Loans accrue interest at fixed and variable rates. The unpaid principal balance of the fixed rate loan portfolio amounted to $156,658 as of March 31, 2017 ($175,519 as of March 31, 2016). Variable rate loans generally reprice within one year.

Nonaccrual loans on which the accrual of interest has been discontinued totaled $8,425 as of March 31, 2017 ($11,476 as of March 31, 2016). Nonaccrual loans that are current totaled $37 as of March 31, 2017 ($1,760 as of March 31, 2016). A current nonaccrual loan is a loan that was placed in nonaccrual status where the borrower is now current on payments but for which ongoing monitoring is necessary to determine whether the borrower has sufficiently demonstrated performance before returning the loan to accrual status. Interest income collected and interest income recognized on loans in nonaccrual status for the three months ended March 31, 2017, was $1 ($54 for the three months ended March 31, 2016).

The investment in impaired loans as of March 31, 2017, was $8,596 ($9,787 as of March 31, 2016). The average investment in impaired loans for the three months ended March 31, 2017, was $8,568 ($9,874 for the three months ended March 31, 2016). The total amount of the allowance related to impaired loans as of March 31, 2017 and 2016, was $6,204 and $5,553, respectively. During 2016, there was one troubled debt restructuring for a loan classified as impaired with an outstanding balance of $2,272 and a specific allowance for loan losses of $1,500, and is considered within the impaired loans as of March 31, 2017.

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

USD Thousands	March 31, 2017			March 31, 2016		
	Financial institutions	Corporates	Total	Financial institutions	Corporates	Total
Balance as of January 1	$ (17,601)	$ (17,337)	$ (34,938)	$ (18,031)	$ (18,715)	$ (36,746)
Loan investments charged off, net	-	481	481	-	66	66
Recoveries	(73)	-	(73)	-	(222)	(222)
Provision for loan investment losses	838	(1,456)	(618)	(1,749)	1,141	(608)
Balance as of March 31	**$ (16,836)**	**$ (18,312)**	**$ (35,148)**	**$ (19,780)**	**$ (17,730)**	**$ (37,510)**

Equity investments

As of March 31, 2017, there were five direct equity investments (ten as of March 31, 2016) with a carrying value of $15,231 ($20,445 as of March 31, 2016). There were no other-than-temporary impairment losses for the three months ended March 31, 2017 (none for the three months ended March 31, 2016).

As of March 31, 2017, there were ten investments in LPs recorded at fair value based on NAV of $20,095 (twelve at fair value of $10,534 as of March 31, 2016). Investments in LPs may generally be 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:

	March 31	
USD Thousands	2017	2016
Other current assets		
Interest receivable on loan investments	$ 5,235	$ 6,511
Interest receivable on investment securities	3,608	1,426
Other current assets	6,981	15,119
	15,824	23,056
Other noncurrent assets		
Postretirement Benefit Plan, net asset	-	1,946
Other noncurrent assets	2,339	2,423
	2,339	4,369
Total receivables and other assets	**$ 18,163**	**$ 27,425**

As of March 31, 2016, Other current assets include a receivable due from IDB of $9,118. Refer to Note 12. As of March 31, 2016, the Postretirement Benefit Plan net asset reflects the funded status of the Plan. Refer to Note 13.

6. Accounts Payable and Other Liabilities

Accounts payable and other liabilities are summarized below:

	March 31	
USD Thousands	2017	2016
Pension Plan, net liability	$ 27,181	$ 24,107
Deferred revenue	14,853	5,861
Employment benefits payable	8,230	7,877
Accounts payable and other liabilities	2,340	3,901
Postretirement Benefit Plan, net liability	2,098	-
Due to IDB, net	2,304	-
Total accounts payables and other liabilities	**$ 57,006**	**$ 41,746**

As of March 31, 2017 and 2016, the Pension Plan net liability reflects the underfunded status of the Plan. As of March 31, 2017, the Postretirement Benefit Plan net liability reflects the underfunded status of the Plan. Refer to Note 13.

(dollars in thousands, unless otherwise indicated)

7. Borrowings

Borrowings outstanding by currency are as follows:

	March 31			
USD Thousands	2017		2016	
	Amount outstanding	**Weighted average cost**	**Amount outstanding**	**Weighted average cost**
U.S. dollar	$ 1,032,863	1.33%	$ 539,729	0.96%
Mexican peso	42,563	6.87%	46,412	4.24%
Brazilian real	-	-	12,646	10.20%
Euro	505	0.53%	899	0.80%
	$ 1,075,931		**$ 599,686**	
Borrowings, short-term	(442,317)		(58,913)	
Borrowings, long-term	**$ 633,614**		**$ 540,773**	

The Corporation's overall funding plan considers its liquidity forecast and strategy. The current liquidity risk strategy requires the Corporation to maintain sufficient liquidity available to cover projected operational liquidity needs for at least 18 months. Operational liquidity needs include projected loan and equity investment disbursements, administrative and other expenses, and maturing borrowings.

Since 1997, the Corporation has maintained a renewable credit facility with the IDB amounting to $300,000 that has been renewed four times and expires in November 2020. In August 2008, the Corporation borrowed $100,000 under this facility and $200,000 remain available for disbursement. The outstanding borrowing under this facility is due in 2023.

As of March 31, 2017, the Corporation has one foreign-currency credit facility amounting to $53,204 (1 billion Mexican pesos). As of March 31, 2017, the Corporation borrowed $42,563 (800 million Mexican pesos) and $10,641 remain available for disbursement (200 million Mexican pesos). This borrowing is due to be repaid in May 2017. This renewable facility expires in April 2018.

The Corporation has an $80,000 U.S.-dollar denominated available credit facility. No amounts were drawn on this facility as March 31, 2017 or 2016. The credit facility matures in January 2018.

On October 2, 2014, the Corporation issued its second $400,000 U.S.-dollar denominated, 3-month LIBOR plus 0.14% notes under its European Medium Term Note (EMTN) Program, maturing in 2017. Interest on the notes is payable quarterly. As of March 31, 2017, this borrowing is presented in Borrowings, short-term in the balance sheet.

On April 27, 2016, the Corporation issued its third $500,000 U.S.-dollar denominated, 3-month LIBOR plus 0.30% notes under its EMTN Program, maturing in 2019. Interest on the notes is payable quarterly.

(dollars in thousands, unless otherwise indicated)

The maturity structure of gross borrowings outstanding is as follows:

USD Thousands	2017	2018	2019	2020	2021	Through 2023
Borrowings	$ 442,563	$ 505	$ 500,000	$ -	$ 33,333	$ 100,000
	$ 442,563	**$ 505**	**$ 500,000**	**$ -**	**$ 33,333**	**$ 100,000**

For the three months ended March 31, 2017, Borrowings-related expense includes interest expense of $4,076 that includes the amortization of debt issuance costs of $77 ($2,072 for the three months ended March 31, 2016 that includes debt issuance costs of $36). The unamortized balance of the Corporation's debt issuance cost asset amounts to $471 as of March 31, 2017 ($271 as of March 31, 2016) and is presented as a reduction to Borrowings.

8. Capital

The Corporation's original authorized share capital was increased from $200 million to $705.9 million, equivalent to 70,590 shares, through a $500 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 actual dollars per share.

On March 30, 2015, the IIC'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 the IIC shareholders during the 2016-2022 period; and (ii) annual transfers from the IDB, on behalf of its shareholders, to be paid to the Corporation during the period 2018-2025, totaling $725 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 actual dollars per share. With this capital increase, total authorized shares will amount to 196,064.

As of December 31, 2016, all Annex A shares were subscribed. Subscribed shares are recorded on the date of the subscription instrument at the share issuance price and are expected to be paid in over time. The first annual installment under GCI-II was scheduled for October 31, 2016 and was extended through December 30, 2016. Capital contributions of approximately $152 million were received under GCI-II during the year ended December 31, 2016. Additional capital contributions of $47 million were received during the three months ended March 31, 2017 for a total of $199 million in contributions corresponding to Annex A of GCI-II. As of March 31, 2017, four shares of GCI-I remain to be reallocated per the terms and conditions agreed by the Board of Executive Directors to reallocate shares corresponding to GCI-II.

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

	March 31				
	Shares***	Amount	Additional paid-in capital *	Receivable from members **	Paid in Capital
		USD Thousands			
Argentina	17,376	$ 173,760	$ 57,381	$ 116,874	$ 114,267
Austria	887	8,870	3,349	6,827	5,392
Bahamas	308	3,080	1,013	2,071	2,022
Barbados	220	2,200	735	1,440	1,495
Belgium	169	1,690	-	-	1,690
Belize	101	1,010	-	-	1,010
Bolivarian Republic of Venezuela	10,448	104,480	37,918	99,288	43,110
Brazil	17,376	173,760	57,381	150,251	80,890
Canada	4,088	40,880	24,331	63,711	1,500
Chile	4,456	44,560	15,156	30,869	28,847
Colombia	4,456	44,560	14,643	21,323	37,880
Costa Rica	671	6,710	2,206	4,498	4,418
Denmark	1,071	10,710	-	-	10,710
Dominican Republic	933	9,330	3,065	6,245	6,150
Ecuador	942	9,420	3,120	6,358	6,182
El Salvador	671	6,710	2,206	5,776	3,140
Finland	1,021	10,210	3,880	-	14,090
France	2,868	28,680	4,362	11,422	21,620
Germany	1,334	13,340	-	-	13,340
Guatemala	897	8,970	2,947	6,018	5,899
Guyana	256	2,560	840	1,230	2,170
Haiti	671	6,710	2,206	5,776	3,140
Honduras	671	6,710	2,206	5,776	3,140
Israel	391	3,910	1,347	2,766	2,491
Italy	4,619	46,190	15,181	39,751	21,620
Jamaica	420	4,200	-	-	4,200
Japan	4,950	49,500	15,187	31,904	32,783
Mexico	11,124	111,240	36,559	95,729	52,070
Netherlands	1,071	10,710	-	-	10,710
Nicaragua	671	6,710	2,206	4,498	4,418
Norway	1,016	10,160	3,849	7,847	6,162
Panama	972	9,720	3,985	8,122	5,583
Paraguay	705	7,050	2,336	6,115	3,271
People's Republic of China	9,330	93,300	56,682	115,450	34,532
Peru	5,172	51,720	19,067	41,417	29,370
Plurinational State of Bolivia	1,398	13,980	4,622	9,416	9,186
Portugal	389	3,890	1,279	2,621	2,548
Republic of Korea	8,293	82,930	50,275	104,028	29,177
Spain	6,962	69,620	27,618	50,404	46,834
Suriname	101	1,010	-	-	1,010
Sweden	946	9,460	3,417	6,973	5,904
Switzerland	2,288	22,880	7,519	15,321	15,078
Trinidad and Tobago	671	6,710	2,206	5,776	3,140
United States	16,019	160,190	-	-	160,190
Uruguay	1,849	18,490	6,098	12,425	12,163
Total 2017	**151,248**	**$ 1,512,480**	**$ 498,378**	**$ 1,106,316**	**$ 904,542**
Total 2016	**150,000**	**$ 1,500,000**	**$ 490,642**	**$ 1,287,479**	**$ 703,163**

* Represents the amount in addition to par value subscribed by member countries under GCI-II.
** Represents receivable from members under GCI-II.
*** The table does not reflect Annex B Shares, which are conditional upon approval of transfers by the IDB Board of Governors.

9. Fair Value Measurements

The Corporation's assets recorded at fair value have been categorized based on a fair value hierarchy in accordance with ASC Topic 820.

Fair value of Financial Instruments

The following methods and assumptions are 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, 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.

The Corporation's loans are generally carried at the principal amount outstanding. For disclosure purposes, the Corporation uses a December 31 measurement date to estimate the fair value of its loan portfolio including certain impaired assets. Any excess or deficit resulting from the difference between the carrying amounts of the loan portfolio and the fair value disclosed does not necessarily reflect the realizable values since the Corporation generally holds investments to maturity.

Equity investments: The Corporation purchases the share capital of eligible private sector enterprises and also invests in LPs. In most cases, market prices are not available, and alternate valuation techniques require a significant degree of judgment.

The carrying value of equity investments reported at cost amounted to $15,231 as of March 31, 2017 ($20,445 as of March 31, 2016). For the Corporation's direct equity investments it is not practicable to accurately measure the fair value for disclosure purposes as these are custom-tailored private placement transactions primarily for enterprises including corporates and financial institutions operating in, or ultimately benefiting the Corporation's Regional

Developing Member Countries. Furthermore, contractual clauses generally limit the Corporation's ability to sell or transfer its participation in the Corporation's equity investments given their size and scale. However, in the event that impairment is indicated, the Corporation performs a detailed assessment of the investee's financial condition to estimate fair value for purposes of recognizing impairment. For disclosure purposes, the Corporation uses a December 31 measurement date to estimate the nonrecurring fair value of its direct equity portfolio.

Borrowings: The Corporation's borrowings are recorded at historical amounts unless elected for fair value accounting under ASC Topic 825, *Fair Value Option*. The fair value of the Corporation's borrowings is estimated using either quoted market prices or discounted cash flow analyses based on the Corporation's current borrowing rates for similar types of borrowing arrangements. For disclosure purposes, the Corporation uses a December 31 measurement date to estimate the fair value of its borrowings portfolio. The Corporation held no borrowings at fair value as of March 31, 2017 and 2016.

Other assets and liabilities: The carrying value of certain financial instruments including Receivables and other assets, and Accounts payable and other liabilities approximates fair value due to their liquid or short-term nature.

(dollars in thousands, unless otherwise indicated)

The following fair value hierarchy tables present information about the Corporation's assets measured at fair value on a recurring basis:

USD Thousands	Balance as of March 31, 2017	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
ASSETS			
Corporate securities	$ 1,073,315	$ -	$ 1,073,315
Agency securities	111,184	-	111,184
Supranational securities	69,776	-	69,776
Government securities	58,331	-	58,331
	$ 1,312,606	**$ -**	**$ 1,312,606**

USD Thousands	Balance as of March 31, 2016	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
ASSETS			
Corporate securities	$ 413,574	$ -	$ 413,574
Agency securities	112,605	-	112,605
Government securities	11,416	-	11,416
Supranational securities	7,005	-	7,005
	$ 544,600	**$ -**	**$ 544,600**

In accordance with ASU 2015-07, investments in certain funds for which fair value is measured using NAV as a practical expedient are not classified within the fair value hierarchy.

The following table presents gains and losses due to changes in fair value, including foreign currency impact, for items measured at fair value for the three months ended March 31, 2017:

USD Thousands	Changes in fair value included in earnings for the three months ended March 31
Corporate securities	$ 342
Supranational securities	159
Government securities	122
Agency securities	44
Limited partnerships	(53)
	$ 614

(dollars in thousands, unless otherwise indicated)

The following table presents gains and losses due to changes in fair value, including foreign currency impact, for items measured at fair value for the three months ended March 31, 2016:

USD Thousands		Changes in fair value included in earnings for the three months ended March 31
Government securities		77
Corporate securities	$	58
Limited partnerships		44
Supranational securities		4
	$	**183**

There were no transfers in or out of Level 3 or other levels during the three months ended March 31, 2017 (none during the three months ended March 31, 2016).

Investment securities: As of March 31, 2017, substantially all investment securities are valued based on quoted prices for identical assets or liabilities 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, supranationals and corporate bonds. Also included are commercial paper (CP) and certificates of deposit (CD) issued under large U.S.-based CP or CD programs. For investments for which prices and other relevant information, generated by market transactions involving identical or comparable assets, are not available, the income approach valuation has been employed, using yield curves, bond or credit default swap spreads, and recovery rates based on collateral values as key inputs. 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.

Equity investments - Investments in LPs: As a practical expedient, the Corporation relies on the NAV as reported by the fund manager for the fair value measurement. The NAVs that have been reported by the fund manager are derived from the fair values of the underlying investments as of the reporting date. All investments for which NAV is used as a 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 attributes of an investment company. Generally, LPs have finite lives and the Corporation does not sell or redeem its investments in LPs. Proceeds are distributed to the Corporation as the LPs sell the underlying investee company. Adjustments to the net asset value are made when evidence indicates that fair value differs significantly from net asset value. Aggregate fair value of the investment in LPs was $20,095 as of March 31, 2017 ($10,534 as of March 31, 2016). The changes in fair value of equity investments for the three months ended March 31, 2017, was an unrealized net loss of $71 ($18 unrealized net gain for the three months ended March 31, 2016).

(dollars in thousands, unless otherwise indicated)

10. 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.

11. Lending Arrangements

The Corporation mobilizes funds from commercial banks and other financial institutions in connection with certain of its lending arrangements, and administers and services such arrangements on behalf of participants in exchange for a fee. The arrangements are structured such that the participating lenders must fund their pro rata payment. The participating lenders have no legal recourse against the Corporation in the event that the borrower does not perform under the loan agreement.

12. Related-party Transactions

Service Level Agreements with the IDB

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

The Corporation has a single one-year, renewable SLA to provide certain services related to the IDB's private sector operations. The Corporation recognized revenue of $14,983 for providing these services for the three months ended March 31, 2017 ($14,250 for the three months ended March 31, 2016).

The Corporation receives certain general and administrative services from the IDB under a series of one-year renewable SLAs. Expenses for services provided by the IDB for the three months ended March 31, 2017 under the SLAs include:

USD Thousands	**Three months ended March 31**
Corporate SLAs	$ 1,950
Master SLA	558
Oversight SLAs	519
	$ 3,027

The Corporation incurred expenses relating to IDB services of $3,027 for the three months ended March 31, 2017 ($3,479 for the three months ended March 31, 2016). Payables due to the IDB were $2,304 as of March 31, 2017 ($9,118 receivable from the IDB as of March 31, 2016). Refer to Notes 5 and 6.

(dollars in thousands, unless otherwise indicated)

General Access and Administration Agreement with the IDB (Access Agreement)

The IDB provides project administration and general administrative services for special purpose trust funds administered by the IDB and on behalf of the trust fund donors (the Trust Funds). Certain of the Trust Funds have private sector and NSG operations. Consequent to the IDBG NSG Reform, the Corporation entered into an Access Agreement that provides for an allocation of Trust Fund fees to the Corporation. Such fees are intended to cover internal and external costs associated with administering the NSG activities for the Trust Funds and related operations over the expected lives of the Trust Funds and the underlying operations that range from 15 to 20 years. Costs expected to be incurred approximate the allocable fee and no profit is recognized for the provision of these services.

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. During 2016, the IDB remitted a payment of $10,480 for project administration and general services. For the year ended December 31, 2016, the Corporation recognized revenue of $1,258 related to providing services and deferred $9,222, which will be recognized as revenue as services are provided over a 15 to 20 year period. Deferred revenue is presented as a component of Accounts payable and other liabilities in the balance sheet.

Office Space

The Corporation has incurred office space expenses of $1,026 for the three months ended March 31, 2017 ($1,046 for the three months ended March 31, 2016), of which $1,009 relates to the IDB. The current lease agreement with the IDB will expire in 2020.

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

USD Thousands	2017	2018	2019	2020
Office space	$ 3,092	$ 4,944	$ 5,093	$ 5,245
	$ 3,092	**$ 4,944**	**$ 5,093**	**$ 5,245**

Other Transactions with the IDB Group Entities

The Corporation also earned $219 to provide advisory services to the MIF for the three months ended March 31, 2017 ($25 for the three months ended March 31, 2016).

As of March 31, 2017 and 2016, the Corporation had borrowed $100,000 from the IDB credit facility. Refer to Note 7.

13. 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 Pension Plan.

(dollars in thousands, unless otherwise indicated)

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 PRBP based on an established premium schedule. The Corporation contributes 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 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.

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

All contributions are made in cash during the fourth quarter of the year. As of March 31, 2017, the estimate of contributions expected to be paid to the Pension Plan and the PRBP for the year 2017 are $7,209 and $4,177, respectively, the same amount disclosed in the December 31, 2016 financial statements. Contributions for 2016 were $4,321 and $2,650, respectively.

Net periodic benefit costs are included under Pension Plan and Postretirement Benefit expense in the statement of income. The following table summarizes the net periodic benefit costs associated with the Pension Plan and the PRPB for the three months ended March 31, 2017 and 2016.

	Pension Plan	
	Three months ended March 31	
USD Thousands	**2017**	**2016**
Service cost	$ 2,417	$ 2,013
Interest cost	1,823	1,664
Expected return on plan assets	(2,302)	(2,079)
Amortization of:		
Unrecognized net actuarial loss	96	19
Net periodic benefit cost	**$ 2,034**	**$ 1,617**

	PRBP	
	Three months ended March 31	
USD Thousands	**2017**	**2016**
Service cost	$ 1,100	$ 1,025
Interest cost	1,200	1,050
Expected return on plan assets	(1,675)	(1,450)
Amortization of:		
Unrecognized net actuarial loss	225	175
Prior service (credit)/cost	(100)	(100)
Net periodic benefit cost	**$ 750**	**$ 700**

The Corporation uses a December 31 measurement date for the Pension Plan and the PRBP. The Corporation recognizes actuarial gains and losses on the Pension Plan and the PRBP through comprehensive income at the end of each calendar year, when the pension liabilities are remeasured, as required by GAAP.

14. Management of External Funds

The Corporation administers on behalf of other 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 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 included as Service fees income in the statement of income.

Effective January 1, 2016, the Corporation began administering certain IDB funds and funds administered by the IDB. These funds are used mainly to co-finance projects between the Corporation and the IDB and to fund technical assistance activities.