INTER-AMERICAN INVESTMENT CORPORATION

Financial Statements
as of December 31, 2016 and 2015

KPMG LLP
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Independent Auditors' Report

The Board of Governors
Inter-American Investment Corporation:

We have audited the accompanying financial statements of Inter-American Investment Corporation (the Corporation), which comprise the balance sheets as of December 31, 2016 and 2015, and the related statements of income, comprehensive income/(loss), changes in capital and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of Inter-American Investment Corporation as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

February 28, 2017

INTER-AMERICAN INVESTMENT CORPORATION

BALANCE SHEET

USD Thousands	December 31 2016	December 31 2015
ASSETS		
Cash and cash equivalents	$ 23,459	$ 14,946
Investment securities		
Available-for-sale	805,672	478,918
Trading	445,782	34,743
Investments		
Loan investments	854,436	961,272
Less Allowance for losses	(34,938)	(36,746)
	819,498	924,526
Equity investments ($16,688 and $9,047 carried at fair value, respectively)	32,071	29,476
Total investments	851,569	954,002
Receivables and other assets	20,242	22,687
Total assets	**$ 2,146,724**	**$ 1,505,296**
LIABILITIES AND CAPITAL		
Accounts payable and other liabilities	$ 59,363	$ 47,869
Interest and commitment fees payable	2,996	1,647
Borrowings, short-term	428,820	57,761
Borrowings, long-term	633,563	540,695
Total liabilities	**1,124,742**	**647,972**
Capital		
Subscribed capital	1,512,480	1,253,520
Additional paid-in capital	498,378	338,352
Less Members subscriptions receivable	(1,153,056)	(888,709)
	857,802	703,163
Retained earnings	190,917	173,146
Accumulated other comprehensive income/(loss)	(26,737)	(18,985)
Total capital	**1,021,982**	**857,324**
Total liabilities and capital	**$ 2,146,724**	**$ 1,505,296**

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

INTER-AMERICAN INVESTMENT CORPORATION

STATEMENT OF INCOME

USD Thousands	Year ended December 31 2016	2015
INCOME		
Loan investments		
Interest and fees	$ 41,715	$ 44,215
Other income	2,696	2,389
	44,411	46,604
Equity investments		
Dividends	876	644
Gain on sale	179	12
Changes in fair value	46	(4,742)
Other income	-	40
	1,101	(4,046)
Investment securities	11,848	7,778
Other income		
Service fees	55,616	3,986
Other income	1,158	2,575
	56,774	6,561
Total income	**114,134**	**56,897**
Borrowings-related expense	12,555	9,443
Total income, net of Borrowings-related expense	**101,579**	**47,454**
PROVISION FOR LOAN INVESTMENT LOSSES	**(3,472)**	**(6,271)**
OTHER-THAN-TEMPORARY IMPAIRMENT LOSSES ON EQUITY INVESTMENTS (ALL CREDIT RELATED)	**6,031**	**717**
OPERATING EXPENSES		
Administrative	71,109	36,173
Pension Plan and Postretirement Benefit Plan expense	8,081	8,248
(Gain)/Loss on foreign exchange transactions, net	488	512
Other expenses	1,571	5,073
Total operating expenses	**81,249**	**50,006**
NET INCOME	**$ 17,771**	**$ 3,002**

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

INTER-AMERICAN INVESTMENT CORPORATION

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

STATEMENT OF COMPREHENSIVE INCOME/(LOSS)

USD Thousands	Year ended December 31 2016	2015
NET INCOME	$ 17,771	$ 3,002
OTHER COMPREHENSIVE INCOME/(LOSS)		
Recognition of changes in assets/liabilities under the Pension Plan and Postretirement Benefit Plan	(5,999)	6,053
Unrealized gain/(loss) on investment securities available-for-sale	(1,753)	(1,678)
Total other comprehensive income/(loss)	(7,752)	4,375
COMPREHENSIVE INCOME/(LOSS)	**$ 10,019**	**$ 7,377**

STATEMENT OF CHANGES IN CAPITAL

USD Thousands	Subscribed shares	Capital stock*	Retained earnings	Accumulated other comprehensive income/(loss)	Total capital
As of December 31, 2014	**70,590**	**$ 698,353**	**$ 170,144**	**$ (23,360)**	**$ 845,137**
Year ended December 31, 2015					
Net income		-	3,002	-	3,002
Other comprehensive income/(loss)		-	-	4,375	4,375
Change in subscribed shares	54,762				
Payments received for capital stock subscribed		4,810	-	-	4,810
As of December 31, 2015	**125,352**	**$ 703,163**	**$ 173,146**	**$ (18,985)**	**$ 857,324**
Year ended December 31, 2016					
Net income		-	17,771	-	17,771
Other comprehensive income/(loss)		-	-	(7,752)	(7,752)
Change in subscribed shares	25,896				
Payments received for capital stock subscribed		154,639	-	-	154,639
As of December 31, 2016	**151,248**	**$ 857,802**	**$ 190,917**	**$ (26,737)**	**$ 1,021,982**

* Net of members subscriptions receivable.

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

INTER-AMERICAN INVESTMENT CORPORATION

STATEMENT OF CASH FLOWS

	Year ended December 31	
USD Thousands	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES		
Loan disbursements	$ (152,660)	$ (306,946)
Equity disbursements	(9,181)	(11,047)
Loan repayments	256,817	356,799
Returns of equity investments	377	590
Maturities of held-to-maturity securities	-	39,850
Available-for-sale securities		
Purchases	(585,517)	(85,026)
Sales and maturities	255,638	186,650
Capital expenditures	(3,329)	(2,386)
Proceeds from sales of recovered assets	1,731	441
Net cash provided by/(used in) investing activities	**$ (236,124)**	**$ 178,925**
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of borrowings	(30,895)	(539,022)
Proceeds from issuance of borrowings	500,000	50,795
Capital subscriptions	154,639	4,810
Net cash provided by/(used in) financing activities	**$ 623,744**	**$ (483,417)**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	17,771	3,002
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:		
Change in fair value of equity investments	(46)	4,742
Provision for loan investment losses	(3,472)	(6,271)
Change in fair value of investment securities	(2,188)	(692)
Change in receivables and other assets	1,496	918
Change in accounts payable and other liabilities	6,913	5,513
Change in Pension Plan and Postretirement Benefit Plan, net	1,119	3,313
Trading investment securities		
Purchases	(1,598,933)	(1,148,449)
Sales and maturities	1,187,545	1,443,830
Other, net	10,484	5,775
Net cash provided by/(used in) operating activities	**$ (379,311)**	**$ 311,681**
Net effect of exchange rate changes on cash and cash equivalents	204	186
Net increase/(decrease) in cash and cash equivalents	8,513	7,375
Cash and cash equivalents as of January 1	14,946	7,571
Cash and cash equivalents as of December 31	**$ 23,459**	**$ 14,946**
Supplemental disclosure:		
Interest paid during the period	$ 10,876	$ 8,579

The accompanying notes are an integral part of these 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 (Regional), 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 26 being 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 its development 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 a 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. The IIC will also execute and monitor the IDB's NSG portfolio, including legacy operations. 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.

During 2016, the IIC's headcount increased by approximately 110 to support the delivery of services to the IDB, and to support projected growth in lending and investing activities. The substantial majority of these individuals were formerly employed by the IDB in similar roles and functions.

1. Basis of Presentation

The accounting and reporting policies conform to United States generally accepted accounting principles (GAAP). References to GAAP issued by the Financial Accounting Standards Board (FASB) in these notes are to the FASB Accounting Standards Codification, sometimes referred to as the Codification or ASC.

All amounts presented in the accompanying financial statements and notes are expressed, unless otherwise indicated, in thousands of dollars of the United States of America (U.S. dollars, USD, or $), which is the 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 and which 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 valuation of securities for impairment is a process subject to estimation, judgment and uncertainty and is intended to determine whether declines in fair value of investment securities should be recognized in current period earnings. The risks and uncertainties include changes in general economic conditions and future changes in assessments of the aforementioned factors. It is expected that such factors will change in the future. For impairments of available-for-sale securities that are deemed to be other than

[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.

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).

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 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. For certain loans, the Corporation has obtained 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 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, derivative contracts, 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 June 2016, the FASB issued Accounting Standards Update (Update or 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 investment 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, which will be more useful to users of the financial statements. The effective dates for this Update is annual periods beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. All entities may adopt the amendments in this Update earlier as of the fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. 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). This ASU is expected to change the timing of credit losses recognized in the Corporation's financial position, results of operations, and cash flows. The Corporation continues to evaluate the potential effects of the adoption of this ASU.

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. The effective dates for the amendment are the same as ASU 2015-14, that is, annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Early adoption is permitted for any entity as of the annual reporting period beginning after December 15, 2016. This ASU is not expected to have a material impact on the Corporation's financial position, results of operations, or cash flows.

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 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 statement of financial position. The amendments in this Update are effective for the Corporation for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early application of the amendments in the Update is permitted for all entities. This ASU is expected to increase the transparency of the Corporation's operating leases on the statement of financial position and cash flows.

(dollars in thousands, unless otherwise indicated)

3. Investment Securities

Trading securities consist of the following:

USD Thousands	December 31 2016	December 31 2015
Corporate securities	$ 306,661	$ 15,957
Government securities	36,651	8,790
Agency securities	32,853	-
Supranational securities	69,617	9,996
	$ 445,782	**$ 34,743**

Net unrealized gains on trading securities were $755 for the year ended December 31, 2016 ($4 net unrealized gains for the year ended December 31, 2015).

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

USD Thousands	December 31 2016	December 31 2015
Corporate securities	$ 657,013	$ 356,906
Agency securities	99,035	112,163
Government securities	49,624	-
Supranational securities	-	9,849
	$ 805,672	**$ 478,918**

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

December 31, 2016				
USD Thousands	**Amortized cost**	**Gross unrealized gains**	**Gross unrealized losses**	**Fair value**
Corporate securities	$ 658,661	$ 578	$ (2,226)	$ 657,013
Agency securities	98,982	157	(104)	99,035
Government securities	49,813	7	(196)	49,624
	$ 807,456	**$ 742**	**$ (2,526)**	**$ 805,672**

December 31, 2015				
USD Thousands	**Amortized cost**	**Gross unrealized gains**	**Gross unrealized losses**	**Fair value**
Corporate securities	$ 357,120	$ 521	$ (735)	$ 356,906
Agency securities	111,951	313	(101)	112,163
Supranational securities	9,881	-	(32)	9,849
	$ 478,952	**$ 834**	**$ (868)**	**$ 478,918**

(dollars in thousands, unless otherwise indicated)

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

USD Thousands	December 31, 2016					
	Less than 12 months		12 months or more		Total	
	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
Corporate securities	$ 315,492	$ (2,079)	$ 42,852	$ (147)	$ 358,344	$ (2,226)
Agency securities	54,926	(104)	-	-	54,926	(104)
Government securities	29,626	(196)	-	-	29,626	(196)
	$ 400,044	**$ (2,379)**	**$ 42,852**	**$ (147)**	**$ 442,896**	**$ (2,526)**

USD Thousands	December 31, 2015					
	Less than 12 months		12 months or more		Total	
	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
Corporate securities	$ 120,574	$ (435)	$ 49,813	$ (300)	$ 170,387	$ (735)
Agency securities	39,838	(101)	-	-	39,838	(101)
Supranational securities	9,849	(32)	-	-	9,849	(32)
	$ 170,261	**$ (568)**	**$ 49,813**	**$ (300)**	**$ 220,074**	**$ (868)**

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

USD Thousands	December 31 2016	December 31 2015
Unrealized gains/(losses) during the period	$ (1,371)	$ (1,628)
Reclassification of (gains)/losses to net income	(382)	(50)
Changes due to impaired securities	-	-
Total recognized in Other comprehensive income/(loss) related to available-for-sale securities	**$ (1,753)**	**$ (1,678)**

Proceeds from the sale of available-for-sale securities were $108,037 during the year ended December 31, 2016 ($71,109 during the year ended December 31, 2015). Gross realized gains were $394 and gross realized losses were $12 from the sale of available-for-sale securities during the year ended December 31, 2016 (gross realized gains of $50 and no gross realized losses from the sale of available-for-sale securities during the year ended December 31, 2015). 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 December 31, 2016, no other-than-temporary impairment has been recognized in the Corporation's available-for-sale investment securities portfolio (none as of December 31, 2015). 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).

(dollars in thousands, unless otherwise indicated)

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

	December 31	
USD Thousands	**2016**	**2015**
Within one year	$ 218,998	$ 153,157
After one year through five years	586,674	325,761
	$ 805,672	**$ 478,918**

For the year ended December 31, 2016, interest income, net of amortization of premiums and accretion of discounts, was $8,978 ($6,998 for the year ended December 31, 2015).

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 December 31, 2016, the Corporation's largest aggregate investment exposures were in Chile, Brazil and Panama (Brazil, Peru, and Panama as of December 31, 2015). As of December 31, 2016, outstanding investments in loans and investments in equity and LPs denominated in foreign currency amounted to $26,275 ($49,678 as of December 31, 2015). 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:

	December 31					
USD Thousands	2016			2015		
	Loan	Equity	Total	Loan	Equity	Total
Chile	$ 100,218	$ 1,325	$ 101,543	$ 88,515	$ 1,600	$ 90,115
Brazil	96,987	1,739	98,726	110,345	933	111,278
Panama	96,325	-	96,325	97,864	4,000	101,864
Peru	93,902	-	93,902	103,688	1,750	105,438
Ecuador	80,276	-	80,276	81,631	-	81,631
Costa Rica	78,801	-	78,801	99,979	-	99,979
Mexico	66,520	9,801	76,321	82,380	9,051	91,431
Colombia	41,501	431	41,932	83,608	463	84,071
Uruguay	37,624	-	37,624	31,795	-	31,795
Regional	15,885	15,337	31,222	14,264	8,323	22,587
El Salvador	27,807	-	27,807	34,127	-	34,127
Nicaragua	25,016	-	25,016	32,332	-	32,332
Honduras	18,339	-	18,339	10,117	-	10,117
Paraguay	17,982	-	17,982	24,517	-	24,517
Guatemala	14,021	-	14,021	9,039	-	9,039
Argentina	10,476	138	10,614	29,595	151	29,746
Suriname	10,000	-	10,000	-	-	-
Dominican Republic	8,948	-	8,948	13,706	205	13,911
Jamaica	6,952	-	6,952	6,621	-	6,621
Haiti	5,869	-	5,869	5,453	-	5,453
Plurinational State of Bolivia	542	3,300	3,842	1,134	3,000	4,134
Bahamas	445	-	445	562	-	562
	$ 854,436	**$ 32,071**	**$ 886,507**	**$ 961,272**	**$ 29,476**	**$ 990,748**
Financial Institutions	$ 589,284	$ 20,490	$ 609,774	$ 681,734	$ 16,633	$ 698,367
Industry	76,936	5,000	81,936	70,150	3,802	73,952
Energy	78,532	-	78,532	61,258	1,750	63,008
Agriculture and Rural Development	46,900	-	46,900	70,220	-	70,220
Transport	25,662	-	25,662	31,583	-	31,583
Sustainable Tourism	13,252	-	13,252	15,073	-	15,073
Science and Technology	5,528	4,000	9,528	6,094	4,205	10,299
Water and Sanitation	9,033	-	9,033	9,541	-	9,541
Urban Development and Housing	2,033	2,581	4,614	7,004	3,086	10,090
Health	4,497	-	4,497	5,998	-	5,998
Private Firms and SME Development	2,227	-	2,227	-	-	-
Education	552	-	552	2,617	-	2,617
	$ 854,436	**$ 32,071**	**$ 886,507**	**$ 961,272**	**$ 29,476**	**$ 990,748**

(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:

	December 31, 2016		
USD Thousands	Financial institutions	Corporates	Total
Loan	$ 589,284	$ 265,152	$ 854,436
Equity	20,490	11,581	32,071
	$ 609,774	**$ 276,733**	**$ 886,507**

	December 31, 2015		
USD Thousands	Financial institutions	Corporates	Total
Loan	$ 681,734	$ 279,538	$ 961,272
Equity	16,633	12,843	29,476
	$ 698,367	**$ 292,381**	**$ 990,748**

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

USD Thousands	December 31, 2016
Loan	$ 97,198
Equity	32,950
	$ 130,148

(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 $157,600 as of December 31, 2016 ($189,098 as of December 31, 2015). Variable rate loans generally reprice within one year.

An age analysis, based on contractual terms, at amortized cost by type is as follows:

	December 31, 2016					
USD Thousands	1-90 days past due	> 90 days past due and accruing	> 90 days past due and nonaccruing	Total past due	Current loans	Loan portfolio
Financial institutions	$ -	$ -	$ -	$ -	$ 589,284	$ 589,284
Corporate	6,480	315	8,414	15,209	249,943	265,152
Total	**$ 6,480**	**$ 315**	**$ 8,414**	**$ 15,209**	**$ 839,227**	**$ 854,436**
As % of loan portfolio	0.76%	0.04%	0.98%	1.78%	98.22%	100.00%
Allowance for loan losses	$ (34,938)					
Coverage				229.72%		4.09%

	December 31, 2015					
USD Thousands	1-90 days past due	> 90 days past due and accruing	> 90 days past due and nonaccruing	Total past due	Current loans	Loan portfolio
Financial institutions	$ 1,250	$ -	$ 1,596	$ 2,846	$ 678,888	$ 681,734
Corporate	135	84	6,292	6,511	273,027	279,538
Total	**$ 1,385**	**$ 84**	**$ 7,888**	**$ 9,357**	**$ 951,915**	**$ 961,272**
As % of loan portfolio	0.14%	0.01%	0.82%	0.97%	99.03%	100.00%
Allowance for loan losses	$ (36,746)					
Coverage				392.71%		3.82%

Nonaccrual loans on which the accrual of interest has been discontinued totaled $8,640 as of December 31, 2016 ($11,685 as of December 31, 2015). Nonaccrual loans that are current totaled $172 as of December 31, 2016 ($1,726 as of December 31, 2015). 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 year ended December 31, 2016, was $142 ($1,524 for the year ended December 31, 2015).

The recorded investment in nonaccruing loans at amortized cost is summarized by investment type as follows:

	December 31	
USD Thousands	2016	2015
Corporate	$ 8,640	$ 8,443
Financial institutions	-	3,242
Total nonaccrual loans	**$ 8,640**	**$ 11,685**
Loan portfolio	$ 854,436	$ 961,272
Nonaccrual/loan portfolio	1.01%	1.22%
Allowance for loan losses	$ (34,938)	$ (36,746)
Coverage of nonaccrual	404.38%	314.47%

(dollars in thousands, unless otherwise indicated)

The maturity structure of disbursed principal loan investments outstanding is:

USD Thousands	December 31 2016 Principal outstanding	2016 Weighted average rate	2015 Principal outstanding	2015 Weighted average rate
Due in one year or less	$ 263,139	4.44%	$ 250,056	4.52%
Due after one year through five years	496,567	4.55%	626,861	3.96%
Due after five years and thereafter	94,730	6.08%	84,355	5.77%
	$ 854,436		**$ 961,272**	

The investment in impaired loans as of December 31, 2016, was $8,811 ($10,039 as of December 31, 2015). The average investment in impaired loans for the year ended December 31, 2016, was $9,447 ($12,249 for the year ended December 31, 2015). The total amount of the allowance related to impaired loans as of December 31, 2016 and 2015, was $6,361 and $5,588, respectively. During 2016, one impaired loan with an outstanding balance of $2,272 was restructured in a troubled debt restructuring, and is considered within the impaired loans as of December 31, 2016. For the year ended December 31, 2015, there were no troubled debt restructurings.

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

USD Thousands	December 31, 2016 Financial institutions	2016 Corporates	2016 Total	December 31, 2015 Financial institutions	2015 Corporates	2015 Total
Balance as of January 1	$ (18,031)	$ (18,715)	$ (36,746)	$ (19,794)	$ (28,101)	$ (47,895)
Loan investments charged off, net	-	67	67	-	5,319	5,319
Recoveries	(1,504)	(227)	(1,731)	-	(441)	(441)
Provision for loan investment losses	1,934	1,538	3,472	1,763	4,508	6,271
Balance as of December 31	**$ (17,601)**	**$ (17,337)**	**$ (34,938)**	**$ (18,031)**	**$ (18,715)**	**$ (36,746)**

A summary of loan investments at amortized cost by credit quality indicator and investment type is as follows:

Internal Credit Risk Classification	December 31, 2016 Financial institutions	Corporate	Total	S&P Rating Equivalent
bbb+	$ 25,000	$ -	$ 25,000	BBB+
bbb	84,444	-	84,444	BBB
bbb-	118,575	-	118,575	BBB-
bb+	9,700	-	9,700	BB+
bb	129,164	938	130,102	BB
bb-	123,718	26,977	150,695	BB-
b+	38,200	64,362	102,562	B+
b	31,908	111,498	143,406	B
b-	28,575	41,596	70,171	B-
ccc-d	-	19,781	19,781	CCC - D
Total (USD Thousands)	**$ 589,284**	**$ 265,152**	**$ 854,436**	

(dollars in thousands, unless otherwise indicated)

	December 31, 2015			S&P Rating
Internal Credit Risk Classification	**Financial institutions**	**Corporate**	**Total**	**Equivalent**
bbb+	$ 25,000	$ -	$ 25,000	BBB+
bbb	70,000	-	70,000	BBB
bbb-	145,327	-	145,327	BBB-
bb+	91,845	-	91,845	BB+
bb	166,952	4,063	171,015	BB
bb-	73,852	41,094	114,946	BB-
b+	46,511	76,586	123,097	B+
b	50,947	106,266	157,213	B
b-	9,704	31,961	41,665	B-
ccc-d	1,596	19,568	21,164	CCC - D
Total (USD Thousands)	**$ 681,734**	**$ 279,538**	**$ 961,272**	

The following is a general description of the credit risk classifications. The addition of a plus (+) or minus (-) sign shows the relative standing of a specific borrower within the major rating categories:

- **bbb** — Borrower has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the borrower to meet its financial commitments.

- **bb** — Borrower has capacity to meet its financial commitments. However, the borrower faces major ongoing uncertainties and exposure to adverse business, financial or economic conditions that could lead to an inadequate capacity to meet its financial commitments.

- **b** — Borrower currently has capacity to meet its financial commitments. Adverse business, financial or economic conditions will likely impair the borrower's capacity or willingness to meet its financial commitments.

- **ccc through d** — Borrower is currently highly vulnerable and dependent upon favorable business, financial or economic conditions to meet its financial commitments or is in default (d).

Equity investments

As of December 31, 2016, there were six direct equity investments (ten as of December 31, 2015) with a carrying value of $15,383 ($20,429 as of December 31, 2015). Other-than-temporary impairment losses for the year ended December 31, 2016 were $6,031 (other-than-temporary impairment losses for the year ended December 31, 2015 were $717).

As of December 31, 2016, there were eleven investments in LPs recorded at fair value based on NAV of $16,688 as of December 31, 2016 (twelve at fair value of $9,047 as of December 31, 2015). 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:

	December 31	
USD Thousands	2016	2015
Other current assets		
Interest receivable on loan investments	$ 6,457	$ 7,092
Interest receivable on investment securities	2,847	1,459
Other current assets	8,193	9,325
	17,497	17,876
Other noncurrent assets		
Postretirement Benefit Plan, net asset	-	1,946
Other noncurrent assets	2,745	2,865
	2,745	4,811
Total receivables and other assets	**$ 20,242**	**$ 22,687**

As of December 31, 2015, 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:

	December 31	
USD Thousands	2016	2015
Pension Plan, net liability	$ 27,181	$ 24,106
Deferred revenue	14,929	6,414
Employment benefits payable	9,031	5,940
Accounts payable and other liabilities	5,362	9,193
Postretirement Benefit Plan, net liability	2,098	-
Due to IDB, net	762	2,216
Total accounts payables and other liabilities	**$ 59,363**	**$ 47,869**

As of December 31, 2016 and 2015, the Pension Plan net liability reflects the underfunded status of the Plan. As of December 31, 2016, 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:

USD Thousands	December 31 2016 Amount outstanding	2016 Weighted average cost	December 31 2015 Amount outstanding	2015 Weighted average cost
U.S. dollar	$ 1,032,785	1.08%	$ 539,693	0.66%
Mexican peso	29,099	4.86%	46,380	3.49%
Brazilian real	-	-	11,526	10.20%
Euro	499	0.71%	857	0.87%
	$ 1,062,383		**$ 598,456**	
Borrowings, short-term	(428,820)		(57,761)	
Borrowings, long-term	**$ 633,563**		**$ 540,695**	

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, effectively requiring that upcoming maturities are generally funded at least 18 months in advance.

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, which is fifteen years after the respective disbursement.

As of December 31, 2016, the Corporation has one foreign-currency credit facility amounting to $48,498 (1 billion Mexican pesos). During 2016, the Corporation borrowed $29,099 (600 million Mexican pesos) and $19,399 remain available for disbursement (400 million Mexican pesos). This borrowing is due to be repaid in February 2017 and the facility is renewable and expires in April 2018.

The Corporation has an $80,000 USD credit facility. No amounts were drawn on this facility in 2016 or 2015. 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 December 31, 2016, this borrowing was 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	$ 429,099	$ 499	$ 500,000	$ -	$ 33,333	$ 100,000
	$ 429,099	**$ 499**	**$ 500,000**	**$ -**	**$ 33,333**	**$ 100,000**

For the year ended December 31, 2016, Borrowings-related expense includes interest expense of $12,266 that includes the amortization of debt issuance costs of $260 ($9,008 for the year ended December 31, 2015 that includes debt issuance costs of $331). The unamortized balance of the Corporation's debt issuance cost asset amounts to $548 as of December 31, 2016 ($307 as of December 31, 2015) 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 subsequent 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 ten thousand dollars each.

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 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 an 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 stock 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 $151,942 were received under GCI-II during the year ended December 31, 2016. As of December 31, 2016, four shares of GCI-I were released and are expected 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:

	December 31				
	Shares***	Amount	Additional paid-in capital *	Receivable from members **	Paid in Capital
		USD Thousands			
Argentina	17,376	$ 173,760	$ 57,381	$ 150,251	$ 80,890
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	29,833	29,370
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	1,715	1,685
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	19,689	10,710
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 2016	**151,248**	**$ 1,512,480**	**$ 498,378**	**$ 1,153,056**	**$ 857,802**
Total 2015	**125,352**	**$ 1,253,520**	**$ 338,352**	**$ 888,709**	**$ 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 were used by management in estimating the fair value of the Corporation's financial instruments:

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

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

Loan investments: The Corporation's methodology to measure the fair value of those loans provided to certain financial institutions, 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. As of December 31, 2016, and for those loans for which it is practicable to estimate fair value using unobservable inputs, the carrying amount of loan investments, plus accrued interest, was $363,848 ($420,506 as of December 31, 2015), and their estimated fair value amounted to $369,337 ($416,982 as of December 31, 2015) classified as Level 3. Management considers that it is not practicable to determine the fair value of the remainder of the loan portfolio, except for those instances where loan impairment is indicated, as the loan portfolio includes custom-tailored financing to small and medium-sized enterprises operating in the Corporation's Regional Developing Member Countries. As of December 31, 2016, the carrying value of this remainder portfolio, without including accrued interest, was $493,936 ($542,683 as of December 31, 2015), with interest rates that range from 1.50% to 16.00% (1.25% to 13.00% as of December 31, 2015) and maturities that range from less than 1 year to 19 years (less than 1 year to 18 years as of December 31, 2015). 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 private sector enterprises in Latin America and the Caribbean 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 $15,383 as of December 31, 2016 ($20,429 as of December 31, 2015). For the Corporation's direct equity investments it is not practicable to accurately measure the fair value of the interest for disclosure purposes as these are custom-tailored private placement transactions primarily for enterprises including corporates and financial institutions operating in 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.

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. As of December 31, 2016, the fair value of the Corporation's borrowings was $965,318 ($486,913 as of December 31, 2015). The Corporation held no borrowings at fair value as of December 31, 2016 and 2015.

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)

Recurring Fair Value Measurements

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 December 31, 2016	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
ASSETS			
Corporate securities	$ 963,674	$ -	$ 963,674
Agency securities	131,888	-	131,888
Government securities	86,275	-	86,275
Supranational securities	69,617	-	69,617
	$ 1,251,454	**$ -**	**$ 1,251,454**

USD Thousands	Balance as of December 31, 2015	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
ASSETS			
Corporate securities	$ 372,863	$ -	$ 372,863
Agency securities	112,163	-	112,163
Government securities	8,790	-	8,790
Supranational securities	19,845	-	19,845
	$ 513,661	**$ -**	**$ 513,661**

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 year ended December 31, 2016:

USD Thousands	Changes in fair value included in earnings for the year
Corporate securities	$ 1,642
Government securities	543
Supranational securities	178
Agency securities	207
Limited partnerships	74
	$ 2,644

(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 year ended December 31, 2015:

USD Thousands		Changes in fair value included in earnings for the year
Corporate securities	$	479
Government securities		186
Supranational securities		41
Agency securities		36
Limited partnerships		(4,910)
	$	**(4,168)**

There were no transfers in or out of Level 3 or other levels during the year ended December 31, 2016 (none during the year ended December 31, 2015).

Investment securities: At December 31, 2016, 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 $16,688 as of December 31, 2016 ($9,047 as of December 31, 2015). The amount of total net gains and losses for the year ended December 31, 2016, and included in Changes in fair value of equity investments attributable to the change in unrealized net gain relating to assets still held at that date, was $46 ($4,742 unrealized net losses for the year ended December 31, 2015).

(dollars in thousands, unless otherwise indicated)

Nonrecurring Fair Value Measurements

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

USD Thousands	Balance as of December 31, 2016		Significant unobservable inputs (Level 3)	
ASSETS				
Impaired loans	$	8,811	$	8,811
Equity investments at cost less impairment		-		-
	$	**8,811**	**$**	**8,811**

USD Thousands	Balance as of December 31, 2015		Significant unobservable inputs (Level 3)	
ASSETS				
Impaired loans	$	10,039	$	10,039
Equity investments at cost less impairment		322		322
	$	**10,361**	**$**	**10,361**

Assets measured at fair value on a nonrecurring basis as of December 31, 2016 and 2015 consisted of certain impaired loans and direct equity investments. The fair value of these assets is determined based on the use of significant unobservable inputs, which are considered Level 3 in the fair value hierarchy. The Corporation's methodology to measure the fair value of impaired loans and direct equities requires the use of estimates, present value calculations of future cash flows and consideration of the underlying collateral. When determining the underlying collateral amount, the Corporation relies on third-party valuation specialists when available, internal estimates, or a combination of both. The Corporation's credit specialists review the significant observable inputs that are used in the analysis that include discount rate, interest rates and foreign currency exchange rates. Refer to Note 4 for additional information on impaired loans and other-than-temporary impairment losses on direct equity investments.

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.

(dollars in thousands, unless otherwise indicated)

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 $51,368 for providing these services for the year ended December 31, 2016 ($0 for the year ended December 31, 2015).

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 during 2016 under the SLAs include:

USD Thousands		**2016**
Corporate SLAs	$	5,792
Master SLA		1,128
Oversight SLAs		924
	$	**7,844**

The Corporation and the IDB expect to enter into SLAs with similar terms, scope and services in 2017.

The Corporation incurred expenses relating to IDB services of $11,595 for the year ended December 31, 2016 ($3,494 for the year ended December 31, 2015). Payables due to the IDB were $762 as of December 31, 2016 ($2,216 as of December 31, 2015). Refer to Note 6.

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 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.

(dollars in thousands, unless otherwise indicated)

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.

Office Space

The Corporation has a lease agreement with the IDB for its office space that will expire in 2020. The Corporation has incurred office space expenses of $3,751 for the year ended December 31, 2016 ($2,288 for the year ended December 31, 2015).

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

USD Thousands	2017	2018	2019	2020
Office space	$ 3,821	$ 3,894	$ 3,969	$ 4,046
	$ 3,821	**$ 3,894**	**$ 3,969**	**$ 4,046**

Other Transactions with the IDB Group Entities

The Corporation also earned $100 to provide limited advisory services to the MIF for the year ended December 31, 2016 and 2015.

As of December 31, 2016 and 2015, 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.

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 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.

(dollars in thousands, unless otherwise indicated)

Since both the IDB and the Corporation participate in the Pension Plan and the PRBP, each employer presents its respective share of these plans. The amounts presented reflect the Corporation's proportionate share of costs, assets, and obligations of the Pension Plan and the PRBP in accordance with ASC Topic 715, *Compensation – Retirement Benefits*.

Consequent to the IDBG NSG Reform, 92 staff were transferred from the IDB to the Corporation resulting in an increase to the Corporation's pension cost allocation and its corresponding share of the plan assets and liabilities.

Obligations and funded status

The Corporation uses a December 31 measurement date for the Pension Plan and the PRBP. The following table summarizes the change in benefit obligation, change in plan assets, funded status of the Pension Plan and the PRBP, and the amount recognized on the balance sheet:

	Pension Plan		PRBP	
USD Thousands	2016	2015	2016	2015
Reconciliation of benefit obligation				
Obligation as of January 1	$ (109,059)	$ (106,553)	$ (62,753)	$ (66,007)
Service cost	(7,760)	(4,587)	(3,756)	(2,512)
Interest cost	(6,487)	(4,233)	(4,201)	(2,645)
Participants' contributions	(2,104)	(1,051)	-	-
Plan amendments	-	-	-	2,537
Net transfers between IDB and IIC	(54,593)	(34)	(39,666)	-
Actuarial gains/(losses)	(4,200)	5,486	(6,621)	5,356
Benefits paid	2,601	1,913	1,019	534
Retiree Part D subsidy	-	-	(10)	(16)
Obligation as of December 31	(181,602)	(109,059)	(115,988)	(62,753)
Reconciliation of fair value of plan assets				
Fair value of plan assets as of January 1	84,953	84,332	64,699	63,327
Net transfers between IDB and IIC	54,593	34	39,666	-
Actual return on plan assets	11,051	(727)	7,894	(870)
Benefits paid	(2,601)	(1,913)	(1,019)	(534)
Participants' contributions	2,104	1,051	-	-
Employer contributions	4,321	2,176	2,650	2,776
Fair value of plan assets as of December 31	154,421	84,953	113,890	64,699
Funded status				
Funded/(Underfunded) status as of December 31	(27,181)	(24,106)	(2,098)	1,946
Net amount recognized as of December 31	$ (27,181)	$ (24,106)	$ (2,098)	$ 1,946
Amounts recognized as (liabilities)/assets consist of:				
Plan benefits assets/(liabilities)	(27,181)	(24,106)	(2,098)	1,946
Net amount recognized as of December 31	**$ (27,181)**	**$ (24,106)**	**$ (2,098)**	**$ 1,946**
Amounts recognized in accumulated other comprehensive income consist of:				
Net actuarial gains/(losses)	13,477	12,163	14,550	10,291
Prior service costs	-	-	(3,047)	(3,473)
Net initial asset	-	-	-	-
Net amount recognized as of December 31	**$ 13,477**	**$ 12,163**	**$ 11,503**	**$ 6,818**

The accumulated benefit obligation attributable to the Corporation for the Pension Plan was $144,737 and $92,617 as of December 31, 2016 and 2015, respectively.

(dollars in thousands, unless otherwise indicated)

Components of net periodic benefit cost

Net periodic benefit cost consists of the following components:

	Pension Plan		PRBP	
	Year ended December 31		Year ended December 31	
USD Thousands	2016	2015	2016	2015
Service cost	$ 7,760	$ 4,587	$ 3,756	$ 2,512
Interest cost	6,487	4,233	4,201	2,645
Expected return on plan assets	(8,189)	(4,685)	(5,943)	(3,512)
Amortization of:				
Transition obligation	-	-	-	-
Unrecognized net actuarial loss	24	1,330	411	1,257
Prior service (credit)/cost	-	7	(426)	(126)
Net periodic benefit cost	**$ 6,082**	**$ 5,472**	**$ 1,999**	**$ 2,776**

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

	Pension Plan		PRBP	
	Year ended December 31		Year ended December 31	
USD Thousands	2016	2015	2016	2015
Net actuarial (gain)/loss	$ 1,338	$ (74)	$ 4,670	$ (974)
Current year prior service cost	-	-	-	-
Prior service credit	-	-	-	(2,537)
Amortization of:				
Transition obligation	-	-	-	-
Unrecognized net actuarial loss	(24)	(1,330)	(411)	(1,257)
Prior service (credit)/cost	-	(7)	426	126
Total recognized in Other comprehensive (income)/loss	**$ 1,314**	**$ (1,411)**	**$ 4,685**	**$ (4,642)**
Total recognized in Net periodic benefit cost and Other comprehensive (income)/loss	**$ 7,396**	**$ 4,061**	**$ 6,684**	**$ (1,866)**

The estimated net actuarial gain or loss, prior service cost, and net initial obligation for the Pension Plan and the PRBP that will be amortized from accumulated other comprehensive income into net periodic benefit cost during 2016 is $390 for the Pension Plan and $446 for the PRBP.

Actuarial assumptions

The actuarial assumptions used are based on financial market interest rates, past experience, and management's best estimate of future benefit changes and economic conditions. Changes in these assumptions will impact future benefit costs and obligations. Actuarial gains and losses occur when actual results are different from expected results. Unrecognized actuarial gains and losses that exceed 10% of the greater of the benefit obligation or market-related value of the plan assets at the beginning of 2016 are amortized over the average remaining service period of active participants expected to receive benefits under the Pension Plan and PRBP, which approximates 11.7 and 12.7 years, respectively.

Unrecognized prior service credit is amortized over 8.45 years for the PRBP.

(dollars in thousands, unless otherwise indicated)

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

	Pension Plan		PRBP	
	2016	**2015**	**2016**	**2015**
Weighted average assumptions used to determine benefit obligation as of December 31				
Discount rate	4.06%	4.24%	4.16%	4.35%
Rate of compensation increase	4.15%	4.11%		
Inflation rate	2.22%	2.15%	2.22%	2.15%

	Pension Plan		PRBP	
	2016	**2015**	**2016**	**2015**
Weighted average assumptions used to determine net periodic benefit cost for years ended December 31				
Discount rate	4.24%	3.88%	4.35%	3.97%
Expected long-term return on plan assets	6.25%	6.25%	6.25%	6.25%
Rate of compensation increase	4.11%	4.16%		

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

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

	PRBP	
	2016	**2015**
Rate to which the cost trend rate is expected to decline (ultimate trend rate)	4.50%	4.50%
Year that the rate reaches the ultimate trend rate	2023	2023
Health care cost trend rate assumed for next year		
Medical, Non-Medicare	6.00%	6.50%
Medical, Medicare	3.50%	3.75%
Prescription drugs	9.00%	10.00%
Dental	4.50%	5.00%
Retirement cost outside U.S. *	8.00%	9.00%

* Refers to all services provided to participants assumed to retire outside the United States.

For those participants assumed to retire outside of the United States, an 8.00% and 9.00% health care cost trend rate was used for 2016 and 2015, respectively with an ultimate trend rate of 4.50% in 2023.

(dollars in thousands, unless otherwise indicated)

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

	One-percentage-point increase		One-percentage-point decrease	
	Year ended December 31			
USD Thousands	2016	2015	2016	2015
Effect on total of service and interest cost components	$ 2,446	$ 1,153	$ (1,701)	$ (817)
Effect on postretirement benefit obligation	29,554	13,985	(21,137)	(10,211)

Plan assets

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

The Pension Plan's Strategies allocate between 45% and 61% to a well- diversified pool of developed and emerging markets equities, approximately 3% to emerging markets debt, 3% to commodity index futures, between 0% and 2% to public real estate, between 2% and 3% to private real estate, and between 0% and 2% to high-yield fixed income. The Pension Plan's Liabilities Hedging Strategies allocates 5% to core fixed-income, 15% to long-duration fixed income, and 15% to U.S. inflation-indexed securities.

The PRBP's Return Strategies allocate 54% to a well-diversified pool of developed and emerging markets equities, 3% to emerging markets debt, 3% to commodity index futures, 3% to public real estate, and 2% to high-yield fixed income. The PRBP's Liabilities Hedging Strategies allocates 15% to long-duration fixed income, 5% to core fixed income and 15% to U.S. inflation-indexed securities.

The investment policy target allocations as of December 31, 2016, are as follows:

	Pension Plan	PRBP
U.S. equities	25%	26%
Non-U.S. equities	24%	24%
U.S. inflation-indexed bonds	15%	15%
Long-duration fixed income bonds	15%	15%
Core fixed income	5%	5%
Emerging markets equities	4%	4%
Emerging markets debt	3%	3%
Commodity index futures	3%	3%
High-yield fixed income	2%	2%
Public real estate	2%	3%
Private real estate	2%	0%

(dollars in thousands, unless otherwise indicated)

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

Effective January 1, 2015, the IDB Board of Executive Directors approved the Long-Term Funding Policy for the Pension Plan and the PRBP that established stable contribution rates of 20% and 12%, respectively, for a five-year initial term. The Corporation adopted the use of the stable contribution rates effective January 1, 2016. Corporation contributions made in excess (deficit) of the actuary's theoretical contribution rate are allocated (withdrawn) to (from) the Stabilization Reserve Funds (Reserve Fund). The Target Strategic Asset Allocation for the Reserve Funds is 50% cash and 50% Core Fixed Income.

The following tables set forth the categories of investments of the Pension Plan and the PRBP as of December 31, 2016 and 2015, which are measured at fair value and presented together with their weighted average allocation, by level within the fair value hierarchy. As required by the fair value measurements accounting framework, these investments are classified in their entirety based on the lowest level of input that is significant to the fair value measurement, except for certain investment funds whose classification within the fair value hierarchy depends on the ability to redeem their corresponding shares at their net asset value in the near term.

	Pension Plan			
USD Thousands	**Level 1**	**Level 2**	**December 31, 2016**	**Weighted average allocations**
Equity securities				
U.S. equities	$ 7,700	$ -	$ 7,700	10%
Non - U.S. equities	17,416	-	17,416	23%
Emerging markets equities	-	-	-	0%
Public real state	3,043	-	3,043	4%
Government and diversified bonds				
Long duration U.S. Government and Agency bonds	7,979	-	7,979	11%
Long duration diversified bonds	300	11,669	11,969	16%
Core fixed income funds	-	-	-	0%
High yield debt	-	2,904	2,904	4%
Emerging markets debt	-	-	-	0%
U.S. inflation-indexed bonds	22,180	-	22,180	29%
Commodity index futures	-	-	-	0%
Short-term investment securities	2,477	319	2,796	3%
Other assets / (liabilities), net *	-	-	(103)	0%
	$ 61,095	**$ 14,892**	**$ 75,884**	**100%**

* Includes receivables and payables carried at amounts that approximate fair value.

(dollars in thousands, unless otherwise indicated)

	Pension Plan			
USD Thousands	Level 1	Level 2	December 31, 2015	Weighted average allocations
Equity securities				
U.S. equities	$ 4,460	$ -	$ 4,460	12%
Non - U.S. equities	3,161	-	3,161	9%
Emerging markets equities	-	-	-	0%
Public real state	1,747	-	1,747	5%
Government and diversified bonds				
Long duration U.S. Government and Agency bonds	4,251	-	4,251	12%
Long duration diversified bonds	134	6,476	6,610	18%
Core fixed income funds	-	-	-	0%
High yield debt	-	1,582	1,582	4%
Emerging markets debt	-	-	-	0%
U.S. inflation-indexed bonds	12,599	-	12,599	35%
Commodity index futures	-	-	-	0%
Short-term investment securities	1,680	(59)	1,621	5%
Other assets / (liabilities), net *	-	-	(56)	0%
	$ 28,032	**$ 7,999**	**$ 35,975**	**100%**

* Includes receivables and payables carried at amounts that approximate fair value.

	PRBP			
USD Thousands	Level 1	Level 2	December 31, 2016	Weighted average allocations
Equity securities				
U.S. equities	$ -	$ -	$ -	0%
Non - U.S. equities	-	-	-	0%
Emerging markets equities	2,302	-	2,302	5%
Public real state	3,478	-	3,478	8%
Government and diversified bonds				
Long duration U.S. Government and Agency bonds	5,626	-	5,626	13%
Long duration diversified bonds	-	9,405	9,405	22%
Core fixed income funds	-	-	-	0%
High yield debt	-	-	-	0%
Emerging markets debt	-	-	-	0%
U.S. inflation-indexed bonds	15,909	-	15,909	37%
Commodity index futures	-	-	-	0%
Short-term investment securities	4,886	232	5,118	12%
Other assets / (liabilities), net *	-	-	1,276	3%
	$ 32,201	**$ 9,637**	**$ 43,114**	**100%**

* Includes receivables and payables carried at amounts that approximate fair value.

(dollars in thousands, unless otherwise indicated)

	PRBP			
USD Thousands	Level 1	Level 2	December 31, 2015	Weighted average allocations
Equity securities				
U.S. equities	$ -	$ -	$ -	0%
Non - U.S. equities	-	-	-	0%
Emerging markets equities	-	-	-	0%
Public real state	2,013	-	2,013	8%
Government and diversified bonds				
Long duration U.S. Government and Agency bonds	3,179	-	3,179	14%
Long duration diversified bonds	-	5,483	5,483	23%
Core fixed income funds	-	-	-	0%
High yield debt	-	-	-	0%
Emerging markets debt	-	-	-	0%
U.S. inflation-indexed bonds	9,593	-	9,593	41%
Commodity index futures	-	-	-	0%
Short-term investment securities	2,567	(42)	2,525	11%
Other assets / (liabilities), net *	-	-	683	3%
	$ 17,352	**$ 5,441**	**$ 23,476**	**100%**

* Includes receivables and payables carried at amounts that approximate fair value.

For those certain investment funds whose classification within the fair value hierarchy depends on the ability to redeem their corresponding shares at their net asset value in the near term, the fair value of these investments in the Pension Plan and PRBP was $78,537 and $70,776 as of December 31, 2016 ($49,978 and $41,223 as of December 31, 2015).

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

Proprietary investment managers’ commingled funds investing in U.S. equities, global equities, emerging markets debt, fixed income commingled funds, commodity index futures and/or short-term debt investments, which are not publicly-traded, are measured at fair value based on the net asset value of the investment funds and are classified as Level 2, as they are redeemable with the investee in the near term at their net asset value per share at the measurement date. This valuation technique is consistent with the market approach.

Proprietary investment managers’ commingled private real estate investment funds are measured at fair value based on the net asset value of these investment funds.

Cash flows

Contributions from the Corporation to the Pension Plan and the PRBP during 2017 are expected to be approximately $7,209 and $4,177, respectively. All contributions are made in cash.

(dollars in thousands, unless otherwise indicated)

Estimated future benefit payments

The following table summarizes the benefit payments, which reflect expected future service, as appropriate, expected to be paid in each of the next five years and in the aggregate for the subsequent five years. These amounts are based on the same assumptions used to measure the benefit obligation as of December 31, 2016.

USD Thousands	Pension Plan	PRBP
Estimated future benefit payments		
January 1, 2017 - December 31, 2017	$ 3,216	$ 989
January 1, 2018 - December 31, 2018	3,383	1,111
January 1, 2019 - December 31, 2019	3,745	1,275
January 1, 2020 - December 31, 2020	3,984	1,408
January 1, 2021 - December 31, 2021	4,470	1,640
January 1, 2022 - December 31, 2026	28,424	11,344

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.

15. Subsequent Events

Management has evaluated subsequent events through February 28, 2017, which is the date the financial statements were issued. There are no subsequent events that require disclosure under ASC Topic 855, *Subsequent Events*.