INTER-AMERICAN INVESTMENT CORPORATION

Financial Statements
as of September 30, 2017 and 2016

INTER-AMERICAN INVESTMENT CORPORATION

BALANCE SHEET (Unaudited)

USD Thousands	September 30 2017	September 30 2016
ASSETS		
Cash and cash equivalents	$ 21,213	$ 35,380
Investment securities		
Available-for-sale	1,029,716	669,512
Trading	543,757	442,356
	1,573,473	1,111,868
Development related investments		
Loans	777,097	851,534
Less Allowance for losses	(39,759)	(35,805)
	737,338	815,729
Equity investments ($27,499 and $13,565 carried at fair value, respectively)	43,538	34,582
Debt securities	6,790	-
Total development related investments	787,666	850,311
Receivables and other assets	18,879	26,422
Total assets	**$ 2,401,231**	**$ 2,023,981**
LIABILITIES AND CAPITAL		
Accounts payable and other liabilities	$ 64,367	$ 70,573
Interest and commitment fees payable	3,457	2,243
Borrowings, short-term	432,862	30,651
Borrowings, long-term	629,866	1,037,062
Total liabilities	**1,130,552**	**1,140,529**
Capital		
Subscribed capital	1,512,480	1,509,430
Additional paid-in capital	498,378	496,469
Less Members' subscriptions receivable	(930,516)	(1,297,790)
	1,080,342	708,109
Retained earnings	214,402	193,140
Accumulated other comprehensive income/(loss)	(24,065)	(17,797)
Total capital	**1,270,679**	**883,452**
Total liabilities and capital	**$ 2,401,231**	**$ 2,023,981**

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

INTER-AMERICAN INVESTMENT CORPORATION

STATEMENT OF INCOME (Unaudited)

USD Thousands	Nine months ended September 30 2017	2016
INCOME		
Loans and other development related investments		
Interest and fees	$ 32,641	$ 31,621
Other income	2,962	1,552
Provision for loan losses	(3,927)	1,101
	31,676	34,274
Equity investments		
Changes in fair value	2,509	1,070
Gain/(Loss) on sale, net	702	179
Dividends	119	673
Other-than-temporary impairment losses on equity investments	-	(281)
	3,330	1,641
Income from development related investments	35,006	35,915
Investment securities	16,078	7,904
Other income		
Service fees	48,062	38,586
Other income	6,096	478
	54,158	39,064
Total income	**105,242**	**82,883**
Borrowing expenses	(13,595)	(8,878)
Total income/(loss) from investments, net of borrowing expenses	**91,647**	**74,005**
OPERATING EXPENSES		
Administrative	58,832	47,318
Pension Plan and Postretirement Benefit Plan expense	8,350	6,060
(Gain)/Loss on foreign exchange transactions, net	(732)	247
Other expenses	1,712	386
Total operating expenses	**68,162**	**54,011**
NET INCOME	**$ 23,485**	**$ 19,994**

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	Nine months ended September 30 2017	2016
NET INCOME	$ 23,485	$ 19,994
OTHER COMPREHENSIVE INCOME/(LOSS)		
Unrealized gain/(loss) on investment securities available-for-sale	2,672	1,188
Total other comprehensive income/(loss)	2,672	1,188
COMPREHENSIVE INCOME/(LOSS)	**$ 26,157**	**$ 21,182**

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**
Nine months ended September 30, 2016					
Net income		-	19,994	-	19,994
Other comprehensive income/(loss)		-	-	1,188	1,188
Change in subscribed shares	25,591				
Payments received for capital stock subscribed		4,946	-	-	4,946
As of September 30, 2016	**150,943**	**$ 708,109**	**$ 193,140**	**$ (17,797)**	**$ 883,452**
As of December 31, 2016	**151,248**	**$ 857,802**	**$ 190,917**	**$ (26,737)**	**$ 1,021,982**
Nine months ended September 30, 2017					
Net income		-	23,485	-	23,485
Other comprehensive income/(loss)		-	-	2,672	2,672
Change in subscribed shares	-				
Payments received for capital stock subscribed		222,540	-	-	222,540
As of September 30, 2017	**151,248**	**$ 1,080,342**	**$ 214,402**	**$ (24,065)**	**$ 1,270,679**

* 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)

	Nine months ended September 30	
USD Thousands	2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES		
Loan disbursements	$ (163,230)	$ (95,205)
Equity disbursements	(10,575)	(4,866)
Loan repayments	243,867	203,807
Returns of equity investments	2,422	228
Debt securities purchases	(6,790)	-
Available-for-sale securities		
Purchases	(487,306)	(357,165)
Sales and maturities	264,797	155,137
Capital expenditures	(2,627)	(2,865)
Proceeds from sales of recovered assets	1,376	227
Net cash provided by/(used in) investing activities	**$ (158,066)**	**$ (100,702)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds/Repayments of borrowings	(4,541)	472,604
Capital subscriptions	222,540	4,946
Net cash provided by/(used in) financing activities	**$ 217,999**	**$ 477,550**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	23,485	19,994
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:		
Change in fair value of equity investments	(2,509)	(1,070)
Provision for loan investment losses	3,927	(1,101)
Change in fair value of investment securities	(3,123)	(1,458)
Realized (gain)/loss on sales of equity investments	(702)	-
Change in receivables and other assets	1,893	(2,680)
Change in accounts payable and other liabilities	5,649	4,526
Trading investment securities		
Purchases	(1,289,804)	(1,118,224)
Sales and maturities	1,196,133	739,683
Other, net	2,830	3,724
Net cash provided by/(used in) operating activities	**$ (62,221)**	**$ (356,606)**
Net effect of exchange rate changes on cash and cash equivalents	42	192
Net increase/(decrease) in cash and cash equivalents	(2,246)	20,434
Cash and cash equivalents as of January 1	23,459	14,946
Cash and cash equivalents as of September 30	**$ 21,213**	**$ 35,380**
Supplemental disclosure:		
Interest paid during the period	$ 12,814	$ 8,068

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, 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 provides financing through loans, investments in debt securities, guarantees and equity investments where sufficient capital is not otherwise available on adequate terms in the market. 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. These services are further described in Note 11.

1. Basis of Presentation

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

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 loans, the evaluation for other-than-temporary impairment on available-for-sale and equity investments, the evaluation for other-than-temporary impairment for held to maturity debt securities, 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 Federal Deposit Insurance Corporation (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 may include fixed and floating rate bonds, notes, bills, certificates of deposit, commercial paper, and mutual funds.

Investment securities are classified based on management's intention on the date of purchase. Purchases and sales of investment securities are recorded on a trade date basis. The 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 from both 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 that are deemed to be other than temporary, the credit portion of the loss is recognized in earnings and the non-credit portion is recognized in Accumulated other comprehensive income/(loss).

Loans – Loans are recorded as assets when disbursed and are carried at the principal amount outstanding adjusted for allowance for losses. The Corporation may obtain collateral security or third-party guarantees.

The Corporation discloses 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 may be secured or unsecured. Secured loans may be guaranteed by mortgages and other forms of collateral security, as well as third-party guarantees.

[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.

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

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

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

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

The Corporation's loan risk rating process includes ten rating categories published by Standard & Poor's (S&P). Each loan is individually monitored and rated by assigning an applicable probability of default rate and an LGD ratio on at least an annual basis.

- Probability of Default — A scorecard is completed that contemplates a variety of borrower-specific considerations including, but not limited to: 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 a 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 loan 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.

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

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 considered in determining that a loan is impaired include the borrower's financial difficulties, the borrower's competitive position in the marketplace, the risk associated with the underlying collateral, the willingness and capacity of the sponsor who organized the project to support the investment, the borrower's management team, as well as geopolitical conflict and macroeconomic crises.

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

Equity investments – 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. 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.

Direct equity investments are assessed for impairment at least annually on the basis of the latest financial information, operating performance and other relevant information including 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.

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.

Development related investments in debt securities - Debt securities in the development related investment portfolio are classified as held to maturity and carried at amortized cost basis in the balance sheet. These debt securities are assessed for other than temporary impairment periodically. Interest on debt securities is included in Income from development related investments in the statement of income.

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 has concluded that it is not the primary beneficiary for any VIEs. Additionally, the Corporation does not have a significant variable interest in any VIE, which would require disclosure.

Similarly, the Corporation does not hold a controlling financial interest or majority voting interest in any other entity, and it does not have significant influence over any entities.

Revenue recognition for service fees – A series of service level agreements define the nature of the services and corresponding fees for services provided to the IDB. The most significant of these services relates to loan origination and servicing performed on the IDB's behalf. Revenue is recognized when services are rendered, as the corresponding fees are determinable and collection is reasonably assured. Similarly, 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 11 and management of external funds in Note 13.

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 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 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 denominated in currencies other than the United States dollar are translated into U.S. dollars at market exchange rates in effect on the balance sheet dates. Revenues and expenses are translated at rates that approximate monthly 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.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transfer between market participants at the measurement date under current market conditions. Fair value measurement further assumes that a transaction to sell the asset or assume a liability takes place either in the principal market or, in the absence of a principal market, in the most advantageous market for the asset or liability.

In determining fair value, 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 governments and agencies other than the United States, 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.

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 also be considered when measuring the fair value of liabilities. Where appropriate, valuation adjustments are made to account for various factors, including bid-ask spreads, credit quality, and market liquidity. These adjustments are applied on a consistent basis and are based upon observable inputs, where available.

Loan Participations – The Corporation mobilizes funds from commercial banks and other financial institutions (Participants) by facilitating loan participations, without recourse. These loan participations are administered and serviced by the Corporation on behalf of the Participants in exchange for a fee. These mobilization fees are reported as Other income in the statement of income. The disbursed and outstanding balances of loan participations that meet the applicable accounting criteria are accounted for as sales and are not included in the Corporation's balance sheet.

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 May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU or Update) 2014-9, *Revenue from Contracts with Customers (Topic 606)*, which supersedes the previous revenue recognition requirements and guidance. This new guidance does not apply to financial instruments nor guarantees. Supplemental guidance has been issued in the form of additional ASUs related to the revenue recognition topic. 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 January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments-Overall: Recognition and Measurement of Financial Assets and Financial Liabilities*. The changes to the current GAAP model primarily affect accounting for equity investments and presentation and disclosure requirements for financial instruments. Accounting for other financial instruments, such as loans, investments in debt securities, and other financial liabilities is largely unchanged. For the Corporation, this Update is effective in 2019 and for interim periods in 2020. The Corporation is currently assessing the impact of this Update on its financial statements.

In February 2016, the FASB issued ASU 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 US GAAP and Topic 840 is the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous US 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. 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 US 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. Early adoption is permitted and is under consideration. The amendments in this Update should be applied through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective (that is, a modified-retrospective approach). 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 statement of income separately from the service cost. 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 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. 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:

USD Thousands	September 30 2017	September 30 2016
Corporate securities	$ 92,882	$ 327,357
Government securities	407,956	55,311
Supranational securities	29,940	29,727
Agency securities	12,979	29,961
	$ 543,757	**$ 442,356**

Net unrealized gains on trading securities were $112 for the nine months ended September 30, 2017 ($829 net unrealized gains for the nine months ended September 30, 2016).

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

	September 30, 2017			
USD Thousands	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Corporate securities	$ 805,347	$ 2,599	$ (1,225)	$ 806,721
Agency securities	175,502	104	(412)	175,194
Government securities	29,876	-	(138)	29,738
Supranational securities	18,101	-	(38)	18,063
	$ 1,028,826	**$ 2,703**	**$ (1,813)**	**$ 1,029,716**

	September 30, 2016			
USD Thousands	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Corporate securities	$ 584,726	$ 820	$ (461)	$ 585,085
Agency securities	83,709	718	-	84,427
	$ 668,435	**$ 1,538**	**$ (461)**	**$ 669,512**

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

	September 30, 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	$ 245,163	$ 851	$ 78,367	$ 372	$ 323,530	$ 1,223
Agency securities	143,123	412	-	-	143,123	412
Government securities	29,738	139	-	-	29,738	139
Supranational securities	18,063	39	-	-	18,063	39
	$ 436,087	**$ 1,441**	**$ 78,367**	**$ 372**	**$ 514,454**	**$ 1,813**

	September 30, 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	$ 207,241	$ (324)	$ 49,862	$ (137)	$ 257,103	$ (461)
	$ 207,241	**$ (324)**	**$ 49,862**	**$ (137)**	**$ 257,103**	**$ (461)**

(dollars in thousands, unless otherwise indicated)

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

USD Thousands	September 30 2017	September 30 2016
Unrealized gains/(losses) during the period	$ 2,743	$ 1,471
Reclassification of (gains)/losses to net income	(71)	(283)
Total recognized in Other comprehensive income/(loss) related to available-for-sale securities	**$ 2,672**	**$ 1,188**

Proceeds from the sale of available-for-sale securities were $142,797 during the nine months ended September 30, 2017 ($52,257 during the nine months ended September 30, 2016). Gross realized gains were $316 and gross realized losses were $245 from the sale of available-for-sale securities during the nine months ended September 30, 2017 (gross realized gains were $283 and no gross realized losses from the sale of available-for-sale securities during the nine months ended September 30, 2016). The first-in, first-out identification method was used to determine the cost basis of the securities sold.

As of September 30, 2017, no other-than-temporary impairment has been recognized in the Corporation's available-for-sale investment securities portfolio (none as of September 30, 2016). 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. 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:

USD Thousands	September 30 2017	September 30 2016
Within one year	$ 187,524	$ 244,564
Between one and five years	842,192	424,948
	$ 1,029,716	**$ 669,512**

For the nine months ended September 30, 2017, interest income, net of amortization of premiums and accretion of discounts, was $12,466 ($5,996 for the nine months ended September 30, 2016).

4. Development Related Investments

The Corporation has specific metrics for concentrations and monitors its loans for credit risk and investments in equity and LPs for market risk and any potential related effects of geographic concentrations. As of September 30, 2017, the Corporation's largest aggregate investment exposures were in Brazil, Chile and Ecuador (Brazil, Panama, and Peru as of September 30, 2016). As of September 30, 2017, outstanding loans and investments in equity and LPs denominated in foreign currency amounted to $24,659 ($27,373 as of September 30, 2016). The Corporation's multi-country loans 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:

	September 30							
USD Thousands	2017				2016			
	Loan	Equity	Debt securities	Total	Loan	Equity	Debt securities	Total
Brazil	$ 120,167	$ 3,604	$ -	$ 123,771	$ 98,712	$ 1,583	$ -	$ 100,295
Chile	99,268	687	-	99,955	95,857	1,600	-	97,457
Ecuador	75,313	-	-	75,313	76,826	-	-	76,826
Mexico	50,934	10,461	-	61,395	66,479	9,832	-	76,311
Panama	58,536	-	-	58,536	94,566	4,000	-	98,566
Costa Rica	57,521	-	-	57,521	83,277	-	-	83,277
Argentina	56,263	-	-	56,263	6,809	134	-	6,943
Uruguay	48,342	-	6,790	55,132	38,436	-	-	38,436
Peru	48,648	-	-	48,648	95,966	1,750	-	97,716
Regional	15,538	25,358	-	40,896	17,233	12,208	-	29,441
Guatemala	22,966	-	-	22,966	7,973	-	-	7,973
El Salvador	22,599	-	-	22,599	26,405	-	-	26,405
Colombia	19,071	428	-	19,499	53,738	475	-	54,213
Nicaragua	19,013	-	-	19,013	24,539	-	-	24,539
Honduras	16,147	-	-	16,147	7,279	-	-	7,279
Paraguay	12,701	-	-	12,701	24,337	-	-	24,337
Dominican Republic	9,901	-	-	9,901	10,081	-	-	10,081
Suriname	9,643	-	-	9,643	10,000	-	-	10,000
Jamaica	6,914	-	-	6,914	5,995	-	-	5,995
Haiti	5,407	-	-	5,407	5,987	-	-	5,987
Bolivia	858	3,000	-	3,858	569	3,000	-	3,569
Bahamas	1,347	-	-	1,347	470	-	-	470
	$ 777,097	**$ 43,538**	**$ 6,790**	**$ 827,425**	**$ 851,534**	**$ 34,582**	**$ -**	**$ 886,116**
Financial Institutions	$ 453,379	$ 30,912	$ -	$ 484,291	$ 599,380	$ 21,085	$ -	$ 620,465
Energy	120,760	-	6,790	127,550	65,831	1,750	-	67,581
Industry	57,052	-	-	57,052	71,004	-	-	71,004
Agriculture and Rural Development	55,532	-	-	55,532	50,789	-	-	50,789
Transport	36,346	-	-	36,346	27,022	-	-	27,022
Science and Technology	20,558	4,695	-	25,253	5,493	4,000	-	9,493
Sustainable Tourism	12,536	-	-	12,536	12,295	-	-	12,295
Urban Development and Housing	9,482	2,931	-	12,413	2,327	2,747	-	5,074
Other	6,467	-	-	6,467	-	-	-	-
Private Firms and SME Development	-	5,000	-	5,000	2,467	5,000	-	7,467
Health	4,985	-	-	4,985	4,795	-	-	4,795
Water and Sanitation	-	-	-	-	9,091	-	-	9,091
Education	-	-	-	-	1,040	-	-	1,040
	$ 777,097	**$ 43,538**	**$ 6,790**	**$ 827,425**	**$ 851,534**	**$ 34,582**	**$ -**	**$ 886,116**

(dollars in thousands, unless otherwise indicated)

Development related investments portfolio

The Corporation's development related investments are the result of lending and investing activities that include loans, direct equities and LP investments, debt securities and guarantees, if any, 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 disclosed as financial institutions and corporates. All development related investments are individually evaluated for purposes of monitoring and evaluating credit performance and market risk.

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

	September 30, 2017		
USD Thousands	Financial institutions	Corporates	Total
Loan	$ 453,379	$ 323,718	$ 777,097
Equity	30,912	12,626	43,538
Debt securities	-	6,790	6,790
	$ 484,291	**$ 343,134**	**$ 827,425**

	September 30, 2016		
USD Thousands	Financial institutions	Corporates	Total
Loan	$ 599,380	$ 252,154	$ 851,534
Equity	21,085	13,497	34,582
	$ 620,465	**$ 265,651**	**$ 886,116**

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

USD Thousands	September 30, 2017
Loan	$ 206,112
Equity	21,360
	$ 227,472

Loans

Loans accrue interest at fixed and variable rates. The unpaid principal balance of the fixed rate loan portfolio amounted to $156,733 as of September 30, 2017 ($156,045 as of September 30, 2016). Variable rate loans generally reprice within one year.

Nonaccrual loans on which the accrual of interest has been discontinued totaled $8,333 as of September 30, 2017 ($9,627 as of September 30, 2016). Nonaccrual loans that are current totaled $21 as of September 30, 2017 ($1,646 as of September 30, 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 nine months ended September 30, 2017, was $33 ($136 for the nine months ended September 30, 2016).

(dollars in thousands, unless otherwise indicated)

The investment in impaired loans as of September 30, 2017, was $19,646 ($10,427 as of September 30, 2016). The average investment in impaired loans for the nine months ended September 30, 2017, was $11,621 ($9,531 for the nine months ended September 30, 2016). The total amount of the allowance related to impaired loans as of September 30, 2017 and 2016, was $10,155 and $6,167, 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 $2,051, and is considered within the impaired loans as of September 30, 2017.

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

USD Thousands	September 30, 2017			September 30, 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)
Loans written off, net	-	482	482	-	67	67
Recoveries	(73)	(1,303)	(1,376)	-	(227)	(227)
Provision for loan losses	1,285	(5,212)	(3,927)	(83)	1,184	1,101
Balance as of September 30	**$ (16,389)**	**$ (23,370)**	**$ (39,759)**	**$ (18,114)**	**$ (17,691)**	**$ (35,805)**

Equity investments

As of September 30, 2017, there were five direct equity investments (nine as of September 30, 2016) with a carrying value of $16,039 ($21,017 as of September 30, 2016). There were no other-than-temporary impairment losses for the nine months ended September 30, 2017 ($281 for the nine months ended September 30, 2016, all credit related).

As of September 30, 2017, there were ten investments in LPs recorded at fair value based on NAV of $27,499 (twelve at fair value of $13,565 as of September 30, 2016). Investments in LPs may generally be liquidated over a period of 10 years with up to two one-year extensions.

Debt securities

As of September 30, 2017, there was one debt security issued at par with a carrying value of $6,790 (none as of September 30, 2016). For the nine months ended September 30, 2017, interest income was $59 (none for the nine months ended September 30, 2016).

(dollars in thousands, unless otherwise indicated)

5. Receivables and Other Assets

Receivables and other assets are summarized below:

	September 30	
USD Thousands	2017	2016
Other current assets		
Interest receivable on development related investments	$ 5,504	$ 5,001
Interest receivable on investment securities	4,852	2,590
Other current assets	6,180	14,328
	16,536	21,919
Other noncurrent assets		
Postretirement Benefit Plan, net asset	-	1,946
Other noncurrent assets	2,343	2,557
	2,343	4,503
Total receivables and other assets	**$ 18,879**	**$ 26,422**

As of September 30, 2016, Other current assets include a receivable due from IDB of $8,254. Refer to Note 11. As of September 30, 2016, the Postretirement Benefit Plan net asset reflects the funded status of the Plan. Refer to Note 12.

6. Accounts Payable and Other Liabilities

Accounts payable and other liabilities are summarized below:

	September 30	
USD Thousands	2017	2016
Pension Plan, net liability	$ 27,181	$ 24,107
Deferred revenue	18,604	16,160
Employment benefits payable	8,007	8,244
Due to IDB, net	6,583	-
Postretirement Benefit Plan, net liability	2,098	-
Accounts payable and other liabilities	1,894	22,062
Total accounts payables and other liabilities	**$ 64,367**	**$ 70,573**

As of September 30, 2017, and 2016, the Pension Plan net liability reflects the underfunded status of the Plan. As of September 30, 2017, the Postretirement Benefit Plan net liability reflects the underfunded status of the Plan. Refer to Note 12.

(dollars in thousands, unless otherwise indicated)

7. Borrowings

Borrowings outstanding by currency are as follows:

USD Thousands	September 30			
	2017		2016	
	Amount outstanding	Weighted average cost	Amount outstanding	Weighted average cost
U.S. dollar	$ 1,029,687	1.49%	$1,036,040	1.02%
Mexican peso	33,041	7.38%	30,964	4.59%
Euro	-	0.00%	709	0.74%
	$ 1,062,728		**$1,067,713**	
Borrowings, short-term	(432,862)		(30,651)	
Borrowings, long-term	**$ 629,866**		**$1,037,062**	

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 development related investments 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 September 30, 2017, the Corporation has one foreign-currency credit facility amounting to $55,069 (1 billion Mexican pesos). As of September 30, 2017, the Corporation had borrowed $33,041 (600 million Mexican pesos) and $22,028 remain available (400 million Mexican pesos). This borrowing is due to be repaid in November 2017. This renewable facility expires in April 2018.

The Corporation has an $80,000 U.S. dollar credit facility. No amounts were drawn on this facility as of September 30, 2017 or 2016. The credit facility expires in January 2018.

On October 2, 2014, the Corporation issued $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 September 30, 2017, this borrowing is presented in Borrowings, short-term in the balance sheet.

On April 27, 2016, the Corporation issued $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 borrowings outstanding, gross of debt issuance costs, is as follows:

USD Thousands	2017	2018	2019	2020	2021	Through 2023
Borrowings	$ 433,042	$ -	$ 500,000	$ -	$ 30,000	$ 100,000
	$ 433,042	**$ -**	**$ 500,000**	**$ -**	**$ 30,000**	**$ 100,000**

For the nine months ended September 30, 2017, Borrowings expense includes interest expense of $13,490 that includes the amortization of debt issuance costs of $234 ($8,628 for the nine months ended September 30, 2016 that includes debt issuance costs of $181). The unamortized balance of the Corporation's debt issuance cost amounts to $314 as of September 30, 2017 ($627 as of September 30, 2016) and is presented as a reduction to Borrowings.

8. Capital

The Corporation's original authorized share capital was increased 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 amount to 196,064.

As of December 31, 2016, all Annex A shares had been 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. Payments will be due on October 31 of each year from 2016 to 2022, per a payment plan to be determined and communicated by Management to each subscribing country. The Board of Executive Directors is authorized to extend payment deadlines. Capital contributions of approximately $152 million were received under GCI-II during the year ended December 31, 2016. Additional capital contributions of $222 million were received during the nine months ended September 30, 2017 for a total of $374 million in contributions corresponding to Annex A Shares of 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:

	September 30				
	Shares***	Amount subscribed at par value	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
Bolivia	1,398	13,980	4,622	9,416	9,186
Brazil	17,376	173,760	57,381	140,643	90,498
Canada	4,088	40,880	24,331	35,399	29,812
Chile	4,456	44,560	15,156	30,869	28,847
China	9,330	93,300	56,682	115,450	34,532
Colombia	4,456	44,560	14,643	21,323	37,880
Costa Rica	671	6,710	2,206	3,350	5,566
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	2,006	3,251
Italy	4,619	46,190	15,181	22,116	39,255
Jamaica	420	4,200	-	-	4,200
Japan	4,950	49,500	15,187	31,904	32,783
Korea	8,293	82,930	50,275	104,028	29,177
Mexico	11,124	111,240	36,559	-	147,799
Netherlands	1,071	10,710	-	-	10,710
Nicaragua	671	6,710	2,206	4,498	4,418
Norway	1,016	10,160	3,849	5,614	8,395
Panama	972	9,720	3,985	5,808	7,897
Paraguay	705	7,050	2,336	6,115	3,271
Peru	5,172	51,720	19,067	38,845	31,942
Portugal	389	3,890	1,279	2,621	2,548
Spain	6,962	69,620	27,618	35,063	62,175
Suriname	101	1,010	-	-	1,010
Sweden	946	9,460	3,417	6,973	5,904
Switzerland	2,288	22,880	7,519	15,173	15,226
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
Venezuela	10,448	104,480	37,918	99,288	43,110
Total 2017	**151,248**	**$ 1,512,480**	**$ 498,378**	**$ 930,516**	**$ 1,080,342**
Total 2016	**150,943**	**$ 1,509,430**	**$ 496,469**	**$ 1,297,790**	**$ 708,109**

* 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.

Loans: 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 loans is estimated using recently executed transactions, market price quotations (where observable), and market observable credit default swap levels along with proprietary valuation models where such transactions and quotations are unobservable. 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 $16,039 as of September 30, 2017 ($21,017 as of September 30, 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.

(dollars in thousands, unless otherwise indicated)

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 September 30, 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.

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 September 30, 2017	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
ASSETS			
Corporate securities	$ 899,603	$ -	$ 899,603
Agency securities	188,173	-	188,173
Government securities	437,694	-	437,694
Supranational securities	48,003	-	48,003
	$ 1,573,473	**$ -**	**$ 1,573,473**

USD Thousands	Balance as of September 30, 2016	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
ASSETS			
Corporate securities	$ 912,442	$ -	$ 912,442
Agency securities	114,388	-	114,388
Government securities	55,311	-	55,311
Supranational securities	29,727	-	29,727
	$ 1,111,868	**$ -**	**$ 1,111,868**

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.

(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 nine months ended September 30, 2017:

USD Thousands	Changes in fair value included in earnings	
Corporate securities	$	1,930
Government securities		722
Supranational securities		414
Agency securities		126
Limited partnerships		2,518
	$	**5,710**

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 nine months ended September 30, 2016:

USD Thousands	Changes in fair value included in earnings	
Corporate securities	$	1,061
Government securities		433
Supranational securities		191
Agency securities		56
Limited partnerships		1,117
	$	**2,858**

There were no transfers between levels during the nine months ended September 30, 2017 (none during the nine months ended September 30, 2016).

Investment securities: As of September 30, 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.

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. 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 $27,499 as of September 30, 2017 ($13,565 as of September 30, 2016). The changes in fair value of equity investments for the nine months ended September 30, 2017, was an unrealized net gain of $2,509 ($1,070 unrealized net gain for the nine months ended September 30, 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. Related-party Transactions

Co-financing Arrangements

Following the IDBG NSG Reform, NSG activities are originated by the IIC and largely co-financed by the IIC and the IDB. The Corporation and the IDB maintain separate legal and economic interests in their respective share of the loan principal balance for a co-financed loan. 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.

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 loan origination, credit risk evaluation and monitoring, and other loan administration services for the IDB related to its private sector operations. The Corporation recognized revenue of $46,620 for providing these services for the nine months ended September 30, 2017 ($37,500 for the nine months ended September 30, 2016). These amounts are included in Other income-service fees in the statement of income.

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 nine months ended September 30, 2017 under the SLAs are presented as Administrative expenses in the statement of income and include:

USD Thousands	Nine months ended September 30
Corporate SLAs	$ 5,027
Master SLA	1,673
Oversight SLAs	1,629
	$ 8,329

The Corporation incurred expenses relating to IDB services of $8,329 for the nine months ended September 30, 2017 ($4,837 for the nine months ended September 30, 2016). Payables due to the IDB were $6,583 as of September 30, 2017 ($8,254 receivable from the IDB as of September 30, 2016). Refer to Notes 5 and 6.

(dollars in thousands, unless otherwise indicated)

General Access and Administration Agreement with the IDB related to IDB Trust Funds (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 July 2017, the IDB remitted a payment of $1,633 for project administration and general services ($10,480 in 2016). Revenue related to these services is recognized on an annual basis. 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 entered into office space leases with the IDB. Expenses incurred for those leases amounted to $3,098 during the nine months ended September 30, 2017 ($3,188 for the nine months ended September 30, 2016). The current lease agreements 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	$ 1,048	$ 5,178	$ 5,690	$ 5,861
	$ 1,048	**$ 5,178**	**$ 5,690**	**$ 5,861**

Other Transactions with the IDB Group Entities

The Corporation also earned $656 to provide advisory services to the MIF for the nine months ended September 30, 2017 ($75 for the nine months ended September 30, 2016).

As of September 30, 2017, and 2016, the Corporation had borrowed $100,000 from the IDB credit facility. Refer to Note 7.

12. Pension and Postretirement Benefit Plans

The IDB Group has three defined benefit pension plans: the Staff Retirement Plan (SRP), the Complementary Staff Retirement Plan (CSRP), and the Local Retirement Plan (LRP) (the Pension Plans), covering staff of the IDB Group entities. Under the Pension Plans, benefits are based on years of service and level of compensation, and they are funded by contributions from employees, the Corporation and the IDB, in accordance with the provisions of the Pension Plans. Any and all contributions to the Pension Plans are irrevocable and are held separately in retirement funds solely for the payment of benefits under the Pension Plans.

The IDB Group also provides certain health care and other benefits to retirees. All current staff who contribute to the Pension Plans 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 and the IDB contribute the remainder of the actuarially determined cost of future health care and other benefits. While all contributions and all other assets and income of the PRBP remain the property of the Corporation and the IDB, they are held and administered separately and apart from the other property and assets of each employer solely for the purpose of payment of benefits under the PRBP.

Since both the IDB and the Corporation are sponsors of the SRP, CSRP and PRBP, each employer presents its respective share of these plans using a December 31 measurement date. The Corporation recognizes actuarial gains and losses on the SRP, CSRP and the PRBP through Other comprehensive income/(loss) at the end of each calendar year, when the pension liabilities are remeasured.

All contributions are made in cash during the fourth quarter of the year. As of September 30, 2017, the estimate of contributions expected to be paid for the year 2017 are $7,209 to the SRP and CSRP combined, and $4,177 to the PRBP, the same amount disclosed in the December 31, 2016 financial statements. Contributions for 2016 were $4,321 to the SRP and CSRP combined, and $2,650 to the PRBP.

(dollars in thousands, unless otherwise indicated)

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 SRP, CSRP and the PRPB for the nine months ended September 30, 2017 and 2016.

	SRP and CSRP	
	Nine months ended September 30	
USD Thousands	2017	2016
Service cost	$ 7,250	$ 5,820
Interest cost	5,469	4,865
Expected return on plan assets (*)	(6,906)	(6,142)
Amortization of:		
Unrecognized net actuarial loss	287	18
Prior service (credit)/cost	-	-
Net periodic benefit cost	**$ 6,100**	**$ 4,561**

(*) The expected return of plan assets is 6.25% in 2017 and 2016

	PRBP	
	Nine months ended September 30	
USD Thousands	2017	2016
Service cost	$ 3,300	$ 2,817
Interest cost	3,600	3,151
Expected return on plan assets (*)	(5,025)	(4,457)
Amortization of:		
Unrecognized net actuarial loss	675	308
Prior service (credit)/cost	(300)	(320)
Net periodic benefit cost	**$ 2,250**	**$ 1,499**

(*) The expected return of plan assets is 6.25% in 2017 and 2016

13. 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.

As discussed in Note 11, in addition to the aforementioned IIC Donor Funds under Administration, effective January 1, 2016, the Corporation has access to certain IDB funds and funds administered by the IDB used mainly to co-finance projects between the Corporation and the IDB and to fund technical assistance activities.