

INTER-AMERICAN INVESTMENT CORPORATION

Condensed Interim Financial Statements (Unaudited)

September 30, 2022

Inter-American Investment Corporation
Balance Sheets (Unaudited)

<i>Expressed in thousands of United States dollars</i>	Notes	September 30, 2022	December 31, 2021
Assets			
Cash	3	\$ 47,087	\$ 54,409
Investment securities	3 & 10	1,882,711	1,903,551
Development related investments			
Loans and debt securities			
At amortized cost		5,017,785	4,728,380
Allowance for credit losses		(214,690)	(201,803)
		4,803,095	4,526,577
At fair value		952,110	579,613
		5,755,205	5,106,190
Equity investments			
At fair value		295,297	277,640
		295,297	277,640
Total development related investments, net	4 & 10	6,050,502	5,383,830
Derivative assets	7 & 10	138,266	17,689
Receivables and other assets	5	406,594	191,945
Total assets		8,525,160	7,551,424
Liabilities			
Borrowings	6 & 10		
At amortized cost		1,857,793	1,550,804
At fair value		3,131,275	3,061,825
		4,989,068	4,612,629
Derivative liabilities	7 & 10	383,720	79,941
Payables and other liabilities	8	386,459	384,080
Total liabilities		5,759,247	5,076,650
Capital			
Capital, par value		1,824,410	1,732,650
Additional paid-in-capital		718,190	657,221
Receivable from members		(158,008)	(161,572)
Total paid-in-capital	9	2,384,592	2,228,299
Retained earnings		477,459	370,807
Accumulated other comprehensive income/(loss)		(96,138)	(124,332)
Total capital		2,765,913	2,474,774
Total liabilities and capital		\$ 8,525,160	\$ 7,551,424

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

Inter-American Investment Corporation
Income Statements (Unaudited)

<i>Expressed in thousands of United States dollars</i>	Notes	Nine months ended September 30	
		2022	2021
Income from development related investments			
Loans and debt securities			
Interest and other income, net		\$ 224,617	\$ 142,394
(Provision)/release of provision for credit losses		9,167	49,977
		233,784	192,371
Equity investments			
Realized gain/(loss) from sales, dividends and other income, net		2,198	1,487
Unrealized gain/(loss) from changes in fair value, net		(12,607)	15,030
		(10,409)	16,517
Income from development related investments, net	4	223,375	208,888
Gain/(loss) from liquid assets, net	3	(6,810)	10,835
Borrowings expense	6	(78,523)	(45,624)
Other income			
Service fees from related parties	13	53,283	59,872
Mobilization fees and other income		11,955	9,777
Total other income		65,238	69,649
Income/(expense) from development related investments, liquid assets and other income, net of borrowings expense		203,280	243,748
Other expenses			
Administrative expenses		120,046	111,550
Other components of pension benefit costs, net	14	2,421	5,434
Other expense/(income)		—	(8)
Total other expenses		122,467	116,976
Gain/(loss) from changes in fair value on non-trading portfolios and foreign exchange transactions, net	11	25,839	10,779
Net income/(loss)		\$ 106,652	\$ 137,551

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

Statements of Comprehensive Income/(Loss)

<i>Expressed in thousands of United States dollars</i>	Notes	Nine months ended September 30	
		2022	2021
Net income/(loss)		\$ 106,652	\$ 137,551
Other comprehensive income/(loss)			
Recognition of net actuarial gains/(losses) and prior service credit on Pension Plans and Postretirement Benefit Plan	14	5,252	7,969
Unrealized gains/(losses) arising during the period related to fair value adjustments on borrowings attributable to changes in instrument-specific credit risk, net	6	22,942	(11,086)
Total other comprehensive income/(loss)		28,194	(3,117)
Comprehensive income/(loss)		\$ 134,846	\$ 134,434

Statements of Changes in Capital

<i>Expressed in thousands of United States dollars, except for share information</i>	Notes	Shares	Total paid-in capital	Retained earnings	Accumulated other comprehensive income/(loss)	Total capital
Nine months ended September 30, 2021						
Net income/(loss)			—	137,551	—	137,551
Other comprehensive income/(loss)			—	—	(3,117)	(3,117)
Change in shares	9	9,180				
Payments received for capital	9		163,164	—	—	163,164
As of September 30, 2021		173,265	2,180,253	377,433	(151,874)	2,405,812
As of December 31, 2021		173,265	2,228,299	370,807	(124,332)	2,474,774
Nine months ended September 30, 2022						
Net income/(loss)			—	106,652	—	106,652
Other comprehensive income/(loss)			—	—	28,194	28,194
Change in shares	9	9,176				
Payments received for capital	9		156,293	—	—	156,293
As of September 30, 2022		182,441	\$ 2,384,592	\$ 477,459	\$ (96,138)	\$ 2,765,913

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

<i>Expressed in thousands of United States dollars</i>	Nine months ended September 30	
	2022	2021
Cash flows from investing activities		
Loan disbursements	\$ (2,822,338)	\$ (2,236,438)
Loan repayments and sales	2,433,215	1,894,909
Development related debt securities purchases	(343,520)	(121,188)
Development related debt securities proceeds	17,829	6,842
Equity investment disbursements	(45,661)	(64,704)
Equity investment proceeds	17,441	5,235
Capital asset expenditures	(2,896)	(3,025)
Net cash provided by/(used in) investing activities	\$ (745,930)	\$ (518,369)
Cash flows from financing activities		
Proceeds from issuance of borrowings	1,745,339	1,591,183
Borrowings repayments	(1,078,311)	(76,585)
Payments received for capital	156,293	163,164
Net cash provided by/(used in) financing activities	\$ 823,321	\$ 1,677,762
Cash flows from operating activities		
Net income/(loss)	106,652	137,551
Adjustments to reconcile net income/(loss) to net cash provided by/(used in) operating activities:		
Change in fair value of equity investments	12,607	(15,030)
Provision/(release) of provision for credit losses	(9,167)	(49,977)
(Gain)/loss from investment securities, net	24,034	(960)
Depreciation and amortization	(11,423)	(5,757)
(Gain)/loss from changes in fair value on non-trading portfolios and foreign exchange transactions, net	(25,839)	(10,779)
Realized (gain)/loss on sales of equity investments, net	(2,043)	(1,453)
Change in receivables and other assets	(215,681)	(70,308)
Change in payables and other liabilities	8,943	34,850
Change in Pension Plans and Postretirement Benefit Plan, net	18,934	21,894
Change in investment securities	(3,194)	(1,188,005)
Other, net	8,362	3,853
Net cash provided by/(used in) operating activities	\$ (87,815)	\$ (1,144,121)
Change in cash	(10,424)	15,272
Effect of exchange rate changes on cash, net	3,102	2,429
Net increase/(decrease) in cash	\$ (7,322)	\$ 17,701
Cash as of January 1	54,409	41,592
Cash as of September 30	\$ 47,087	\$ 59,293
Supplemental disclosure:		
Interest paid during the period	58,081	(31,505)
Non-cash items:		
Loan conversion to equity investment, net	—	13,890

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Inter-American Investment Corporation

Notes to Condensed Interim Financial Statements (Unaudited)

1. Purpose

The Inter-American Investment Corporation (IDB Invest) is an international organization established in 1986 and a separate legal entity within the Inter-American Development Bank Group (the IDB Group), which also includes the Inter-American Development Bank (IDB) and the Multilateral Investment Fund (commercially known as IDB Lab). IDB Invest began operations in 1989, and is owned by its member countries, which include 26 regional developing member countries, located in Latin America and the Caribbean (the Regional Developing Member Countries), and 21 countries outside of Latin America and the Caribbean. The purpose of IDB Invest is to promote the economic development of its Regional Developing Member Countries by encouraging the establishment, expansion, and modernization of private enterprises in such a way as to supplement the activities of the IDB. IDB Invest provides financing through its development related investments, which include loans, guarantees, investments in debt securities, and equity investments where sufficient capital is not otherwise available on adequate terms in the market. IDB Invest also arranges financing from other investors through loan participations, co-financing arrangements, and unfunded participations. In addition, IDB Invest provides financial and technical advisory services to clients.

2. Summary of Significant Accounting Policies

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

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

Use of estimates – The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amount 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 evaluation and measurement of: the allowance for credit losses; the fair value of investment securities, development related investments (loans, debt securities and equity investments), derivative instruments and borrowings; and the projected benefit obligations and fair value of plan assets of the Pension Plans and Postretirement Benefits Plan and associated net periodic benefit cost of each plan.

Cash – Cash¹ includes those amounts held on deposit with banks and cash restricted for development related investment activities. IDB Invest may hold cash deposits in excess of Federal Deposit Insurance Corporation (FDIC) insured limits.

Investment securities – Investment securities include fixed and floating rate bonds, notes, bills issued by corporations, governments, supranationals or agencies, and certificates of deposit, commercial paper and mutual funds, including money market funds. IDB Invest's strategy for its Cash¹ and Investment securities (collectively, Liquid Assets) is to provide sufficient liquidity and resources to finance development related investments.

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

¹ References to captions in the condensed interim financial statements are identified by the name of the caption beginning with a capital letter every time they appear in the notes to the condensed interim financial statements.

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Development related loans and debt securities (Development related debt investments) – Development related loans and debt securities are recognized upon disbursement and measured at amortized cost or at fair value through income, depending on the nature and terms of each instrument. An allowance for credit losses is recognized against development related debt investments measured at amortized cost. The net asset value (NAV) is used as a practical expedient for the fair value measurement for certain development related debt securities. Refer to Note 4 for additional information.

For credit monitoring and portfolio management purposes, development related loans are classified into three portfolio segments – corporates, financial institutions and project finance – and development related debt securities are classified as corporate securities.

Development related loans may be secured by cash, receivables, inventory, equipment, property, mortgages, third-party guarantees or other forms of collateral security or may be unsecured. IDB Invest enters into standalone insurance contracts, which are generally not transferable, to cover the credit risk of particular development related debt investments. IDB Invest recognizes the recovery assets associated with these third-party credit enhancements in Receivables and other assets in the balance sheets and any associated gains or losses from such assets as Interest and other income in the income statements.

Guarantees – IDB Invest issues guarantees covering, on a risk-sharing basis, third party obligations or securities issuances in Regional Developing Member Countries. IDB Invest's policy with respect to collateral security for these guarantees is generally the same as for its development related loans. Guarantees are regarded as issued when IDB Invest executes the guarantee agreement, outstanding when the underlying obligation of the third party is incurred and called when IDB Invest's obligation under the guarantee has been invoked. There are two obligations associated with guarantees: (1) a stand-ready obligation to perform; and (2) a contingent obligation to make future payments. The stand-ready obligation to perform is recognized at fair value at the issuance date, typically in an amount equal to the present value of any premiums received or receivable. For financial guarantees not accounted for as derivatives, the contingent liability is measured based on the current expected credit losses (CECL) on the guarantee. For guarantees accounted for as derivatives, the contingent liability is measured at fair value through income from the issuance date.

The stand-ready and contingent liabilities associated with the guarantees issued by IDB Invest are included in Payables and other liabilities in the balance sheets. Changes in contingent liabilities measured under the CECL methodology are recorded in (Provision)/release of provision for credit losses on development related investments in the income statements, while changes in contingent liabilities measured at fair value through income are recorded through Gain/(loss) from changes in fair value on non-trading portfolios and foreign exchange transactions, net in the income statements. Guarantee fee income is recognized as IDB Invest is released from its stand-ready obligation to perform and recorded in Interest and other income in the income statements. In the event a guarantee is called and IDB Invest is assigned the guaranteed obligation or the obligor otherwise has a direct contractual obligation to reimburse IDB Invest, the amount disbursed is recorded as a development related loan and an allowance is established against the loan based on the CECL methodology.

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

Allowance for credit losses – The allowance for credit losses represents management's estimates of current expected credit losses over the remaining expected lives of development related debt investments measured at amortized cost. The allowance for credit losses and the contingent liability for off-balance sheet credit exposures consider historical credit loss information as adjusted for current conditions and reasonable and supportable (R&S) forecasts of future economic conditions in the related portfolio. Changes in the allowance for

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credit losses are recorded through the (Provision)/release of provision for credit losses in the income statements. IDB Invest does not record an allowance for credit losses on accrued interest receivable as it has a substantive nonaccrual policy.

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

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

IDB Invest assigns a risk rating to each borrower and each development related debt investment based on a periodic risk assessment. The risk ratings assigned to the borrower and the investment correspond to specific PDs and LGDs and are determined based on a series of sector specific scorecards, which are aligned to IDB Invest's portfolio segments — corporates, financial institutions and project finance. IDB Invest maps internal ratings to long-term PDs published annually by an international rating agency. For LGDs, IDB Invest uses a decision-tree scorecard model developed by an international rating agency to capture exposure specific information, such as seniority, guarantees, collateral, industry, and jurisdiction at the facility level, which vary across different exposures of the same borrower.

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

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

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

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consideration of these borrower specific characteristics, extraordinary support from shareholders or from the government may be considered if applicable.

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

The impacts of the COVID-19 pandemic and the Russian war on Ukraine have had a direct effect on economies within IDB Invest's Regional Developing Member Countries. These developments affect risk parameters of the portfolio used in the CECL methodology, such as internal risk ratings for specific industries and countries. These parameters also consider developments in the macroeconomic forecasts during the R&S period and a mean reversion period to historical losses.

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

A modification of a development related debt investment is considered a TDR when the borrower is experiencing financial difficulty and IDB Invest has granted a concession to the borrower that it otherwise would not grant in order to maximize recoveries. IDB Invest monitors its development related debt investments for signs that the borrower may be facing financial difficulty. Information and events considered in determining whether a TDR is reasonably expected include the borrower's financial situation and competitive position in the marketplace, the risk associated with the underlying collateral, the willingness and capacity of the sponsor who organized the project to support the investment, the borrower's management team, and geopolitical and macroeconomic factors.

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

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

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

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

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Development related debt investments are generally placed in nonaccrual status when collectability is in doubt or payments of interest or principal are past due more than 90 days. IDB Invest does not accrue income and ceases amortization of any premiums or discounts on development related debt investments in nonaccrual status. Any uncollected interest accrued on a development related debt investment placed in nonaccrual status is reversed out of income and is thereafter recognized as Interest and other income in the income statements when the payment is received. A development related debt investment is returned to accrual status once management has concluded that the borrower has demonstrated its ability to make periodic interest and principal payments.

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

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

IDB Invest accounts for its equity investments at fair value through income. For investments in entities over which IDB Invest has significant influence, IDB Invest elects the fair value option in lieu of applying the equity method of accounting.

IDB Invest utilizes the NAV reported by the fund managers as a practical expedient for the fair value measurement of interests in LPs. The NAVs that have been reported by the fund manager are derived from the fair values of the underlying investments.

Revenue recognition on equity investments – Dividends and profit participations received from equity investments are recorded as income and reported in Realized gain/(loss) from sales, dividends and other income, net in the income statements.

Unrealized gains and losses related to fair value adjustments are recorded as Unrealized gain/(loss) from changes in fair value, net in the income statements. Disbursements and distributions that represent return of capital are recorded as increases and decreases, respectively, in the outstanding balance of these equity investments and recorded in Equity investments in the balance sheets.

Consolidation, non-controlling interests, variable interest entities – IDB Invest evaluates its variable interests in legal entities upon commitment, at the time of modification, if applicable, and on an annual basis to determine whether it must consolidate any entity. Pursuant to ASC 810, *Consolidation*, IDB Invest is required to consolidate an entity if (a) the entity is a variable interest entity (VIE) for which IDB Invest is the primary beneficiary or (b) the entity is not a VIE and IDB Invest has a controlling financial interest.

A variable interest is a contractual, ownership or other pecuniary interest in a VIE whose value changes as the fair value of the VIE's net assets change. A legal entity is a VIE if (i) it lacks sufficient equity to permit the entity to finance its activities without additional subordinated financial support or (ii) the equity investors, as a group, lack (a) the power, through voting or similar rights, to direct the activities of the entity that most significantly impact the entity's economic performance; (b) substantive voting rights; (c) the obligation to absorb the expected losses of the entity; or (d) the right to receive the expected residual returns of the entity.

The primary beneficiary is the party with the power to direct the activities that most significantly impact the VIE's economic performance and the obligation to absorb losses of the entity or the right to receive benefits of the VIE that could potentially be significant to the entity. Additional information about VIEs is included in Note 4.

Revenue recognition for service fees – IDB Invest recognizes revenue in connection with services it provides to the IDB and trust funds administered by the IDB or IDB Invest. A series of service level agreements (SLAs)

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define the nature of the services and corresponding fees for services provided to the IDB. The most significant of these services relates to loan origination and servicing performed on the IDB's behalf. IDB Invest recognizes revenue for these services as it fulfills its performance obligation over the annual service period. Similarly, IDB Invest receives project administration and general administrative fees for services provided to several special purpose trust funds administered by IDB Invest or the IDB. Additional information about related party transactions is included in Note 13.

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

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

Fixed and intangible assets – Fixed assets consist of office equipment and furniture and intangible assets consist of internally-developed software. Fixed and intangible assets are presented at cost less accumulated depreciation and amortization and are included in Receivables and other assets in the balance sheets. Depreciation and amortization are recognized using the straight-line method over the estimated useful lives of the assets that range from three to seven years.

Leases – IDB Invest leases office space from the IDB at its headquarters and in its Regional Developing Member Countries. IDB Invest recognizes these leases as operating leases under ASC 842, *Leases*.

IDB Invest recognizes a right-of-use asset and lease liability in the balance sheets for each operating lease based on the present value of the future minimum lease payments over the lease term. The right-of-use assets are nonmonetary assets included in Receivable and other assets in the balance sheets and are amortized based on each period's discounted cash flows. Lease liabilities are monetary liabilities included in Payables and other liabilities in the balance sheets and are reduced based on each period's discounted cash flows. IDB Invest remeasures its lease liabilities originating in currencies other than US\$ at the exchange rate in effect at each reporting date. Operating lease expense is recorded on a straight-line basis and included in Administrative expenses in the income statements. Additional information related to IDB Invest's leases is included in Notes 5, 8, and 12.

Borrowings – To ensure funds are available for its operational liquidity needs, IDB Invest offers its debt securities to investors in international capital markets. IDB Invest's borrowings are carried at amortized cost or fair value in the balance sheets.

For those borrowings carried at amortized cost, the amortization of premiums and accretion of discounts is calculated following a methodology that approximates the effective interest method and is included in Borrowings expense in the income statements. The unamortized balance of the borrowing issuance costs related to a recognized debt liability is included as a direct deduction from the carrying amount of the Borrowings in the balance sheets. Interest expense on all borrowings is recognized on an accrual basis and is included in Borrowings expense in the income statements.

For those borrowings carried at fair value, fair value changes are reported in accordance with ASU 2016-01, *Financial Instruments*. Accordingly, the change in fair value resulting from changes in instrument-specific credit risk is reported in Unrealized gains/(losses) arising during the period related to fair value adjustments on borrowings attributable to changes in instrument-specific credit risk, net, in the statements of other comprehensive income, while the remaining change in fair value is reported in Gain/(loss) from changes in fair

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value on non-trading portfolios and foreign exchange transactions, net in the income statements. Additional information about borrowings is included in Note 6.

Non-trading portfolio – IDB Invest's non-trading portfolio includes development related debt investments, derivatives, and borrowings accounted for at fair value. The reported income volatility resulting from these non-trading financial instruments is not fully representative of the underlying economics of the transactions as IDB Invest does not intend to actively trade such instruments. Therefore, Gain/(loss) from changes in fair value on non-trading portfolios and foreign currency transactions, net, are reported separately from Income/(expense) from development related investments, liquid assets and other income, net of borrowing expenses in the income statements. Additional information about the non-trading portfolio is included in Note 11.

Remeasurements of foreign currency transactions – Monetary assets and liabilities denominated in currencies other than the US\$ are translated into US\$ at market exchange rates prevailing at the balance sheet dates. Income and expenses are translated at the market exchange rate in effect at the transaction date or at monthly average rates. Resulting gains and losses from remeasurements are generally included in Gain/(loss) from changes in fair value on non-trading portfolios and foreign exchange transactions, net in the income statements.

Fair value measurements – ASC 820, *Fair Value Measurements*, requires entities to disclose information about recurring and non-recurring fair value measurements, as well as the fair value of financial instruments.

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

In determining fair value, IDB Invest uses various valuation approaches, including market, income, or cost approaches. The Codification establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs developed based on market data obtained from sources independent of IDB Invest that reflect assumptions market participants would use in pricing the asset or liability. Unobservable inputs are inputs for which market data is not available and are developed using the best information available about the assumptions market participants would use in pricing the asset or liability. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

- Level 1—Inputs are based on unadjusted quoted prices for identical assets or liabilities in active markets.

Assets and liabilities utilizing Level 1 inputs include debt securities and equity investments that are actively traded and primarily include debt securities of the United States government and agencies.
- Level 2—Inputs are based on quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities that are not actively traded; or pricing models for which all significant inputs are observable, directly or indirectly, for substantially the full term of the asset or liability.

Assets and liabilities utilizing Level 2 inputs include money market funds, investment securities, and investments in obligations of banks, governments and agencies or instrumentalities other than the United States, sovereigns, local and regional governments, corporate bonds, borrowings, and derivative instruments that are not actively traded.
- Level 3—Inputs are unobservable and significant to the overall fair value measurement.

Assets utilizing Level 3 inputs include loans, development related debt securities, equity investments, and borrowings that are measured for which observable inputs are not available.

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The availability of observable inputs is affected by a wide variety of factors, including, for example, the type of product, and other characteristics particular to the transaction. To the extent fair value is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

Fair value for the majority of IDB Invest's financial instruments is derived using pricing models. Pricing models consider the contract terms, including amortization schedule and maturity, where applicable, and other inputs, including, where applicable, interest rate yield curves, credit spreads, creditworthiness of the counterparty, option volatility, and currency rates. In accordance with ASC 820, the impact of IDB Invest's own credit spreads would also be considered when measuring the fair value of liabilities. Where appropriate, valuation adjustments are made to account for various factors, including bid-ask spreads, credit quality, and market liquidity. These adjustments are applied on a consistent basis and are based upon observable inputs, where available. Additional information about fair value measurements is included in Note 10.

Fair value option – The Fair Value Option (FVO) under ASC 825, *Financial Instruments*, permits the measurement of eligible financial assets, financial liabilities and firm commitments at fair value on an instrument-by-instrument basis, that are not otherwise permitted or required to be accounted for at fair value under other accounting standards. IDB Invest has elected the FVO for the following classes of financial assets and liabilities: i) certain investments in development related debt securities that IDB Invest does not have the ability and intent to hold until maturity, ii) certain hybrid development related debt investments, iii) investments that would otherwise be accounted for under the equity method, iv) certain development related investments in equity securities for which a measurement alternative is no longer applied, and v) certain borrowings that are economically hedged with derivative financial instruments.

Financial assets and borrowings elected under the FVO are measured at fair value on a recurring basis and changes in fair value of these financial instruments are included in Gain/(loss) from changes in fair value on non-trading portfolios and foreign exchange transactions, net, in the income statements. Interest income on these financial instruments is recognized on an accrual basis, where applicable.

Loan participations – IDB Invest mobilizes funds from commercial banks and other financial institutions (Participants) by facilitating loan participations, without recourse. These loan participations are administered and serviced by IDB Invest on behalf of the Participants in exchange for a fee. Such fees are recognized upon receipt and are reported in Mobilization fees and other income in the income statements. The disbursed and outstanding balances of loan participations that meet the requirements to be accounted for as sales are not included in IDB Invest's balance sheets.

Pension and postretirement benefits – IDB Invest is a sponsor of the Staff Retirement Plan (SRP) and the Complementary Staff Retirement Plan (CSR) (the Pension Plans), which are defined benefit pension plans jointly managed with the IDB. Under the Pension Plans, benefits are based on years of service and level of compensation, and plan assets include contributions by employees and by IDB Invest and the IDB for their respective employees. Any and all contributions to the Pension Plans are irrevocable and are held separately in retirement funds solely for the payment of benefits under the Pension Plans.

IDB Invest also provides certain health care, tax reimbursement and other postretirement benefits to eligible retirees under its Postretirement Benefits Plan (PRBP), which is also jointly managed by the IDB. Retirees contribute toward the PRBP based on an established premium schedule. IDB Invest and the IDB contribute the remainder of the actuarially determined cost of future health care and other benefits for their respective employees. All contributions and other assets and income of the PRBP remain the property of IDB Invest and the IDB, but are held and administered separately and apart from the other property and assets of each employer solely for the purpose of payment of benefits under the PRBP.

Since both the IDB and IDB Invest are sponsors of the Pension Plans and the PRBP, each employer presents its respective share of these plans. The amounts presented reflect IDB Invest's proportionate share of costs,

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assets, and obligations of the Pension Plans and PRBP in accordance with ASC 715, *Compensation – Retirement Benefits*.

The service cost component of net periodic benefit costs allocated to IDB Invest is included in Administrative expenses and the other components are included in Other components of pension benefit costs, net, in the income statements. The separate funded statuses of the Pension Plans and the PRBP are included in Receivables and other assets when the respective Pension Plans or the PRBP is in a funded status, and included in Payables and other liabilities when the respective Pension Plans or the PRBP is in an underfunded status in the balance sheets. Additional information about the Pension Plans and PRBP is included in Note 14.

Taxes – IDB Invest, its property, other assets, income, and the operations and transactions it carries out pursuant to the Agreement Establishing the Inter-American Investment Corporation, are immune from all taxation and from all custom duties in its member countries. IDB Invest is also immune from any obligation relating to the payment, withholding or collection of any tax or duty in its member countries.

Accounting and financial reporting developments – In March 2022, the FASB issued ASU 2022-02, Financial Instruments—Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures. The amendments in this ASU eliminate the TDR recognition and measurement guidance and enhance existing disclosure requirements for modifications of receivables made to borrowers experiencing financial difficulty. They also require disclosure of current-period gross write-offs by year of origination for financing receivables within the scope of Subtopic 326-20. Early adoption of the amendments is permitted. For IDB Invest, this ASU is effective on January 1, 2023, and is not expected to have a material impact on IDB Invest's financial statements.

In June 2022, the FASB issued ASU 2022-03, Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions. The amendments in this ASU clarify that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. The amendments also clarify that an entity cannot, as a separate unit of account, recognize and measure a contractual sale restriction. Additionally, certain disclosures for equity securities subject to contractual sale restrictions are required. For IDB Invest, this ASU is effective on January 1, 2024, and is not expected to have a material impact on IDB Invest's financial statements.

3. Liquid Assets

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

	September 30, 2022	December 31, 2021
Cash ⁽¹⁾	\$ 47,087	\$ 54,409
Investment securities		
Money market funds	363,945	275,145
Debt securities		
Corporate securities	819,132	876,384
Agency securities	342,157	464,378
Supranational securities	219,088	121,349
Government securities	138,389	166,295
Total debt securities	\$ 1,518,766	\$ 1,628,406
Total investment securities	1,882,711	1,903,551
Total liquid assets	\$ 1,929,798	\$ 1,957,960

⁽¹⁾ Includes restricted cash of \$24.5 million as of September 30, 2022 (\$23.9 million as of December 31, 2021).

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

	Nine months ended September 30	
	2022	2021
Interests and dividends, net	\$ 14,121	\$ 7,446
Gain/(loss) from changes in fair value and gain/(loss) from foreign exchange transactions, net	(20,931)	3,389
Total	\$ (6,810)	\$ 10,835

Net unrealized losses recognized in income for the nine months ended September 30, 2022 relating to trading securities still held as of September 30, 2022 were \$28.0 million (\$2.5 million net unrealized losses for the nine months ended September 30, 2021).

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

	September 30, 2022	December 31, 2021
Less than one year	\$ 1,164,598	\$ 952,394
Between one and five years	354,168	676,012
Total	\$ 1,518,766	\$ 1,628,406

4. Development Related Investments

IDB Invest's development related investments include loans, guarantees, debt securities, and equity investments, which are the result of financing activities that are designed to promote the economic development of IDB Invest's Regional Developing Member Countries through the establishment, expansion, and modernization of private enterprises.

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The cost and carrying amount of development related investments are as follows (US\$ thousands):

	September 30, 2022		December 31, 2021	
	Cost	Carrying amount	Cost	Carrying amount
Loans				
At amortized cost	\$ 4,905,449	4,905,449	\$ 4,610,105	\$ 4,610,105
At fair value	257,405	245,642	152,799	144,422
Total loans	5,162,854	5,151,091	4,762,904	4,754,527
Debt securities				
At amortized cost	112,336	112,336	118,275	118,275
At fair value	759,151	706,468	436,238	435,191
Total debt securities	871,487	818,804	554,513	553,466
Allowance for credit losses		(214,690)		(201,803)
Total development related debt investments, net	6,034,341	5,755,205	5,317,417	5,106,190
Equity investments				
At fair value	258,599	295,297	228,335	277,640
Total equity investments	258,599	295,297	228,335	277,640
Total development related investments, net	\$ 6,292,940	\$ 6,050,502	\$ 5,545,752	\$ 5,383,830

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Notes to Condensed Interim Financial Statements (Unaudited)

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

	Nine months ended September 30	
	2022	2021
Loans, debt securities and guarantees		
Interest income	\$ 206,060	\$ 130,022
Fees and other income, net	6,838	9,433
Recovery asset income/(release)	11,719	2,939
(Provision)/release of provision for credit losses	9,167	49,977
Income/(expense) from loans, debt securities and guarantees	233,784	192,371
Equity investments		
Realized gain/(loss) from sales, net	2,043	1,453
Realized dividends and other income	155	34
Unrealized gain/(loss) from changes in fair value, net	(12,607)	15,030
Income from equity investments, net	(10,409)	16,517
Income from development related investments, net	\$ 223,375	\$ 208,888

Undisbursed commitments (net of cancellations) related to development related investments are summarized below (US\$ thousands):

	September 30, 2022	December 31, 2021
Loans		
At amortized cost	\$ 812,071	\$ 1,262,112
At fair value	188,461	220,901
Total loans	1,000,532	1,483,013
Debt securities		
At amortized cost	—	—
At fair value	74,145	419,347
Total debt securities	74,145	419,347
Total development related debt investments, net	1,074,677	1,902,360
Equity investments		
At fair value	87,033	103,457
Total equity investments	87,033	103,457
Total development related investments, net	\$ 1,161,710	\$ 2,005,817

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

	<u>September 30, 2022</u>	<u>December 31, 2021</u>
Loans		
Due in one year or less	\$ 1,986,492	\$ 1,771,943
Due after one year through five years	1,724,772	1,637,845
Due after five years through ten years	1,199,728	1,100,582
Due after ten years and thereafter	268,719	266,015
Total loans	5,179,711	4,776,385
Debt securities		
Due in one year or less	50,253	32,654
Due after one year through five years	352,808	286,029
Due after five years through ten years	474,030	227,947
Due after ten years and thereafter	34,570	25,956
Total debt securities	911,661	572,586
Total development related debt investments, principal amount outstanding	6,091,372	5,348,971
Unamortized discounts	(57,031)	(31,554)
Total development related debt investments at cost	6,034,341	5,317,417
Fair value adjustments	(64,446)	(9,424)
Total development related debt investments at carrying amount	\$ 5,969,895	\$ 5,307,993

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

	September 30, 2022		December 31, 2021	
	Amount	Interest rate range	Amount	Interest rate range
Brazilian real (BRL)				
Loans	\$ 35,917	15.6%-19.0%	\$ 36,745	11.1%-14.5%
Debt securities	29,948	15.7%	29,015	11.2%
	<u>65,865</u>		<u>65,760</u>	
Colombian peso (COP)				
Loans	58,168	14.4%-17.3%	63,159	8.4%-12.3%
Debt securities	102,544	9.5%-10.9%	116,248	4.6%-9.5%
	<u>160,712</u>		<u>179,407</u>	
Chilean peso (CLP)				
Loans	16,612	7.6%-11.9%	—	—%
	<u>16,612</u>		<u>—</u>	
Dominican Republic peso (DOP)				
Loans	9,344	10.5%	8,728	10.5%
	<u>9,344</u>		<u>8,728</u>	
Mexican peso (MXN)				
Loans	139,885	10.3%-13.9%	115,212	6.7%-10.1%
Debt securities	27,105	9.9%-13.0%	20,032	6.2%-13.0%
	<u>166,990</u>		<u>135,244</u>	
Paraguayan guarani (PYG)				
Loans	30,416	7.5%-9.6%	19,847	7.5%-9.0%
	<u>30,416</u>		<u>19,847</u>	
Peruvian sol (PEN)				
Loans	39,979	10.5%-11.1%	39,818	10.5%-11.1%
Debt securities	14,472	8.0%	14,413	8.0%
	<u>54,451</u>		<u>54,231</u>	
Trinidad and Tobago dollar (TTD)				
Loans	29,598	3.8%	29,514	3.8%
	<u>29,598</u>		<u>29,514</u>	
United States dollar (USD)				
Loans	4,251,375	1.3%-11.0%	3,816,020	0.5%-9.2%
Debt securities	550,323	3.0%-9.8%	295,542	2.3%-8.0%
	<u>4,801,698</u>		<u>4,111,562</u>	
Total development related debt investments, before discounted debt investments	5,335,686		4,604,293	
Discounted debt investments with no stated interest rate (USD)	607,539		596,050	
Discounted debt investments with no stated interest rate (MXN)	91,116		117,074	
Total development related debt investments at cost	6,034,341		5,317,417	
Fair value adjustments for debt investments	(64,446)		(9,424)	
Total development related debt investments at carrying amount	\$ 5,969,895		\$ 5,307,993	

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Base rates of variable rate loans reset at each interest due date at least annually or more frequently, but loan margins generally remain constant over the life of the variable rate loan.

Development related debt investments

An aging analysis, based on contractual terms, for development related debt investments as of September 30, 2022 and December 31, 2021 is as follows (US\$ thousands):

	September 30, 2022				
	1-90 days past due	>90 days past due	Total past due	Total current	Total portfolio
Loans	\$ —	\$ 21,258	\$ 21,258	\$ 5,158,453	\$ 5,179,711
Debt securities	—	—	—	911,661	911,661
Total development related debt investments, principal amount outstanding	—	21,258	21,258	6,070,114	6,091,372
Unamortized discounts	—	—	—	(57,031)	(57,031)
Total development related debt investments at cost	—	21,258	21,258	6,013,083	6,034,341
Fair value adjustments for debt investments	—	—	—	(64,446)	(64,446)
Total development related debt investments at carrying amount	\$ —	\$ 21,258	\$ 21,258	\$ 5,948,637	\$ 5,969,895

	December 31, 2021				
	1-90 days past due	>90 days past due	Total past due	Total current	Total portfolio
Loans	\$ 312	\$ 17,750	\$ 18,062	\$ 4,758,323	\$ 4,776,385
Debt securities	—	—	—	572,586	572,586
Total development related debt investments, principal amount outstanding	312	17,750	18,062	5,330,909	5,348,971
Unamortized discounts	—	—	—	(31,554)	(31,554)
Total development related debt investments at cost	312	17,750	18,062	5,299,355	5,317,417
Fair value adjustments for debt investments	—	—	—	(9,424)	(9,424)
Total development related debt investments at carrying amount	\$ 312	\$ 17,750	\$ 18,062	\$ 5,289,931	\$ 5,307,993

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IDB Invest monitors for development related debt investments measured at amortized cost and fair value in nonaccrual status and past due. Development related debt investments in nonaccrual status are summarized as of September 30, 2022 and December 31, 2021 as follows (US\$ thousands):

	September 30, 2022		Nine months ended September 30, 2022	
	Total nonaccrual	> 90 days past due and accruing	Interest income recognized on nonaccrual status	Accrued interest income written off
Loans	\$ 31,559	\$ —	\$ 905	\$ 98
Debt securities	—	—	—	—
Total development related debt investments, principal amount outstanding	31,559	—	905	98
Unamortized discounts	—	—		
Total development related debt investments at cost	31,559	—	905	98
Fair value adjustments for debt investments ⁽¹⁾	(3,180)	—		
Total development related debt investments at carrying amount	\$ 28,379	\$ —	\$ 905	\$ 98

⁽¹⁾ As of September 30, 2022, one loan measured at fair value with a principal amount outstanding of \$3.2 million and net carrying amount of zero was placed in nonaccrual status and current. There were no debt securities measured at fair value in nonaccrual status nor past due as of September 30, 2022.

	December 31, 2021		Nine months ended September 30, 2021	
	Total nonaccrual	> 90 days past due and accruing	Interest income recognized on nonaccrual status	Accrued interest income written off
Loans ⁽¹⁾	\$ 25,431	\$ —	\$ 534	\$ —
Debt securities ⁽¹⁾	—	—	—	—
Total development related debt investments at cost	25,431	—	534	—

⁽¹⁾ There were no development related debt investments measured at fair value placed in nonaccrual status nor past due as of December 31, 2021.

There were no development related debt investments at amortized cost classified as nonaccrual without a related allowance for credit losses as of September 30, 2022 (none as of December 31, 2021).

During 2022, there were no TDRs related to the development related debt investments portfolio. During 2021, there were three TDRs related to financial institutions and corporate loans included in development related debt investments, which had an outstanding balance of \$6.8 million prior to the modifications. These loans had an outstanding balance of \$7.4 million and individually assessed allowance for credit losses of \$2.3 million as of December 31, 2021. IDB Invest does not have commitments to extend additional funds to borrowers whose terms have been modified in a TDR. There were no payment defaults on loans modified in a TDR within the previous twelve months.

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Since the beginning of the COVID-19 pandemic, IDB Invest has evaluated loans modifications under the guidance set forth in the Interagency Statement and determined that these modifications were not considered TDRs. During the nine months ended September 30, 2022, IDB Invest evaluated two loans modification with a total outstanding balance of \$50.8 million and the relief provided included short-term deferrals of principal amounting to \$2.6 million as of September 30, 2022. During 2021, IDB Invest evaluated loan modifications with a total outstanding balance of \$2.1 million and the relief provided included short-term deferrals of principal amounting to \$165.0 thousand as of December 31, 2021. The loans continue to accrue interest during the deferral period and are not reported as past due nor in nonaccrual status. IDB Invest continues to estimate the allowance for credit losses for these loans through the collective assessment under the CECL methodology.

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Changes in the allowance for credit losses by portfolio segment are presented below (US\$ thousands):

	Nine months ended September 30, 2022			
	Financial institutions	Corporates	Project finance	Total
Loans				
Beginning balance	\$ (65,447)	\$ (73,010)	\$ (57,557)	\$ (196,014)
Loans written off	—	193	—	193
Recoveries	—	—	—	—
(Provision)/release of provision for credit losses	10,055	(18,462)	(6,213)	(14,620)
Loans ending balance	(55,392)	(91,279)	(63,770)	(210,441)
Debt securities				
Beginning balance	(2,967)	(2,249)	(573)	(5,789)
Debt securities written off	—	—	—	—
Recoveries	—	—	—	—
(Provision)/release of provision for credit losses	1,098	397	45	1,540
Debt securities ending balance	(1,869)	(1,852)	(528)	(4,249)
Allowance for credit losses	(57,261)	(93,131)	(64,298)	(214,690)
Undisbursed commitments				
Beginning balance	(9,130)	(26,415)	(25,974)	(61,519)
(Provision)/release of provision for credit losses	5,044	7,444	10,089	22,577
Undisbursed commitments ending balance	(4,086)	(18,971)	(15,885)	(38,942)
Guarantees				
Beginning balance	(19)	—	(22)	(41)
(Provision)/release of provision for credit losses	(263)	(6)	(61)	(330)
Guarantees ending balance	(282)	(6)	(83)	(371)
Liability for off-balance sheet credit losses	(4,368)	(18,977)	(15,968)	(39,313)
(Provision)/release of provision for credit losses	\$ 15,934	\$ (10,627)	\$ 3,860	\$ 9,167

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	Year ended December 31, 2021			
	Financial institutions	Corporates	Project finance	Total
Loans				
Beginning balance	\$ (59,862)	\$ (72,064)	\$ (41,321)	\$ (173,247)
Loans written off	—	—	1,273	1,273
Recoveries	(38)	—	—	(38)
(Provision)/release of provision for credit losses	(5,547)	(946)	(17,509)	(24,002)
Loans ending balance	<u>(65,447)</u>	<u>(73,010)</u>	<u>(57,557)</u>	<u>(196,014)</u>
Debt securities				
Beginning balance	(4,630)	(2,558)	(663)	(7,851)
Debt securities written off	—	—	—	—
Recoveries	—	—	—	—
(Provision)/release of provision for credit losses	1,663	309	90	2,062
Debt securities ending balance	<u>(2,967)</u>	<u>(2,249)</u>	<u>(573)</u>	<u>(5,789)</u>
Allowance for credit losses	<u>(68,414)</u>	<u>(75,259)</u>	<u>(58,130)</u>	<u>(201,803)</u>
Undisbursed commitments				
Beginning balance	(18,072)	(14,371)	(27,887)	(60,330)
(Provision)/release of provision for credit losses	8,942	(12,044)	1,913	(1,189)
Undisbursed commitments ending balance	<u>(9,130)</u>	<u>(26,415)</u>	<u>(25,974)</u>	<u>(61,519)</u>
Guarantees				
Beginning balance	(282)	(1,142)	(16,039)	(17,463)
(Provision)/release of provision for credit losses	263	1,142	16,017	17,422
Guarantees ending balance	<u>(19)</u>	<u>—</u>	<u>(22)</u>	<u>(41)</u>
Liability for off-balance sheet credit losses	<u>(9,149)</u>	<u>(26,415)</u>	<u>(25,996)</u>	<u>(61,560)</u>
(Provision)/release of provision for credit losses	\$ 5,321	\$ (11,539)	\$ 511	\$ (5,707)

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Notes to Condensed Interim Financial Statements (Unaudited)

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

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

Rating categories	Credit quality indicator	Internal credit risk classification range	Description
aa- and better	Very strong	aa- or higher	An obligor in these categories has a very strong capacity to meet its financial commitment.
a+ to a-	Strong	a+, a, a-	An obligor in these categories has a strong capacity to meet its financial commitment.
bbb+ to bbb-	Adequate	bbb+, bbb, bbb-	An obligor in these categories exhibits an adequate financial profile. However, adverse economic conditions or changing circumstances are more likely to lead to a weakening of the obligor's capacity to meet its financial obligations.
bb+ to bb-	Moderate	bb+, bb, bb-	An obligor in these categories can face major uncertainties or exposures to adverse business, financial, or economic conditions that could lead to its inadequate capacity to meet its financial obligations.
b+ to b-	Weak	b+, b, b-	An obligor in these categories is more vulnerable to nonpayment than obligations rated bb-, but the obligor currently has the capacity to meet its financial obligations. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial obligations.
ccc+ and lower	Very weak	ccc+ or lower	An obligor in these categories faces significant challenges, and default may also already be a virtual certainty. The obligor is currently vulnerable to nonpayment, and is dependent upon favorable business, financial, and economic conditions for the obligor to meet its financial obligations. In the event of adverse business, financial, or economic conditions, the obligor is not likely to have the capacity to meet its financial obligations.

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A summary of development related debt investments carried at amortized cost by credit quality indicator, class of financing receivable and major security type, and vintage as of September 30, 2022 and December 31, 2021 are as follows (US\$ thousands):

	September 30, 2022						Revolving loans amortized cost basis	Total
	Amortized cost basis by origination year ⁽¹⁾							
	2022	2021	2020	2019	2018	Prior		
Loans								
Strong	\$ —	\$ 524	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 524
Adequate	123,600	33,809	274,000	6,721	—	26,333	222,072	686,535
Moderate	559,838	501,913	483,582	218,022	172,105	65,433	340,630	2,341,523
Weak	204,863	327,653	440,696	158,627	180,421	49,000	246,935	1,608,195
Very weak	1,500	63,696	15,899	64,059	61,608	61,910	—	268,672
Total loans	889,801	927,595	1,214,177	447,429	414,134	202,676	809,637	4,905,449
Debt securities								
Adequate	—	—	—	—	—	5,777	—	5,777
Moderate	—	—	—	50,000	39,059	—	—	89,059
Weak	—	—	—	—	13,000	—	—	13,000
Very weak	—	—	—	—	4,500	—	—	4,500
Total debt securities	—	—	—	50,000	56,559	5,777	—	112,336
Total amortized cost loans and debt securities	\$ 889,801	\$ 927,595	\$ 1,214,177	\$ 497,429	\$ 470,693	\$ 208,453	\$ 809,637	\$ 5,017,785

⁽¹⁾ Includes short-term loans with maturities of less than one year and \$40.0 million of line-of-credit arrangements that were converted to term loans during the nine months ended September 30, 2022.

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December 31, 2021							
	Amortized cost basis by origination year ⁽¹⁾					Revolving loans amortized cost basis	Total
	2021	2020	2019	2018	Prior		
Loans							
Strong	\$ 382	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 382
Adequate	19,041	274,000	15,350	—	13,785	319,955	642,131
Moderate	600,051	444,415	335,544	200,776	54,762	416,837	2,052,385
Weak	462,544	565,842	256,215	230,792	126,985	117,678	1,760,056
Very weak	—	6,531	25,750	54,839	68,031	—	155,151
Total loans	1,082,018	1,290,788	632,859	486,407	263,563	854,470	4,610,105
Debt securities							
Moderate	—	—	50,000	43,382	5,893	—	99,275
Weak	—	—	—	13,000	—	—	13,000
Very weak	—	—	—	6,000	—	—	6,000
Total debt securities	—	—	50,000	62,382	5,893	—	118,275
Total amortized cost loans and debt securities	\$1,082,018	\$1,290,788	\$ 682,859	\$ 548,789	\$ 269,456	\$ 854,470	\$4,728,380

⁽¹⁾ Includes short-term loans with maturities of less than one year. For the year ended December 31, 2021, there were no line of credit arrangements converted to term loans.

The following table presents the amortized cost and allowance for credit losses on held-to-maturity development related debt securities in comparison to the fair value and gross unrecognized holding gains/(losses) that would have been recorded if such securities were recorded at fair value (US\$ thousands):

September 30, 2022						
	Amortized cost	Allowance for credit losses	Net carrying amount	Gross unrecognized holding		Fair value
				gains	losses	
Debt securities	\$ 112,336	\$ (4,249)	\$ 108,087	\$ 1,112	\$ (6,657)	\$ 106,791
Total	\$ 112,336	\$ (4,249)	\$ 108,087	\$ 1,112	\$ (6,657)	\$ 106,791

December 31, 2021						
	Amortized cost	Allowance for credit losses	Net carrying amount	Gross unrecognized holding		Fair value
				gains	losses	
Debt securities	\$ 118,275	\$ (5,789)	\$ 112,486	\$ 11,306	\$ —	\$ 129,581
Total	\$ 118,275	\$ (5,789)	\$ 112,486	\$ 11,306	\$ —	\$ 129,581

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Notes to Condensed Interim Financial Statements (Unaudited)

Guarantees

Guarantees issued by IDB Invest have maturities consistent with those of the guaranteed loan portfolio. No guarantees issued by IDB Invest have been called since the inception of the guarantee program.

The outstanding exposure for guarantees by IDB Invest was \$156.9 million as of September 30, 2022 (\$134.6 million as of December 31, 2021). The maximum potential amount of future payments under the guarantees, without taking into consideration possible recoveries under recourse provisions or from collateral held or pledged, amounted to \$200.9 million as of September 30, 2022 (\$146.7 million as of December 31, 2021).

The contingent liabilities associated with the guarantees issued by IDB Invest are measured either under the CECL methodology or at fair value through income. For guarantees measured under the CECL methodology, IDB Invest recorded a contingent liability for off-balance sheet credit exposures of \$371 thousand as of September 30, 2022 (\$41 thousand as of December 31, 2021) in the balance sheets and a provision for credit losses of \$330 thousand for the nine months ended September 30, 2022 (release of provision for credit losses of \$13.3 million for the nine months ended September 30, 2021) in the income statements. In connection with guarantees measured at fair value, IDB Invest recorded a reduction in the contingent liability of \$778 thousand as of September 30, 2022 in the balance sheets (reduction in the contingent liability of \$1.2 million as of December 31, 2021) and recognized \$373 thousand net unrealized losses for the nine months ended September 30, 2022 (net unrealized losses of \$1.1 million for the nine months ended September 30, 2021) in the income statements. Refer to Note 10 for additional information related to guarantees measured at fair value.

Loan participations

As of September 30, 2022, IDB Invest serviced loan participations outstanding of \$2.9 billion (\$2.2 billion as of December 31, 2021) and recognized servicing fees of \$534 thousand for the nine months ended September 30, 2022 (\$912 thousand for the nine months ended September 30, 2021) included in Mobilization fees and other income in the income statements.

Variable interest entities

IDB Invest is the primary beneficiary of one VIE, which has no creditors, as of September 30, 2022. IDB Invest's involvement with this VIE is limited to a loan which amounted to \$2.5 million as of September 30, 2022 (\$7.0 million as of December 31, 2021) and is recorded as Development related investments in the balance sheets. There were no undisbursed commitments as of September 30, 2022 (none as of December 31, 2021). Based on the most recent available data, total VIE assets amounted to \$2.0 million as of September 30, 2022 (\$6.7 million as of December 31, 2021), which is considered insignificant compared to the carrying value, and thus not consolidated with IDB Invest's financial statements.

IDB Invest also holds variable interests in the form of development related investments in VIEs in which it is not the primary beneficiary as of September 30, 2022. These VIEs are mainly special purpose vehicles or investment funds, where the sponsor, the general partner or fund manager does not have substantive equity at risk or the equity investors, as a group, lack substantive voting rights or the power, through voting or similar rights, to direct the activities of the entity that most significantly impact the entity's economic performance. IDB Invest's interests in these VIEs are recorded as Development related investments in the balance sheets.

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IDB Invest's maximum exposure to loss as a result of its involvement in such VIEs as of September 30, 2022 and December 31, 2021 is as follows (US\$ thousands):

	September 30, 2022	December 31, 2021
Carrying value	\$ 193,434	\$ 162,336
Undisbursed commitments	87,033	103,457
Maximum exposure to VIEs	\$ 280,467	\$ 265,793

5. Receivables and Other Assets

Receivables and other assets are summarized below (US\$ thousands):

	Notes	September 30, 2022	December 31, 2021
Receivables for cash collateral pledged	7	\$ 240,500	\$ 65,800
Interest receivable on development related debt investments		57,379	24,030
Recovery assets		49,878	38,158
Operating lease right-of-use asset		37,589	40,174
Fixed and intangible assets		12,638	13,796
Interest receivable on investment securities		6,606	6,976
Other assets		2,004	3,011
Total receivables and other assets		\$ 406,594	\$ 191,945

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Notes to Condensed Interim Financial Statements (Unaudited)

6. Borrowings

Borrowings outstanding by measurement basis, currency, and range of contractual interest rates applicable to each category are presented below (US\$ thousands):

	September 30, 2022		December 31, 2021	
	Amount outstanding	Interest rate range	Amount outstanding	Interest rate range
At amortized cost				
Australian dollar (AUD)	\$ 331,265	1.1%-2.2%	\$ 376,426	1.1%-2.2%
Brazilian real (BRL)	53,939	13.9%-16.1%	50,173	9.4%-11.6%
Colombian peso (COP)	157,552	6.6%-13.8%	175,824	3.5%-9.2%
Dominican peso (DOP)	9,344	8.8%	8,728	8.8%
Mexican peso (MXN)	347,557	8.8%-9.0%	292,506	5.2%-5.7%
Paraguayan guarani (PYG)	30,416	5.4%-7.9%	19,847	5.4%-6.1%
Trinidad and Tobago dollar (TTD)	29,598	2.1%	29,514	2.1%
United States dollar (USD)	900,000	1.7%-3.3%	600,000	1.7%-1.8%
Principal at face value	1,859,671		1,553,018	
Unamortized premiums/discounts and issuance costs, net	(1,878)		(2,214)	
Borrowings at amortized cost, net	1,857,793		1,550,804	
At fair value				
Australian dollar (AUD)	405,482	1.5%-4.6%	99,176	1.5%
United States dollar (USD)	3,000,000	0.5%-2.6%	3,000,000	0.5%-0.8%
Principal at face value	3,405,482		3,099,176	
Unamortized premiums/discounts and issuance costs, net	(6,151)		(3,571)	
Fair value (gain)/loss adjustments, net	(268,056)		(33,780)	
Borrowings at fair value, net	3,131,275		3,061,825	
Total borrowings at carrying amount, net	\$ 4,989,068		\$ 4,612,629	

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

	Available until	Committed amount	September 30, 2022	
			Undrawn commitment amount	Drawdown amount
Colombian peso				
COP 254 billion	2024	\$ 55,151	\$ —	\$ 55,151
Multi-currency				
USD 300 million	2029	\$ 300,000	\$ 90,259	\$ 209,741

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

	Nine months ended September 30	
	2022	2021
Interest expense	\$ 75,297	\$ 42,994
Fees expense	181	276
Amortization of premiums/discounts and issuance costs, net	3,045	2,354
Total borrowings expense, net	\$ 78,523	\$ 45,624

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

	Nine months ended September 30	
	2022	2021
Unrealized gain/(loss) during the period	\$ 22,942	\$ (11,086)
Total recognized in other comprehensive income/(loss)	\$ 22,942	\$ (11,086)

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Notes to Condensed Interim Financial Statements (Unaudited)

7. Derivative Instruments

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

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

Derivative purpose	Derivative type	September 30, 2022		December 31, 2021	
		Derivative assets	Derivative liabilities	Derivative assets	Derivative liabilities
Development related debt investments	Cross currency swaps	\$ 6,305	\$ (278)	\$ 5,302	\$ (1,311)
	Interest rate swaps	131,961	(132)	11,106	(2,849)
Borrowings	Cross currency swaps	—	(195,124)	—	(39,023)
	Interest rate swaps	—	(188,186)	1,281	(36,758)
Total		\$ 138,266	\$ (383,720)	\$ 17,689	\$ (79,941)

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

Derivative type and purpose	Income statement location	Nine months ended September 30	
		2022	2021
Development related debt investments	Gain/(loss) from changes in fair value on non-trading portfolios and foreign exchange transactions, net	\$ (1,519)	\$ 6,528
	Gain/(loss) from changes in fair value on non-trading portfolios and foreign exchange transactions, net	132,050	5,470
Borrowings	Gain/(loss) from changes in fair value on non-trading portfolios and foreign exchange transactions, net	(152,330)	(28,950)
	Gain/(loss) from changes in fair value on non-trading portfolios and foreign exchange transactions, net	(150,211)	(13,828)
Total		\$ (172,010)	\$ (30,780)

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

As of September 30, 2022, the outstanding volume, measured by notional amount, of swap contracts was \$5.1 billion (\$4.6 billion as of December 31, 2021).

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

September 30, 2022

	Gross amount of assets presented in the balance sheets	Gross amounts not offset in the balance sheets			
		Financial instruments		Collateral received⁽¹⁾	Net amount
		Financial instruments	Collateral received⁽¹⁾		
Derivative assets	\$ 138,266	\$ (135,815)	\$ (2,451)	\$ —	

September 30, 2022

	Gross amount of liabilities presented in the balance sheets	Gross amounts not offset in the balance sheets			
		Financial instruments		Collateral pledged⁽¹⁾	Net amount
		Financial instruments	Collateral pledged⁽¹⁾		
Derivative liabilities	\$ (383,720)	\$ 135,815	\$ 240,173	\$ (7,732)	

⁽¹⁾ Collateral received of \$2.5 million and collateral pledged of \$240.2 million reflect the offsetting threshold limits, which cannot exceed the fair value of the derivative assets and derivative liabilities. Total cash collateral pledged was \$240.5 million and total cash collateral received was \$5.5 million as of September 30, 2022. Refer to Notes 5 and 8 for additional details related to Receivables for cash collateral pledged and Payables for cash collateral received, respectively.

December 31, 2021

	Gross amount of assets presented in the balance sheets	Gross amounts not offset in the balance sheets			
		Financial instruments		Collateral received⁽¹⁾	Net amount
		Financial instruments	Collateral received⁽¹⁾		
Derivative assets	\$ 17,689	\$ (12,372)	\$ (5,317)	\$ —	

December 31, 2021

	Gross amount of liabilities presented in the balance sheets	Gross amounts not offset in the balance sheets			
		Financial instruments		Collateral pledged	Net amount
		Financial instruments	Collateral pledged		
Derivative liabilities	\$ (79,941)	\$ 12,372	\$ 65,800	\$ (1,769)	

⁽¹⁾ Collateral received of \$5.3 million reflects the offsetting threshold limit, which cannot exceed the fair value of the derivative assets. Total cash collateral received was \$5.7 million as of December 31, 2021. Refer to Note 8 for additional details related to Payables for cash collateral received.

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

IDB Invest's ISDA Agreements are appended by a Credit Support Annex ("CSA") that provides for the receipt and posting of collateral in the form of cash in US\$ or U.S. Treasury securities to reduce mark-to-market exposure among derivative market counterparties. IDB Invest recognizes cash collateral received and a corresponding liability in its balance sheets for the obligation to return it. As of September 30, 2022, IDB Invest had \$5.5 million of outstanding obligations to return cash collateral under CSAs (\$5.7 million as of December 31, 2021). IDB Invest recognizes a receivable in its balance sheets for its rights to cash collateral posted. As of September 30, 2022, \$240.5 million of cash collateral was posted under CSAs (\$65.8 million as of December

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Notes to Condensed Interim Financial Statements (Unaudited)

31, 2021). No securities collateral was received or pledged as of September 30, 2022 nor December 31, 2021. Securities received as collateral are not recognized in the balance sheets. In accordance with the CSAs, IDB Invest may rehypothecate securities received as collateral, subject to the obligation to return such collateral and any related distributions received. In the event of a counterparty default, IDB Invest may exercise certain rights and remedies, including the right to setoff any amounts payable by the counterparty against any collateral held by IDB Invest and the right to liquidate any collateral held.

8. Payables and Other Liabilities

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

	<u>Notes</u>	<u>September 30, 2022</u>	<u>December 31, 2021</u>
Pension and Postretirement Benefit Plans			
Pension Plans, net liability		\$ 138,748	\$ 126,178
Postretirement Benefit Plan, net liability		19,565	18,453
Operating lease liability	12	38,818	41,593
Liability for off-balance sheet credit losses	4	39,313	61,560
Loan origination fees and costs, net		35,918	34,793
Borrowings related Interest and commitment fees payable		36,297	18,215
Employment benefits payable		14,261	16,635
Due to IDB, net	13	12,407	16,620
Deferred revenue		18,070	16,092
Payables for cash collateral received	7	5,500	5,700
Other liabilities		27,562	28,241
Total payables and other liabilities		\$ 386,459	\$ 384,080

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

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9. Capital

IDB Invest's authorized share capital is owned by its member countries. IDB Invest's original authorized share capital was increased from \$200.0 million to \$705.9 million, equivalent to 70,590 shares, through its First General Capital Increase (GCI-I), which was approved in 1999, 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 \$10,000 per share.

On March 30, 2015, IDB Invest's Board of Governors authorized the issuance of 125,474 shares for a total of \$2.03 billion (\$16,178.60 per share) through the Second General Capital Increase (GCI-II), which increased the total authorized shares amount to 196,064. GCI-II is comprised as follows:

(i) 80,662 shares corresponding to \$1.305 billion in capital subscribed by IDB Invest shareholders during the 2016-2022 period (Annex A Shares). Subscribed shares are presented in Capital, par value, and Additional paid-in capital, and any subscription amount due from a member is presented in Receivable from members in the balance sheets. Payments are due from shareholders on October 31 of each year from 2016 to 2022 according to a payment plan determined and communicated by management to each subscribing country. IDB Invest recognizes the issuance of Annex A Shares at the subscription price on the subscription date and recognizes a receivable due from shareholders for subscription payments expected to be received in the future. The Board of Executive Directors is authorized to extend payment deadlines. The price for Annex A Shares not paid within their corresponding annual installment is adjusted to reflect a 5.0% increase for each year of arrears, except for those shares corresponding to the first installment which were fully paid in by the end of the second installment and not subject to a price adjustment. The price adjustment for shares in arrears is recorded to Additional paid-in capital and to Receivable from members in the balance sheets.

(ii) 44,812 shares corresponding to \$725.0 million in transfers from the IDB on behalf of its shareholders (Annex B Shares) paid to IDB Invest during the period 2018-2025 upon annual approval by the IDB Board of Governors.

Capital contributions of \$7.7 million were received during the nine months ended September 30, 2022 for a total of \$1.2 billion in contributions corresponding to Annex A Shares under GCI-II. In March 2022, the Board of Governors approved income distributions corresponding to Annex B Shares transfers from the IDB on behalf of its shareholders that are also member countries of IDB Invest. Following this approval, IDB Invest received \$148.6 million in income distributions (transfers) for a total of \$505.1 million contributions corresponding to Annex B Shares under GCI-II, which are included as part of Total paid-in capital in the balance sheets. Total capital contributions of \$1.7 billion have been received under GCI-II through September 30, 2022.

Under the Agreement Establishing the Inter-American Investment Corporation, any member may withdraw from IDB Invest, which shall become effective on the date specified in the notice but in no event prior to six months from the delivery date of such notice. Even after withdrawing, a member shall remain liable for all obligations to IDB Invest to which it was subject on the date of delivery of the withdrawal notice. In the event a member withdraws, IDB Invest and the member may agree to the repurchase of the shares of said member on terms appropriate under the circumstances. If such agreement is not reached within three months of the withdrawal notice, or within a term agreed upon between both parties, the repurchase price of the member's shares shall be equal to the book value on the date when the member ceases to belong to IDB Invest, such book value to be determined by the audited financial statements. Payment for shares shall be made in such installments, times, and currencies as IDB Invest shall determine, taking into account its financial position.

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Capital and receivable from members are as follows (US\$ thousands, except for Shares and Voting power):

	Capital					Voting power			
	Shares ⁽¹⁾	Capital, par value	Additional paid-in capital ⁽²⁾	Receivable from members ⁽³⁾	Total paid in capital	Percent of total paid in capital ⁽⁴⁾	Number of votes	Percent of total votes ⁽⁴⁾	
Argentina	20,956	\$ 209,560	\$ 79,740	\$ (234)	\$ 289,066	12.12	20,631	12.06	
Austria	937	9,370	3,663	(356)	12,677	0.53	915	0.53	
Bahamas	373	3,730	1,458	—	5,188	0.22	341	0.20	
Barbados	262	2,620	1,065	(124)	3,561	0.15	250	0.15	
Belgium	272	2,720	645	—	3,365	0.14	272	0.16	
Belize	137	1,370	234	—	1,604	0.07	137	0.08	
Bolivia	1,685	16,850	6,405	(469)	22,786	0.96	1,656	0.97	
Brazil	20,956	209,560	84,460	(15,522)	278,498	11.68	18,577	10.86	
Canada	5,349	53,490	32,141	—	85,631	3.59	5,211	3.05	
Chile	5,439	54,390	21,471	(1,417)	74,444	3.12	5,259	3.07	
China	9,330	93,300	56,697	(5,225)	144,772	6.07	9,007	5.26	
Colombia	5,439	54,390	20,721	—	75,111	3.15	5,353	3.13	
Costa Rica	814	8,140	3,107	(243)	11,004	0.46	799	0.47	
Croatia ⁽⁵⁾	15	150	98	—	248	0.01	15	0.01	
Denmark	1,124	11,240	336	—	11,576	0.49	1,124	0.66	
Dominican Republic	1,125	11,250	4,257	(324)	15,183	0.64	1,105	0.65	
Ecuador	1,133	11,330	4,308	(323)	15,315	0.64	1,113	0.65	
El Salvador	814	8,140	3,234	(243)	11,131	0.47	799	0.47	
Finland	1,071	10,710	4,195	—	14,905	0.63	1,047	0.61	
France	3,465	34,650	8,061	(453)	42,258	1.77	3,437	2.01	
Germany	1,931	19,310	3,699	—	23,009	0.96	1,931	1.13	
Guatemala	1,078	10,780	4,078	(339)	14,519	0.61	1,057	0.62	
Guyana	306	3,060	1,159	(17)	4,202	0.18	300	0.18	
Haiti	814	8,140	3,832	(2,675)	9,297	0.39	665	0.39	
Honduras	814	8,140	3,186	(240)	11,086	0.46	794	0.46	
Israel	440	4,400	1,665	(243)	5,822	0.24	425	0.25	
Italy	5,238	52,380	19,013	—	71,393	2.99	5,149	3.01	
Jamaica	601	6,010	1,131	—	7,141	0.30	601	0.35	
Japan	6,526	65,260	24,939	(1,472)	88,727	3.72	6,435	3.76	
Korea	8,293	82,930	50,290	(4,627)	128,593	5.39	8,007	4.68	
Mexico	13,425	134,250	50,786	—	185,036	7.76	13,217	7.73	
Netherlands	1,133	11,330	395	—	11,725	0.49	1,133	0.66	
Nicaragua	814	8,140	3,100	(242)	10,998	0.46	799	0.47	
Norway	1,069	10,690	4,185	—	14,875	0.62	1,044	0.61	
Panama	1,115	11,150	4,889	(404)	15,635	0.66	1,090	0.64	
Paraguay	848	8,480	3,228	(275)	11,433	0.48	831	0.49	
Peru	5,651	56,510	22,031	—	78,541	3.29	5,541	3.24	
Portugal	406	4,060	1,396	(177)	5,279	0.22	395	0.23	
Slovenia ⁽⁶⁾	9	90	62	—	152	0.01	9	0.01	
Spain	7,581	75,810	31,450	—	107,260	4.50	7,425	4.34	
Suriname	128	1,280	181	—	1,461	0.06	128	0.07	
Sweden	1,048	10,480	4,066	(372)	14,174	0.59	1,025	0.60	
Switzerland	2,436	24,360	8,440	(744)	32,056	1.34	2,390	1.40	
Trinidad and Tobago	807	8,070	3,921	(2,690)	9,301	0.39	583	0.34	
United States	25,481	254,810	58,475	—	313,285	13.14	25,481	14.89	
Uruguay	2,233	22,330	8,472	—	30,802	1.29	2,196	1.28	
Venezuela	11,520	115,200	63,825	(118,558)	60,467	2.54	5,383	3.15	
Total as of September 30, 2022	182,441	\$ 1,824,410	\$ 718,190	\$ (158,008)	\$ 2,384,592	100	171,082	100	
Total as of December 31, 2021	173,265	\$ 1,732,650	\$ 657,221	\$ (161,572)	\$ 2,228,299		161,906		

⁽¹⁾ Includes Annex B shares for which income distributions (transfers) were made by IDB on behalf of its shareholders.

⁽²⁾ Includes the amount in addition to par value for shares under GCI-II, partial payments in excess of full shares.

⁽³⁾ Represents receivable from members under GCI-II.

⁽⁴⁾ Data are rounded; detail may not add to total because of rounding.

⁽⁵⁾ Croatia's voting power is 0.0088.

⁽⁶⁾ Slovenia's voting power is 0.0053.

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Notes to Condensed Interim Financial Statements (Unaudited)

10. Fair Value Measurements

IDB Invest carries a portion of its financial instruments at fair value on a recurring basis and discloses fair value of financial instruments not carried at fair value in accordance with US GAAP. The methodologies and key assumptions IDB Invest uses to estimate the fair values of its financial instruments are summarized below.

Projections of future cash flows and other assumptions and methodologies used in the determination of fair value are subjective, particularly when the measurement relies on unobservable market inputs. Minor changes in assumptions or methodologies may affect the fair value measurements.

Cash – The carrying amount reported in the balance sheets approximates fair value.

Investment securities – Fair values for money market funds and debt securities are based on either unadjusted quoted prices for identical assets or liabilities in active markets or quoted prices in active markets for identical assets or liabilities or prices derived from alternative pricing models when these prices are not available from pricing vendors. These methodologies apply to certain investments in non-U.S. government obligations, agencies, supnationals and corporate bonds. Also included are commercial paper (CP) and certificates of deposit (CD) issued under large U.S. based CP or CD programs. For investments for which prices and other relevant information, generated by market transactions involving identical or comparable assets, are not available, the income approach is used, based on yield curves, bond or credit default swap spreads, and recovery rates based on collateral values as key inputs.

Development related debt investments – Loans and development related investments in debt securities for which a combination of observable and unobservable inputs is generally available, require the use of estimates and present value calculations of future cash flows. Fair values are estimated using recently executed transactions, market price quotations (where observable), and market observable credit default swap levels along with proprietary valuation models where such transactions and quotations are unobservable. The lack of objective pricing standards adds a greater degree of subjectivity and volatility to these derived or estimated fair values.

Any excess or deficit resulting from the difference between the carrying amounts of the development related debt investments carried at amortized cost and the fair value disclosed does not necessarily reflect the realizable values since IDB Invest generally holds investments to maturity with the aim of realizing their contractual cash flows.

Equity investments – In most cases, market prices are not available for equity investments, and alternate valuation techniques require a significant degree of judgment. IDB Invest intends to hold investments in LPs until the final liquidation of the underlying assets of the LPs in order to participate fully in the performance of the LP. IDB Invest does not have redemption rights in any of these investments. IDB Invest estimates that the underlying assets of the LPs generally may be liquidated over a period of ten years.

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

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

Borrowings – IDB Invest's borrowings are recorded at amortized cost or fair value. The fair value of IDB Invest's borrowings is estimated using traded prices, quoted market prices or discounted cash flow analyses based on IDB Invest's current borrowing rates for similar types of borrowing arrangements.

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Other assets and liabilities – The carrying value of financial instruments included in Receivables and other assets, and Payables and other liabilities approximates fair value due to their liquid or short-term nature. Payables and other liabilities includes guarantees issued and measured at fair value.

Fair value of financial instruments

The following table presents the carrying values and estimated fair values of IDB Invest's financial instrument assets/(liabilities) and their classification within the fair value hierarchy in accordance with ASC 820.

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September 30, 2022					
<i>Expressed in US\$ thousands</i>	Carrying amount	Level 1	Level 2	Level 3	Fair value
Investment securities					
Corporate securities	\$ 819,132	\$ —	\$ 819,132	\$ —	\$ 819,132
Money market funds	363,945	—	363,945	—	363,945
Agency securities	342,157	—	342,157	—	342,157
Supranational securities	219,088	—	219,088	—	219,088
Government securities	138,389	—	138,389	—	138,389
	1,882,711	—	1,882,711	—	1,882,711
Loans					
Amortized cost	4,905,449	—	—	4,465,230	4,465,230
Fair value	245,642	—	—	245,642	245,642
	5,151,091	—	—	4,710,872	4,710,872
Debt securities					
Amortized cost	112,336	—	—	106,791	106,791
Fair value	675,942	—	—	675,942	675,942
NAV ⁽¹⁾⁽²⁾	30,526	—	—	—	30,526
	818,804	—	—	782,733	813,259
Equity investments					
Fair value	101,822	972	—	100,850	101,822
NAV ⁽¹⁾⁽²⁾	193,475	—	—	—	193,475
	295,297	972	—	100,850	295,297
Derivative assets					
Cross currency swaps	6,305	—	6,305	—	6,305
Interest rate swaps	131,961	—	131,961	—	131,961
	138,266	—	138,266	—	138,266
Borrowings					
Amortized cost	(1,857,793)	—	(1,512,102)	(256,474)	(1,768,576)
Fair value	(3,131,275)	—	(3,131,275)	—	(3,131,275)
	(4,989,068)	—	(4,643,377)	(256,474)	(4,899,851)
Derivative liabilities					
Cross currency swaps	(195,402)	—	(195,402)	—	(195,402)
Interest rate swaps	(188,318)	—	(188,318)	—	(188,318)
	(383,720)	—	(383,720)	—	(383,720)
Payables and other liabilities					
Guarantees measured at fair value	778	—	—	778	778
Undisbursed commitments measured at fair value	(318)	—	—	(318)	(318)
Other liability	(166)	—	—	(166)	(166)
	\$ 294	\$ —	\$ —	\$ 294	\$ 294

⁽¹⁾ In accordance with ASC 820, investments recorded using NAV as a practical expedient for fair value have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to reconcile to the amounts presented in the balance sheets.

⁽²⁾ As of September 30, 2022, the maximum undisbursed commitments subject to capital calls for these investments were \$87.0 million.

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Notes to Condensed Interim Financial Statements (Unaudited)

<i>Expressed in US\$ thousands</i>	December 31, 2021				
	Carrying amount	Level 1	Level 2	Level 3	Fair value
Investment securities					
Corporate securities	\$ 876,384	\$ —	\$ 876,384	\$ —	\$ 876,384
Money market funds	275,145	—	275,145	—	275,145
Agency securities	464,378	—	464,378	—	464,378
Supranational securities	121,349	—	121,349	—	121,349
Government securities	166,295	—	166,295	—	166,295
	1,903,551	—	1,903,551	—	1,903,551
Loans					
Amortized cost	4,610,105	—	—	4,690,765	4,690,765
Fair value	144,422	—	—	144,422	144,422
	4,754,527	—	—	4,835,187	4,835,187
Debt securities					
Amortized cost	118,275	—	—	129,581	129,581
Fair value	405,866	—	—	405,866	405,866
NAV ⁽¹⁾⁽²⁾	29,325	—	—	—	29,325
	553,466	—	—	535,447	564,772
Equity investments					
Fair value	115,213	971	—	114,242	115,213
NAV ⁽¹⁾⁽²⁾	162,427	—	—	—	162,427
	277,640	971	—	114,242	277,640
Derivative assets					
Cross currency swaps	5,302	—	5,302	—	5,302
Interest rate swaps	12,387	—	12,387	—	12,387
	17,689	—	17,689	—	17,689
Borrowings					
Amortized cost	(1,550,804)	—	(1,302,414)	(258,297)	(1,560,711)
Fair value	(3,061,825)	—	(3,061,825)	—	(3,061,825)
	(4,612,629)	—	(4,364,239)	(258,297)	(4,622,536)
Derivative liabilities					
Cross currency swaps	(40,334)	—	(40,334)	—	(40,334)
Interest rate swaps	(39,607)	—	(39,607)	—	(39,607)
	(79,941)	—	(79,941)	—	(79,941)
Payables and other liabilities					
Guarantees measured at fair value	1,151	—	—	1,151	1,151
Undisbursed commitments measured at fair value	1,686	—	—	1,686	1,686
Other liability	—	—	—	—	—
	\$ 2,837	\$ —	\$ —	\$ 2,837	\$ 2,837

⁽¹⁾ In accordance with ASC 820, investments recorded using NAV as a practical expedient for fair value have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to reconcile to the amounts presented in the balance sheets.

⁽²⁾ As of December 31, 2021, the maximum undisbursed commitments subject to capital calls for these investments were \$103.5 million.

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Notes to Condensed Interim Financial Statements (Unaudited)

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

Nine months ended September 30, 2022					
	Balance as of January 1, 2022	Net gains/ (losses) included in income	Disbursements, purchases, sales, settlements and other	Balance as of September 30, 2022	Net unrealized gains/ (losses) included in earnings related to assets/liabilities held at September 30, 2022
Loans	\$ 144,422	\$ (3,243)	\$ 104,463	\$ 245,642	\$ (3,243)
Debt securities	405,866	(57,377)	327,453	675,942	(61,054)
Equity investments	114,242	(12,891)	(501)	100,850	(13,585)
Total assets at fair value	664,530	(73,511)	431,415	1,022,434	(77,882)
Guarantees measured at fair value	1,151	(373)	—	778	(373)
Undisbursed commitments measured at fair value	1,686	(2,004)	—	(318)	(2,004)
Other liability	—	482	(648)	(166)	482
Total liabilities at fair value	\$ 2,837	\$ (1,895)	\$ (648)	\$ 294	\$ (1,895)

Year ended December 31, 2021					
	Balance as of January 1, 2021	Net gains/ (losses) included in income	Disbursements, purchases, sales, settlements and other	Balance as of December 31, 2021	Net unrealized gains/ (losses) included in earnings related to assets/liabilities held at December 31, 2021
Loans	\$ 155,647	\$ (6,447)	\$ (4,778)	\$ 144,422	\$ (9,171)
Debt securities	275,593	(14,751)	145,024	405,866	(16,962)
Equity investments	42,322	16,738	55,182	114,242	19,284
Total assets at fair value	473,562	(4,460)	195,428	664,530	(6,849)
Guarantees measured at fair value	—	1,151	—	1,151	1,151
Undisbursed commitments measured at fair value	(54)	1,740	—	1,686	1,740
Other liability	—	1,695	(1,695)	—	1,695
Total liabilities at fair value	\$ (54)	\$ 4,586	\$ (1,695)	\$ 2,837	\$ 4,586

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Notes to Condensed Interim Financial Statements (Unaudited)

Nine months ended September 30, 2021

	Balance as of January 1, 2021	Net gains/ (losses) included in income	Disbursements, purchases, sales, settlements and other	Balance as of September 30, 2021	Net unrealized gains/ (losses) included in earnings related to assets/liabilities held at September 30, 2021
Loans	\$ 155,647	\$ (8,292)	\$ (4,647)	\$ 142,708	\$ (8,292)
Debt securities	275,593	(12,244)	97,561	360,910	(13,705)
Equity investments	42,322	7,414	39,186	88,922	7,414
Total assets at fair value	473,562	(13,122)	132,100	592,540	(14,583)
Guarantees measured at fair value	—	(1,132)	—	(1,132)	(1,132)
Undisbursed commitments measured at fair value	(54)	(159)	—	(213)	(159)
Other liability	—	1,143	(1,695)	(552)	1,143
Total liabilities at fair value	\$ (54)	\$ (148)	\$ (1,695)	\$ (1,897)	\$ (148)

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

Nine months ended September 30, 2022

	Disbursements/ Purchases	Repayments/ Sales	Issuances	Settlements and others	Net
Loans	\$ 110,989	\$ (6,717)	\$ —	\$ 191	\$ 104,463
Debt securities	343,520	(16,067)	—	—	327,453
Equity investments	1,109	(1,610)	—	—	(501)
Total assets at fair value	\$ 455,618	\$ (24,394)	\$ —	\$ 191	\$ 431,415
Guarantees measured at fair value	—	—	—	—	—
Undisbursed commitments measured at fair value	—	—	—	—	—
Other liability	—	—	(648)	—	(648)
Total liabilities at fair value	\$ —	\$ —	\$ (648)	\$ —	\$ (648)

Nine months ended September 30, 2021

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

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Notes to Condensed Interim Financial Statements (Unaudited)

The following tables present the valuation techniques and significant unobservable inputs for development related investment assets/(liabilities) classified as Level 3 as of September 30, 2022 and December 31, 2021 (US\$ thousands):

September 30, 2022					
	Fair value	Valuation technique	Significant inputs	Range	Weighted average
Loans	\$ 146,688	Discounted cash flows	Discount rate	5.6%-14.4%	8.0%
	88,391	Recent transaction price	Transaction price		
	10,563	Various techniques ⁽¹⁾			
	245,642				
Debt securities	674,435	Discounted cash flows	Discount rate	6.0%-16.3%	8.6%
	1,500	Recent transaction price	Transaction price		
	7	Various techniques ⁽¹⁾			
	675,942				
Equity investments	38,625	Relative Valuation	EV/Revenue	1.0-2.9	1.4
	36,631	Various techniques ⁽¹⁾			
	8,771	Recent transaction price	Transaction price		
	16,823	Discounted cash flows	Discount rate	20.1%	20.1%
	100,850				
Payables and other liabilities	294	Various techniques ⁽¹⁾			
	294				
Total	\$ 1,022,728				

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

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Notes to Condensed Interim Financial Statements (Unaudited)

December 31, 2021

	Fair value	Valuation technique	Significant inputs	Range	Weighted average
Loans	\$ 140,803	Discounted cash flows	Discount rate	2.3%-15.0%	5.4%
	3,619	Recent transaction price	Transaction price		
	144,422				
Debt securities	351,052	Discounted cash flows	Discount rate	2.1%-8.0%	4.3%
	54,807	Recent transaction price	Transaction price		
	7	Various techniques ⁽¹⁾			
	405,866				
Equity investments	78,065	Recent transaction price	Transaction price		
	17,961	Discounted cash flows	Discount rate	17.3%	17.3%
	6,952	Various techniques ⁽¹⁾			
	11,264	Other ⁽²⁾			
	114,242				
Payables and other liabilities	2,837	Various techniques ⁽¹⁾			
	2,837				
Total	\$ 667,367				

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

⁽²⁾ Includes industry multiples and put option valuation.

There were no transfers between levels during the nine months ended September 30, 2022 nor September 30, 2021.

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Notes to Condensed Interim Financial Statements (Unaudited)

11. Non-trading portfolios

IDB Invest's non-trading portfolio includes development related debt investments and borrowings measured at fair value under the FVO as well as the related derivative instruments at fair value. Net gains and losses from changes in fair value on the non-trading portfolios and foreign exchange transactions are as follows (US\$ thousands):

	Nine months ended September 30	
	2022	2021
Changes in fair value		
Development related debt investments	\$ (56,916)	\$ (5,252)
Borrowings	211,335	42,187
Derivatives		
Realized gain/(loss) on swaps ⁽¹⁾	11,192	5,923
Unrealized gain/(loss) on swaps ⁽¹⁾	(183,202)	(36,703)
Gain/(loss) from changes in fair value, net	(17,591)	6,155
Foreign exchange transactions		
Development related debt investments	(16,343)	(32,818)
Borrowings	59,357	37,179
Other assets/liabilities	416	263
Gain/(loss) from foreign exchange transactions, net	43,430	4,624
Gain/(loss) from changes in fair value and foreign exchange transactions, net	\$ 25,839	\$ 10,779

⁽¹⁾ Includes foreign exchange gain/(loss) on cross currency swaps.

Changes in the fair value of borrowings resulting from changes in IDB Invest's own credit risk spread are recorded through Other comprehensive income whereas changes in fair value due to market risk, and all fair value changes on derivatives, are reported in the income statements.

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12. Contingencies and Leases

In the normal course of business, IDB Invest is from time to time named as a defendant or codefendant in legal actions in different jurisdictions. Although there can be no assurances, based on the information available, IDB Invest's management does not believe the outcome of any of the existing legal actions will have a material adverse effect on IDB Invest's financial position, results of operations, or cash flows.

The impacts of the COVID-19 pandemic and the Russian war on Ukraine have disrupted economic markets and created significant volatility. The operational and financial performance of the companies IDB Invest finances depends on future developments, including the length and severity of the pandemic and the Russian war on Ukraine, that cannot be reasonably estimated at this point in time and continue to evolve. IDB Invest has capital buffers in place to absorb additional stress and credit rating downgrades. Management continues to monitor the developments and to actively manage risks associated with its various portfolios within existing financial policies and limits.

Office Space Leases

IDB Invest has entered into office space leases with the IDB at its headquarters and in its Regional Developing Member Countries that are accounted for as either short-term leases or operating leases. The current lease agreement with the IDB at headquarters expires in 2030. The remaining current lease agreements with the IDB in the Regional Developing Member Countries are generally renewed annually. The lease agreements in Argentina, Colombia and Panama include renewal options which extend the lease term between 2023 and 2029, all of which IDB Invest is reasonably certain to exercise for the duration established in the contract.

Refer to Notes 5 and 8 for additional information related to IDB Invest's operating lease right-of-use assets and operating lease liabilities outstanding as of September 30, 2022 and December 31, 2021.

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

	Nine months ended September 30	
	2022	2021
Operating leases		
Operating lease expense	\$ 4,089	\$ 3,990
Total lease expense	\$ 4,089	\$ 3,990
Supplemental disclosure:		
Weighted average of lease terms (years)	8.1	19.0
Weighted average discount rate	1.8 %	2.8 %

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Discount rate is determined as IDB Invest's incremental borrowing rate under the IDB multi-currency facility.

Maturity analysis of operating lease liabilities with the IDB are as follows (US\$ thousands):

Estimated undiscounted cash flows	September 30, 2022	
2022	\$	1,291
2023		5,172
2024		5,085
2025		4,990
2026		4,985
2027 - 2030		19,790
Total operating leases	\$	41,313
Discount		(2,495)
Operating lease liability	\$	38,818

13. Related Party Transactions

IDB Invest provides certain services to the IDB and the IDB provides certain services to IDB Invest pursuant to SLAs, which outline the duration, scope of work, roles and responsibilities, remuneration, and performance metrics of each institution. The services performed under the SLAs are further described below. IDB Invest also has related party relationships with trust funds it administers or IDB administers as described below and has entered into office space leases with the IDB as described in Note 12.

Private Sector Operations

Following the IDB Group private sector and non-sovereign guaranteed reorganization, all new private sector activities are originated by IDB Invest including co-financing arrangements by IDB Invest and the IDB. In co-financing arrangements, IDB Invest and the IDB have separate legal and economic interests in a financing transaction, which may be subject to certain minimum amounts as agreed between IDB Invest and the IDB.

IDB Invest earns revenue from an annual renewable SLA under which IDB Invest provides loan origination, credit risk evaluation and monitoring, and certain loan administration services for the IDB related to its private sector operations including operations that are co-financed by IDB Invest and IDB. IDB Invest also provides certain advisory services to the IDB Group. These amounts are included in Service fees from related parties in the income statements.

Management of External Funds

IDB Invest administers on behalf of other related party entities, which include donors and member countries, funds restricted for specific uses that include the co-financing of certain projects, technical studies for borrowers, project-related studies, and research and training programs. These funds are held in trust by IDB Invest and are not commingled with IDB Invest's funds, nor are they included in the assets of IDB Invest. IDB Invest receives a management fee that is generally a percentage of the funds received. These fees are included in Service fees from related parties in the income statements.

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Access to IDB Administered Funds

In addition to the aforementioned funds, IDB Invest provides certain services for trust funds administered by the IDB on behalf of the trust fund donors (the Trust Funds). IDB Invest receives an allocation of the IDB's related Trust Fund fees. Such fees are intended to cover internal and external costs associated with administering the private sector activities for the Trust Funds and related operations over the expected lives of the Trust Funds and the underlying operations. Costs expected to be incurred approximate the allocable fee. The Trust Fund organizational documents provide for either the payment of a lump sum or scheduled payments. The timing of the payments may not correspond to the incurrence of the related costs. IDB Invest also provides certain technical assistance activities for private sector operations on behalf of donor trust funds that are directly funded by IDB Trust Funds. These arrangements are recognized on a cost reimbursement basis and presented gross in Service fees from related parties and Administrative expenses in the income statements.

For the nine months ended September 30, 2022, IDB Invest received \$3.0 million for these services (\$3.3 million for the nine months ended September 30, 2021). As of September 30, 2022, IDB Invest has recorded deferred revenue of \$17.2 million related to these services (\$16.0 million as of December 31, 2021), which will be recognized as revenue as services are provided. Deferred revenue is presented as a component of Payables and other liabilities in the balance sheets.

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

	Nine months ended September 30	
	2022	2021
SLA revenue	\$ 50,031	\$ 56,620
Management of external funds revenue	1,444	1,522
IDB administered funds revenue	1,808	1,730
Total	\$ 53,283	\$ 59,872

SLA Expenses

IDB Invest purchases various general and administrative services from the IDB under a series of annual renewable SLAs. For the nine months ended September 30, 2022, IDB Invest incurred expenses of \$11.8 million SLA services provided by the IDB (\$11.4 million for the nine months ended September 30, 2021), which are included in Administrative expenses in the income statements. Payables related to these SLA expenses are included in the total Due to IDB, net of \$12.4 million as of September 30, 2022 (\$16.6 million as of December 31, 2021). Refer to Note 8 for additional details.

Other Transactions with Related Parties

IDB Invest has a multi-currency credit facility with the IDB up to \$300.0 million at the rate in accordance with the IDB's lending rate policy. The tenor of borrowings under this facility shall not exceed twenty years from the disbursement date. This facility permits IDB Invest to supplement resources in local currencies to support its development related investment portfolio through December 31, 2029. As of September 30, 2022, IDB Invest's total drawdowns from the IDB multi-currency credit facility were \$209.7 million and \$90.3 million remain undrawn (\$206.9 million total drawdowns and \$93.1 million undrawn as of December 31, 2021). Refer to Note 6 for additional details.

14. Pension Plans and Postretirement Benefit Plan

Both the IDB and IDB Invest are sponsors of the Pension Plans and PRBP and each employer presents its respective share of these plans using a December 31 measurement date.

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Notes to Condensed Interim Financial Statements (Unaudited)

All employer contributions are made in cash during the fourth quarter of the year. As of September 30, 2022, the estimate of contributions expected to be paid for 2022 are \$8.7 million to the Pension Plans, and \$5.8 million to the PRBP, the same amounts disclosed in the December 31, 2021 financial statements. Contributions for 2021 were \$8.2 million to the Pension Plans and \$4.8 million to the PRBP.

Net periodic benefit costs are included in Other expenses in the income statements. The following table summarizes the net periodic benefit costs associated with the Pension Plans and the PRBP for the nine months ended September 30, 2022 and 2021 (US\$ thousands):

	Nine months ended September 30			
	Pension Plans		PRBP	
	2022	2021	2022	2021
Service cost ⁽¹⁾	\$ 20,099	\$ 18,917	\$ 6,887	\$ 7,946
Interest cost ⁽³⁾	8,911	7,005	4,197	4,110
Expected return on plan assets ⁽²⁾⁽³⁾	(9,790)	(8,032)	(6,149)	(5,618)
Amortization of: ⁽³⁾				
Net actuarial (gain)/loss	4,322	5,255	1,258	3,042
Prior service (credit)/cost	—	—	(328)	(328)
Net periodic benefit cost	\$ 23,542	\$ 23,145	\$ 5,865	\$ 9,152

⁽¹⁾ Included in Administrative expenses.

⁽²⁾ The expected return on plan assets is 5.00% in 2022 and 4.75% in 2021.

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

15. Subsequent Events

Management has evaluated subsequent events through November 10, 2022, which is the date the financial statements were issued. Management determined that there were no subsequent events that require disclosure under ASC Topic 855, *Subsequent Events*.