

2023

INFORMATION  
STATEMENT

# 2023 Information Statement

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## Information Statement

### Inter-American Investment Corporation

The Inter-American Investment Corporation (IDB Invest) intends from time to time to issue its debt securities with maturities and on terms based on market conditions at the time of sale. The debt securities may be sold to dealers or underwriters, who may resell them in public offerings or otherwise, or they may be sold by IDB Invest directly or through agents. The terms, conditions and other details of debt securities being offered at any particular time will be set forth in a prospectus and various incorporated or supplemental documents thereto. Unless otherwise stated, all information in this annual Information Statement is provided as of February 20, 2024<sup>[1]</sup>, and all amounts are expressed in United States dollars.

#### AVAILABILITY OF INFORMATION

IDB Invest will provide, upon request, copies of this Information Statement without charge. Written or e-mail requests should be directed to the principal office of IDB Invest at 1350 New York Avenue, N.W., Washington, D.C. 20577, Attention: [fnats-funding@idbinvest.org](mailto:fnats-funding@idbinvest.org).

The Information Statement is also available on the IDB Invest's website at <https://www.idbinvest.org/en/investors>. Other documents and information on this website are not intended to be incorporated by reference in this Information Statement.

Recipients of this Information Statement should retain it for future reference, since it is intended that each prospectus and any supplemental Information Statement issued after the date hereof will refer to this Information Statement for a description of IDB Invest and its financial condition, until a subsequent Information Statement is issued.

February 20, 2024

<sup>[1]</sup> An updated version was published on March 1, 2024 to correct a typographical error on Figure 6.

## I. Management Discussion & Analysis

### Executive Summary

IDB Invest is an international organization established in 1986 pursuant to the Agreement Establishing the Inter-American Investment Corporation (the Establishing Agreement) and began operations in 1989. The headquarters of IDB Invest are located in Washington, DC, and it has operations in Latin America and the Caribbean (the Region). It is a legally separate and distinct member of the Inter-American Development Bank Group (the IDB Group or IDBG), which also includes the Inter-American Development Bank (the IDB) and the Multilateral Investment Fund (commercially known as IDB Lab). IDB Invest has a separate governance structure, including a separate Board of Governors, Board of Executive Directors<sup>1</sup>, Management and staff. IDB Invest is owned by its member countries, which include 26 regional developing countries in Latin America and the Caribbean (the Regional Developing Member Countries) and 22 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 sector projects in the Region that do not benefit from a sovereign guarantee and that aim to bolster competitiveness, inclusive economic growth and sustainable practices.

Since the Private Sector Reform in 2016<sup>2</sup>, IDB Invest manages all private sector operational and administrative functions for the IDB Group to better serve and maximize development impact for clients and partners in the Region.

In alignment with IDB Invest's mandate to serve the private sector, IDB Invest has continued to grow its development-related investment portfolio in the Region. Through its range of financial products and advisory services, IDB Invest navigates new and ongoing challenges in the global outlook. Poverty and inequality have increased in recent years, contributing to escalating demands for economic opportunity across the Region. The higher interest rate environment, rising commodity prices, supply chain challenges, extreme weather events and the ongoing Russian war on Ukraine have caused economic disruption in the Region. These complex challenges have affected the economic performance of countries in the Region in varied manners.

From a corporate perspective, IDB Invest has continued with the execution of its Return to Office Framework (RTO) during 2023. The RTO in its Washington D.C. headquarters and offices in the Region is based on the local conditions.

### Performance Summary

#### *Basis of Preparation of IDB Invest's Financial Statements*

IDB Invest's financial statements are prepared in accordance with generally accepted accounting principles in the United States of America (US GAAP). IDB Invest's accounting policies are discussed in more detail in Critical Accounting Estimates and in Note 2 to IDB Invest's financial statements.

#### *Financial Performance*

For the year-ended December 31, 2023, IDB Invest's net income was \$163.9 million, \$59.3 million higher, compared to net income of \$104.6 million for the year-ended December 31, 2022, driven by a higher interest rate environment, despite a downward trend in discount rate curves during the last part of 2023 in addition to uncertainties derived from the global geopolitical environment. IDB Invest's financial results remain strong and consistent with the growth of the institution and the portfolio.

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<sup>1</sup> References to the Board of Executive Directors refers to the IDB Invest Board of Executive Directors unless otherwise explicitly mentioned.

<sup>2</sup> On March 30, 2015, the Boards of Governors of IDB Invest and the IDB approved the transfer to IDB Invest, effective on January 1, 2016, of all operational and administrative functions associated with the IDB private sector and non-sovereign guaranteed activities.

# Inter-American Investment Corporation

## Management Discussion & Analysis

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### *Development-Related Investments*

IDB Invest's development-related investment portfolio is comprised of loans, guarantees, debt securities and equity investments and is diversified across countries and industries in the Region. As of December 31, 2023, gross development-related investments (excluding guarantees) amounted to \$8.2 billion, of which loans, debt securities and equity investments represented 79.8%, 16.6% and 3.6%, respectively. Refer to Tables 1 and 2 for details related to IDB Invest's development-related investments by sector and country.

### *Liquid Assets Portfolio*

IDB Invest's liquid assets portfolio is comprised of cash and investment securities substantially invested in highly rated securities. This portfolio is managed in accordance with its Liquidity Policy, Strategic Asset Allocation Framework, and investment guidelines. Additional details are included in the Treasury Management and Risk Management sections. As of December 31, 2023, the fair value of IDB Invest's liquid assets portfolio amounted to \$2.6 billion and is in compliance with policy limits.

### *Borrowings*

IDB Invest raises funds primarily through the issuance of debt securities in the international capital markets and diversifies its funding sources by borrowing in different currencies, maturities, formats and structures, while maintaining a borrowing facility with the IDB. As of December 31, 2023, IDB Invest's outstanding borrowings, including fair value adjustments, amounted to \$7.3 billion. IDB Invest also enters into interest rate and currency swaps to convert the proceeds of borrowing transactions mostly into USD floating rate obligations.

### *Total Capital*

IDB Invest is in its eighth consecutive year with positive results, accumulating \$639.3 million in retained earnings since the Private Sector Reform. As of December 31, 2023, IDB Invest's total capital amounted to \$3.2 billion. As part of its Financial Risk Framework approved by the Board of Executive Directors, IDB Invest maintains a Capital Adequacy Policy to estimate capital needs to fulfill its mandate and determine overall lending capacity.

### *Risk Management*

IDB Invest operates under a robust Financial Risk Framework, Sustainability Framework and Integrity Framework designed to enable the prudent management of financial and non-financial risks and operational matters arising from its business activities. Effective risk management is critical to maintain IDB Invest's financial sustainability and achieve development impact.

### *International Credit Rating Agencies*

As of December 31, 2023, IDB Invest's credit rating has been affirmed AAA/Aa1/AA+ (Fitch/Moody's/S&P).

*The above information is qualified by the additional information and financial statements appearing elsewhere in this Information Statement. In addition, the Information Statement contains forward-looking information, which may be identified by such terms as "believes", "expects", and "intends", or words of similar meaning. Such statements involve a number of assumptions and estimates that are based on current expectations, which are subject to risks and uncertainties. Consequently, actual future results could differ materially from those currently anticipated. IDB Invest undertakes no obligation to update any forward-looking statements.*

*Unless otherwise indicated, all information disclosed in this Information Statement refers to IDB Invest only.*

## Development Operations

### Strategy

The first component of IDB Invest's strategic framework is the Renewed Vision. This component underpins the IDB Group Private Sector Reform and reflects the Board of Governors' long-term mandate for IDB Invest to maximize development impact and provide access to financing, technical knowledge and sectoral expertise within a framework of financial sustainability to clients in the Region.

The second component of IDB Invest's strategic framework is the IDB Group's Institutional Strategy. IDB Invest's focus is on strategic priorities in areas where the private sector shows potential for significant contributions to the IDB Group's goals. These include the development challenges of productivity and innovation and economic integration; the cross-cutting issues of gender equality, inclusion and diversity; and the mitigation and adaptation strategies related to climate change and environmental sustainability. Technology and innovation and resource mobilization were added to IDB Invest's strategic priorities through the 2019 Update to the Institutional Strategy (UIS). The IDB Group's Institutional Strategy, together with its Country Strategies that articulate the work of the IDB Group in each of its Regional Developing Member Countries, further define the IDB Group's vision and guide its actions. The implementation of the IDB Group's Institutional Strategy is monitored through its Corporate Results Framework<sup>3</sup> (CRF), which sets institutional targets that map directly to the UN Sustainable Development Goals<sup>4</sup> (SDGs).

At the 2023 IDB Group Annual Meeting, IDB Invest and the IDB's Boards of Governors mandated their respective Boards of Executive Directors and Management to work jointly to prepare a proposal for a New Institutional Strategy. This proposal is expected to be submitted for consideration by the Boards of Governors at the Annual Meeting in March 2024.

IDB Invest's strategic framework is implemented through its Business Plan. The Business Plan is updated on a triennial basis and establishes the areas of focus and performance indicators in alignment with the Renewed Vision and the UIS. In addition to the Business Plan, IDB Invest prepares a Business Plan Update on an annual basis to validate institutional priorities, present financial projections and confirm the plan of operations, risk parameters and funding authorization for the coming year.

In March 2021, the Boards of Governors of IDB and IDB Invest approved a resolution mandating an analysis of several subjects significant to the social and economic status of the Regional Developing Member Countries, their development challenges, and the strengths and comparative advantages of IDB and IDB Invest. In response to the analytic work, during the 2022 Annual Meetings, the Boards of Governors reaffirmed their commitment to the IDB Group and its continued critical role in promoting sustainable, social and economic development and reducing poverty and inequality throughout the Region. In addition, IDB Invest's Board of Governors mandated Management to present a proposal for a new vision and business model for IDB Invest. This proposal includes an identification of sectoral needs related to the heterogeneity of the Region, and the related financial, resource, operational and institutional implications. Upon review of the proposal, the Boards of Governors of IDB and IDB Invest adopted a resolution in March 2023. The resolution mandated the preparation of a capitalization proposal and implementation plan for a new vision and business model for IDB Invest for the Boards of Governors' consideration. Management, in coordination with the Board of Executive Directors, has prepared such a proposal, consistent with the terms of the resolution in advance of the Annual Meeting in March 2024.

To align IDB Invest's organizational direction with the capitalization proposal and implementation plan, Management collaborated with the Chairperson of the Board to submit a one-year business plan for 2024. This strategic approach enabled Management to establish new objectives for 2024, incorporating the organization's evolving needs and addressing emerging priorities from discussions with the Board and Governors.

Looking ahead, Management will prepare a subsequent three-year business plan for 2025-2027, providing sufficient time to integrate the strategic decisions expected from Governors at the 2024 Annual Meeting. Furthermore, as part of IDB Invest's strategic planning, Management will prepare action plans and roadmaps

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<sup>3</sup> IDB Group's Corporate Results Framework (CRF) is available at <https://crf.iadb.org/en>

<sup>4</sup> IDB Group's SDG website is available at <https://crf.iadb.org/en/sdgs?institution=idbgroup>

designed to effectively implement specific strategic objectives outlined in the Business Plan, making them integral components of IDB Invest's broader strategic framework.

### Integrated Development-Related Investment Cycle

IDB Invest's development-related investment cycle consists of two main phases, (i) the origination phase and (ii) the supervision phase. IDB Invest's Impact Management Framework and Environmental, Social and Corporate Governance (ESG) requirements are integrated throughout the investment cycle.

**Figure 1.** Integrated Development-Related Investment Cycle.



### Origination Phase

The first phase in IDB Invest's integrated development-related investment cycle is the origination phase. The origination phase includes business development, client engagement, approval and the closing/commitment/first disbursement stages. The business development and client engagement stages involve the identification of eligible clients and projects consistent with IDB Invest's Strategic Selectivity Scorecard. This Scorecard enables IDB Invest to steer origination towards development priority areas identified through the country strategy process, as well as other corporate priorities.

In the path to approval, the investment team, which includes investment officers, credit analysts, development effectiveness experts, ESG experts and lawyers, performs due diligence. The due diligence phase includes structuring, conducting an ex-ante impact assessment using the Development Effectiveness Learning, Tracking, and Assessment (DELTA) Impact Rating System and analyzing risks in preparation for approval. The DELTA is part of the Impact Management Framework<sup>5</sup> which allows IDB Invest to maximize development

<sup>5</sup> IDB Invest's Impact Management Framework is fully aligned with leading global initiatives, such as the Operating Principles for Impact Management, the OECD-UNDP Impact Standards for Financing Sustainable Development, and the Impact Management Project's five dimensions of impact. For more information see [www.idbinvest.org/impact](http://www.idbinvest.org/impact) and <https://idbinvest.org/en/how-we-work/development-effectiveness> (Refer to annual disclosures and independent verification of IDB Invest's alignment with the Operating Principles for Impact Management).

impact and contribute to reaching the UN SDGs<sup>6</sup> in the Region. The DELTA score together with the Financial Contribution Rating are key decision-making factors in IDB Invest's portfolio approach. The Financial Contribution Rating assesses each development-related investment's contribution to IDB Invest's long-term financial sustainability based on the risk-adjusted return on capital (RAROC). Proposed investments must meet certain impact and financial rating thresholds, with decreasing financial contribution requirements for highly impactful development-related investments. The Board of Executive Directors approves each development-related investment, with certain exceptions where this authority has been delegated to Management.

After approval, the investment team proceeds to the closing stage, at which the signing of the financial documents occurs. The origination phase ends with the development-related investment's first disbursement, which is subject to the fulfillment of conditions set forth in the financial documents.

### *Supervision Phase*

The second phase in IDB Invest's integrated development-related investment cycle is the supervision phase. This phase includes client supervision and, if applicable, recovery stage, as well as the ex-post evaluation. During supervision, IDB Invest closely monitors projects to identify events and circumstances that could adversely affect performance and to take corrective action proactively. This includes tracking compliance with financial covenants and ESG requirements. The DELTA score is also used during the supervision phase to track and measure progress against the achievement of impact targets set at approval, including the investment's contribution to specific SDG targets, and to identify areas where clients may need additional support to reach development objectives. The DELTA score assigned at origination is updated annually based on the investment's ongoing performance.

A strong presence in the Region allows IDB Invest to closely supervise development-related investments through site visits. Quarterly portfolio reviews by the Portfolio Supervision Committee provide ongoing oversight of IDB Invest's portfolio and include in-depth discussions of country and industry sector exposures and developments, distressed assets and impact performance. Upon maturity or exit of each development-related investment, IDB Invest conducts a final evaluation. This evaluation compares the expected and actual impact of each investment through a systematic assessment of its relevance, efficiency, effectiveness and sustainability. It also captures the main lessons learned, which are then fed back into the design of new development-related investments. The final performance rating of each evaluation is validated by the IDB Group's independent Office of Evaluation and Oversight (OVE), and aggregate performance results are published annually in the IDB Group's Development Effectiveness Overview (DEO)<sup>7</sup>.

### **Financial and Non-Financial Products**

Through its development operations, IDB Invest provides financial and blended finance products in the form of loans, guarantees, debt securities and equity investments. To further amplify its impact, IDB Invest mobilizes financing from other investors through loan participations, loan syndications and other co-financing arrangements, unfunded participations, and guarantees of debt instruments. To complement and enhance the impact of its development operations, IDB Invest also provides non-financial products, including advisory services, capacity building and knowledge, along with leading ESG and risk management solutions to its clients. The objectives of all these products are to increase micro, small and medium-sized enterprises (MSMEs) access to finance, promote infrastructure for development, support innovation and technological development, enhance the provision of basic goods and services and foster green growth while supporting the cross-cutting priorities of inclusion, climate action and digital transformation.

### *Micro, Small and Medium-Sized Enterprises and Sustainable Business Practices*

IDB Invest works with its clients to increase access to financing, products and services for underserved populations and to better integrate MSMEs across value chains in the Region supporting their growth and sustainability practices.

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<sup>6</sup> The SDGs are utilized as a set of universal goals to combat the urgent environmental, social and economic challenges facing our world.

<sup>7</sup> IDB Group's Development Effectiveness Overview 2023 is available at <https://publications.iadb.org/en/development-effectiveness-overview-deo-2023>

# Inter-American Investment Corporation

## Management Discussion & Analysis

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### *Financial Products*

#### Loans

IDB Invest offers loans at market-based rates, in U.S. dollars (USD) or selected local currencies, with tenors in line with the client's objectives. The terms are flexible terms, and the conditions based on the client's needs and/or investment requirements.

#### Debt Securities

IDB Invest subscribes bonds, notes and other debt securities issued by clients. In recent years, IDB Invest has developed a strong market position supporting clients issuing thematic bonds (e.g., green, social and sustainable).

#### Guarantees

IDB Invest issues guarantees under different structures to enable its clients to finance projects, obtain access to trade finance or capital markets or enhance the working capital of their supply chains. IDB Invest also offers risk-sharing facilities or loss-sharing arrangements, which allow clients to reduce risks while expanding their products and services.

#### Equity and Mezzanine

IDB Invest provides equity and mezzanine investments to support companies in scaling up their operations. These investments may include loans with income participation or conversion features, subordinated loans, preferred and common equity, warrants and interests in limited partnerships or similar entities. In addition, through participation on the board of directors of certain investee companies and through advisory mandates, IDB Invest can add value to investee companies, most notably by strengthening ESG standards and by crowding in additional investors.

#### Trade and Supply Chain Finance (TSCF)

IDB Invest's supply chain products address the needs of buyers and sellers in the Region by offering a set of efficient, reliable and comprehensive financial solutions for every stage of a client's value chain, supporting the client's local and international trade activities. The product offering includes accounts payable financing (reverse factoring), accounts receivable finance (factoring), pre-export finance, import and export finance, stand-by letters of credit (SBLC) and trade-related working capital liquidity lines.

Additionally, through its Trade Finance Facilitation Program (TFFP), IDB Invest promotes international trade with two main products: (i) credit guarantees issued in favor of confirming banks to cover the commercial and political risks they assume on accepting eligible trade instruments issued by issuing banks in the Region; and (ii) loans to borrowers in the Region to finance their international trade portfolio, for which IDB Invest may also mobilize third-party capital.

#### Blended Finance

Blended Finance refers to the use of concessional financing for high impact development-related investments where risks are too high for commercial finance alone. This product provides financial flexibility as it allows for multiple types of interventions, ranging from performance grants, equity, debt and risk mitigation instruments. IDB Invest also offers advice and investment management solutions to providers and recipients of concessional finance and is the main conduit of concessional resources in the Region.

#### Mobilization

IDB Invest has extensive experience connecting clients and investors to suit different time horizons, sector priorities, risk appetite levels and return expectations. IDB Invest works with a range of market players – international commercial banks, regional commercial banks, institutional investors, such as insurance companies and pension funds, impact investors and sovereign wealth funds – to mobilize financing in the form of loan participations, co-financing arrangements (parallel loans, equity investments and capital market issuances), unfunded participations (purchased credit insurance and unfunded risk participations) and guarantees of debt instruments. IDB Invest may also structure its transactions to include B Bonds to cater to institutional investors. Through its mobilization efforts, IDB Invest is able to provide clients access to larger financing packages.

# Inter-American Investment Corporation

## Management Discussion & Analysis

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### *Non-Financial Products*

IDB Invest's value proposition is to offer clients a combination of financial and non-financial products. Non-financial products include advisory services, knowledge and capacity building based on the following topics:

#### *Climate Change Mitigation and Adaptation*

IDB Invest works with clients to implement climate change mitigation and decarbonization strategies and deploys adaptation measures. IDB Invest supports decarbonization solutions across its sectors leveraging from incremental technological innovations to accelerate deployment combined with an aim to integrate social components to achieve climate goals. In parallel, IDB Invest seeks to mitigate investment risk arising from climate change by incorporating resiliency measures across its financial products. Further, within the financial institutions sector, IDB Invest advises clients in using carbon portfolio analytics tools to direct financial flows towards climate and green investments and to transition from carbon intensive sectors. These strategies and measures increase resiliency for our clients and offer risk mitigation benefits to IDB Invest's development-related investment portfolio.

#### *Gender, Diversity and Inclusion*

IDB Invest works with clients to narrow gender, diversity and inclusion gaps and to find new business opportunities. IDB Invest supports clients in their human capital strategy to attract and retain the best talent and advises clients on their market strategy to identify potential opportunities and segments both within their client base and throughout their value chain. IDB Invest conducts specific risk assessments to prevent vulnerable or disadvantaged groups from being disproportionately affected by project-related adverse impacts or being at a disadvantage when accessing project benefits. IDB Invest guides clients to mitigate those risks and avoid discrimination in relation to local communities and among workers.

#### *Digital Transformation*

IDB Invest works with its clients to integrate digital solutions and services with cross-cutting themes that are scalable to improve private sector productivity and accelerate economic recovery.

#### *Impact Measurement and Management*

IDB Invest works with clients and co-investors to build their capacity to measure, manage, and report on the social and environmental impact of their operations. This entails the provision of technical support in a variety of areas such as defining impact metrics, developing impact monitoring systems, creating standardized data collection tools, measuring SDG contributions, analyzing impact data, and carrying out rigorous impact evaluations or studies. In the early stages of an investment, IDB Invest also works with clients to assess the effectiveness of innovative products, services, or approaches with development impact prior to scaling up.

# Inter-American Investment Corporation

## Management Discussion & Analysis

### Development-Related Investments by Sector & Country

IDB Invest has specific limits for concentrations, and it monitors its development-related investments for credit performance, market risk and any potential related effects of sector or geographic concentrations.

**Table 1.** Development-related investments at cost by sector (in USD thousand).

| Sector                 | December 31, 2023  |                    |                    |                    | December 31, 2022  |                   |                    |                    |
|------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|-------------------|--------------------|--------------------|
|                        | Loans              | Debt securities    | Equity investments | Total              | Loans              | Debt securities   | Equity investments | Total              |
| Financial Institutions | \$2,324,044        | \$ 664,762         | \$ —               | <b>\$2,988,806</b> | \$1,782,529        | \$ 621,137        | \$ 753             | <b>\$2,404,419</b> |
| Energy                 | 1,315,662          | 340,652            | 1,000              | <b>1,657,314</b>   | 1,140,101          | 162,380           | 1,000              | <b>1,303,481</b>   |
| Manufacturing          | 752,753            | 80,233             | 27,231             | <b>860,217</b>     | 655,874            | —                 | 27,316             | <b>683,190</b>     |
| Agribusiness           | 818,726            | 9,135              | 6,700              | <b>834,561</b>     | 788,781            | 12,237            | 6,700              | <b>807,718</b>     |
| Transport              | 450,579            | 207,820            | —                  | <b>658,399</b>     | 312,114            | 76,489            | —                  | <b>388,603</b>     |
| Digital Economy        | 413,359            | 38,666             | 87,383             | <b>539,408</b>     | 382,347            | 31,175            | 79,170             | <b>492,692</b>     |
| Water and Sanitation   | 275,981            | —                  | —                  | <b>275,981</b>     | 41,340             | —                 | —                  | <b>41,340</b>      |
| Investment Funds       | 26,350             | 56,792             | 172,799            | <b>255,941</b>     | 14,054             | 58,744            | 141,234            | <b>214,032</b>     |
| Tourism                | 127,679            | —                  | —                  | <b>127,679</b>     | 84,048             | —                 | —                  | <b>84,048</b>      |
| Social Infrastructure  | 71,764             | —                  | 19,600             | <b>91,364</b>      | 57,383             | —                 | 9,109              | <b>66,492</b>      |
| <b>Total cost</b>      | <b>\$6,576,897</b> | <b>\$1,398,060</b> | <b>\$ 314,713</b>  | <b>\$8,289,670</b> | <b>\$5,258,571</b> | <b>\$ 962,162</b> | <b>\$ 265,282</b>  | <b>\$6,486,015</b> |

**Table 2.** Development-related investments at cost by country (in USD thousand).

| Country                 | December 31, 2023  |                    |                    |                    | December 31, 2022  |                   |                    |                    |
|-------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|-------------------|--------------------|--------------------|
|                         | Loans              | Debt securities    | Equity investments | Total              | Loans              | Debt securities   | Equity investments | Total              |
| Brazil                  | \$ 993,145         | \$ 169,691         | \$ 65,788          | \$1,228,624        | \$ 539,801         | \$ 174,182        | \$ 54,691          | \$ 768,674         |
| Chile                   | 816,276            | 327,750            | —                  | 1,144,026          | 858,563            | 148,998           | —                  | 1,007,561          |
| Colombia                | 505,193            | 306,055            | 17,627             | 828,875            | 291,242            | 110,107           | 2,318              | 403,667            |
| Mexico                  | 640,540            | 76,504             | 28,917             | 745,961            | 639,909            | 29,186            | 35,044             | 704,139            |
| Peru                    | 565,568            | 64,618             | 15,500             | 645,686            | 479,508            | 28,144            | 15,500             | 523,152            |
| Regional <sup>(1)</sup> | 421,665            | 42,500             | 176,153            | 640,318            | 359,146            | 40,342            | 146,248            | 545,736            |
| Ecuador                 | 270,995            | 120,228            | —                  | 391,223            | 267,682            | 107,500           | —                  | 375,182            |
| Panama                  | 307,506            | 50,000             | —                  | 357,506            | 177,291            | 50,000            | —                  | 227,291            |
| Guatemala               | 305,499            | 31,351             | —                  | 336,850            | 315,526            | 35,676            | —                  | 351,202            |
| Dominican Republic      | 333,894            | —                  | —                  | 333,894            | 180,045            | —                 | —                  | 180,045            |
| El Salvador             | 304,148            | 22,185             | —                  | 326,333            | 304,839            | 28,571            | —                  | 333,410            |
| Paraguay                | 242,151            | 69,665             | —                  | 311,816            | 177,882            | 76,489            | —                  | 254,371            |
| Uruguay                 | 201,188            | 37,038             | 10,728             | 248,954            | 147,409            | 40,619            | 10,728             | 198,756            |
| Trinidad and Tobago     | 133,578            | 35,475             | —                  | 169,053            | 59,674             | 44,348            | —                  | 104,022            |
| Costa Rica              | 104,409            | 45,000             | —                  | 149,409            | 54,809             | 45,000            | —                  | 99,809             |
| Argentina               | 128,624            | —                  | —                  | 128,624            | 121,374            | 3,000             | —                  | 124,374            |
| Honduras                | 104,596            | —                  | —                  | 104,596            | 109,605            | —                 | —                  | 109,605            |
| Barbados                | 47,500             | —                  | —                  | 47,500             | 25,000             | —                 | —                  | 25,000             |
| Nicaragua               | 42,404             | —                  | —                  | 42,404             | 46,187             | —                 | —                  | 46,187             |
| Belize                  | 35,378             | —                  | —                  | 35,378             | 26,615             | —                 | —                  | 26,615             |
| Haiti                   | 23,484             | —                  | —                  | 23,484             | 19,334             | —                 | —                  | 19,334             |
| Guyana                  | 22,919             | —                  | —                  | 22,919             | 4,000              | —                 | —                  | 4,000              |
| Bolivia                 | 15,295             | —                  | —                  | 15,295             | 23,198             | —                 | 753                | 23,951             |
| Suriname                | 6,498              | —                  | —                  | 6,498              | 2,377              | —                 | —                  | 2,377              |
| Jamaica                 | 4,444              | —                  | —                  | 4,444              | 27,222             | —                 | —                  | 27,222             |
| Bahamas                 | —                  | —                  | —                  | —                  | 333                | —                 | —                  | 333                |
| <b>Total cost</b>       | <b>\$6,576,897</b> | <b>\$1,398,060</b> | <b>\$ 314,713</b>  | <b>\$8,289,670</b> | <b>\$5,258,571</b> | <b>\$ 962,162</b> | <b>\$ 265,282</b>  | <b>\$6,486,015</b> |

<sup>(1)</sup> Represents investments with operations in multiple countries.

## Operational Highlights

IDB Invest originates new private sector investments and supervises the entire private sector investment portfolio and activities for the IDB and IDB Invest. Amounts presented in this section refer to the combined portfolio of IDB Invest and IDB private sector activities, where indicated, excluding private sector activities from IDB Lab.

### Combined Commitments

A commitment generally occurs when the legal documentation has been signed by the client and IDB Invest and conditions for commitment, if any, have been met. The combined commitments in Table 3 presents commitments for the private sector investment portfolio and activities of IDB Invest and the IDB.

**Table 3.** Combined commitments (in USD million).

|  | Year ended December 31 |                 |
|--|------------------------|-----------------|
|  | 2023                   | 2022            |
| Combined commitments                             |                        |                 |
| Short-term <sup>(1)</sup>                        | \$ 3,898               | \$ 3,911        |
| Long-term  | 2,793                  | 2,710           |
| <b>Total combined commitments <sup>(2)</sup></b> | <b>\$ 6,691</b>        | <b>\$ 6,621</b> |

<sup>(1)</sup> Short-term relates to TSCF products with a tenor of less than one year.

<sup>(2)</sup> Includes commitments related to revolving TSCF products based upon the usage of funds.

### Mobilization

**Table 4.** Mobilization (in USD million).

|  | Year ended December 31 |                 |
|--|------------------------|-----------------|
|  | 2023                   | 2022            |
| Short-term mobilization                |                        |                 |
| Loan participations                    | \$ 493                 | \$ 122          |
| Co-financing arrangements              | —                      | 10              |
| Unfunded participations <sup>(1)</sup> | 930                    | 737             |
| <b>Total short-term mobilization</b>   | <b>1,423</b>           | <b>869</b>      |
| Long-term mobilization                 |                        |                 |
| Loan participations <sup>(1)</sup>     | 2,778                  | 1,068           |
| Co-financing arrangements              | 771                    | 638             |
| Unfunded participations <sup>(1)</sup> | 408                    | 526             |
| <b>Total long-term mobilization</b>    | <b>3,957</b>           | <b>2,232</b>    |
| <b>Total mobilization</b>              | <b>\$ 5,380</b>        | <b>\$ 3,101</b> |

<sup>(1)</sup> As of December 31, 2023, \$46.0 million and \$1.3 billion from A loan participations and unfunded participations, respectively, (\$155.0 million and \$1.3 billion as of December 31, 2022) were also included in Total combined commitments presented in Table 3.

# Inter-American Investment Corporation

## Management Discussion & Analysis

### *Assets under Management*

Total assets under management comprises all private sector development-related investments and activities of the IDB Group including donor funds administered by IDB Invest and the IDB. Assets under management for the years ended December 31, 2023 and 2022 are presented in Table 5.

**Table 5.** Assets under Management (in USD million).

|   | Year ended December 31 |                  |
|---|------------------------|------------------|
|   | 2023                   | 2022             |
| IDB Invest's development-related portfolio <sup>(1)</sup>           | \$ 8,807               | \$ 6,729         |
| IDB's private sector development-related portfolio <sup>(1)</sup>   | 4,289                  | 4,981            |
| IDBG private sector donor funds portfolio <sup>(1)</sup>            | 829                    | 858              |
| IDB Invest's managed participation arrangements <sup>(2)</sup>      | 5,212                  | 3,770            |
| Total undisbursed commitments for IDB Invest and IDB private sector | 1,892                  | 2,312            |
| <b>Total assets under management</b>                                | <b>\$ 21,029</b>       | <b>\$ 18,650</b> |

<sup>(1)</sup> Includes development-related loans, guarantees, debt securities and equity investments at cost. Guarantees provided by the IDBG managed donor funds may cover IDBG's own account exposure.

<sup>(2)</sup> Includes A loans, B loans and B bonds.

# Inter-American Investment Corporation

## Management Discussion & Analysis

### Financial Highlights

#### Selected Financial Data

The following information is based upon and should be read in conjunction with the detailed information appearing in this Information Statement.

**Table 6.** Selected Financial Data (in USD thousands).

| <b>Income Statement Data</b>   | <b>Years ended December 31</b> |              |              |              |               |
|--|--------------------------------|--------------|--------------|--------------|---------------|
|  | <b>2019</b>                    | <b>2020</b>  | <b>2021</b>  | <b>2022</b>  | <b>2023</b>   |
| Development related investments income   | \$ 137,131                     | \$ 187,185   | \$ 257,194   | \$ 333,974   | \$ 512,197    |
| (Provision)/release of provision for credit losses                               | (36,697)                       | (111,756)    | (5,707)      | (64,413)     | 14,976        |
| Total other income   | 84,709                         | 94,929       | 92,199       | 97,484       | 75,537        |
| Borrowings expense   | (44,570)                       | (47,957)     | (62,896)     | (117,529)    | (242,484)     |
| Total other expenses   | (130,265)                      | (153,175)    | (172,455)    | (180,868)    | (162,658)     |
| Liquid assets portfolio income/(loss)  | 37,920                         | 22,310       | 8,196        | (5,384)      | 198,577       |
| Non-trading portfolio gain/(loss)  | (4,357)                        | 15,352       | 14,394       | 41,326       | (232,211)     |
| Net income   | 43,871                         | 6,888        | 130,925      | 104,590      | 163,934       |
| <b>Balance Sheet Data</b>  |                                |              |              |              |               |
| Total assets   | \$ 3,899,824                   | \$ 6,424,312 | \$ 7,551,424 | \$ 9,401,218 | \$ 11,328,234 |
| Liquid assets  | 1,360,413                      | 2,120,628    | 1,957,960    | 2,586,159    | 2,618,396     |
| Development related investments  | 2,543,423                      | 4,357,987    | 5,585,633    | 6,456,043    | 8,223,626     |
| Allowance for credit losses <sup>1</sup>   | (97,614)                       | (181,098)    | (201,803)    | (248,865)    | (231,516)     |
| Total liabilities  | 1,866,762                      | 4,316,098    | 5,076,650    | 6,436,856    | 8,098,345     |
| Borrowings   | 1,648,146                      | 3,908,457    | 4,612,629    | 5,784,297    | 7,305,544     |
| Total capital  | 2,033,062                      | 2,108,214    | 2,474,774    | 2,964,362    | 3,229,889     |
| <b>Ratios</b>  |                                |              |              |              |               |
| Return on average assets (ROA)   | 1.2 %                          | 0.1 %        | 1.9 %        | 1.2 %        | 1.6 %         |
| Return on average equity (ROE)   | 2.3 %                          | 0.3 %        | 5.7 %        | 3.8 %        | 5.3 %         |
| Leverage ratio   | 0.8                            | 1.9          | 1.9          | 2.0          | 2.4           |
| Total assets to equity   | 1.9                            | 3.0          | 3.1          | 3.2          | 3.5           |
| Liquidity to total assets  | 34.9 %                         | 33.0 %       | 25.9 %       | 27.5 %       | 23.1 %        |
| Allowance for credit losses to development related debt investments <sup>2</sup> | 4.8 %                          | 4.8 %        | 4.3 %        | 4.9 %        | 3.7 %         |

#### Notes:

<sup>1</sup>On January 1, 2020, IDB Invest adopted the current expected credit loss (CECL) model. This concept applies to the development-related debt investments portfolio (which includes loans and debt securities). Prior to 2020, the allowance for credit losses applied to loans only.

<sup>2</sup>On January 1, 2020, IDB Invest adopted the current expected credit loss (CECL) model. This ratio is related to development-related assets only, and does not consider the liability for undisbursed commitments and financial guarantees. Prior to 2020, this ratio was defined as Allowance for loan losses as a percentage of Loan portfolio.

#### Definitions:

**ROA:** Net income annualized for the previous twelve months divided by the average of current and previous year's Total assets.

**ROE:** Net income annualized for the previous twelve months divided by the average of current and previous year's Total capital.

**Leverage ratio:** Borrowings plus Guarantees outstanding divided by Total capital (Expressed in units).

**Total assets to Equity:** Total assets divided by Total capital.

**Liquidity to total assets:** Liquid assets divided by Total assets.

**Allowance for credit losses to development-related investments:** Allowance for credit losses divided by development-related loans and debt securities at amortized cost.

## Financial Results

In 2023, IDB Invest marked its eighth consecutive year of profits since the IDB Group Private Sector Reform. Net income amounted to \$163.9 million in 2023, an increase of \$59.3 million compared to \$104.6 million in 2022. Financial results remain strong and consistent with the growth of the institution and the portfolio driven by a higher interest rate environment, despite a downward trend in discount rate curves during the last part of 2023 in addition to the uncertainties surrounding the geopolitical environment, including the ongoing Russian war on Ukraine.

### *Development-Related Investments Income*

Total income from development-related investments, net of provision for credit losses, amounted to \$527.2 million in 2023, an increase of \$257.6 million compared to \$269.6 million in 2022. This increase is mainly due to an increase of \$180.9 million in development-related investments interest and other income and a decrease in the provision for credit losses as a result of improvements in regional macroeconomic and credit conditions. The increase of \$180.9 million in development-related investments interest and other income is driven by an increase in development-related debt investments (includes loans and debt securities) interest and other income on a higher outstanding portfolio combined with a higher global interest rate environment partially offset by an increase of \$2.7 million in Losses on equity investments on a higher outstanding portfolio driven by individual equity performance. The decrease of \$79.4 million in the provision for credit losses is mainly driven by improvements in regional macroeconomic and credit conditions partially offset by a higher outstanding portfolio and an increase in nonperforming loans compared to 2022.

### *Treasury Operations, Liquid Assets & Borrowings, and Other Income*

Total income from development-related investments, liquid assets and other income, net of borrowings expense<sup>8</sup>, amounted to \$558.8 million in 2023, an increase of \$314.7 million as compared to \$244.1 million in 2022. This increase after the above mentioned Income from development-related investments, net, was mainly related to treasury operations driven by an increase of \$204.0 million in Income from liquid assets, net, related to higher interest and dividends income, net, partially offset by an increase of \$125.0 million in Borrowings expense driven by higher interest expenses on a 34.7% higher average borrowings outstanding portfolio to finance development-related investments in the Region as well as a higher global interest rate environment. Other income amounted to \$75.5 million in 2023, a decrease of \$21.9 million as compared to \$97.5 million in 2022 driven by a decrease of \$42.3 million in Service fees from related parties, partially offset by an increase of \$20.3 million in Mobilization fees and other income. These factors explain the increase of \$314.7 million in Total income/(expense) from development-related investments, liquid assets and other income, net of borrowings expense as compared to the prior year.

### *Other Expenses*

Total other expenses amounted to \$162.7 million in 2023, a decrease of \$18.2 million as compared to \$180.9 million in 2022. This decrease was mainly due to lower total pension expenses that were partially offset by higher workforce and non-workforce related costs aligned with IDB Invest's focused priority areas presented to the Board of Executive Directors in the 2023 Business Plan. IDB Invest continued to strengthen its operational capacity while scaling up its financial and non-financial product offerings in the midst of changing economic, financial and operational environments. It also promoted the optimization of organizational processes through innovative digital technologies and system improvements.

### *Non-trading Portfolio*

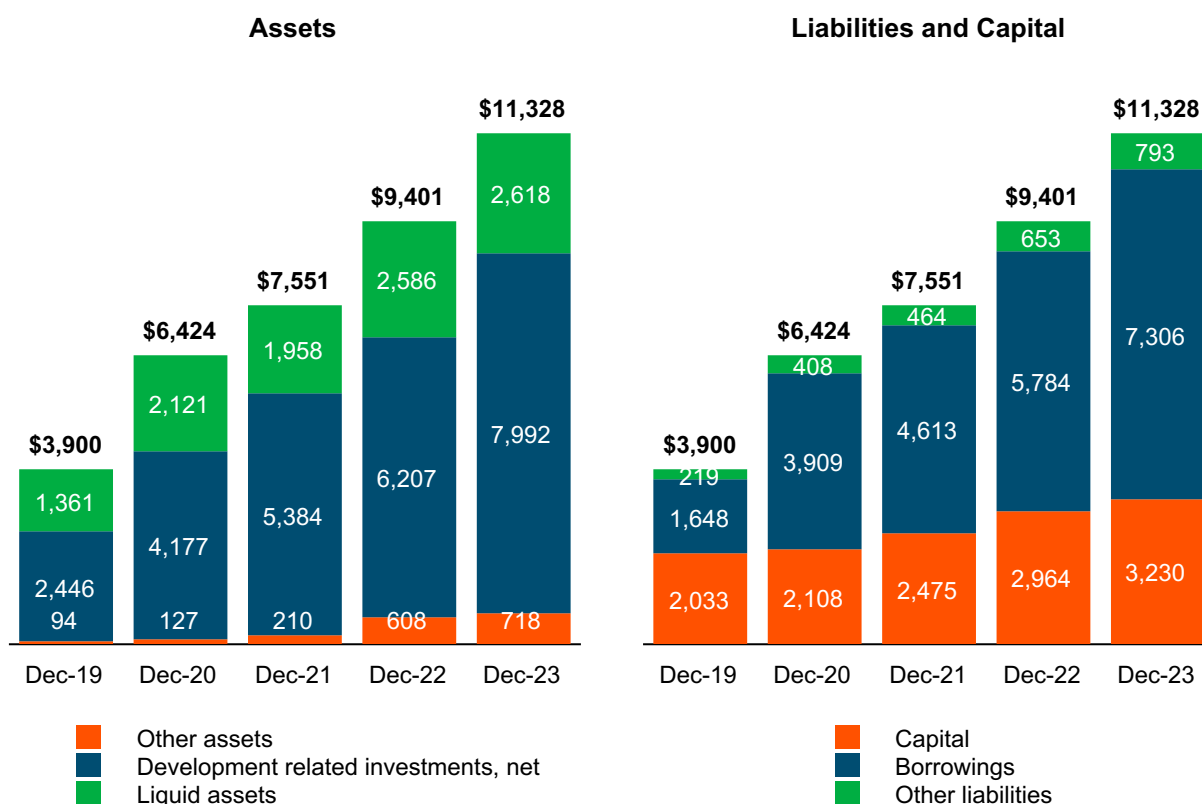
Losses from changes in fair value on non-trading portfolios and foreign exchange transactions, net, amounted to \$232.2 million in 2023, a change of \$273.5 million as compared to gains of \$41.3 million in 2022. This increase was due to fair value losses of \$132.4 million driven by a decrease in the discount rate curves in the last part of 2023 and realized loss on swaps of \$135.9 million that were partially offset by foreign exchange gains of \$36.1 million. Refer to Note 11 of the Financial Statements for additional information related to the non-trading portfolio.

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<sup>8</sup> References to captions of IDB Invest's financial statements are identified by the name of the caption beginning with a capital letter every time they appear herein.

## Balance Sheet Highlights

Figure 2. Balance Sheets by Components (in USD million).



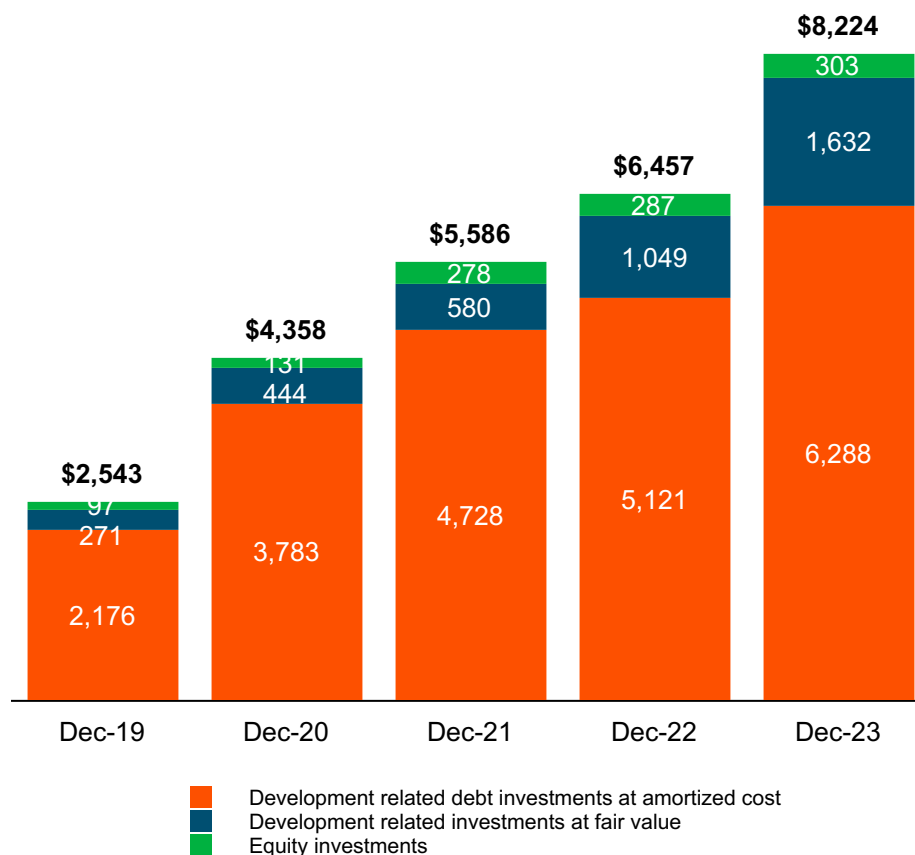
## Development-Related Investments

IDB Invest's gross development-related investments, comprised of loans, debt securities and equity investments (excluding guarantees), amounted to \$8.2 billion as of December 31, 2023, an increase of 27.4% from \$6.5 billion as of December 31, 2022. To complement the growth in the development-related debt investments portfolio, equity investments portfolio growth continued with 5.8% in 2023 along with 3.2% in 2022 to support growth in the Region. In addition, undisbursed commitments toward development-related investments remained stable and amounted to \$1.5 billion as of December 31, 2023, a slight decrease of \$0.2 billion from \$1.7 billion as of December 31, 2022.

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**Figure 3.** Gross Development-Related Investments Portfolio (in USD million).

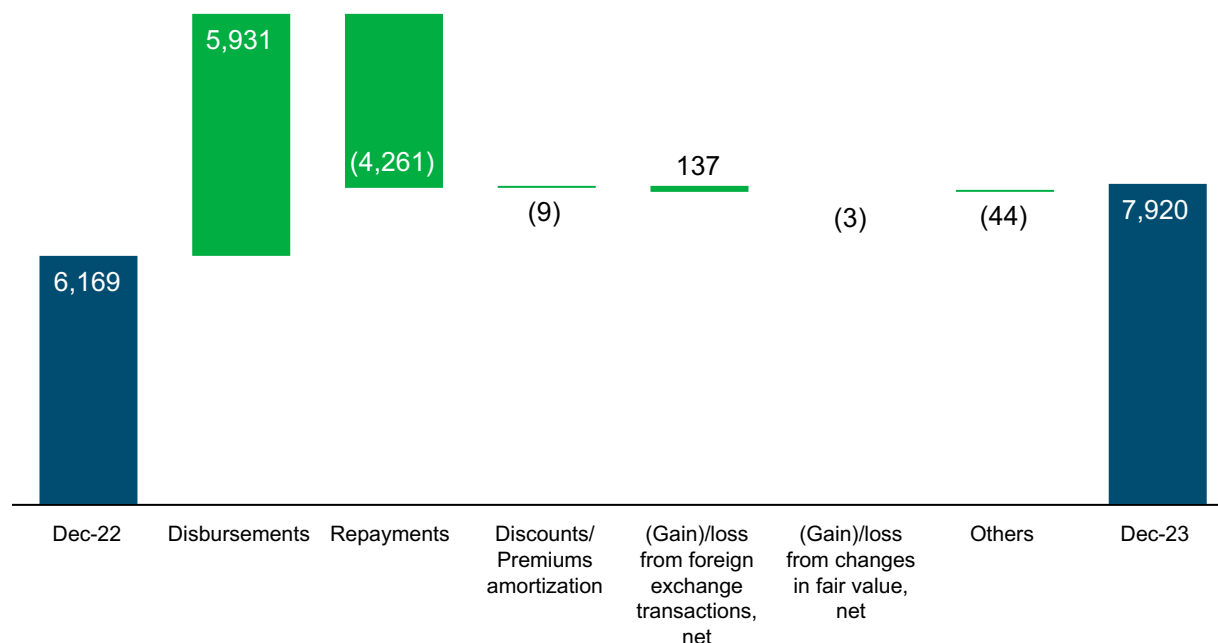


IDB Invest's development-related debt investments, comprised of loans and debt securities, including fair value adjustments, amounted to \$7.9 billion as of December 31, 2023, an increase of \$1.7 billion from \$6.2 billion as of December 31, 2022. This increase is mainly due to disbursements in new development-related debt securities at fair value. Refer to Note 4 of the Financial Statements for additional information related to the development-related investments portfolio.

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**Figure 4.** Development-Related Debt Investments Portfolio (in USD million).



#### *Allowance for Credit Losses*

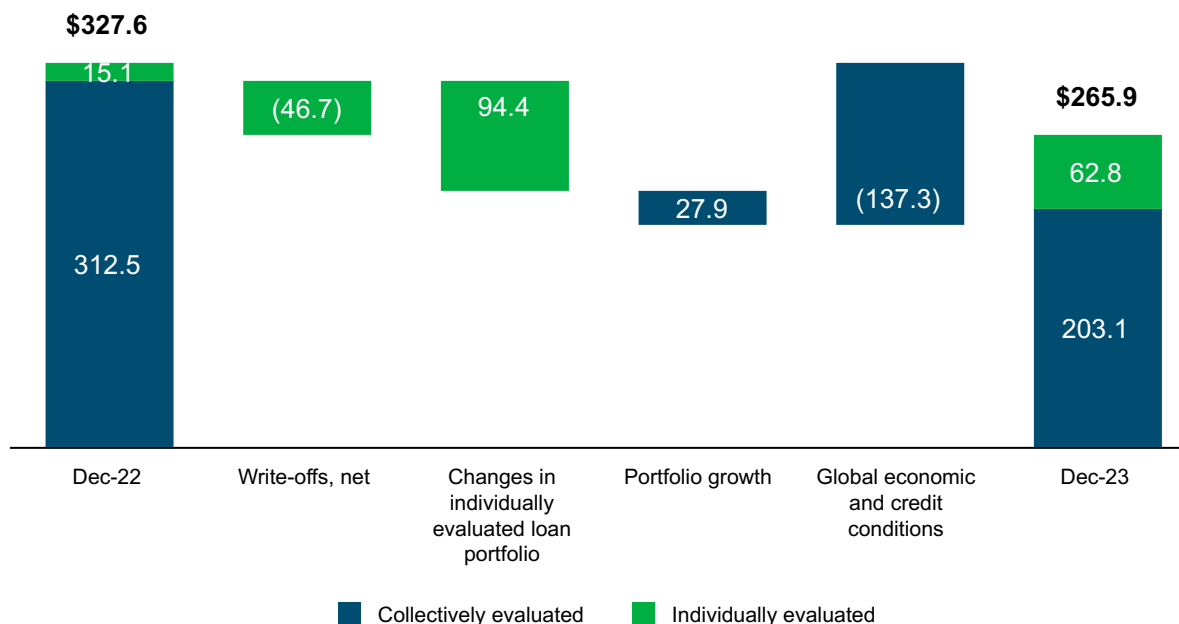
IDB Invest's gross development-related investments portfolio continued to grow in 2023 while maintaining a consistent level of portfolio credit quality relative to 2022. The allowance for credit losses as a percentage of development-related debt investments outstanding was 3.7% as of the end of 2023 compared to 4.9% as of the end of 2022. The decrease in this ratio was driven by loan write-offs of \$46.8 million in 2023.

The allowance for credit losses on development-related debt investments and on undisbursed commitments and guarantees decreased 7.0% and 56.3%, respectively, as of the end of 2023 compared to the end of 2022 mainly due to improvements in regional macroeconomic and credit conditions. Further, the decrease in allowance for credit losses on undisbursed commitments and guarantees was further driven by a mild reduction in this portfolio. Refer to Note 4 of the Financial Statements for additional information related to the allowance for credit losses.

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**Figure 5.** Allowance and provision/(release of provision) for credit losses (in USD million).



#### Liquid Assets Portfolio

IDB Invest's liquid assets portfolio is comprised of cash and investment securities, including local currency and bank deposits. As of December 31, 2023, the liquid assets portfolio, including fair value adjustments, amounted to \$2.6 billion, remaining stable compared to \$2.6 billion as of December 31, 2022 and is in compliance with its Liquidity Policy.

IDB Invest's liquid assets portfolio includes liquid assets denominated in four currencies as of December 31, 2023 (two currencies as of December 31, 2022). In 2023, IDB Invest expanded its local currency liquidity assets management capacity, adding Brazilian reais and Colombian pesos portfolios to its existing Mexican pesos and USD liquid asset portfolios. The expansion of the local currency liquidity assets portfolio further supports development-related investments in the Region. Refer to the Treasury Management section and Notes 3 and 10 of the Financial Statements for additional information related to the liquid assets portfolio.

#### Derivatives

IDB Invest manages interest rate and currency risks primarily through derivatives. In 2023, the derivatives portfolio comprised of interest rate and currency swaps continued to grow consistent with development-related investments and funding activities. As of December 31, 2023, derivative assets and derivative liabilities, including fair value adjustments, amounted to \$245.5 million and \$382.2 million, an increase of \$76.4 million and \$19.4 million compared to \$169.1 million and \$362.9 million, respectively, as of December 31, 2022, to support portfolio growth. Refer to Notes 7 and 11 of the Financial Statements for additional information related to the derivatives portfolio.

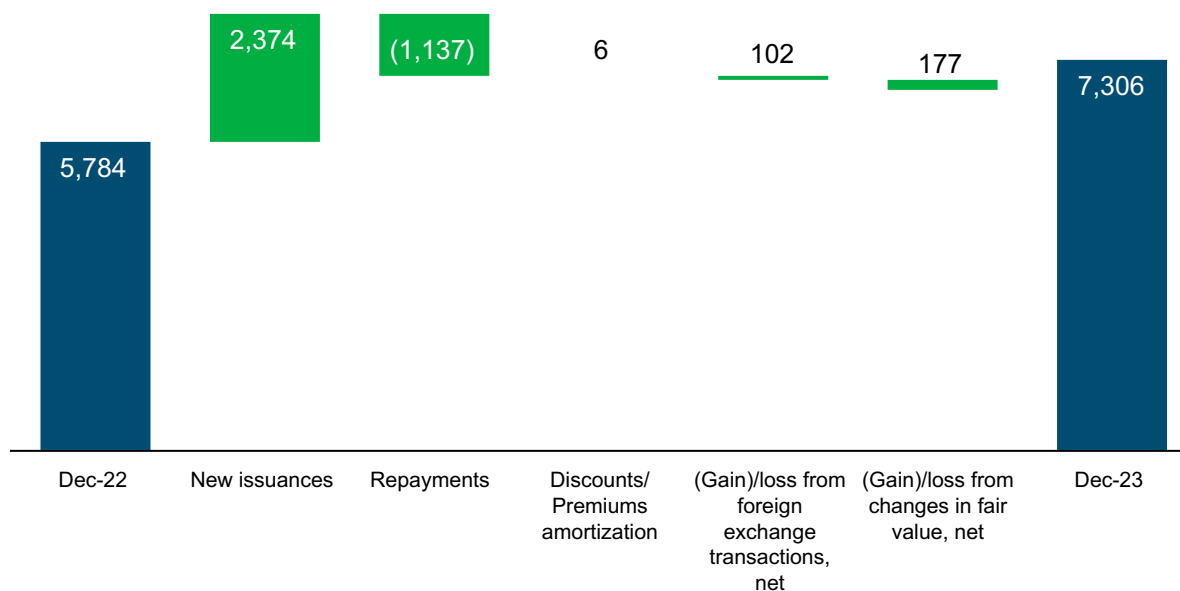
#### Borrowings

IDB Invest's outstanding borrowings, including fair value adjustments, amounted to \$7.3 billion as of December 31, 2023, an increase of \$1.5 billion from \$5.8 billion as of December 31, 2022. This is mainly due to significant issuances executed during 2023 to finance development-related investments and refinance maturities in combination with fair value and foreign exchange adjustments. Refer to Note 6 of the Financial Statements for additional information related to the borrowings portfolio.

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**Figure 6.** Borrowings Portfolio (in USD million).



### Capital

IDB Invest's capital includes total paid-in capital from members, retained earnings and accumulated other comprehensive income/(loss). IDB Invest's total capital as of December 31, 2023, amounted to \$3.2 billion, an increase of 9.0% from \$3.0 billion as of December 31, 2022. This increase in 2023 was the result of \$117.7 million in capital contributions received, \$163.9 million of net income and other comprehensive losses of \$16.1 million, which was composed of unrealized losses on pension obligations due to a decrease in discount rates and unrealized gains in the fair value of borrowings resulting from changes in IDB Invest's own credit risk spread.

## Treasury Management

IDB Invest's Treasury activities consists of liquidity, funding, local currency operations and asset-liability management in USD and other currencies.

## Liquidity Management

IDB Invest's liquid assets portfolio is managed in accordance with its Strategic Asset Allocation Framework and investment guidelines that establish the objectives and monitor the performance of this portfolio. The investment guidelines stipulate risk limits with respect to maximum issuer concentrations, minimum credit ratings and maximum duration. The objectives require that IDB Invest's liquid assets portfolio maintain sufficient liquidity and resources to finance development-related investments in compliance with its Liquidity Policy.

IDB Invest's liquid assets portfolio is substantially invested in highly rated securities reflecting its objectives of principal protection, liquidity, and yield. IDB Invest maintains a high quality liquid assets portfolio with an average credit quality rating of AA and duration of 1.0 years as of December 31, 2023 (average credit quality rating of AA and duration of 0.4 years as of December 31, 2022). As such, IDB Invest expects to be able to liquidate these assets as needed to meet its cash requirements, even in adverse market conditions. IDB Invest manages liquidity in select currencies to support its development-related investments.

## Funding Sources

### *Capital*

Since its inception, IDB Invest has received two general capital increases (GCI): GCI-I approved in 1999 and GCI-II approved in 2015. IDB Invest's capitalization plan includes capital to be contributed by IDB Invest shareholders as well as capital contributions to be funded through the transfer of income distributions (transfers) by IDB on behalf of its shareholders introduced under IDB Invest's GCI-II. These transfers are intended to be achieved during the period 2018-2025 for a total amount of \$725 million. These transfers are conditional upon annual IDB Board of Governors approval, which considers the continued maintenance of the IDB's Triple A long-term foreign currency credit rating, among other financial policies of the IDB.

Under GCI-II, IDB Invest has received \$1.8 billion in total capital contributions as of December 31, 2023. IDB Invest shareholders have made capital payments of \$1.3 billion under GCI-II. In addition, IDB Invest has received transfers totaling \$582.0 million. Further, in February 2023, 6,137 unpaid subscribed shares under GCI-II became available for reallocation. As of December 31, 2023, IDB Invest has received \$40.4 million in related capital payments.

Further, IDB Invest Management and IDB Management sent a proposal to the Board of Governors of IDB Invest and the Board of Governors of the IDB to recommend completing the remaining capital transfers for the aggregated amount of \$143.0 million prior to the 2024 Annual Meeting of the Board of Governors to be held in March 2024. The consistency of shareholders' capital contributions is a clear signal of the strength of shareholder support to IDB Invest's mission and capacity to respond and deliver high impact results.

## Inter-American Investment Corporation

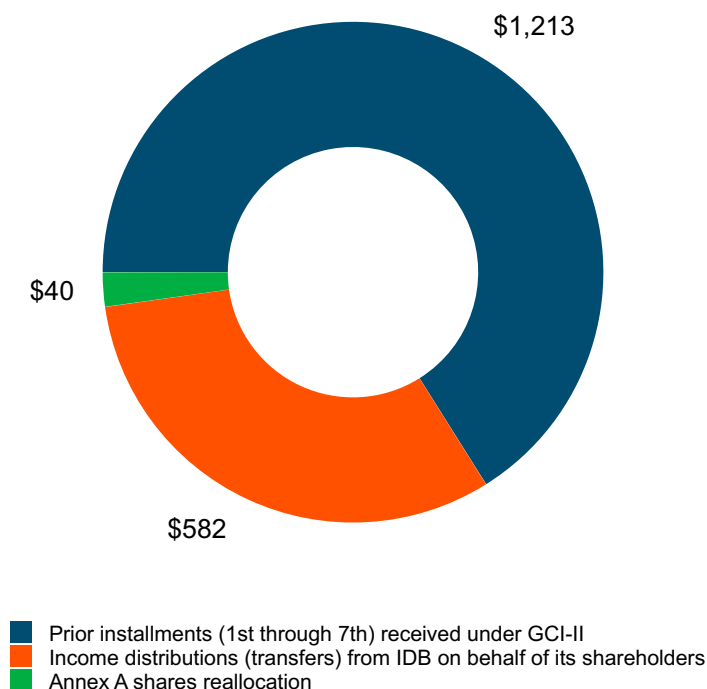
### Management Discussion & Analysis

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**Figure 7.** Total GCI-II Capital Contributions as of December 31, 2023 (in USD million).

|  |                      |
|--|----------------------|
| <b>Total GCI-II capital contributions:</b> | <b>\$1.8 billion</b> |
|--|----------------------|

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#### *Borrowings*

IDB Invest issues debt securities in various currencies, maturities, formats and structures to meet investor demand and achieve diversification of funding sources. IDB Invest raises funds primarily through the issuance of debt securities in the international capital markets.

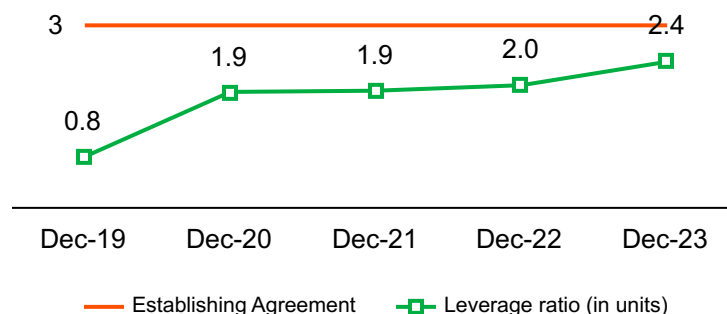
In addition, IDB Invest raises funds in local currency to provide local currency financing to its clients and to promote the development of local capital markets. IDB Invest also maintains a borrowing facility with the IDB.

As of December 31, 2023, IDB Invest's leverage ratio was 2.4 (2.0 as of December 31, 2022) and remains below the maximum of 3.0x as per its Establishing Agreement.

## Inter-American Investment Corporation

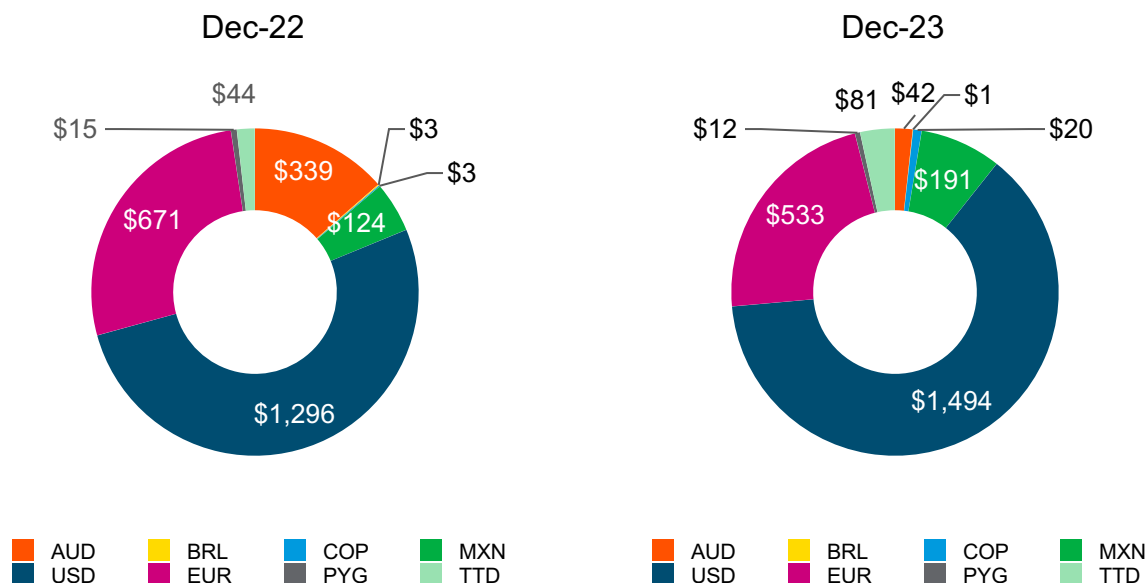
### Management Discussion & Analysis

**Figure 8.** Leverage ratio.



In 2023, IDB Invest's new borrowings were denominated in eight currencies. New borrowings related to international capital markets outside of the Region were denominated in AUD, EUR and USD. In addition, five currencies were raised from local capital markets, including one benchmark bond in Mexico, and through credit facilities, including with the IDB. Refer to Note 6 of the Financial Statements for additional information related to the borrowings portfolio and credit facilities.

**Figure 9.** New borrowings by currency (in USD million).



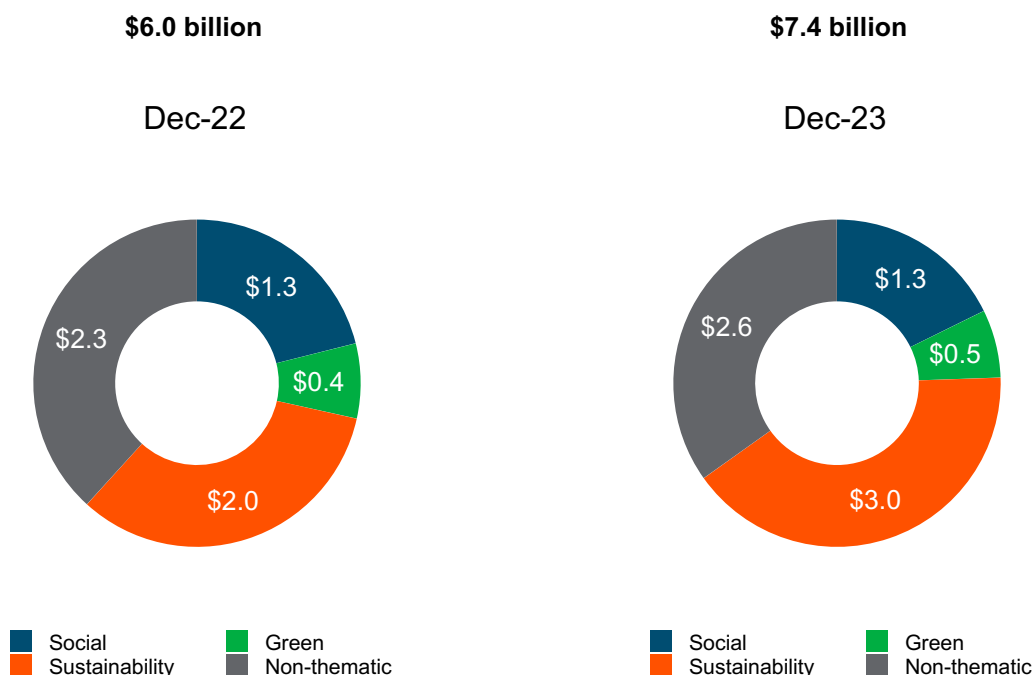
Presented at carrying amount, net.

In the ordinary course of business, IDB Invest enters into interest rate and currency swaps to convert the proceeds of borrowing transactions into USD floating rate obligations. Considering the effect of these borrowing-related swaps, 78.0% of IDB Invest's borrowings were USD denominated floating rate obligations as of December 31, 2023 (77.0% as of December 31, 2022). The remaining local currency financings are deployed to support development-related investments.

Final contractual maturities on IDB Invest's borrowings range from 1 years to 20 years. Actual maturities may differ from contractual maturities as call and prepayment features may be embedded in certain of IDB Invest's borrowings.

IDB Invest issues green, social and sustainability bonds under its Sustainable Debt Framework<sup>9</sup> aligned with the Green Bond Principles and Social Bond Principles published by the International Capital Markets Association (ICMA). Vigeo Eiris, part of Moody's ESG Solutions, issued a Second Party Opinion confirming the Framework's alignment with the Green Bond Principles and Social Bond Principles and awarding it the highest score for its contribution to sustainability. Of IDB Invest's outstanding borrowings at face value, 65.2% are thematic bonds as of December 31, 2023 (61.8% as of December 31, 2022). Refer to the following figure for additional details by theme.

**Figure 10.** Outstanding borrowings by theme (in USD billion).



Presented at face value.

## Local Currency Operations

IDB Invest offers local currency operations to private sector clients in the Region. As of December 31, 2023, IDB Invest carries development-related debt investments in nine currencies and manages liquid asset portfolios in Brazil, Colombia and Mexico (eight currencies and liquid asset portfolio in Mexico as of December 31, 2022). IDB Invest sources local currencies through a combination of cross-currency swaps, local debt capital markets issuances, and credit lines.

## Asset-Liability Management

IDB Invest manages the gaps between sources and uses of funds at the balance sheet level with the objective of managing interest rate, foreign exchange rate, and liquidity risks.

Interest rate risk and repricing gaps are managed through the use of interest rate swaps and adherence to conservative limits. Foreign exchange rate risk is managed through a combination of matched-funding, cross-currency swaps, the use of USD and non-USD liquidity pools and adherence to conservative foreign exchange limits for residual risks. Liquidity risk is managed through the maintenance of a conservative liquidity coverage ratio as stipulated in the Liquidity Policy, diversification of funding sources and maturities, and a conservative approach to refinancing gaps.

<sup>9</sup> More information about IDB Invest's Sustainable Debt Framework is available at <https://idbinvest.org/en/investors/>.

## Risk Management

### Risk Governance Structure

Successful risk management is key to IDB Invest's ability to pursue its dual mission of financial sustainability and development impact in the Region. The Establishing Agreement and subsequent resolutions approved by the Board of Governors and Board of Executive Directors govern IDB Invest's risk management policies.

**Figure 11.** Risk Management Governance



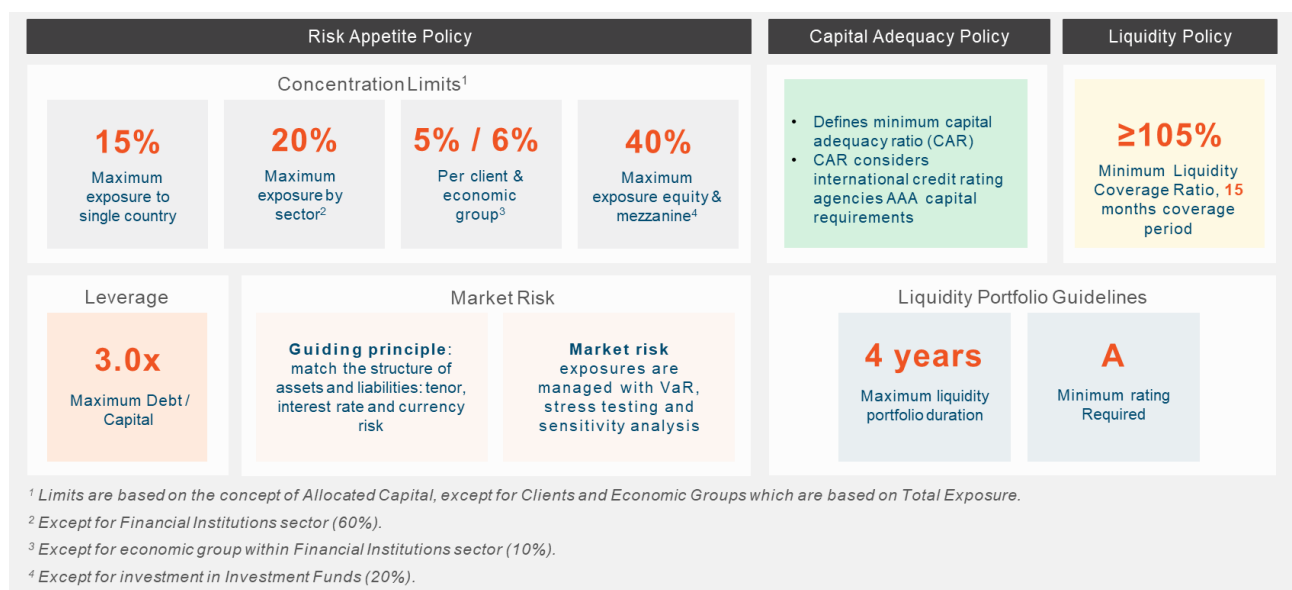
<sup>1</sup> Also encompasses Operating Policy and Disclosure of Information Policy.

<sup>2</sup> Comprised of: Risk Appetite Policy, Capital Adequacy Policy and Liquidity Policy.

<sup>3</sup> Comprised of: Sustainability Policy, Access to Information Policy and MICI Policy.

IDB Invest is exposed to financial and non-financial risks that it must monitor and manage. IDB Invest's financial risk management policies are set forth in the Financial Risk Framework, which encompasses the Risk Appetite Policy, the Capital Adequacy Policy and the Liquidity Policy. The Financial Risk Framework is reviewed by the Board of Executive Directors on a triennial basis and was last updated as of March 3, 2021.

**Figure 12.** Summary Financial Risk Framework.



IDB Invest's non-financial risk management addresses the following areas: environmental and social risk, climate risk, client corporate governance risk, integrity risk, operational risk, cybersecurity and data privacy risk.

IDB Invest's risk management operates under a "three lines of defense" model<sup>10</sup>. The first line of defense resides with Management and the process owners that have primary responsibility for their respective day-to-day operational activities. The second line of defense includes the Risk Management Department, the Office of Institutional Integrity and the Office of Ethics. The third line of defense includes the Office of the Executive Auditor (AUG), the Office of Evaluation and Oversight (OVE) and the Independent Consultation and Investigation Mechanism (MICI).

### *Risk Appetite*

IDB Invest's Risk Appetite Policy provides qualitative and quantitative guidance for various financial and non-financial risks.

IDB Invest's overall market risk appetite is limited, as the Risk Appetite Policy defines a limit based on Value-at-Risk (VaR). The Risk Appetite Policy also provides that IDB Invest shall match the structure of its assets and liabilities considering interest rates, maturities and currency denomination.

Diversification is an important part of the Risk Appetite Policy. The Policy establishes concentration limits defined in terms of country, industry sector, economic group and client. IDB Invest intends to avoid being a sole source of funding for borrowers and investors and limits its participation so that the risk is shared with other market participants.

The Risk Appetite Policy also stipulates that development-related investments must meet specified criteria related to environmental and social sustainability, and mitigate corporate governance, integrity and reputational risks, consistent with IDB Invest's Sustainability Policy and Integrity Framework. Development-related investments must also include adequate provisions to prevent, control and mitigate negative impacts on the environment and on communities, improve environmental quality and comply with local labor laws and regulations and IDB Invest's standards.

## Financial Risk Management

### *Capital Adequacy*

Regular capital adequacy assessments are a fundamental pillar of the management of a financial institution. Development banks, such as IDB Invest, although not subject to direct regulation, are generally required as a result of risk management practices and market expectations to hold more capital than their commercial counterparts by virtue of their mandates. Within its Financial Risk Framework, IDB Invest estimates how much capital it needs to retain to fulfill its mandate, which also helps determine its overall financing capacity.

IDB Invest's Capital Adequacy Policy (CAP) describes different possible levels of capitalization, requiring different levels of analysis and potential action plans. The CAP also considers a buffer and requires compliance under forward looking stress scenarios.

IDB Invest assesses capital adequacy via a Capital Adequacy Ratio (CAR)<sup>11</sup>. The CAR factors into IDB Invest's financial planning and includes regular stress testing and reporting.

IDB Invest's annual targets are based on quantitative metrics, including the CAR (which considers international credit rating agencies AAA capital requirements), that are approved by the Board of Executive Directors. In addition, as determined by the Board of Governors, IDB Invest aims to maintain at least an AA rating.

IDB Invest is currently implementing the recommendations contained in the Multilateral Development Banks (MDB) Capital Adequacy Framework (CAF) review sponsored by the G20. The CAF Review includes seventeen recommendations, grouped in five categories: (i) risk appetite and financial policy framework, (ii) addresses the value of callable capital, (iii) calls for financial innovation to increase MDBs' lending capacity, (iv) pertains mainly to the interaction with credit rating agencies, and (v) refers to governance and the use of loan performance data to maximize resource mobilization. During 2023, Management and the Board of

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<sup>10</sup> Refer to The Institute of Internal Auditors website for more information about the Three Lines of Defense Model, available at <https://www.theiia.org/en/content/position-papers/2020/the-iias-three-lines-model-an-update-of-the-three-lines-of-defense/>

<sup>11</sup> CAR is calculated by dividing Available Capital (AC) by Required Capital (RC). AC is equal to IDB Invest's net worth, as stated in its most recent financial statements. RC is determined as the highest capital requirement from either IDB Invest's internally developed economic capital model or the estimated capital requirements under the international credit rating agencies methodologies that assess IDB Invest's capital adequacy in a quantitatively supported and replicable way.

Executive Directors have discussed the status and the sequence of IDB Invest's action plan to implement recommendations relevant to the institution.

### *Liquidity Risk*

Liquidity risk is defined as the risk that IDB Invest would not be able to meet its financial obligations on a timely basis. IDB Invest's Liquidity Policy establishes the overall liquidity requirements measured using its Liquidity Coverage Ratio (LCR)<sup>12</sup> to determine its ability to fulfill liquidity needs under stressed market conditions for an extended period of time, while also allowing IDB Invest to deliver on its mandate and preserving its international credit ratings.

The target LCR and coverage period are approved by the Board of Executive Directors on an annual basis. For 2023, IDB Invest's target minimum LCR is 105% with a coverage period of 15 months of projected cash flows. As of December 31, 2023, IDB Invest's LCR was 170%, which is above the minimum required level.

In addition to the Liquidity Policy, IDB Invest manages liquidity in accordance with (i) the Authorization to Invest Corporation Funds and (ii) the Risk Appetite Policy. The Authorization to Invest Corporation Funds is a resolution of the Board of Executive Directors authorizing IDB Invest to invest all or part of the assets held by IDB Invest that are not immediately required for use in its operations. The resolution gives Management flexibility to obtain diversification from IDB Invest's loan portfolio and optimize the risk and return through investment in instruments in a wide number of market segments.

### *Credit Risk*

Credit risk refers to financial or economic loss that may result from time to time from counterparties that default on their obligations to IDB Invest or whose credit quality fluctuates adversely. IDB Invest is exposed to credit risk in its development-related debt investments portfolio and off-balance sheet exposures, as well as all investments in debt securities acquired for liquidity management purposes in its liquid assets portfolio.

IDB Invest applies a credit risk management process to actively monitor and manage its development-related investments. IDB Invest protects itself against portfolio concentration through diversification, applying limits by country, industry, sector, economic group, individual borrower and in relation to equity investments. IDB Invest maintains a systematic approval process to analyze the credit risk, safety and yield of proposed investments and to monitor its committed portfolio taking into consideration operational and prudential limits. IDB Invest is in compliance with its established limits.

IDB Invest's development-related investment projects are actively supervised following commitment. IDB Invest's Operating Policy defines the main guidelines for the supervision of the portfolio. The Portfolio Management function is responsible for regular monitoring and reporting on the performance of the overall development-related debt investments and equity portfolios to Management's Portfolio Supervision Committee. The portfolio is monitored by personnel in the Washington D.C. headquarters, and offices in the Region. Individual development-related investments are reviewed at least once a year, which may involve a field visit. Certain development-related investments facing critical risks are reviewed with greater frequency.

The credit risk of development-related debt investments is quantified in terms of the probability of default (PD), loss given default (LGD) and exposure at default (EAD). These risk parameters are used in different risk management applications that include the economic capital calculation, RAROC and current expected credit loss calculation.

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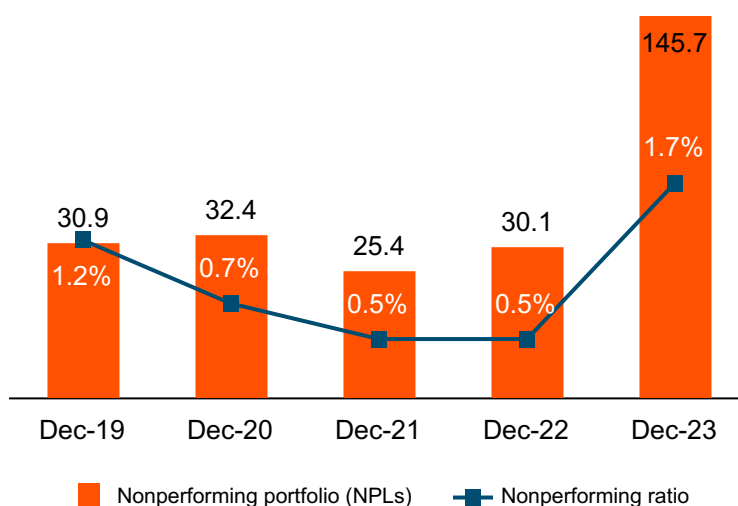
<sup>12</sup> LCR is the ratio of available liquidity at a point in time to the liquidity required to sustain cash payments during a pre-determined time period (Coverage Period) considering estimated sources and uses of liquidity under stressed market conditions.

Nonperforming Portfolio

Nonperforming loans (NPLs) are one indicator of the extent of IDB Invest's credit risk exposure in its development-related debt investments portfolio. NPLs are development-related debt investments where collectability is in doubt or payments of interest or principal are past due more than 90 days.

IDB Invest's NPLs increased \$115.6 million to \$145.7 million as of December 31, 2023 from \$30.1 million as of December 31, 2022. There is no dominant sector or country concentration in the NPL portfolio. While the NPL ratio increased to 1.7% in 2023 from 0.5% in the prior year, IDB Invest's NPL ratio remains low and in line with its risk appetite. This demonstrates the continued health and growth of the portfolio in the context of a higher interest rate environment, despite increasing global geopolitical tensions, including the ongoing Russian war on Ukraine.

**Figure 13.** Nonperforming portfolio, outstanding amounts and ratio<sup>(1)</sup> (in USD million).



<sup>(1)</sup> Nonperforming ratio is defined as the unpaid principal balance of NPLs, divided by the unpaid principal balance of development-related debt investments, plus notional guarantees outstanding.

Market Risk

Market risk refers to the potential impact of IDB Invest's net worth due to changes in market prices, such as interest rates, foreign exchange rates, credit spreads and equity prices. IDB Invest's Risk Appetite Policy provides guidelines to minimize mismatches in market risk exposures by risk, instrument, and portfolio type and defines a VaR limit as a percentage of total equity. IDB Invest has a dedicated Market Risk team that is responsible for establishing limits and managing market risk exposures through various quantitative techniques, including VaR, stress testing and sensitivity analysis. Management provides additional oversight through the Asset and Liability Management Committee.

Within the liquid asset portfolio, investment is restricted to high quality USD securities and cash instruments. This portfolio is subject to a VaR limit, and market risk is monitored through interest rate and credit spread sensitivity analysis, as well as stress testing.

Within the development-related debt investment, borrowings and hedging instrument portfolios, market risk is managed with interest rate sensitivity limits for currencies for which there is a local currency treasury portfolio, which includes United States dollars, Mexico pesos, Colombian pesos and Brazilian reais. Instruments in other currencies are hedged through cross-currency swaps or matched back-to-back through a dedicated matched funding strategy. Fixed rate development-related debt investments are hedged through interest rate swaps. Counterparty risk arising from hedging activities for these portfolios is also measured and managed via exposure limits.

The development-related equity investment portfolio and residual cash balances in local markets remain unhedged, subject to reasonable limits.

Credit spread risk is managed through VaR and stress testing.

### LIBOR Transition

In July 2017, the Financial Conduct Authority, the regulator of LIBOR, announced that it would no longer compel panel banks to submit rates required to calculate LIBOR after December 31, 2021. In March 2021, the discontinuation for the most liquid U.S. dollar LIBOR tenors was postponed to June 30, 2023. Therefore, market participants, including IDB Invest and its borrowers, would need to move to alternative reference rates after that date. In April 2023, the Intercontinental Exchange Benchmark Administrator announced the publication of an unrepresentative synthetic LIBOR (USD 1M, 3M and 6M settings) until September 30, 2024. This temporary measure did not impact IDB Invest's timeline to transition to alternative reference rates.

IDB Invest Management established a LIBOR Transition Program to ensure a timely and orderly transition to Secured Overnight Financing Rate (SOFR). Starting in January 2022, IDB Invest began offering Term SOFR, Daily Compounded SOFR and Daily Simple SOFR loan products. IDB Invest no longer issues new LIBOR based financial instruments. IDB Invest issued its first SOFR borrowing in March 2022 and successfully completed the transition efforts for its existing LIBOR portfolios during 2023 as expected.

### Retirement Plan Risk

Retirement plan risk represents IDB Invest's exposure to the volatility in the funded status of its Pension Plan and Postretirement Benefits Plan (PRBP) (collectively, the Retirement Plans). The funded status of each of the Retirement Plans is determined by the amount by which the fair value of plan assets exceeds (or is exceeded by) the retirement plan liabilities. The active risk of the Retirement Plans is used as a proxy measure for the volatility of the difference in performance of the Retirement Plans' assets and liabilities.

Changes in the value of the Retirement Plans' liabilities are driven by two factors, the first of which has a greater impact in terms of volatility and magnitude: (i) changes in yields of AA corporate bonds with maturities corresponding to the payment of benefits, which are used to discount the stream of future cash flows associated with the pension liabilities, and (ii) changes in the Retirement Plans' demographics, experience, and management's best estimates of future benefit changes.

Changes in the Retirement Plans' assets are driven by: (i) fluctuations in the market value of the Retirement Plans' Return Strategies assets, which include developed and emerging markets equities, high yield and emerging markets bonds, real estate, infrastructure and commodities; and (ii) changes in interest rates, which impact the values of the Retirement Plans' Liability Strategies<sup>13</sup> assets, which are invested in core, long duration and inflation-indexed fixed income instruments.

Given the percentage of the Retirement Plans' assets that are allocated to growth-oriented, inflation-hedging assets according to the Retirement Plans' investment policies as described in Note 14 of the Financial Statements, the values of the Retirement Plans' assets are less sensitive to changes in long-term interest rates than are the values of the Retirement Plans' liabilities, resulting in active risk. IDB Invest, in coordination with the IDB as co-sponsors to the Retirement Plans, actively monitors active risk and investment strategies to address the short-term and long-term performance of the Retirement Plans. IDB Invest also uses the reported volatility of the Retirement Plans' assets and liabilities to calculate its Economic Capital in compliance with its CAP.

## **Non-Financial Risk Management**

### Environmental and Social Risk

IDB Invest assesses the potential environmental and social risks of all development-related investments in which it considers investing. It also assesses such investments for compliance with host country laws and regulations and IDB Invest's Environmental and Social Exclusion List<sup>14</sup>. These assessments are based on the mitigation hierarchy approach whereby clients should avoid, minimize, or manage environmental, social and health and safety risks and impacts.

IDB Invest requires that its clients comply with its Sustainability Policy, which incorporates the International Finance Corporation (IFC) standards and guidelines: the Performance Standards on Environmental and Social Sustainability of the IFC (the Performance Standards) and the World Bank/IFC Environmental Health

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<sup>13</sup> Refer to Note 14 of the Financial Statements for additional information on the Retirement Plans Return Strategies and Liability Strategies.

<sup>14</sup> IDB Invest's Environmental and Social Exclusion List is available at: <https://www.idbinvest.org/en/download/12368>

and Safety (EHS) Guidelines, including both General EHS Guidelines and Industry Sector EHS Guidelines (the EHS Guidelines). Any subsequent revisions to the above-mentioned Performance Standards and EHS Guidelines will apply to the Sustainability Policy unless otherwise determined by IDB Invest's Board of Executive Directors.

IDB Invest finances development-related investments that are expected to meet the Sustainability Policy's environmental and social requirements. IDB Invest's development-related investment agreements include an obligation that clients comply with applicable requirements of the Performance Standards and conditions included in action plans, as well as relevant provisions for environmental and social reporting, and supervision visits by IDB Invest staff or representatives, as appropriate.

IDB Invest has a dedicated risk management function that leads the following institutional activities related to environmental and social risks: (i) responding to grievance cases and addressing accountability issues, (ii) evaluating these risks in the context of credit considerations, and (iii) supporting compliance reporting.

IDB Invest values engagement, transparency and accountability. The Management Grievance Mechanism (MGM) is a channel for individuals or groups to submit complaints regarding environmental, social or corporate governance issues related to projects financed or being considered for financing by IDB Invest. The MGM aims to propose timely solutions that can be implemented with clients to address the concerns of stakeholders. At the same time, it represents an opportunity to flag unresolved ESG issues in projects, strengthen client sustainability and provide a channel for engagement with external communities. In addition, the MGM allows IDB Invest to extract institutional lessons to strengthen ESG risk management.

### *Climate Risk*

Climate risk refers to the risk that IDB Invest's clients may directly or indirectly experience potential adverse impacts from climate change. This includes the physical impacts of climate change such as extreme weather events like floods, hurricanes, and droughts as well as chronic shifts such as sea level rise and higher mean temperatures. It also includes transition risk which relates to the financial and reputational risks associated with society transitioning to a low carbon economy.

Anchored in the climate and natural disaster-related commitments in its Sustainability Policy, IDB Invest has been applying a Climate Risk Assessment methodology to its investments. IDB Invest screens its projects for exposure to physical climate risk and potential impacts on the project's performance during project appraisal.

At the end of 2021, the IDB Group launched its Climate Change Action Plan for 2021 to 2025 to align new operations with the Paris Agreement by 2023. The action plan aims to make its finance flows consistent with a pathway towards both low greenhouse gas emissions and climate-resilient development. As such, from 2023 onwards IDB Invest has committed to assess new projects with respect to their compatibility with both the Paris Agreement's climate change mitigation and the adaptation and resilience goals.

Highlights of IDB Invest's climate risk management measures in FY23 include:

- Publication of IDB Invest's first Sustainability Report, which marks an important milestone and demonstrates the importance of sustainability to the institution's purpose, values and work.
- Publication of IDB Invest's fifth consecutive disclosure along the guidelines of the Task Force for Climate-Related Financial Disclosures.
- Agreement between the IDB Group and the World Bank Group in August 2023 to strengthen cooperation efforts that combine public and private resources and technical support to promote conservation of the Amazon biome, Caribbean disaster resilience and digital access across to the Region through the creation of sustainable financial solutions.
- Assessment of new projects with respect to their compatibility with both the Paris Agreement's mitigation and adaptation goals in accordance with the IDB Group Paris Alignment Implementation Approach.<sup>15</sup>
- IDB Invest's commitment to the action plan aims to increase support to deliver climate results. IDB Invest delivers technical briefings to its Board of Executive Directors, which encompass IDB Invest's climate-related activities as well as associated risks and opportunities.

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<sup>15</sup> IDB Group Paris Alignment Implementation Approach is available at <https://idbinvest.org/en/sustainability/paris-agreement-idb-invest>

### *Client Corporate Governance Risk*

Corporate governance risk refers to the risk that IDB Invest's clients do not meet their contractual obligations with IDB Invest due to lack of adequate governance or organizational structure. This risk emerges when clients' decision-making processes, management practices or internal control mechanisms are affected by a compromised governance, risk or compliance structure, reducing the client's ability to honor IDB Invest's development requirements.

IDB Invest works with clients to assess their corporate governance risks and provides clients advice on how to improve their practices. IDB Invest applies its Corporate Governance Development Framework<sup>16</sup>, a common methodology among Development Finance Institutions<sup>17</sup>, as well as the G20/OECD Principles of Corporate Governance<sup>18</sup> (the Assessment). Under the Assessment, IDB Invest: (i) integrates corporate governance in its investment operations, (ii) establishes an internal corporate governance function, (iii) provides training and capacity building, (iv) collaborates with other signatories, and (v) reports annually on implementation. Through its technical assistance activities, IDB Invest provides private sector companies in the Region with direct corporate governance support, capacity-building programs and other forms of assistance. IDB Invest also applies corporate governance practices to its investment decisions and seeks to provide funding to clients that operate ethically and responsibly.

### *Integrity Risk*

Integrity risk is defined as the possibility that a person or entity engages in serious ethical or financial misconduct in connection with an IDB Invest development-related investment. When such misconduct occurs, it adversely affects the ability of IDB Invest to further its development purpose and safeguard its financial sustainability.

IDB Invest has adopted an Integrity Framework<sup>19</sup> and Sanctions Procedures, which require participants in its development-related investments to adhere to the highest standards of ethics, integrity, transparency, and accountability, considering comparable standards utilized by other multilateral development banks. Further, the Integrity Framework and Sanctions Procedures prohibit certain practices, including fraud, corruption, collusion, coercion, misappropriation, and obstruction (Prohibited Practices)<sup>20</sup>.

In accordance with the Sanctions Procedures, IDB Invest may impose administrative sanctions on participants in IDB Invest-financed activities that are found responsible for engaging in Prohibited Practices.

To manage integrity risk, IDB Invest conducts a risk-based integrity due diligence for all its lending and equity development-related investments regarding its counterparties and any other entity closely associated with the development investment, which is updated annually. The key elements of that integrity due diligence include: (i) general integrity review of IDB Invest clients and relevant entities; (ii) an assessment of the Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) systems of financial institution clients; and (iii) an assessment of tax-related risks presented by cross-border corporate structures used by proposed IDB Invest clients.

The integrity due diligence process allows IDB Invest to identify risk indicators, including politically exposed persons, persons subject to economic or administrative sanctions, relevant litigation or enforcement activity involving the client, or use of cross-border structures that may be used for tax evasion.

The Office of Institutional Integrity of the IDB Group investigates allegations of Prohibited Practices and its prevention specialists work closely with project teams, with support from the IDB Invest Compliance function, to identify, assess, and mitigate integrity and reputational risks in IDB Invest development-related investments.

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<sup>16</sup> More information about the Corporate Governance Development Framework is available at <https://cgdevelopmentframework.com/>

<sup>17</sup> Development finance institutions (DFIs) are specialized national and international development banks established to support private sector development in developing countries.

<sup>18</sup> More information about the G20/OECD Principles of Corporate Governance is available at <https://www.oecd.org/corporate/principles-corporate-governance/>

<sup>19</sup> More information about the IDB Invest Integrity Framework is available at <https://idbinvest.org/en/how-we-work/institutional-information>

<sup>20</sup> Key Documents of the IDB Group Sanctions System are available at <https://www.iadb.org/en/who-we-are/transparency/sanctions-system/sanctions-system-key-documents>

### *Operational Risk*

Operational risk is the risk resulting from inadequate or failed internal processes, people's actions or systems, or from external events that may result in financial losses, financial reporting misstatements, and/or result in reputational damage. These failures may occur while executing processes to meet IDB Invest's objectives as operational risk is inherent in all operations and processes.

IDB Invest has policies and procedures in place to mitigate different aspects of operational risk, including IDB Invest's high standards of business ethics and its system of internal controls. These are supplemented by IDB Invest's disaster recovery/contingency planning, the Access to Information Policy, client and project integrity due diligence procedures, the procedures for risk management, fiduciary arrangements and disclosure of information in projects, the Sustainability Policy, and procurement and purchasing policies, among others.

IDB Invest's operational risk management activities are executed in alignment with the three lines of defense model, in which personnel have ownership, responsibility and accountability for identifying, evaluating, controlling and mitigating operational risks, as well as establishing and maintaining effective internal controls in their respective processes. In addition, risk and control matters are regularly assessed, monitored and reported to the Operational Risk Management Committee.

### *Cybersecurity*

IDB Invest's operations rely on the secure processing, storage and transmission of confidential and other information in computer systems and networks. As is the case for financial institutions generally, and given the hybrid work environment, cybersecurity risk continues to be significant for IDB Invest due to the evolving sophistication and complexity of the cyber threat landscape.

IDB Invest manages emerging cyber threats, such as malware and phishing attacks, through investments in security, remote access, end-point protection and cloud technologies as well as strengthened operational risk management controls. Management continues to invest in preventive and detective technologies as well as in employee awareness to ensure high standards for cybersecurity.

### *Data Privacy Risk*

Data privacy risk is defined as the risk that IDB Invest's personal data is improperly accessed, stolen or manipulated resulting in reputational damage or other adverse impacts. With the objective to uphold IDB Group's reputation as a trusted partner and meet expectations of its stakeholders, on February 24, 2021, the Boards of Executive Directors of IDB Invest and the IDB approved the IDB Group Personal Data Privacy Policy. This Policy defines how IDB Invest and the IDB will operate the personal data collection process and is intended to develop consistent practices and procedures across the IDB Group. The Policy provides the guiding principles for each IDB Group institution to establish their respective privacy program, which shall provide for the implementation of administrative, technical and physical safeguards for personal data processing tailored to their unique mandate and business needs. The Policy will become effective for IDB Invest and the IDB upon their respective adoption of implementing guidelines, procedures, technology solutions and other measures, in a period not to exceed three years after its approval. The achievement of this important milestone is reflective of the IDB Group's firm commitment to protect personal data in line with global data privacy standards and is aligned with the approach taken by other multilateral development banks.

## Other Developments

### Pension Plans and Postretirement Benefits Plan

The volatility in the equity and credit markets, as well as changes in interest and inflation rates, affect the funded status of the Pension Plans and PRBP (Retirement Plans). IDB Invest's Pension Plans were 86.2% funded and the PRBP was 125.6% funded as of December 31, 2023. The changes to the funded status of the Pension Plans and PRBP were driven by lower discount rates of 20 bps and 19 bps, respectively, when compared to 2022 as a result of current economic and capital market conditions, resulting in higher Retirement Plans' obligations. Refer to Note 14 of the Financial Statements for additional information related to the Pension and Postretirement Benefit Plans.

### External Auditors

The external auditors of IDB Invest are appointed by the Board of Governors. In 2021, the Board of Governors appointed Ernst & Young, LLP (EY) as the external auditors of IDB Invest for the five-year period 2022-2026, following a competitive bidding process.

Contracted fees for audit services provided to IDB Invest by EY in connection with the 2023 financial statement audit amounted to \$514.9 thousand. EY also provided audit services to donor funds administered by IDB Invest, for which contracted fees related to the 2023 audits amounted to \$72.1 thousand.

The external auditor may provide certain non-audit services subject to monetary limits. The total non-audit services fees over the five-year term of the relevant external audit contract shall not exceed 70% of the audit fees over the same period. The fees related to non-audit services provided by EY in 2023 amounted to \$200.0 thousand. Management monitors this limit against an estimated total expected audit fee when approving non-audit services to EY.

### Internal Controls over Financial Reporting

Management of IDB Invest is responsible for establishing and maintaining adequate internal controls over financial reporting. While IDB Invest's internal controls environment is not externally evaluated with an independent auditor's opinion issued as part of an integrated audit, IDB Invest internally assesses and evaluates the risks of internal controls over financial reporting. There are inherent limitations in any internal controls environment due to the possibility of human error and the circumvention or overriding of controls. Given these limitations, internal controls over financial reporting may not prevent or detect all misstatements, deficiencies or lapses in internal controls that may occur from time to time. Based on Management's assessment, there was no change in IDB Invest's internal control over financial reporting during the year ended December 31, 2023, that would have a material impact on IDB Invest's financial statements.

### Critical Accounting Policies and Estimates

IDB Invest's financial statements are prepared in accordance with generally accepted accounting principles in the United States of America (US GAAP). The preparation of such financial statements requires Management to make estimates and assumptions that affect the reported results. Refer to Note 2 – Summary of Significant Accounting Policies in the Financial Statements for a summary of the significant accounting policies, including a discussion of accounting estimates that involve a significant degree of judgment and complexity and have had or are reasonably likely to have a material impact on IDB Invest's financial condition or results of operations. These critical accounting estimates include the: (i) evaluation and measurement of the allowance for credit losses, (ii) measurement of the fair value of investment securities, development-related investments, derivative instruments and borrowings, and (iii) measurement of projected benefit obligations and fair value of plan assets of the Pension Plans and Postretirement Benefits Plan and the associated net periodic benefit costs of each plan.

## Administration and Corporate Governance

IDB Invest has a Board of Governors, a Board of Executive Directors, a Chairperson of the Board of Executive Directors, and a Chief Executive Officer (CEO) (also referred to as General Manager). The CEO, in consultation with the Board of Executive Directors and the Chairperson of the Board of Executive Directors, is responsible for the organization, appointment and dismissal of the officers and staff.

### Board of Governors

All the powers of IDB Invest are vested in its Board of Governors, which consists of one Governor and one Alternate Governor appointed by each member country. The Board of Governors has delegated to the Board of Executive Directors all its powers except certain powers reserved to the Governors under the Establishing Agreement.

The Governor or Alternate Governor from each member country exercises the voting power to which its member country is entitled, each member country having one vote for each fully paid share held by it. A list of the member countries, showing the voting power and the number of shares subscribed by each member country as of December 31, 2023, is set forth in Note 9 – Capital to the Financial Statements. The quorum for any meeting of the Board of Governors is a majority of the Governors representing at least two-thirds of the votes of the member countries. Matters before the Board of Governors are decided by a majority of the votes of the members except as specifically detailed in the Establishing Agreement or other regulations. Governors and Alternate Governors serve without compensation from IDB Invest.

The Board of Governors holds regular meetings, at least annually.

### Board of Executive Directors

#### *Function*

The Board of Executive Directors is responsible for the conduct of the operations of IDB Invest. To this end, the Board of Executive Directors exercises all the powers granted to it under the Establishing Agreement and those delegated to it by the Board of Governors. The Board of Executive Directors establishes the basic organizational structure of IDB Invest, including the number and general responsibilities of its main administrative and professional positions. The Board of Executive Directors is also responsible for adopting IDB Invest's annual budget.

#### *Membership*

The Board of Executive Directors is composed as follows: (i) one Executive Director appointed by the member country having the largest number of shares in IDB Invest (as of the date of this Information Statement, this is the United States); (ii) nine Executive Directors elected by the Governors for the Regional Developing Member Countries; and (iii) three Executive Directors elected by the Governors for the remaining member countries. Executive Directors are persons of recognized competence and wide experience in economic and financial matters. Each Executive Director appoints an Alternate Executive Director who has full power to act for the Executive Director when he or she is not present. Executive Directors generally serve for three years. The president of the IDB is the ex-officio Chairperson of the Board of Executive Directors of IDB Invest and presides over meetings of the Board of Executive Directors but does not have the right to vote except in the case of a tie. The Chairperson of the Board of Executive Directors may participate in, but may not vote at, meetings of the Board of Governors. Executive Directors are neither officers nor staff of IDB Invest.

# Inter-American Investment Corporation

## Management Discussion & Analysis

The table below shows a list of Executive Directors and Alternate Executive Directors as of the date of this Information Statement.

**Table 7.** List of Executive Directors and Alternate Executive Directors.

| <b>Country</b>  | <b>Executive Director or Alternate Executive Director</b>                                       |
|---|---|
| Argentina and Haiti   | Miguel Braun (Argentina)<br>Nicolas Camauer (Argentina)   |
| Austria, Belgium, Germany, Italy, the Netherlands, and the People's Republic of China | Huafeng Liao (China)<br>Christina Anna Koelldorfer (Austria)                                    |
| Bahamas, Barbados, Guyana, Jamaica, and Trinidad and Tobago                           | Robert Lennard Le Hunte (Trinidad and Tobago)<br>Navita Anganu (Guyana)                         |
| Belize, Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua                   | Eddy Roberto Carpio Sam (Guatemala)<br>Karen Cis (Honduras)                                     |
| Bolivarian Republic of Venezuela and Panama   | Gustavo Tarre Briceno (Venezuela)<br>Carlos Alberto Vallarino Rangel (Panama)                   |
| Brazil and Suriname   | Paulo Guilherme Farah Correa (Brazil)<br>Anita Fiori de Abreu (Brazil)                          |
| Canada, Denmark, Finland, France, Norway, Sweden, Switzerland and United Kingdom      | Renaud Lassus (France)<br>Caroline Leclerc (Canada)   |
| Chile and Ecuador   | Carlos Eduardo Alvarez Voullieme (Chile)<br>Jorge Emilio Gallardo Zavala (Ecuador)              |
| Colombia and Peru   | Roy Alejandro Barreras Cortes (Colombia)<br>Michel Canta (Peru)                                 |
| Croatia, Israel, Japan, Portugal, Republic of Korea, Slovenia and Spain               | Takashi Hanajiri (Japan)<br>Deok Young Jeong (Korea)  |
| Dominican Republic and Mexico   | Mario Alejandro Gaytan Gonzalez (Mexico)<br>Ernesto Alejandro Selman Mejia (Dominican Republic) |
| Paraguay, Plurinational State of Bolivia, and Uruguay                                 | Santiago Cat Ruprecht (Uruguay)<br>Viviana Andrea Garay Estepa (Paraguay)                       |
| United States of America  | (Vacant)<br>Maria Fabiana Jorge (United States of America)                                      |

### Operation

The Board of Executive Directors functions in continuous session at the principal offices of IDB Invest in Washington D.C., or exceptionally at such other locations as shall be designated by the Board of Executive Directors, and meets as often as business requires.

Agendas, minutes and resolutions of the meetings of the Board of Executive Directors are made available to the public at the end of the corresponding deliberative process.

Each Executive Director is entitled to cast the number of votes which the member or member countries of IDB Invest whose votes counted towards his or her nomination or election are entitled to cast. All the votes that an Executive Director is entitled to cast are cast as a unit. The quorum for any meeting of the Board of Executive

Directors is the majority of the Executive Directors representing not less than two-thirds of the votes of the member countries.

Unless an Executive Director requires formal voting on any matter in the Board, the Chairperson of the Board of Executive Directors may declare any matter approved based on verbal affirmations. In the event that a formal voting is called, unless otherwise provided, all matters are decided by a majority of the votes of the member countries.

#### *Key Governing Committees*

The Board of Executive Directors has the following committees: the Executive Committee, the Audit and Risk Oversight Committee, the Committee of the Board of Executive Directors and the Special Ad Hoc Committee for Problem Projects. In addition, there are two joint committees of the IDB Invest Board of Executive Directors and the IDB Board of Executive Directors: the Steering Committee and the Conduct Committee. The role of each committee is determined pursuant to its terms of reference.

#### *Executive Committee of the Board of Executive Directors*

The Executive Committee of the Board of Executive Directors is composed of: (i) the Director or Alternate appointed by the member country having the largest number of shares in IDB Invest (as of the date of this Information Statement, this is the United States); (ii) two Directors representing the Regional Developing Member Countries; and (iii) one Director representing the other member countries. Rotating agreements among the Directors result in a change in the composition every quarter.

The Executive Committee considers all loans and investments in Regional Developing Member Countries, with certain exceptions where this authority has been delegated to Management. To be approved, a loan, investment or financing program requires the vote of a majority of the Executive Committee. A quorum for any meeting of the Executive Committee is three members. A report with respect to each operation approved by the Executive Committee is then submitted to the Board of Executive Directors. If requested by any Executive Director, such approved operation will be presented to the Board of Executive Directors for a vote. An operation approved by the Executive Committee shall be deemed approved by the Board of Executive Directors in the absence of such request within the period specified by the Board of Executive Directors.

#### *Audit and Risk Oversight Committee of the Board of Executive Directors*

The purpose of the Audit and Risk Oversight Committee is to assist the Board of Executive Directors in its oversight of (i) IDB Invest's accounting and financial reporting processes, and internal controls over financial reporting, (ii) the management of financial and non-financial risks in relation to the risk policies established by the Board of Executive Directors, (iii) the qualifications, independence, reports and written communications of IDB Invest's External Auditor, and (iv) the performance, work program and reports of IDB Invest's internal audit function, which is carried out by AUG.

#### *Committee of the Board of Executive Directors*

The purpose of this Committee of the Board of Executive Directors is to consider and review matters related to budget, organization, policies, and evaluation, as well as such other matters as the Board may decide to entrust to it.

#### *Special Ad Hoc Committee for Problem Projects of the Board of Executive Directors*

The purpose of the Special Ad Hoc Committee for Problem Projects is to support the timely, accurate and complete communication regarding impaired projects to and from the members of the Board of Executive Directors on matters of which the Board of Executive Directors should be informed, requiring the approval of the Board, or as otherwise deemed necessary by the Board of Executive Directors.

#### *Steering Committee*

The purpose of the Steering Committee is to serve as the advisory body to the Boards of Executive Directors of the IDB and IDB Invest. Its functions include to review and confer with management on all matters related to the preparation and follow-up on the Boards' work programs and other relevant matters.

*Conduct Committee*

The Conduct Committee addresses all matters arising from the application of the Code of Conduct and the Operating Guidelines for the Conduct Committee, and as may be otherwise determined by the Boards of Executive Directors of IDB Invest and the IDB.

*Key Executives and Personnel*

The Board of Executive Directors appoints the General Manager of IDB Invest by a four-fifths majority of the total voting power of the member countries, on the recommendation of the Chairperson of the Board of Executive Directors and for such term as she or he shall indicate.

The General Manager is responsible for the ordinary business of IDB Invest under the direction of the Board of Executive Directors and the general supervision of the Chairperson of the Board of Executive Directors. The General Manager is responsible for the organization, appointment, and dismissal of IDB Invest officers and staff in consultation with the Board of Executive Directors and the Chairperson of the Board of Executive Directors. The General Manager may participate in meetings of the Board of Executive Directors but does not have the right to vote at these meetings. The departments that provide support for project and program activities include Investment Operations; Strategy and Development; Legal; Risk Management; and Finance and Administration. As of December 31, 2023, IDB Invest has 407 staff and 48 consultants on-board.

**Table 8.** List of Key Executives as of the date of this Information Statement.

**IDB Invest's Executives**

| Name                         | Position                                 |
|------------------------------|--|
| James P. Scriven             | Chief Executive Officer                  |
| H. Rosemary Jeronimides      | General Counsel                          |
| Aitor Ezcurra Unda           | Chief Investment Officer, a. i.          |
| Orlando Ferreira Caballero   | Chief Finance and Administration Officer |
| Rachel Robboy                | Chief Risk Officer                       |
| Luiz Gabriel Todt de Azevedo | Chief Strategy Officer, a. i.            |

*Ethics Matters*

IDB Invest fosters an ethical work environment for its staff and consultants, and is committed to safeguard the activities financed by IDB Invest from fraud and corruption.

*Code of Ethics*

IDB Invest requires employees to maintain the highest standards of professional and ethical conduct. To assist in preserving such institutional standards, IDB Invest has in place a Code of Ethics and Professional Conduct<sup>21</sup> that applies to all employees. This Code contains guidelines concerning conflicts of interest and use of IDB Invest information, among other matters.

<sup>21</sup> IDB Invest's Code of Ethics and Professional Conduct is available at <https://www.idbinvest.org/en/how-we-work/institutional-information>

## Oversight Offices

The following offices provide oversight services to IDB Invest.

### *Office of Institutional Integrity*

The Office of Institutional Integrity<sup>22</sup> (OII), an oversight office of the IDB established to promote institutional integrity, provides services to IDB Invest and reports its ongoing activities and significant findings to its Board of Executive Directors and Management. The OII complies with its mandate through the detection and investigation of fraud, corruption and other prohibited practices, and the support of initiatives for their prevention. Allegations of corrupt or fraudulent activities involving IDB Invest-financed activities may be reported to the OII in person, by telephone, e-mail, facsimile, regular mail, or through the allegation forms available on the website. Such allegations may be made confidentially or anonymously.

### *Office of the Executive Auditor*

The Office of the Executive Auditor provides assurance and consulting services guided by international professional standards, and reports functionally to the IDB and IDB Invest Boards of Executive Directors through the Audit and Risk Oversight Committee and the IDB Audit Committee. The Office of the Executive Auditor provides assurance and advisory services designed to add value and continuously improve the IDB Group's operations, bringing a systematic, disciplined approach to assess and improve the effectiveness of governance, risk management, and control processes.

### *Office of Evaluation and Oversight*

The Office of Evaluation and Oversight, which reports directly to the Board of Executive Directors, undertakes independent and systematic evaluations of IDB Invest's strategies, policies, programs, activities, delivery support functions and systems and disseminates the findings of such evaluations so that recommendations for improvement can be used in new operations. The Office of Evaluation and Oversight also provides oversight and support for the enhancement of the effectiveness of IDB Invest's evaluation system.

### *Independent Investigation and Consultation Mechanism*

The Independent Consultation and Investigation Mechanism is an investigation mechanism that is independent from the management structure at IDB Invest and reports directly to the Board of Executive Directors. The MICI works with dispute resolution processes and compliance review investigations. The dispute resolution process aims at resolving the issues raised by the complainants through a satisfactory agreement between the parties: the complainants, the project team, and those responsible for implementing the project (the executing agency or borrower/client). The compliance review process has the following objectives: (i) provide a mechanism and process independent of Management in order to investigate allegations by requesters of damages produced by IDB Invest's failure to comply with its relevant operational policies in IDB Invest financed operations; (ii) provide information to the Board of Executive Directors regarding such investigations; and (iii) be a last-resort mechanism for addressing the concerns of requesters, after reasonable attempts to bring such allegations to the attention of Management have been made.

## The Agreement Establishing the Inter-American Investment Corporation

The Establishing Agreement<sup>23</sup> sets forth IDB Invest's purpose and functions, capital structure and organization. It also outlines the operations in which IDB Invest may participate, prescribes limits and directives, establishes IDB Invest's status, legal capacity, immunities and privileges, and regulates membership and the termination of IDB Invest's operations.

The Establishing Agreement may be amended only by decision of IDB Invest's Board of Governors by a majority representing at least four-fifths of the votes of the members and two-thirds of the number of Governors. The unanimous agreement of the Board of Governors is required for the approval of any amendment modifying the right to withdraw from IDB Invest; the right to purchase shares in IDB Invest; or any changes to the limitation of liability of its member countries. Refer to Note 9 in the Financial Statements for additional information related to IDB Invest's member capital.

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<sup>22</sup> More information about the Office of Institutional Integrity is available at <https://www.iadb.org/en/about-us/departments/oii>

<sup>23</sup> IDB Invest's Establishing Agreement is available within the Institutional Information section of the website in IDB Invest's four official languages, at <https://idbinvest.org/en/how-we-work/institutional-information>

## **Legal Status, Immunities and Privileges**

The following is a summary of the principal provisions of the Establishing Agreement relating to the legal status, immunities and privileges of IDB Invest in the territories of its members.

IDB Invest possesses legal personality and has full capacity to contract, acquire and dispose of immovable and movable property, and to institute legal and administrative proceedings.

Actions may be brought against IDB Invest only in a court of competent jurisdiction in the territories of a member country in which IDB Invest has an office; has appointed an agent for the purpose of accepting service or notice of process; or has issued or guaranteed securities. No action shall be brought against IDB Invest by member countries or persons acting for or deriving claims from member countries. However, such countries or persons may have recourse to such special procedures to settle controversies between IDB Invest and its member countries as prescribed in the Establishing Agreement.

The property and assets of IDB Invest are immune from all forms of seizure, attachment or execution before the delivery of final judgment against IDB Invest. Immunity for IDB Invest's property and assets also applies against searches, requisitions, confiscation, expropriation and any other form of taking or foreclosure by executive or legislative action.

To the extent necessary to enable IDB Invest to carry out its purpose and functions and to conduct its operations in accordance with this Agreement, all property and other assets of IDB Invest shall be free from restrictions, regulations, controls and moratoria of any nature, except as may otherwise be provided in the Establishing Agreement. The archives of IDB Invest are also inviolable.

IDB Invest, its property, other assets, income and the operations and transactions it carries out are immune from all taxation and from all customs 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. No tax shall be levied on or in respect of salaries and emoluments paid by IDB Invest to officials or employees of IDB Invest who are not local citizens or other local nationals. No tax of any kind shall be levied on any obligation or security issued by IDB Invest, including any dividend or interest thereon, by whosoever held: (i) which discriminates against such obligation or security solely because it is issued by IDB Invest; or (ii) if the sole jurisdictional basis for such taxation is the place or currency in which it is issued, made payable or paid, or the location of any office or place of business maintained by IDB Invest.

## **The IDB Group**

### **Inter-American Development Bank (IDB)**

The IDB is an international organization, with a separate governance structure, including its own Board of Governors and Board of Executive Directors, capital structure and balance sheet. The IDB's objective is to achieve economic and social development in a sustainable, climate-friendly way.

### **Multilateral Investment Fund (MIF)**

The Multilateral Investment Fund (now commercially known as IDB Lab), a trust fund administered by IDB, is the innovation laboratory of the IDB Group. IDB Lab has a separate governance structure from IDB, including its own Donors Committee, capital structure and balance sheet. The purpose of IDB Lab is to drive innovation for inclusion in the Region, mobilizing financing, knowledge and connections to co-create solutions capable of transforming the lives of vulnerable populations due to economic, social or environmental conditions. IDB Lab offers a range of financing products, such as grants for technical assistance, loans and equity investments, as well as a combination of these tools to better support clients.

# **INTER-AMERICAN INVESTMENT CORPORATION**

Financial Statements

December 31, 2023 and 2022



Ernst & Young LLP  
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#300  
Washington, DC 20005

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## Report of Independent Auditors

To the Board of Governors of the Inter-American Investment Corporation:

### Opinion

We have audited the financial statements of Inter-American Investment Corporation (the Corporation), which comprise the balance sheets as of December 31, 2023 and 2022, and the related income statements and statements of comprehensive income/(loss), changes in capital and cash flows for the years then ended, and the related notes (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation at December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation’s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### Other Information

Management is responsible for the other information. The other information comprises the information included in the Information Statement of the Inter-American Investment Corporation as of December 31, 2023, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

*Ernst & Young LLP*

February 20, 2024

# Inter-American Investment Corporation

## Balance Sheets

| <i>Expressed in thousands of United States dollars</i> | <b>Notes</b> | <b>December 31, 2023</b> | <b>December 31, 2022</b> |
|--|--------------|--------------------------|--------------------------|
| <b>Assets</b>  |              |                          |                          |
| Cash   | 3            | \$ 75,828                | \$ 57,886                |
| Investment securities                                  | 3 & 10       | 2,542,568                | 2,528,273                |
| Development related investments                        |              |                          |                          |
| Loans, debt securities and guarantees                  |              |                          |                          |
| At amortized cost                                      |              | 6,288,064                | 5,120,914                |
| Allowance for credit losses                            |              | (231,516)                | (248,865)                |
|  |              | 6,056,548                | 4,872,049                |
| At fair value  |              | 1,632,386                | 1,048,552                |
|  |              | 7,688,934                | 5,920,601                |
| Equity investments                                     |              |                          |                          |
| At fair value  |              | 303,176                  | 286,577                  |
|  |              | 303,176                  | 286,577                  |
| Total development related investments, net             | 4 & 10       | 7,992,110                | 6,207,178                |
| Derivative assets                                      | 7 & 10       | 245,512                  | 169,146                  |
| Receivables and other assets                           | 5            | 472,216                  | 438,735                  |
| <b>Total assets</b>                                    |              | <b>11,328,234</b>        | <b>9,401,218</b>         |
| <b>Liabilities</b>                                     |              |                          |                          |
| Borrowings   | 6 & 10       |                          |                          |
| At amortized cost                                      |              | 2,159,539                | 1,908,504                |
| At fair value  |              | 5,146,005                | 3,875,793                |
|  |              | 7,305,544                | 5,784,297                |
| Derivative liabilities                                 | 7 & 10       | 382,231                  | 362,865                  |
| Payables and other liabilities                         | 8            | 410,570                  | 289,694                  |
| <b>Total liabilities</b>                               |              | <b>8,098,345</b>         | <b>6,436,856</b>         |
| <b>Capital</b>   |              |                          |                          |
| Capital, par value                                     |              | 1,849,750                | 1,824,410                |
| Additional paid-in-capital                             |              | 729,485                  | 719,418                  |
| Receivable from members                                |              | (37,840)                 | (120,133)                |
| Total paid-in-capital                                  | 9            | 2,541,395                | 2,423,695                |
| Retained earnings                                      |              | 639,331                  | 475,397                  |
| Accumulated other comprehensive income/(loss)          |              | 49,163                   | 65,270                   |
| <b>Total capital</b>                                   |              | <b>3,229,889</b>         | <b>2,964,362</b>         |
| <b>Total liabilities and capital</b>                   |              | <b>\$ 11,328,234</b>     | <b>\$ 9,401,218</b>      |

The accompanying notes are an integral part of these financial statements

# Inter-American Investment Corporation

## Income Statements

| <i>Expressed in thousands of United States dollars</i>  | <b>Notes</b> | <b>Year ended December 31</b> |                   |
|---|--------------|-------------------------------|-------------------|
|   |              | <b>2023</b>                   | <b>2022</b>       |
| <b>Income from development related investments</b>  |              |                               |                   |
| Loans, debt securities and guarantees   |              |                               |                   |
| Interest and other income, net  |              | \$ 540,022                    | \$ 359,083        |
| (Provision)/release of provision for credit losses  |              | 14,976                        | (64,413)          |
|   |              | <u>554,998</u>                | <u>294,670</u>    |
| Equity investments  |              |                               |                   |
| Realized gain/(loss) from sales, dividends and other income, net  |              | 5,007                         | 2,901             |
| Unrealized gain/(loss) from changes in fair value, net  |              | (32,832)                      | (28,010)          |
|   |              | <u>(27,825)</u>               | <u>(25,109)</u>   |
| <b>Income from development related investments, net</b>   | <b>4</b>     | <b>527,173</b>                | <b>269,561</b>    |
| Income/(loss) from liquid assets, net   | 3            | 198,577                       | (5,384)           |
| Borrowings expense  | 6            | (242,484)                     | (117,529)         |
| <b>Other income</b>   |              |                               |                   |
| Service fees from related parties   | 13           | 38,755                        | 81,028            |
| Mobilization fees and other income  |              | 36,782                        | 16,456            |
| <b>Total other income</b>   |              | <b>75,537</b>                 | <b>97,484</b>     |
| <b>Income/(expense) from development related investments, liquid assets and other income, net of borrowings expense</b> |              | <b>558,803</b>                | <b>244,132</b>    |
| <b>Other expenses</b>   |              |                               |                   |
| Administrative expenses   |              | 180,304                       | 177,335           |
| Other components of pension benefit costs, net  | 14           | (17,646)                      | 3,533             |
| <b>Total other expenses</b>   |              | <b>162,658</b>                | <b>180,868</b>    |
| Gain/(loss) from changes in fair value on non-trading portfolios and foreign exchange transactions, net                 | 11           | (232,211)                     | 41,326            |
| <b>Net income/(loss)</b>  |              | <b>\$ 163,934</b>             | <b>\$ 104,590</b> |

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

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

**Statements of Comprehensive Income/(Loss)**

| <i>Expressed in thousands of United States dollars</i>  | <b>Notes</b> | <b>Year ended December 31</b> |                   |
|---|--------------|-------------------------------|-------------------|
|   |              | <b>2023</b>                   | <b>2022</b>       |
| <b>Net income/(loss)</b>  |              | <b>\$ 163,934</b>             | <b>\$ 104,590</b> |
| <b>Other comprehensive income/(loss)</b>  |              |                               |                   |
| Recognition of net actuarial gains/(losses) and prior service credit on Pension Plans and Postretirement Benefit Plan   | 14           | (22,706)                      | 169,528           |
| Unrealized gains/(losses) arising during the period related to fair value adjustments on borrowings attributable to changes in instrument-specific credit risk, net | 6            | 6,599                         | 20,074            |
| <b>Total other comprehensive income/(loss)</b>  |              | <b>(16,107)</b>               | <b>189,602</b>    |
| <b>Comprehensive income/(loss)</b>  |              | <b>\$ 147,827</b>             | <b>\$ 294,192</b> |

**Statements of Changes in Capital**

| <i>Expressed in thousands of United States dollars, except for share information</i> | <b>Notes</b> | <b>Shares</b>  | <b>Total paid-in capital</b> | <b>Retained earnings</b> | <b>Accumulated other comprehensive income/(loss)</b> | <b>Total capital</b> |
|--|--------------|----------------|------------------------------|--------------------------|--|----------------------|
| <b>As of December 31, 2021</b>   |              | <b>173,265</b> | <b>\$ 2,228,299</b>          | <b>\$ 370,807</b>        | <b>\$ (124,332)</b>                                  | <b>\$ 2,474,774</b>  |
| Year ended December 31, 2022   |              |                |                              |                          |  |                      |
| Net income/(loss)  |              |                | —                            | 104,590                  | —  | 104,590              |
| Other comprehensive income/(loss)  |              |                | —                            | —                        | 189,602  | 189,602              |
| Change in shares   | 9            | 9,176          |                              |                          |  |                      |
| Payments received for capital  | 9            |                | 195,396                      | —                        | —  | 195,396              |
| <b>As of December 31, 2022</b>   |              | <b>182,441</b> | <b>2,423,695</b>             | <b>475,397</b>           | <b>65,270</b>  | <b>2,964,362</b>     |
| Year ended December 31, 2023   |              |                |                              |                          |  |                      |
| Net income/(loss)  |              |                | —                            | 163,934                  | —  | 163,934              |
| Other comprehensive income/(loss)  |              |                | —                            | —                        | (16,107)   | (16,107)             |
| Change in shares   | 9            | 2,534          |                              |                          |  |                      |
| Payments received for capital  | 9            |                | 117,700                      | —                        | —  | 117,700              |
| <b>As of December 31, 2023</b>   |              | <b>184,975</b> | <b>\$ 2,541,395</b>          | <b>\$ 639,331</b>        | <b>\$ 49,163</b>                                     | <b>\$ 3,229,889</b>  |

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

# Inter-American Investment Corporation

## Statements of Cash Flows

| <i>Expressed in thousands of United States dollars</i>  | Year ended December 31 |                     |
|---|------------------------|---------------------|
|   | 2023                   | 2022                |
| <b>Cash flows from investing activities</b>   |                        |                     |
| Loan disbursements  | \$ (5,418,154)         | \$ (4,003,799)      |
| Loan repayments and sales   | 4,184,576              | 3,536,435           |
| Development related debt securities purchases   | (441,421)              | (450,027)           |
| Development related debt securities proceeds  | 76,330                 | 34,678              |
| Equity investment disbursements   | (64,754)               | (54,524)            |
| Equity investment proceeds  | 20,255                 | 20,313              |
| Capital asset expenditures  | (3,845)                | (4,319)             |
| <b>Net cash provided by/(used in) investing activities</b>  | <b>\$ (1,647,013)</b>  | <b>\$ (921,243)</b> |
| <b>Cash flows from financing activities</b>   |                        |                     |
| Proceeds from issuance of borrowings  | 2,374,116              | 2,493,800           |
| Borrowings repayments   | (1,137,118)            | (1,098,032)         |
| Payments received for capital   | 117,700                | 195,396             |
| <b>Net cash provided by/(used in) financing activities</b>  | <b>\$ 1,354,698</b>    | <b>\$ 1,591,164</b> |
| <b>Cash flows from operating activities</b>   |                        |                     |
| Net income/(loss)   | 163,934                | 104,590             |
| Adjustments to reconcile net income/(loss) to net cash provided by/(used in) operating activities:      |                        |                     |
| Change in fair value of equity investments  | 32,832                 | 28,010              |
| Provision/(release) of provision for credit losses  | (14,976)               | 64,413              |
| (Gain)/loss from investment securities, net   | (58,973)               | 12,236              |
| Depreciation and amortization   | (50,070)               | (19,002)            |
| (Gain)/loss from changes in fair value on non-trading portfolios and foreign exchange transactions, net | 232,211                | (41,326)            |
| Realized gain/(loss) on swaps   | (135,907)              | 17,626              |
| Realized (gain)/loss on sales of equity investments, net  | (4,932)                | (2,735)             |
| Change in receivables and other assets  | (33,530)               | (214,263)           |
| Change in payables and other liabilities  | 152,997                | (5,194)             |
| Change in Pension Plans and Postretirement Benefit Plan, net  | (14,038)               | 25,594              |
| Change in investment securities   | 44,678                 | (636,958)           |
| Other, net  | (7,190)                | 21,043              |
| <b>Net cash provided by/(used in) operating activities</b>  | <b>\$ 307,036</b>      | <b>\$ (645,966)</b> |
| Change in cash  | 14,721                 | 23,955              |
| Effect of exchange rate changes on cash, net  | 3,221                  | (20,478)            |
| <b>Net increase/(decrease) in cash</b>  | <b>\$ 17,942</b>       | <b>\$ 3,477</b>     |
| Cash as of January 1  | 57,886                 | 54,409              |
| <b>Cash as of December 31</b>   | <b>\$ 75,828</b>       | <b>\$ 57,886</b>    |
| Supplemental disclosure:  |                        |                     |
| Interest paid during the period   | 202,431                | 106,041             |

The accompanying notes are an integral part of these financial statements

# Inter-American Investment Corporation

## Notes to Financial Statements

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### 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, and 22 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** – These financial statements are prepared in accordance with generally accepted accounting principles in the United States of America (US GAAP). References to US GAAP issued by the Financial Accounting Standards Board (FASB) in these notes are to the FASB Accounting Standards Codification (ASC or Codification) or Accounting Standards Update (ASU).

All amounts presented in the accompanying financial statements and notes are expressed in United States dollars (USD 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** – Cash<sup>1</sup> 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 Cash<sup>1</sup> 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 Income/(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.

**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

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

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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. IDB Invest utilizes the net asset value (NAV) reported by the fund managers 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, net, 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, net 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 credit losses are recorded through the (Provision)/release of provision for credit losses in the income

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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 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), term structures of probability of default (PD) that combine point-in-time (PIT) and through-the-cycle (TTC) PDs, and loss given default (LGD). In addition, the CECL estimate incorporates forward looking conditions, 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. The macroeconomic variables considered in these scenarios depend on the country of the exposure and generally include the gross domestic product (GDP), equity indices, and oil prices. 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 each quarter of the instrument's remaining life. The results are then multiplied by the instrument's amortized cost. If multiple scenarios are considered, then results are weighted.

IDB Invest performs a periodic risk assessment, at least annually, to assign a risk rating to each borrower and each development related debt investment. 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. 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 impact of the Russian war on Ukraine has had a direct effect on economies within IDB Invest's Regional Developing Member Countries. This development affects 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.

For those development related debt investments where the collective assessment does not apply, IDB Invest individually assesses the current expected credit losses. 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.

IDB Invest monitors its development related debt investments for signs that the borrower may be facing financial difficulty, which may be evidenced by —among other factors— a current or expected payment default, declared or potential declaration of bankruptcy by the borrower, substantial doubt as to whether the borrower will continue as a going concern, delisting or threat of delisting of the borrower's securities, expectations that the borrower's cash flows will be insufficient to service its debt in accordance with the contractual terms for the foreseeable future, or the borrower's inability to obtain funds from sources other than existing creditors at an effective interest rate equal to the current market rate for debt for a nontroubled debtor. The effect of most modifications of development related debt investments to borrowers facing financial difficulty is already reflected in the allowance for credit losses and, therefore, such modifications generally do not result in a change to the allowance for credit losses. For a modification in the form of principal forgiveness, the amortized cost basis of the asset is written off against the allowance for credit losses. Additional information related to modifications in the form of principal forgiveness, interest rate reduction, other-than-insignificant payment delay, or term extension (or a combination of these) to borrowers experiencing financial difficulty 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 income on development related debt investments is recorded on an accrual basis to the extent that such amounts are expected to be collected and is included in Interest and other income, net, 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.

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, net, in the income statements when the payment is received. A development related debt investment is returned to accrual status

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once management has concluded that the borrower has demonstrated its ability to make periodic interest and principal payments.

Fees and costs for a development related debt investment measured at amortized cost 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, net, 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. Fees and costs for development related debt investment measured at fair value are recognized as incurred and included in Interest and other income, net, in the income statements.

**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 in 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) 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

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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 USD 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 ASC 825, *Financial Instruments*. Accordingly, the change in fair value due to market risk is reported in Gain/(loss) from changes in fair value on non-trading portfolios and foreign exchange transactions, net, in the income statements. The remaining change in fair value resulting from changes in IDB Invest's own 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, and is measured by using IDB Invest's own credit spread against a reference rate. Additional information about borrowings is included in Note 6.

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**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 USD are translated into USD 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. 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.

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

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### Notes to Financial Statements

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

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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. For IDB Invest, this ASU is effective on January 1, 2023, and did not have a material impact on IDB Invest's financial statements. Refer to Note 4 for additional disclosures.

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.

In December 2022, the FASB issued ASU 2022-06, *Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848*. The amendments in this ASU defer the sunset date of the guidance in Topic 848 to December 31, 2024, and are effective immediately for all entities. This ASU is not expected to have a material impact on IDB Invest's financial statements.

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*. The amendments in this ASU enhance segment reporting primarily through enhanced disclosures such as significant segment expenses and other incremental segment information to enable investors to develop more decision-useful financial analyses. For IDB Invest, this ASU is effective on January 1, 2024. IDB Invest is currently evaluating the impact of this ASU on its financial statements.

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### Notes to Financial Statements

#### 3. Liquid Assets

Liquid assets consists of the following (USD thousands):

|                                      | December 31, 2023   | December 31, 2022   |
|--------------------------------------|---------------------|---------------------|
| Cash <sup>(1)</sup>                  | \$ 75,828           | \$ 57,886           |
| Investment securities <sup>(2)</sup> |                     |                     |
| Money market funds                   | 326,920             | 927,710             |
| Debt securities                      |                     |                     |
| Corporate securities <sup>(3)</sup>  | 1,428,112           | 926,282             |
| Agency securities                    | 400,357             | 366,825             |
| Government securities                | 258,967             | 137,578             |
| Supranational securities             | 128,212             | 169,878             |
| <b>Total debt securities</b>         | <b>\$ 2,215,648</b> | <b>\$ 1,600,563</b> |
| <b>Total investment securities</b>   | <b>2,542,568</b>    | <b>2,528,273</b>    |
| <b>Total liquid assets</b>           | <b>\$ 2,618,396</b> | <b>\$ 2,586,159</b> |

<sup>(1)</sup> Includes restricted cash of \$18.6 million as of December 31, 2023 (\$18.9 million as of December 31, 2022).

<sup>(2)</sup> Investment securities is composed of 93.5% in USD, 3.8% in Mexican peso (MXN), 0.9% in Brazilian real (BRL), and 1.8% in Colombian peso (COP) as of December 31, 2023 (96.4% in USD and 3.6% in MXN as of December 31, 2022).

<sup>(3)</sup> Includes a certificate of deposit of \$29.5 million pledged as collateral to secure a borrowing as of December 31, 2023 (none as of December 31, 2022). Refer to Note 6.

The total income from Liquid assets is summarized below (USD thousands):

|  | Year ended December 31 |                   |
|--|------------------------|-------------------|
|  | 2023                   | 2022              |
| Interests and dividends, net   | \$ 136,384             | \$ 27,330         |
| Gain/(loss) from changes in fair value and gain/(loss) from foreign exchange transactions, net | 62,193                 | (32,714)          |
| <b>Total income/(loss) from liquid assets, net</b>   | <b>\$ 198,577</b>      | <b>\$ (5,384)</b> |

Net unrealized gains recognized in income for the year ended December 31, 2023 relating to trading securities still held as of December 31, 2023 were \$16.6 million (\$22.1 million net unrealized losses for the year ended December 31, 2022).

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

|                            | December 31, 2023   | December 31, 2022   |
|----------------------------|---------------------|---------------------|
| Less than one year         | \$ 1,069,137        | \$ 1,241,710        |
| Between one and five years | 1,146,511           | 358,853             |
| <b>Total</b>               | <b>\$ 2,215,648</b> | <b>\$ 1,600,563</b> |

# Inter-American Investment Corporation

## Notes to Financial Statements

### 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.

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

|  | December 31, 2023        |                     |                            | December 31, 2022        |                     |                            |
|--|--------------------------|---------------------|----------------------------|--------------------------|---------------------|----------------------------|
|  | Principal<br>outstanding | Amortized<br>cost   | Carrying<br>amount         | Principal<br>outstanding | Amortized<br>cost   | Carrying<br>amount         |
| <b>Loans</b>   |                          |                     |                            |                          |                     |                            |
| At amortized cost  | \$ 6,169,432             | \$ 6,139,520        | \$ 6,139,520               | \$ 4,995,013             | \$ 4,967,509        | \$ 4,967,509               |
| At fair value  | 437,377                  | 437,377             | 419,239                    | 291,062                  | 291,062             | 281,918                    |
| <b>Total loans</b>   | <b>6,606,809</b>         | <b>6,576,897</b>    | <b>6,558,759</b>           | <b>5,286,075</b>         | <b>5,258,571</b>    | <b>5,249,427</b>           |
| <b>Debt securities</b>                                     |                          |                     |                            |                          |                     |                            |
| At amortized cost  | 148,544                  | 148,544             | 148,544                    | 153,405                  | 153,405             | 153,405                    |
| At fair value  | 1,295,211                | 1,249,516           | 1,213,147                  | 847,029                  | 808,757             | 766,634                    |
| <b>Total debt securities</b>                               | <b>1,443,755</b>         | <b>1,398,060</b>    | <b>1,361,691</b>           | <b>1,000,434</b>         | <b>962,162</b>      | <b>920,039</b>             |
| Allowance for credit losses                                |                          |                     | (231,516)                  |                          |                     | (248,865)                  |
| <b>Total development related debt<br/>investments, net</b> | <b>8,050,564</b>         | <b>7,974,957</b>    | <b>7,688,934</b>           | <b>6,286,509</b>         | <b>6,220,733</b>    | <b>5,920,601</b>           |
|  |                          | <b>Cost</b>         | <b>Carrying<br/>amount</b> |                          | <b>Cost</b>         | <b>Carrying<br/>amount</b> |
| <b>Equity investments</b>                                  |                          |                     |                            |                          |                     |                            |
| At fair value  |                          | 314,713             | 303,176                    |                          | 265,282             | 286,577                    |
| <b>Total equity investments</b>                            |                          | <b>314,713</b>      | <b>303,176</b>             |                          | <b>265,282</b>      | <b>286,577</b>             |
| <b>Total development related<br/>investments, net</b>      |                          | <b>\$ 8,289,670</b> | <b>\$ 7,992,110</b>        |                          | <b>\$ 6,486,015</b> | <b>\$ 6,207,178</b>        |

# Inter-American Investment Corporation

## Notes to Financial Statements

Income from development related investments is summarized below (USD thousands):

|  | Year ended December 31 |                   |
|--|------------------------|-------------------|
|  | 2023                   | 2022              |
| <b>Loans, debt securities and guarantees</b>                       |                        |                   |
| Interest income  | \$ 560,086             | \$ 305,508        |
| Fees and other income/(expense), net                               | 28,541                 | 39,541            |
| Recovery asset income/(release)                                    | (21,140)               | 33,475            |
| Insurance premium expense  | (27,465)               | (19,441)          |
| (Provision)/release of provision for credit losses                 | 14,976                 | (64,413)          |
| <b>Income/(expense) from loans, debt securities and guarantees</b> | <b>554,998</b>         | <b>294,670</b>    |
| <b>Equity investments</b>  |                        |                   |
| Realized gain/(loss) from sales, net                               | 4,932                  | 2,735             |
| Dividends and other income   | 75                     | 166               |
| Unrealized gain/(loss) from changes in fair value, net             | (32,832)               | (28,010)          |
| <b>Income from equity investments, net</b>                         | <b>(27,825)</b>        | <b>(25,109)</b>   |
| <b>Income from development related investments, net</b>            | <b>\$ 527,173</b>      | <b>\$ 269,561</b> |

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

|  | December 31, 2023   | December 31, 2022   |
|--|---------------------|---------------------|
| <b>Loans</b>   |                     |                     |
| At amortized cost                                      | \$ 1,047,216        | \$ 1,247,609        |
| At fair value  | 126,032             | 192,676             |
| <b>Total loans</b>                                     | <b>1,173,248</b>    | <b>1,440,285</b>    |
| <b>Debt securities</b>                                 |                     |                     |
| At amortized cost                                      | —                   | —                   |
| At fair value  | 127,330             | 121,541             |
| <b>Total debt securities</b>                           | <b>127,330</b>      | <b>121,541</b>      |
| <b>Total development related debt investments, net</b> | <b>1,300,578</b>    | <b>1,561,826</b>    |
| <b>Equity investments</b>                              |                     |                     |
| At fair value  | 201,117             | 89,401              |
| <b>Total equity investments</b>                        | <b>201,117</b>      | <b>89,401</b>       |
| <b>Total development related investments, net</b>      | <b>\$ 1,501,695</b> | <b>\$ 1,651,227</b> |

## Inter-American Investment Corporation

### Notes to Financial Statements

The maturity structure of development related debt investments is as follows (USD thousands):

|   | December 31, 2023   | December 31, 2022   |
|---|---------------------|---------------------|
| <b>Loans</b>  |                     |                     |
| Due in one year or less   | \$ 2,459,963        | \$ 1,900,617        |
| Due after one year through five years   | 2,168,318           | 1,877,022           |
| Due after five years through ten years  | 1,456,202           | 1,227,915           |
| Due after ten years and thereafter  | 522,326             | 280,521             |
| <b>Total loans</b>  | <b>6,606,809</b>    | <b>5,286,075</b>    |
| <b>Debt securities</b>  |                     |                     |
| Due in one year or less   | 207,778             | 67,338              |
| Due after one year through five years   | 756,680             | 453,010             |
| Due after five years through ten years  | 387,198             | 446,011             |
| Due after ten years and thereafter  | 92,099              | 34,075              |
| <b>Total debt securities</b>  | <b>1,443,755</b>    | <b>1,000,434</b>    |
| <b>Total development related debt investments, principal amount outstanding</b> | <b>8,050,564</b>    | <b>6,286,509</b>    |
| Unamortized discounts   | (75,607)            | (65,776)            |
| <b>Total development related debt investments at cost</b>                       | <b>7,974,957</b>    | <b>6,220,733</b>    |
| Fair value adjustments  | (54,507)            | (51,267)            |
| <b>Total development related debt investments at carrying amount</b>            | <b>\$ 7,920,450</b> | <b>\$ 6,169,466</b> |

## Inter-American Investment Corporation

### Notes to Financial Statements

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

|   | December 31, 2023   |                     | December 31, 2022   |                     |
|---|---------------------|---------------------|---------------------|---------------------|
|   | Amount              | Interest rate range | Amount              | Interest rate range |
| Brazilian real (BRL)  |                     |                     |                     |                     |
| Loans   | \$ 281,212          | 12.2%-17.0%         | \$ 37,089           | 15.6%-19.0%         |
| Debt securities   | 34,891              | 13.7%-13.9%         | 31,032              | 15.7%               |
|   | <u>316,103</u>      |                     | <u>68,121</u>       |                     |
| Chilean peso (CLP)  |                     |                     |                     |                     |
| Loans   | 25,490              | 8.7%-11.9%          | 29,818              | 7.6%-11.9%          |
|   | <u>25,490</u>       |                     | <u>29,818</u>       |                     |
| Colombian peso (COP)  |                     |                     |                     |                     |
| Loans   | 163,745             | 15.3%-19.0%         | 76,748              | 14.7%-20.5%         |
| Debt securities   | 175,067             | 9.5%-14.9%          | 139,782             | 9.5%-14.0%          |
|   | <u>338,812</u>      |                     | <u>216,530</u>      |                     |
| Colombian UVR (COU)   |                     |                     |                     |                     |
| Debt securities   | 138,154             | 7.6%                | —                   | —%                  |
|   | <u>138,154</u>      |                     | <u>—</u>            |                     |
| Mexican peso (MXN)  |                     |                     |                     |                     |
| Loans   | 185,847             | 12.7%-16.5%         | 139,445             | 11.8%-15.4%         |
| Debt securities   | 76,504              | 12.5%-14.0%         | 29,186              | 11.4%-13.0%         |
|   | <u>262,351</u>      |                     | <u>168,631</u>      |                     |
| Paraguayan guarani (PYG)  |                     |                     |                     |                     |
| Loans   | 33,186              | 7.5%-9.5%           | 26,459              | 7.5%-9.5%           |
|   | <u>33,186</u>       |                     | <u>26,459</u>       |                     |
| Peruvian sol (PEN)  |                     |                     |                     |                     |
| Loans   | 73,564              | 7.7%-11.1%          | 41,836              | 10.5%-11.1%         |
| Debt securities   | 51,618              | 8.0%-10.8%          | 15,144              | 8.0%                |
|   | <u>125,182</u>      |                     | <u>56,980</u>       |                     |
| Trinidad and Tobago dollar (TTD)  |                     |                     |                     |                     |
| Loans   | 96,078              | 2.9%-3.8%           | 22,175              | 4.8%                |
| Debt securities   | 35,475              | 3.5%                | 44,349              | 3.5%                |
|   | <u>131,553</u>      |                     | <u>66,524</u>       |                     |
| United States dollar (USD)  |                     |                     |                     |                     |
| Loans   | 4,931,918           | 2.9%-15.0%          | 4,126,334           | 1.5%-14.1%          |
| Debt securities   | 558,601             | 3.0%-12.2%          | 553,671             | 3.0%-11.1%          |
|   | <u>5,490,519</u>    |                     | <u>4,680,005</u>    |                     |
| <b>Total development related debt investments, before discounted debt investments</b> | <b>6,861,350</b>    |                     | <b>5,313,068</b>    |                     |
| Discounted debt investments with no stated interest rate (USD)                        | 980,412             |                     | 804,464             |                     |
| Discounted debt investments with no stated interest rate (MXN)                        | 133,195             |                     | 103,201             |                     |
| <b>Total development related debt investments at cost</b>                             | <b>7,974,957</b>    |                     | <b>6,220,733</b>    |                     |
| Fair value adjustments for debt investments   | (54,507)            |                     | (51,267)            |                     |
| <b>Total development related debt investments at carrying amount</b>                  | <b>\$ 7,920,450</b> |                     | <b>\$ 6,169,466</b> |                     |

# Inter-American Investment Corporation

## Notes to Financial Statements

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 December 31, 2023 and December 31, 2022 is as follows (USD thousands):

| December 31, 2023   |                    |                   |                  |                     |                     |
|---|--------------------|-------------------|------------------|---------------------|---------------------|
|   | 1-90 days past due | >90 days past due | Total past due   | Total current       | Total portfolio     |
| Loans   | \$ 20,843          | \$ 15,171         | \$ 36,014        | \$ 6,570,795        | \$ 6,606,809        |
| Debt securities   | —                  | —                 | —                | 1,443,755           | 1,443,755           |
| <b>Total development related debt investments, principal amount outstanding</b> | <b>20,843</b>      | <b>15,171</b>     | <b>36,014</b>    | <b>8,014,550</b>    | <b>8,050,564</b>    |
| Unamortized discounts   | —                  | —                 | —                | (75,607)            | (75,607)            |
| <b>Total development related debt investments at cost</b>                       | <b>20,843</b>      | <b>15,171</b>     | <b>36,014</b>    | <b>7,938,943</b>    | <b>7,974,957</b>    |
| Fair value adjustments for debt investments                                     | (3,180)            | —                 | (3,180)          | (51,327)            | (54,507)            |
| <b>Total development related debt investments at carrying amount</b>            | <b>\$ 17,663</b>   | <b>\$ 15,171</b>  | <b>\$ 32,834</b> | <b>\$ 7,887,616</b> | <b>\$ 7,920,450</b> |

| December 31, 2022   |                    |                   |                  |                     |                     |
|---|--------------------|-------------------|------------------|---------------------|---------------------|
|   | 1-90 days past due | >90 days past due | Total past due   | Total current       | Total portfolio     |
| Loans   | \$ 2,024           | \$ 19,968         | \$ 21,992        | \$ 5,264,083        | \$ 5,286,075        |
| Debt securities   | —                  | —                 | —                | 1,000,434           | 1,000,434           |
| <b>Total development related debt investments, principal amount outstanding</b> | <b>2,024</b>       | <b>19,968</b>     | <b>21,992</b>    | <b>6,264,517</b>    | <b>6,286,509</b>    |
| Unamortized discounts   | —                  | —                 | —                | (65,776)            | (65,776)            |
| <b>Total development related debt investments at cost</b>                       | <b>2,024</b>       | <b>19,968</b>     | <b>21,992</b>    | <b>6,198,741</b>    | <b>6,220,733</b>    |
| Fair value adjustments for debt investments                                     | —                  | —                 | —                | (51,267)            | (51,267)            |
| <b>Total development related debt investments at carrying amount</b>            | <b>\$ 2,024</b>    | <b>\$ 19,968</b>  | <b>\$ 21,992</b> | <b>\$ 6,147,474</b> | <b>\$ 6,169,466</b> |

# Inter-American Investment Corporation

## Notes to Financial Statements

IDB Invest monitors for development related debt investments measured at amortized cost and fair value in nonaccrual and past due. Development related debt investments in nonaccrual are summarized as of December 31, 2023 and December 31, 2022 as follows (USD thousands):

|   | December 31, 2023 |                                 | Year ended December 31, 2023             |                                     |
|---|-------------------|---------------------------------|--|-------------------------------------|
|   | Total nonaccrual  | > 90 days past due and accruing | Interest income recognized on nonaccrual | Accrued interest income written off |
| Loans   | \$ 145,658        | \$ —                            | \$ 7,742                                 | \$ 4,877                            |
| Debt securities   | —                 | —                               | —  | —                                   |
| <b>Total development related debt investments, principal amount outstanding</b> | <b>145,658</b>    | <b>—</b>                        | <b>7,742</b>                             | <b>4,877</b>                        |
| Unamortized discounts   | —                 | —                               |  |                                     |
| <b>Total development related debt investments at cost</b>                       | <b>145,658</b>    | <b>—</b>                        | <b>7,742</b>                             | <b>4,877</b>                        |
| Fair value adjustments for debt investments                                     | (3,180)           | —                               |  |                                     |
| <b>Total development related debt investments at carrying amount</b>            | <b>\$ 142,478</b> | <b>\$ —</b>                     | <b>\$ 7,742</b>                          | <b>\$ 4,877</b>                     |

|   | December 31, 2022 |                                 | Year ended December 31, 2022             |                                     |
|---|-------------------|---------------------------------|--|-------------------------------------|
|   | Total nonaccrual  | > 90 days past due and accruing | Interest income recognized on nonaccrual | Accrued interest income written off |
| Loans   | \$ 30,125         | \$ —                            | \$ 1,163                                 | \$ 98                               |
| Debt securities   | —                 | —                               | —  | —                                   |
| <b>Total development related debt investments, principal amount outstanding</b> | <b>30,125</b>     | <b>—</b>                        | <b>1,163</b>                             | <b>98</b>                           |
| Unamortized discounts   | —                 | —                               |  |                                     |
| <b>Total development related debt investments at cost</b>                       | <b>30,125</b>     | <b>—</b>                        | <b>1,163</b>                             | <b>98</b>                           |
| Fair value adjustments for debt investments                                     | (3,180)           | —                               | —  | —                                   |
| <b>Total development related debt investments at carrying amount</b>            | <b>\$ 26,945</b>  | <b>\$ —</b>                     | <b>\$ 1,163</b>                          | <b>\$ 98</b>                        |

As of December 31, 2023, one loan measured at fair value with a principal amount outstanding of \$3.2 million and net carrying amount of zero was classified as nonaccrual and past due (nonaccrual and current, with a principal amount outstanding of \$3.2 million and net carrying amount of zero as of December 31, 2022). There were no debt securities measured at fair value in nonaccrual nor past due as of December 31, 2023 (none as of December 31, 2022).

There were no development related debt investments at amortized cost classified as nonaccrual without a related allowance for credit losses as of December 31, 2023 (none as of December 31, 2022).

# Inter-American Investment Corporation

## Notes to Financial Statements

### Modifications of development related debt investments made to borrowers experiencing financial difficulty

In accordance with ASU 2022-02, related disclosures for the year ended December 31, 2023 are provided on a prospective basis.

The following table presents modifications for development related debt investments measured at amortized cost and the respective financial effects as of December 31, 2023 (USD thousands):

|   | December 31, 2023    |                               |  | Financial effect  |
|---|----------------------|-------------------------------|--|---|
|   | Amortized cost basis | Undisbursed commitment amount | % of total class of financing receivable |   |
| <b>Loans</b>                                      |                      |                               |  |   |
| Term extension                                    | \$ 128,490           | \$ —                          | 2.1 %                                    | For the year-end December 31, 2023, these modifications increased the weighted-average life of the modified loans by 1.7 years, from 9.4 to 11.1 years. Additionally, the uncommitted revolving line of credit included in the modified financing was changed to committed, the undrawn available amount reduced and its maturity date extended by 14 months. |
| <b>Total loans</b>                                | <b>128,490</b>       | <b>—</b>                      |  |   |
| <b>Total development related debt investments</b> | <b>\$ 128,490</b>    | <b>\$ —</b>                   |  |   |

The following table presents the performance of development related debt investments modified in the last twelve months (USD thousand):

|              | December 31, 2023 |                    |                   |                   |                  |
|--------------|-------------------|--------------------|-------------------|-------------------|------------------|
|              | Current           | 1-90 days past due | >90 days past due | Total             | Gross write-offs |
| Loans        | \$ 107,919        | \$ 17,498          | \$ 3,073          | \$ 128,490        | \$ —             |
| <b>Total</b> | <b>\$ 107,919</b> | <b>\$ 17,498</b>   | <b>\$ 3,073</b>   | <b>\$ 128,490</b> | <b>\$ —</b>      |

The following table presents the amortized cost basis of the development related debt investments that defaulted during the year ended December 31, 2023 and that were modified within the twelve months prior to the date of default (USD thousand):

|              | December 31, 2023       |                  |                       |  |                  |
|--------------|-------------------------|------------------|-----------------------|--|------------------|
|              | Interest rate reduction | Term extension   | Principal forgiveness | Other-than-insignificant payment delay | Total            |
| Loans        | \$ —                    | \$ 20,571        | \$ —                  | \$ —                                   | \$ 20,571        |
| <b>Total</b> | <b>\$ —</b>             | <b>\$ 20,571</b> | <b>\$ —</b>           | <b>\$ —</b>                            | <b>\$ 20,571</b> |

# Inter-American Investment Corporation

## Notes to Financial Statements

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

|  | Year ended December 31, 2023 |                 |                 |                  |
|--|------------------------------|-----------------|-----------------|------------------|
|  | Financial institutions       | Corporates      | Project finance | Total            |
| <b>Loans</b>   |                              |                 |                 |                  |
| Beginning balance                                    | \$ (59,138)                  | \$ (115,027)    | \$ (69,463)     | \$ (243,628)     |
| Loans written off                                    | —                            | 46,789          | —               | 46,789           |
| Recoveries   | (119)                        | —               | —               | (119)            |
| (Provision)/release of provision for credit losses   | 10,299                       | (23,242)        | (19,716)        | (32,659)         |
| Loans ending balance                                 | (48,958)                     | (91,480)        | (89,179)        | (229,617)        |
| <b>Debt securities</b>                               |                              |                 |                 |                  |
| Beginning balance                                    | (3,008)                      | (1,735)         | (494)           | (5,237)          |
| Debt securities written off                          | —                            | —               | —               | —                |
| Recoveries   | —                            | —               | —               | —                |
| (Provision)/release of provision for credit losses   | 1,535                        | 1,448           | 355             | 3,338            |
| Debt securities ending balance                       | (1,473)                      | (287)           | (139)           | (1,899)          |
| <b>Allowance for credit losses</b>                   | <b>(50,431)</b>              | <b>(91,767)</b> | <b>(89,318)</b> | <b>(231,516)</b> |
| <b>Undisbursed commitments</b>                       |                              |                 |                 |                  |
| Beginning balance                                    | (3,411)                      | (30,455)        | (44,553)        | (78,419)         |
| (Provision)/release of provision for credit losses   | 1,711                        | 18,533          | 24,657          | 44,901           |
| Undisbursed commitments ending balance               | (1,700)                      | (11,922)        | (19,896)        | (33,518)         |
| <b>Guarantees</b>                                    |                              |                 |                 |                  |
| Beginning balance                                    | (180)                        | —               | (118)           | (298)            |
| (Provision)/release of provision for credit losses   | (663)                        | (39)            | 98              | (604)            |
| Guarantees ending balance                            | (843)                        | (39)            | (20)            | (902)            |
| <b>Liability for off-balance sheet credit losses</b> | <b>(2,543)</b>               | <b>(11,961)</b> | <b>(19,916)</b> | <b>(34,420)</b>  |
| (Provision)/release of provision for credit losses   | \$ 12,882                    | \$ (3,300)      | \$ 5,394        | \$ 14,976        |

# Inter-American Investment Corporation

## Notes to Financial Statements

|  | Year ended December 31, 2022 |                  |                 |                  |
|--|------------------------------|------------------|-----------------|------------------|
|  | Financial institutions       | Corporates       | Project finance | Total            |
| <b>Loans</b>   |                              |                  |                 |                  |
| Beginning balance                                    | \$ (65,447)                  | \$ (73,010)      | \$ (57,557)     | \$ (196,014)     |
| Loans written off                                    | —                            | 194              | —               | 194              |
| Recoveries   | —                            | —                | —               | —                |
| (Provision)/release of provision for credit losses   | 6,309                        | (42,211)         | (11,906)        | (47,808)         |
| Loans ending balance                                 | (59,138)                     | (115,027)        | (69,463)        | (243,628)        |
| <b>Debt securities</b>                               |                              |                  |                 |                  |
| Beginning balance                                    | (2,967)                      | (2,249)          | (573)           | (5,789)          |
| Debt securities written off                          | —                            | —                | —               | —                |
| Recoveries   | —                            | —                | —               | —                |
| (Provision)/release of provision for credit losses   | (41)                         | 514              | 79              | 552              |
| Debt securities ending balance                       | (3,008)                      | (1,735)          | (494)           | (5,237)          |
| <b>Allowance for credit losses</b>                   | <b>(62,146)</b>              | <b>(116,762)</b> | <b>(69,957)</b> | <b>(248,865)</b> |
| <b>Undisbursed commitments</b>                       |                              |                  |                 |                  |
| Beginning balance                                    | (9,130)                      | (26,415)         | (25,974)        | (61,519)         |
| (Provision)/release of provision for credit losses   | 5,719                        | (4,040)          | (18,579)        | (16,900)         |
| Undisbursed commitments ending balance               | (3,411)                      | (30,455)         | (44,553)        | (78,419)         |
| <b>Guarantees</b>                                    |                              |                  |                 |                  |
| Beginning balance                                    | (19)                         | —                | (22)            | (41)             |
| (Provision)/release of provision for credit losses   | (161)                        | —                | (96)            | (257)            |
| Guarantees ending balance                            | (180)                        | —                | (118)           | (298)            |
| <b>Liability for off-balance sheet credit losses</b> | <b>(3,591)</b>               | <b>(30,455)</b>  | <b>(44,671)</b> | <b>(78,717)</b>  |
| (Provision)/release of provision for credit losses   | \$ 11,826                    | \$ (45,737)      | \$ (30,502)     | \$ (64,413)      |

## Inter-American Investment Corporation

### Notes to Financial Statements

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. |

# Inter-American Investment Corporation

## Notes to Financial Statements

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 December 31, 2023 and December 31, 2022 are as follows (USD thousands):

|  | December 31, 2023                                       |            |            |            |            |            |   |             |
|--|---|------------|------------|------------|------------|------------|---|-------------|
|  | Amortized cost basis by origination year <sup>(1)</sup> |            |            |            |            |            | Revolving<br>loans<br>amortized<br>cost basis | Total       |
|  | 2023  | 2022       | 2021       | 2020       | 2019       | Prior      |   |             |
| Loans  |   |            |            |            |            |            |   |             |
| Very strong                                    | \$ 198,916  | \$ —       | \$ —       | \$ —       | \$ —       | \$ —       | \$ —  | \$ 198,916  |
| Strong   | —   | —          | 138        | —          | —          | —          | —   | 138         |
| Adequate                                       | 139,025   | 129,900    | 61,860     | 201,550    | 39,643     | 27,472     | 439,920                                       | 1,039,370   |
| Moderate                                       | 855,273   | 366,571    | 356,358    | 308,893    | 176,746    | 121,124    | 448,508                                       | 2,633,473   |
| Weak   | 413,021   | 375,048    | 415,576    | 329,975    | 146,467    | 102,836    | 205,650                                       | 1,988,573   |
| Very weak                                      | —   | 19,789     | 33,964     | 90,099     | 6,818      | 104,961    | 23,419  | 279,050     |
| Total loans                                    | 1,606,235   | 891,308    | 867,896    | 930,517    | 369,674    | 356,393    | 1,117,497                                     | 6,139,520   |
| Year ended December 31, 2023                   |   |            |            |            |            |            |   |             |
| Gross loan write-offs                          | —   | —          | (41,200)   | —          | —          | (5,589)    | —   | (46,789)    |
| Debt securities                                |   |            |            |            |            |            |   |             |
| Adequate                                       | —   | —          | —          | —          | —          | 8,138      | —   | 8,138       |
| Moderate                                       | —   | 35,475     | —          | —          | 50,000     | 41,931     | —   | 127,406     |
| Weak   | —   | —          | —          | —          | —          | 13,000     | —   | 13,000      |
| Very weak                                      | —   | —          | —          | —          | —          | —          | —   | —           |
| Total debt securities                          | —   | 35,475     | —          | —          | 50,000     | 63,069     | —   | 148,544     |
| Year ended December 31, 2023                   |   |            |            |            |            |            |   |             |
| Gross debt security write-offs                 | —   | —          | —          | —          | —          | —          | —   | —           |
| Total amortized cost loans and debt securities | \$1,606,235   | \$ 926,783 | \$ 867,896 | \$ 930,517 | \$ 419,674 | \$ 419,462 | \$1,117,497                                   | \$6,288,064 |

<sup>(1)</sup> Includes short-term loans with maturities of less than one year. There were no line-of-credit arrangements converted to term loans during the year ended December 31, 2023.

# Inter-American Investment Corporation

## Notes to Financial Statements

| December 31, 2022                                    |   |            |             |            |            |            |  |             |
|--|---|------------|-------------|------------|------------|------------|--|-------------|
|  | Amortized cost basis by origination year <sup>(1)</sup> |            |             |            |            |            | Revolving loans<br>amortized<br>cost basis | Total       |
|  | 2022  | 2021       | 2020        | 2019       | 2018       | Prior      |  |             |
| Loans  |   |            |             |            |            |            |  |             |
| Strong   | \$ —  | \$ 531     | \$ —        | \$ —       | \$ —       | \$ —       | \$ —                                       | \$ 531      |
| Adequate   | 83,600  | 33,920     | 229,000     | 5,221      | 3,143      | 25,727     | 382,168                                    | 762,779     |
| Moderate   | 651,583   | 422,341    | 519,202     | 208,968    | 175,054    | 19,600     | 324,177                                    | 2,320,925   |
| Weak   | 286,633   | 367,289    | 376,996     | 127,533    | 118,961    | 40,213     | 281,571                                    | 1,599,196   |
| Very weak  | 6,500   | 62,953     | 14,843      | 60,052     | 80,310     | 58,420     | 1,000                                      | 284,078     |
| Total loans  | 1,028,316   | 887,034    | 1,140,041   | 401,774    | 377,468    | 143,960    | 988,916                                    | 4,967,509   |
| Debt securities                                      |   |            |             |            |            |            |  |             |
| Adequate   | —   | —          | —           | —          | 2,827      | 5,662      | —  | 8,489       |
| Moderate   | 44,348  | —          | —           | 50,000     | 34,568     | —          | —  | 128,916     |
| Weak   | —   | —          | —           | —          | 13,000     | —          | —  | 13,000      |
| Very weak  | —   | —          | —           | —          | 3,000      | —          | —  | 3,000       |
| Total debt securities                                | 44,348  | —          | —           | 50,000     | 53,395     | 5,662      | —  | 153,405     |
| Total amortized cost<br>loans and debt<br>securities | \$1,072,664   | \$ 887,034 | \$1,140,041 | \$ 451,774 | \$ 430,863 | \$ 149,622 | \$ 988,916                                 | \$5,120,914 |

<sup>(1)</sup> 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 year ended December 31, 2022.

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 (USD thousands):

| December 31, 2023 |                   |                             |                     |                            |                   |                   |
|-------------------|-------------------|-----------------------------|---------------------|----------------------------|-------------------|-------------------|
|                   | Amortized cost    | Allowance for credit losses | Net carrying amount | Gross unrecognized holding |                   | Fair value        |
|                   |                   |                             |                     | gains                      | losses            |                   |
| Debt securities   | \$ 148,544        | \$ (1,899)                  | \$ 146,645          | \$ 2,079                   | \$ (4,714)        | \$ 145,909        |
| <b>Total</b>      | <b>\$ 148,544</b> | <b>\$ (1,899)</b>           | <b>\$ 146,645</b>   | <b>\$ 2,079</b>            | <b>\$ (4,714)</b> | <b>\$ 145,909</b> |

| December 31, 2022 |                   |                             |                     |                            |                   |                   |
|-------------------|-------------------|-----------------------------|---------------------|----------------------------|-------------------|-------------------|
|                   | Amortized cost    | Allowance for credit losses | Net carrying amount | Gross unrecognized holding |                   | Fair value        |
|                   |                   |                             |                     | gains                      | losses            |                   |
| Debt securities   | \$ 153,405        | \$ (5,237)                  | \$ 148,168          | \$ 1,465                   | \$ (9,973)        | \$ 144,897        |
| <b>Total</b>      | <b>\$ 153,405</b> | <b>\$ (5,237)</b>           | <b>\$ 148,168</b>   | <b>\$ 1,465</b>            | <b>\$ (9,973)</b> | <b>\$ 144,897</b> |

## Inter-American Investment Corporation

### Notes to Financial Statements

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#### 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 \$441.4 million as of December 31, 2023 (\$177.3 million as of December 31, 2022). 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 \$470.2 million as of December 31, 2023 (\$196.5 million as of December 31, 2022).

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 \$902 thousand as of December 31, 2023 (\$298 thousand as of December 31, 2022) in the balance sheets and a provision for credit losses of \$604 thousand for the year ended December 31, 2023 (provision for credit losses of \$257 thousand for the year ended December 31, 2022) in the income statements. In connection with guarantees measured at fair value, IDB Invest recorded a fair value liability of \$2.6 million as of December 31, 2023 in the balance sheets (fair value asset of \$459 thousand as of December 31, 2022) and recognized \$3.1 million of net unrealized losses for the year ended December 31, 2023 (net unrealized losses of \$692 thousand for the year ended December 31, 2022) in the income statements. Refer to Note 10 for additional information related to guarantees measured at fair value.

#### Loan participations

As of December 31, 2023, IDB Invest serviced loan participations outstanding of \$4.8 billion (\$3.1 billion as of December 31, 2022) and recognized servicing fees of \$893 thousand for the year ended December 31, 2023 (\$935 thousand for the year ended December 31, 2022) included in Mobilization fees and other income in the income statements.

#### Variable interest entities

IDB Invest, in its normal course of business, utilizes VIEs that are mainly special purpose vehicles, securitization structures, investment funds or trusts, 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.

The development related investments in VIEs for which IDB Invest is the primary beneficiary were recorded as loans, with an outstanding balance of \$31.1 million as of December 31, 2023 (\$1.2 million as of December 31, 2022) in the balance sheets. Those VIEs had no other creditors and their total assets were approximately equal to the carrying values of the Development related investments recognized in IDB Invest's balance sheets as of December 31, 2023 and December 31, 2022.

IDB Invest also holds variable interests, recorded as Development related investments in the balance sheets, in the form of loans, debt securities and equity investments in VIEs in which it is not the primary beneficiary.

## Inter-American Investment Corporation

### Notes to Financial Statements

IDB Invest's maximum exposure to losses as a result of its involvement in such VIEs as of December 31, 2023 and December 31, 2022 is in the table below (USD thousands). IDB Invest does not have any liabilities with respect to these VIEs.

|                                 | December 31, 2023 | December 31, 2022 |
|---------------------------------|-------------------|-------------------|
| Carrying value                  | \$ 768,030        | \$ 499,125        |
| Undisbursed commitments         | 226,604           | 238,282           |
| <b>Maximum exposure to VIEs</b> | <b>\$ 994,634</b> | <b>\$ 737,407</b> |

#### 5. Receivables and Other Assets

Receivables and other assets are summarized below (USD thousands):

|   | Notes | December 31, 2023 | December 31, 2022 |
|---|-------|-------------------|-------------------|
| Receivables for cash collateral pledged                     | 7     | \$ 225,600        | \$ 214,500        |
| Interest receivable on development related debt investments |       | 87,168            | 57,746            |
| Recovery assets   |       | 50,492            | 71,633            |
| Postretirement Benefit Plan, net asset                      | 14    | 36,821            | 34,677            |
| Operating lease right-of-use asset                          |       | 30,344            | 35,917            |
| Interest receivable on investment securities                |       | 19,681            | 5,917             |
| Fixed and intangible assets                                 |       | 11,536            | 12,863            |
| Other assets  |       | 10,574            | 5,482             |
| <b>Total receivables and other assets</b>                   |       | <b>\$ 472,216</b> | <b>\$ 438,735</b> |

# Inter-American Investment Corporation

## Notes to Financial Statements

### 6. Borrowings

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

|  | December 31, 2023   |                     | December 31, 2022   |                     |
|--|---------------------|---------------------|---------------------|---------------------|
|  | Amount outstanding  | Interest rate range | Amount outstanding  | Interest rate range |
| <b>At amortized cost</b>                               |                     |                     |                     |                     |
| Australian dollar (AUD)                                | \$ 353,005          | 1.1%-2.2%           | \$ 352,669          | 1.1%-2.2%           |
| Brazilian real (BRL)                                   | 60,153              | 11.9%-14.1%         | 55,763              | 13.9%-16.1%         |
| Colombian peso (COP)                                   | 182,348             | 6.6%-15.1%          | 149,565             | 6.6%-16.8%          |
| Mexican peso (MXN)                                     | 500,608             | 11.5%-11.6%         | 359,289             | 10.4%-10.8%         |
| Paraguayan guarani (PYG)                               | 33,186              | 5.4%-7.9%           | 26,459              | 5.4%-7.9%           |
| Trinidad and Tobago dollar (TTD)                       | 131,554             | 1.9%-2.1%           | 66,523              | 2.0%-2.1%           |
| United States dollar (USD)                             | 900,000             | 1.7%-5.7%           | 900,000             | 1.7%-4.6%           |
| <b>Principal at face value</b>                         | <b>2,160,854</b>    |                     | <b>1,910,268</b>    |                     |
| Unamortized premiums/discounts and issuance costs, net | (1,315)             |                     | (1,764)             |                     |
| <b>Borrowings at amortized cost, net</b>               | <b>2,159,539</b>    |                     | <b>1,908,504</b>    |                     |
| <b>At fair value</b>                                   |                     |                     |                     |                     |
| Australian dollar (AUD)                                | 480,588             | 1.5%-5.0%           | 438,927             | 1.5%-4.9%           |
| Colombian peso (COP)                                   | 20,090              | 11.3%               | —                   | — %                 |
| Euro (EUR)   | 1,207,768           | 3.1%                | 673,043             | 3.1%                |
| United States dollar (USD)                             | 3,500,000           | 0.6%-4.8%           | 3,000,000           | 0.5%-2.6%           |
| <b>Principal at face value</b>                         | <b>5,208,446</b>    |                     | <b>4,111,970</b>    |                     |
| Unamortized premiums/discounts and issuance costs, net | (9,121)             |                     | (7,229)             |                     |
| Fair value (gain)/loss adjustments, net                | (53,320)            |                     | (228,948)           |                     |
| <b>Borrowings at fair value, net</b>                   | <b>5,146,005</b>    |                     | <b>3,875,793</b>    |                     |
| <b>Total borrowings at carrying amount, net</b>        | <b>\$ 7,305,544</b> |                     | <b>\$ 5,784,297</b> |                     |

Principal amounts repayable on borrowings outstanding in all currencies are as follows (USD thousands):

|  | December 31, 2023   |
|--|---------------------|
| 2024   | \$ 1,060,742        |
| 2025   | 1,292,344           |
| 2026   | 1,495,383           |
| 2027   | 904,633             |
| 2028   | 1,534,883           |
| Thereafter   | 1,081,315           |
| <b>Total principal amount outstanding</b>              | <b>7,369,300</b>    |
| Unamortized premiums/discounts and issuance costs, net | (10,436)            |
| Fair value (gain)/loss adjustments, net                | (53,320)            |
| <b>Total borrowings at carrying amount, net</b>        | <b>\$ 7,305,544</b> |

## Inter-American Investment Corporation

### Notes to Financial Statements

Availability under existing credit facilities are senior and unsecured, except as noted below (USD thousands):

|   | Available until | Committed amount | December 31, 2023         |                 |
|---|-----------------|------------------|---------------------------|-----------------|
|   |                 |                  | Undrawn commitment amount | Drawdown amount |
| <b>Colombian peso</b>                           |                 |                  |                           |                 |
| COP 254 billion                                 | 2024            | \$ 65,571        | \$ —                      | \$ 65,571       |
| <b>Trinidad &amp; Tobago dollar</b>             |                 |                  |                           |                 |
| TTD 350 million (uncollateralized)              | 2029            | \$ 51,735        | \$ —                      | \$ 51,735       |
| TTD 200 million (collateralized) <sup>(1)</sup> | 2029            | \$ 29,563        | \$ —                      | \$ 29,563       |
| <b>Multi-currency</b>                           |                 |                  |                           |                 |
| USD 300 million                                 | 2033            | \$ 300,000       | \$ 89,655                 | \$ 210,345      |

<sup>(1)</sup> As of December 31, 2023, a corporate security of \$29.5 million was pledged to secure a borrowing. Refer to Note 3.

Borrowings expense, net, is as follows (USD thousands):

|  | Year ended December 31 |                   |
|--|------------------------|-------------------|
|  | 2023                   | 2022              |
| Interest expense   | \$ 235,479             | \$ 112,654        |
| Fees and other borrowing related expenses                  | 409                    | 237               |
| Amortization of premiums/discounts and issuance costs, net | 6,596                  | 4,638             |
| <b>Total borrowings expense, net</b>                       | <b>\$ 242,484</b>      | <b>\$ 117,529</b> |

Changes in fair value of borrowings attributable to changes in instrument-specific credit risk recognized in Other comprehensive income and the net amount recognized in Accumulated other comprehensive income/(loss) are as follows (USD thousands):

|   | Year ended December 31 |                    |
|---|------------------------|--------------------|
|   | 2023                   | 2022               |
| Beginning balance   | \$ (19,173)            | \$ (39,247)        |
| Unrealized gains/(losses) arising during the period related to fair value adjustments on borrowings attributable to changes in instrument-specific credit risk, net | 6,599                  | 20,074             |
| <b>Net amount recognized</b>  | <b>\$ (12,574)</b>     | <b>\$ (19,173)</b> |

# Inter-American Investment Corporation

## Notes to Financial Statements

### 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 (USD thousands):

| Derivative purpose                   | Derivative type      | December 31, 2023 |                        | December 31, 2022 |                        |
|--------------------------------------|----------------------|-------------------|------------------------|-------------------|------------------------|
|                                      |                      | Derivative assets | Derivative liabilities | Derivative assets | Derivative liabilities |
| Development related debt investments | Cross currency swaps | \$ 2,631          | \$ (19,899)            | \$ 2,884          | \$ (4,731)             |
|                                      | Interest rate swaps  | 106,885           | (21,849)               | 131,305           | (932)                  |
| Borrowings                           | Cross currency swaps | 112,840           | (196,028)              | 34,957            | (154,844)              |
|                                      | Interest rate swaps  | 23,156            | (144,455)              | —                 | (202,358)              |
| <b>Total</b>                         |                      | <b>\$ 245,512</b> | <b>\$ (382,231)</b>    | <b>\$ 169,146</b> | <b>\$ (362,865)</b>    |

The effect of derivative instruments is recorded through Gain/(loss) from changes in fair value on non-trading portfolios and foreign exchange transactions, net, in the income statements, and is summarized below (USD thousands):

| Derivative type and purpose          | Year ended December 31        |                                 |                               |                                 |
|--------------------------------------|-------------------------------|---------------------------------|-------------------------------|---------------------------------|
|                                      | 2023                          |                                 | 2022                          |                                 |
|                                      | Realized gain/(loss) on swaps | Unrealized gain/(loss) on swaps | Realized gain/(loss) on swaps | Unrealized gain/(loss) on swaps |
| Development related debt investments |                               |                                 |                               |                                 |
| Cross currency swaps                 | \$ (408)                      | \$ (15,421)                     | \$ (3,910)                    | \$ (5,839)                      |
| Interest rate swaps                  | 55,093                        | (45,337)                        | 13,680                        | 122,117                         |
| Borrowings                           |                               |                                 |                               |                                 |
| Cross currency swaps                 | (82,132)                      | 36,699                          | (601)                         | (80,865)                        |
| Interest rate swaps                  | (108,460)                     | 81,059                          | 8,457                         | (166,880)                       |
| <b>Total</b>                         | <b>\$ (135,907)</b>           | <b>\$ 57,000</b>                | <b>\$ 17,626</b>              | <b>\$ (131,467)</b>             |

As of December 31, 2023, the outstanding volume, measured by notional amount, of swap contracts was \$8.2 billion (\$6.1 billion as of December 31, 2022).

# Inter-American Investment Corporation

## Notes to Financial Statements

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 (USD thousands):

### December 31, 2023

|                        | Gross amount of assets/(liabilities) presented in the balance sheets | Gross amounts not offset in the balance sheets |  |            |
|------------------------|--|--|--|------------|
|                        |  | Financial instruments                          | Collateral (received)/pledged <sup>(1)</sup> | Net amount |
| Derivative assets      | \$ 245,512   | \$ (162,322)                                   | \$ (83,190)                                  | \$ —       |
| Derivative liabilities | \$ (382,231)   | \$ 162,322                                     | \$ 212,223                                   | \$ (7,686) |

<sup>(1)</sup> Collateral received of \$83.2 million and collateral pledged of \$212.2 million reflect the offsetting threshold limits, which cannot exceed the fair value of the derivative assets and derivative liabilities. Total cash collateral pledged was \$225.6 million and total cash collateral received was \$92.4 million as of December 31, 2023. 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, 2022

|                        | Gross amount of assets/(liabilities) presented in the balance sheets | Gross amounts not offset in the balance sheets |  |            |
|------------------------|--|--|--|------------|
|                        |  | Financial instruments                          | Collateral (received)/pledged <sup>(1)</sup> | Net amount |
| Derivative assets      | \$ 169,146   | \$ (153,796)                                   | \$ (13,650)                                  | \$ 1,700   |
| Derivative liabilities | \$ (362,865)   | \$ 153,796                                     | \$ 204,018                                   | \$ (5,051) |

<sup>(1)</sup> Collateral received of \$13.7 million and collateral pledged of \$204.0 million reflect the offsetting threshold limits, which cannot exceed the fair value of the derivative assets and derivative liabilities. Total cash collateral pledged was \$214.5 million and total cash collateral received was \$13.7 million as of December 31, 2022. Refer to Notes 5 and 8 for additional details related to Receivables for cash collateral pledged and Payables for cash collateral received, respectively.

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 USD 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 December 31, 2023, IDB Invest had \$92.4 million of outstanding obligations to return cash collateral under CSAs (\$13.7 million as of December 31, 2022). IDB Invest recognizes a receivable in its balance sheets for its rights to cash collateral posted. As of December 31, 2023, \$225.6 million of cash collateral was posted under CSAs (\$214.5 million as of December 31, 2022). No securities collateral was received or pledged as of December 31, 2023 nor December 31, 2022. 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.

## Inter-American Investment Corporation

### Notes to Financial Statements

#### 8. Payables and Other Liabilities

Payables and other liabilities are summarized below (USD thousands):

|   | Notes | December 31, 2023 | December 31, 2022 |
|---|-------|-------------------|-------------------|
| Payables for cash collateral received                   | 7     | \$ 92,400         | \$ 13,650         |
| Borrowings related Interest and commitment fees payable |       | 60,182            | 25,911            |
| Pension Plans, net liability                            | 14    | 46,187            | 35,375            |
| Operating lease liability                               | 12    | 33,028            | 37,115            |
| Other liabilities                                       |       | 36,697            | 27,874            |
| Liability for off-balance sheet credit losses           | 4     | 34,420            | 78,717            |
| Loan origination fees and costs, net                    |       | 34,580            | 24,656            |
| Due to IDB, net   | 13    | 27,490            | 10,191            |
| Deferred revenue <sup>(1)</sup>                         |       | 24,725            | 17,948            |
| Employment benefits payable                             |       | 20,861            | 18,257            |
| <b>Total payables and other liabilities</b>             |       | <b>\$ 410,570</b> | <b>\$ 289,694</b> |

<sup>(1)</sup> Includes service fees collected from related parties. Additional information is included in Note 13.

#### 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 were 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. The price for Annex A Shares not paid within their corresponding annual installment was 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 was recorded to Additional paid-in capital and to Receivable from members in the balance sheets.

As of December 31, 2022, the timing of the remaining Annex A Shares' payments was extended to January 31, 2023, and the payments were not subject to a price adjustment. The Board of Executive Directors is authorized to extend payment deadlines.

In February 2023, 6,137 shares that were subscribed in the context of GCI-II but were not paid for by the final payment date of January 31, 2023, became available for reallocation with an issuance price of \$20,000 per share per the terms and conditions agreed by the Board of Executive Directors in accordance with GCI-II. The subscription period for the reallocation of these unpaid shares has been extended to February 19, 2024.

## **Inter-American Investment Corporation**

### **Notes to Financial Statements**

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(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.

Total capital contributions of \$117.7 million were received during the year ended December 31, 2023. Capital contributions of \$40.8 million were received during the year ended December 31, 2023 for a total of \$1.3 billion in contributions corresponding to Annex A Shares. In March 2023, the Board of Governors approved the transfer of \$72.0 million in income distributions corresponding to Annex B Shares from the IDB on behalf of its shareholders that are also member countries of IDB Invest, for a total of \$582.0 million in contributions corresponding to Annex B Shares through December 31, 2023, and are included in Total paid-in-capital in the balance sheets. Also, on March 1, 2023, the United Kingdom fulfilled all requirements for membership becoming the newest member of IDB Invest. As such, IDB Invest received \$4.9 million in capital contributions from the United Kingdom corresponding to Annex B Shares for the period 2018 to 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.

# Inter-American Investment Corporation

## Notes to Financial Statements

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

|                                      | Capital               |                     |   |  |                       | Voting power                                    |                 |                                       |
|--------------------------------------|-----------------------|---------------------|---|--|-----------------------|---|-----------------|---------------------------------------|
|                                      | Shares <sup>(1)</sup> | Capital, par value  | Additional paid-in capital <sup>(2)</sup> | Receivable from members <sup>(3)</sup> | Total paid in capital | Percent of total paid in capital <sup>(4)</sup> | Number of votes | Percent of total votes <sup>(4)</sup> |
| Argentina                            | 21,461                | \$ 214,610          | \$ 82,867                                 | \$ —                                   | \$ 297,477            | 11.71   | 21,461          | 11.85                                 |
| Austria                              | 944                   | 9,440               | 3,708                                     | —                                      | 13,148                | 0.52  | 944             | 0.52                                  |
| Bahamas                              | 383                   | 3,830               | 1,508                                     | —                                      | 5,338                 | 0.21  | 383             | 0.21                                  |
| Barbados                             | 269                   | 2,690               | 1,093                                     | —                                      | 3,783                 | 0.15  | 269             | 0.15                                  |
| Belgium                              | 287                   | 2,870               | 732                                       | —                                      | 3,602                 | 0.14  | 287             | 0.16                                  |
| Belize                               | 142                   | 1,420               | 268                                       | —                                      | 1,688                 | 0.07  | 142             | 0.08                                  |
| Bolivia                              | 1,726                 | 17,260              | 6,652                                     | —                                      | 23,912                | 0.94  | 1,726           | 0.95                                  |
| Brazil                               | 23,471                | 234,710             | 107,686                                   | —                                      | 342,396               | 13.47   | 21,461          | 11.85                                 |
| Canada                               | 5,527                 | 55,270              | 33,242                                    | —                                      | 88,512                | 3.48  | 5,527           | 3.05                                  |
| Chile                                | 6,100                 | 61,000              | 27,546                                    | (10,440)                               | 78,106                | 3.07  | 5,578           | 3.08                                  |
| China                                | 9,345                 | 93,450              | 56,830                                    | (280)                                  | 150,000               | 5.90  | 9,331           | 5.15                                  |
| Colombia                             | 6,100                 | 61,000              | 26,797                                    | (10,440)                               | 77,357                | 3.04  | 5,578           | 3.08                                  |
| Costa Rica                           | 835                   | 8,350               | 3,226                                     | —                                      | 11,576                | 0.46  | 835             | 0.46                                  |
| Croatia <sup>(5)</sup>               | 17                    | 170                 | 113                                       | —                                      | 283                   | 0.01  | 17              | 0.01                                  |
| Denmark                              | 1,132                 | 11,320              | 378                                       | —                                      | 11,698                | 0.46  | 1,132           | 0.63                                  |
| Dominican Republic                   | 1,260                 | 12,600              | 5,505                                     | (2,160)                                | 15,945                | 0.63  | 1,152           | 0.64                                  |
| Ecuador                              | 1,160                 | 11,600              | 4,476                                     | —                                      | 16,076                | 0.63  | 1,160           | 0.64                                  |
| El Salvador                          | 834                   | 8,340               | 3,361                                     | —                                      | 11,701                | 0.46  | 834             | 0.46                                  |
| Finland                              | 1,078                 | 10,780              | 4,240                                     | —                                      | 15,020                | 0.59  | 1,078           | 0.60                                  |
| France                               | 3,550                 | 35,500              | 8,577                                     | —                                      | 44,077                | 1.73  | 3,550           | 1.96                                  |
| Germany                              | 2,016                 | 20,160              | 4,214                                     | —                                      | 24,374                | 0.96  | 2,016           | 1.11                                  |
| Guatemala                            | 1,104                 | 11,040              | 4,234                                     | —                                      | 15,274                | 0.60  | 1,104           | 0.61                                  |
| Guyana                               | 313                   | 3,130               | 1,205                                     | —                                      | 4,335                 | 0.17  | 313             | 0.17                                  |
| Haiti                                | 834                   | 8,340               | 3,963                                     | —                                      | 12,303                | 0.48  | 834             | 0.46                                  |
| Honduras                             | 835                   | 8,350               | 3,304                                     | —                                      | 11,654                | 0.46  | 835             | 0.46                                  |
| Israel                               | 447                   | 4,470               | 1,708                                     | —                                      | 6,178                 | 0.24  | 447             | 0.25                                  |
| Italy                                | 5,325                 | 53,250              | 19,558                                    | —                                      | 72,808                | 2.86  | 5,325           | 2.94                                  |
| Jamaica                              | 686                   | 6,860               | 1,877                                     | (1,180)                                | 7,557                 | 0.30  | 627             | 0.35                                  |
| Japan                                | 6,759                 | 67,590              | 26,410                                    | (200)                                  | 93,800                | 3.69  | 6,749           | 3.73                                  |
| Korea                                | 8,294                 | 82,940              | 50,283                                    | —                                      | 133,223               | 5.24  | 8,294           | 4.58                                  |
| Mexico                               | 13,750                | 137,500             | 52,793                                    | —                                      | 190,293               | 7.49  | 13,750          | 7.59                                  |
| Netherlands                          | 1,142                 | 11,420              | 449                                       | —                                      | 11,869                | 0.47  | 1,142           | 0.63                                  |
| Nicaragua                            | 834                   | 8,340               | 3,228                                     | —                                      | 11,568                | 0.46  | 834             | 0.46                                  |
| Norway                               | 1,077                 | 10,770              | 4,228                                     | —                                      | 14,998                | 0.59  | 1,077           | 0.59                                  |
| Panama                               | 1,135                 | 11,350              | 5,017                                     | —                                      | 16,367                | 0.64  | 1,135           | 0.63                                  |
| Paraguay                             | 950                   | 9,500               | 4,175                                     | (1,640)                                | 12,035                | 0.47  | 868             | 0.48                                  |
| Peru                                 | 6,254                 | 62,540              | 27,816                                    | (10,720)                               | 79,636                | 3.13  | 5,718           | 3.16                                  |
| Portugal                             | 408                   | 4,080               | 1,415                                     | —                                      | 5,495                 | 0.22  | 408             | 0.23                                  |
| Slovenia <sup>(6)</sup>              | 10                    | 100                 | 73  | —                                      | 173                   | 0.01  | 10              | 0.01                                  |
| Spain                                | 7,679                 | 76,790              | 32,105                                    | —                                      | 108,895               | 4.28  | 7,668           | 4.24                                  |
| Suriname                             | 132                   | 1,320               | 204                                       | —                                      | 1,524                 | 0.06  | 132             | 0.07                                  |
| Sweden                               | 1,063                 | 10,630              | 4,151                                     | —                                      | 14,781                | 0.58  | 1,063           | 0.59                                  |
| Switzerland                          | 2,457                 | 24,570              | 8,569                                     | —                                      | 33,139                | 1.30  | 2,457           | 1.36                                  |
| Trinidad and Tobago                  | 826                   | 8,260               | 4,061                                     | —                                      | 12,321                | 0.48  | 826             | 0.46                                  |
| United Kingdom                       | 346                   | 3,460               | 2,145                                     | —                                      | 5,605                 | 0.22  | 346             | 0.19                                  |
| United States                        | 26,856                | 268,560             | 67,118                                    | (780)                                  | 334,898               | 13.18   | 26,817          | 14.81                                 |
| Uruguay                              | 2,287                 | 22,870              | 8,809                                     | —                                      | 31,679                | 1.25  | 2,287           | 1.26                                  |
| Venezuela                            | 5,535                 | 55,350              | 7,568                                     | —                                      | 62,918                | 2.48  | 5,535           | 3.06                                  |
| <b>Total as of December 31, 2023</b> | <b>184,975</b>        | <b>\$ 1,849,750</b> | <b>\$ 729,485</b>                         | <b>\$ (37,840)</b>                     | <b>\$ 2,541,395</b>   | <b>100</b>                                      | <b>181,062</b>  | <b>100</b>                            |
| <b>Total as of December 31, 2022</b> | <b>182,441</b>        | <b>\$ 1,824,410</b> | <b>\$ 719,418</b>                         | <b>\$ (120,133)</b>                    | <b>\$ 2,423,695</b>   |   | <b>171,082</b>  |                                       |

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

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

<sup>(3)</sup> Represents receivable from members under GCI-II.

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

<sup>(5)</sup> Croatia's voting power is 0.0094.

<sup>(6)</sup> Slovenia's voting power is 0.0055.

# Inter-American Investment Corporation

## Notes to Financial Statements

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### 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 and forward curves.

**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.

**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.

# Inter-American Investment Corporation

## Notes to Financial Statements

### 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.

| Expressed in USD thousands                     | December 31, 2023 |         |              |            |              |
|--|-------------------|---------|--------------|------------|--------------|
|  | Carrying amount   | Level 1 | Level 2      | Level 3    | Fair value   |
| <b>Investment securities</b>                   |                   |         |              |            |              |
| Corporate securities                           | \$ 1,428,112      | \$ —    | \$ 1,428,112 | \$ —       | \$ 1,428,112 |
| Agency securities                              | 400,357           | —       | 400,357      | —          | 400,357      |
| Money market funds                             | 326,920           | —       | 326,920      | —          | 326,920      |
| Government securities                          | 258,967           | —       | 258,967      | —          | 258,967      |
| Supranational securities                       | 128,212           | —       | 128,212      | —          | 128,212      |
|  | 2,542,568         | —       | 2,542,568    | —          | 2,542,568    |
| <b>Loans</b>                                   |                   |         |              |            |              |
| Amortized cost                                 | 6,139,520         | —       | —            | 5,700,613  | 5,700,613    |
| Fair value                                     | 419,239           | —       | —            | 419,239    | 419,239      |
|  | 6,558,759         | —       | —            | 6,119,852  | 6,119,852    |
| <b>Debt securities</b>                         |                   |         |              |            |              |
| Amortized cost                                 | 148,544           | —       | —            | 145,909    | 145,909      |
| Fair value                                     | 1,177,591         | —       | —            | 1,177,591  | 1,177,591    |
| NAV <sup>(1)(2)</sup>                          | 35,556            | —       | —            | —          | 35,556       |
|  | 1,361,691         | —       | —            | 1,323,500  | 1,359,056    |
| <b>Equity investments</b>                      |                   |         |              |            |              |
| Fair value                                     | 96,645            | 920     | —            | 95,725     | 96,645       |
| NAV <sup>(1)(2)</sup>                          | 206,531           | —       | —            | —          | 206,531      |
|  | 303,176           | 920     | —            | 95,725     | 303,176      |
| <b>Derivative assets</b>                       |                   |         |              |            |              |
| Cross currency swaps                           | 115,471           | —       | 115,471      | —          | 115,471      |
| Interest rate swaps                            | 130,041           | —       | 130,041      | —          | 130,041      |
|  | 245,512           | —       | 245,512      | —          | 245,512      |
| <b>Borrowings</b>                              |                   |         |              |            |              |
| Amortized cost                                 | (2,159,539)       | —       | (1,722,576)  | (350,787)  | (2,073,363)  |
| Fair value                                     | (5,146,005)       | —       | (5,146,005)  | —          | (5,146,005)  |
|  | (7,305,544)       | —       | (6,868,581)  | (350,787)  | (7,219,368)  |
| <b>Derivative liabilities</b>                  |                   |         |              |            |              |
| Cross currency swaps                           | (215,927)         | —       | (215,927)    | —          | (215,927)    |
| Interest rate swaps                            | (166,304)         | —       | (166,304)    | —          | (166,304)    |
|  | (382,231)         | —       | (382,231)    | —          | (382,231)    |
| <b>Payables and other liabilities</b>          |                   |         |              |            |              |
| Guarantees measured at fair value              | (2,595)           | —       | —            | (2,595)    | (2,595)      |
| Undisbursed commitments measured at fair value | 256               | —       | —            | 256        | 256          |
| Other liability measured at fair value         | (2,653)           | —       | —            | (2,653)    | (2,653)      |
|  | \$ (4,992)        | \$ —    | \$ —         | \$ (4,992) | \$ (4,992)   |

<sup>(1)</sup> 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.

<sup>(2)</sup> As of December 31, 2023, the maximum undisbursed commitments subject to capital calls for these investments were \$202.8 million.

# Inter-American Investment Corporation

## Notes to Financial Statements

| December 31, 2022                              |                 |         |             |           |             |
|--|-----------------|---------|-------------|-----------|-------------|
| Expressed in USD thousands                     | Carrying amount | Level 1 | Level 2     | Level 3   | Fair value  |
| <b>Investment securities</b>                   |                 |         |             |           |             |
| Corporate securities                           | \$ 926,282      | \$ —    | \$ 926,282  | \$ —      | \$ 926,282  |
| Agency securities                              | 366,825         | —       | 366,825     | —         | 366,825     |
| Money market funds                             | 927,710         | —       | 927,710     | —         | 927,710     |
| Government securities                          | 137,578         | —       | 137,578     | —         | 137,578     |
| Supranational securities                       | 169,878         | —       | 169,878     | —         | 169,878     |
|  | 2,528,273       | —       | 2,528,273   | —         | 2,528,273   |
| <b>Loans</b>                                   |                 |         |             |           |             |
| Amortized cost                                 | 4,967,509       | —       | —           | 4,569,835 | 4,569,835   |
| Fair value                                     | 281,918         | —       | —           | 281,918   | 281,918     |
|  | 5,249,427       | —       | —           | 4,851,753 | 4,851,753   |
| <b>Debt securities</b>                         |                 |         |             |           |             |
| Amortized cost                                 | 153,405         | —       | —           | 144,897   | 144,897     |
| Fair value                                     | 735,051         | —       | —           | 735,051   | 735,051     |
| NAV <sup>(1)(2)</sup>                          | 31,583          | —       | —           | —         | 31,583      |
|  | 920,039         | —       | —           | 879,948   | 911,531     |
| <b>Equity investments</b>                      |                 |         |             |           |             |
| Fair value                                     | 98,858          | 1,024   | —           | 97,834    | 98,858      |
| NAV <sup>(1)(2)</sup>                          | 187,719         | —       | —           | —         | 187,719     |
|  | 286,577         | 1,024   | —           | 97,834    | 286,577     |
| <b>Derivative assets</b>                       |                 |         |             |           |             |
| Cross currency swaps                           | 37,841          | —       | 37,841      | —         | 37,841      |
| Interest rate swaps                            | 131,305         | —       | 131,305     | —         | 131,305     |
|  | 169,146         | —       | 169,146     | —         | 169,146     |
| <b>Borrowings</b>                              |                 |         |             |           |             |
| Amortized cost                                 | (1,908,504)     | —       | (1,538,639) | (271,540) | (1,810,179) |
| Fair value                                     | (3,875,793)     | —       | (3,875,793) | —         | (3,875,793) |
|  | (5,784,297)     | —       | (5,414,432) | (271,540) | (5,685,972) |
| <b>Derivative liabilities</b>                  |                 |         |             |           |             |
| Cross currency swaps                           | (159,575)       | —       | (159,575)   | —         | (159,575)   |
| Interest rate swaps                            | (203,290)       | —       | (203,290)   | —         | (203,290)   |
|  | (362,865)       | —       | (362,865)   | —         | (362,865)   |
| <b>Payables and other liabilities</b>          |                 |         |             |           |             |
| Guarantees measured at fair value              | 459             | —       | —           | 459       | 459         |
| Undisbursed commitments measured at fair value | (267)           | —       | —           | (267)     | (267)       |
| Other liability measured at fair value         | (671)           | —       | —           | (671)     | (671)       |
|  | \$ (479)        | \$ —    | \$ —        | \$ (479)  | \$ (479)    |

<sup>(1)</sup> 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.

<sup>(2)</sup> As of December 31, 2022, the maximum undisbursed commitments subject to capital calls for these investments were \$81.0 million.

There were no transfers between levels during the year ended December 31, 2023 nor December 31, 2022.

# Inter-American Investment Corporation

## Notes to Financial Statements

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 (USD thousands):

| Year ended December 31, 2023                         |                                  |   |  |                                    |   |
|--|----------------------------------|---|--|------------------------------------|---|
|  | Balance as of<br>January 1, 2023 | Net gains/<br>(losses)<br>included<br>in income | Disbursements,<br>purchases,<br>sales,<br>settlements<br>and other | Balance as of<br>December 31, 2023 | Net unrealized gains/<br>(losses) included in<br>earnings related to<br>assets/liabilities held<br>at December 31, 2023 |
| Loans  | \$ 281,918                       | \$ (6,368)                                      | \$ 143,689   | \$ 419,239                         | \$ (6,381)  |
| Debt securities                                      | 735,051                          | 64,680  | 377,860  | 1,177,591                          | 54,080  |
| Equity investments                                   | 97,834                           | (21,477)  | 19,368   | 95,725                             | (21,446)  |
| <b>Total level 3 assets<br/>at fair value</b>        | <b>1,114,803</b>                 | <b>36,835</b>                                   | <b>540,917</b>   | <b>1,692,555</b>                   | <b>26,253</b>   |
| Guarantees measured<br>at fair value                 | 459                              | (3,054)   | —  | (2,595)                            | (3,054)   |
| Undisbursed<br>commitments<br>measured at fair value | (267)                            | 523   | —  | 256                                | 523   |
| Other liability measured<br>at fair value            | (671)                            | (1,434)   | (548)  | (2,653)                            | (1,434)   |
| <b>Total level 3 liabilities<br/>at fair value</b>   | <b>\$ (479)</b>                  | <b>\$ (3,965)</b>                               | <b>\$ (548)</b>  | <b>\$ (4,992)</b>                  | <b>\$ (3,965)</b>   |

| Year ended December 31, 2022                         |                                  |   |  |                                    |   |
|--|----------------------------------|---|--|------------------------------------|---|
|  | Balance as of<br>January 1, 2022 | Net gains/<br>(losses)<br>included<br>in income | Disbursements,<br>purchases,<br>sales,<br>settlements<br>and other | Balance as of<br>December 31, 2022 | Net unrealized gains/<br>(losses) included in<br>earnings related to<br>assets/liabilities held<br>at December 31, 2022 |
| Loans  | \$ 144,422                       | \$ 289  | \$ 137,207   | \$ 281,918                         | \$ 289  |
| Debt securities                                      | 405,866                          | (46,724)  | 375,909  | 735,051                            | (52,306)  |
| Equity investments                                   | 114,242                          | (16,894)  | 486  | 97,834                             | (17,588)  |
| <b>Total level 3 assets at<br/>fair value</b>        | <b>664,530</b>                   | <b>(63,329)</b>                                 | <b>513,602</b>   | <b>1,114,803</b>                   | <b>(69,605)</b>   |
| Guarantees measured<br>at fair value                 | 1,151                            | (692)   | —  | 459                                | (692)   |
| Undisbursed<br>commitments<br>measured at fair value | 1,686                            | (1,953)   | —  | (267)                              | (1,953)   |
| Other liability measured<br>at fair value            | —                                | (23)  | (648)  | (671)                              | (23)  |
| <b>Total level 3 liabilities<br/>at fair value</b>   | <b>\$ 2,837</b>                  | <b>\$ (2,668)</b>                               | <b>\$ (648)</b>  | <b>\$ (479)</b>                    | <b>\$ (2,668)</b>   |

# Inter-American Investment Corporation

## Notes to Financial Statements

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 (USD thousands):

| Year ended December 31, 2023                       |                             |                      |                 |                           |                   |
|--|-----------------------------|----------------------|-----------------|---------------------------|-------------------|
|  | Disbursements/<br>Purchases | Repayments/<br>Sales | Issuances       | Settlements and<br>others | Net               |
| Loans  | \$ 148,942                  | \$ (6,457)           | \$ —            | \$ 1,204                  | \$ 143,689        |
| Debt securities                                    | 440,044                     | (63,972)             | —               | 1,788                     | 377,860           |
| Equity investments                                 | 20,774                      | (1,406)              | —               | —                         | 19,368            |
| <b>Total level 3 assets<br/>at fair value</b>      | <b>\$ 609,760</b>           | <b>\$ (71,835)</b>   | <b>\$ —</b>     | <b>\$ 2,992</b>           | <b>\$ 540,917</b> |
| Guarantees measured at<br>fair value               | —                           | —                    | —               | —                         | —                 |
| Undisbursed commitments<br>measured at fair value  | —                           | —                    | —               | —                         | —                 |
| Other liability measured at<br>fair value          | —                           | —                    | (548)           | —                         | (548)             |
| <b>Total level 3 liabilities<br/>at fair value</b> | <b>\$ —</b>                 | <b>\$ —</b>          | <b>\$ (548)</b> | <b>\$ —</b>               | <b>\$ (548)</b>   |

| Year ended December 31, 2022                       |                             |                      |                 |                           |                   |
|--|-----------------------------|----------------------|-----------------|---------------------------|-------------------|
|  | Disbursements/<br>Purchases | Repayments/<br>Sales | Issuances       | Settlements and<br>others | Net               |
| Loans  | \$ 145,109                  | \$ (8,207)           | \$ —            | \$ 305                    | \$ 137,207        |
| Debt securities                                    | 405,750                     | (31,221)             | —               | 1,380                     | 375,909           |
| Equity investments                                 | 2,096                       | (1,610)              | —               | —                         | 486               |
| <b>Total level 3 assets<br/>at fair value</b>      | <b>\$ 552,955</b>           | <b>\$ (41,038)</b>   | <b>\$ —</b>     | <b>\$ 1,685</b>           | <b>\$ 513,602</b> |
| Guarantees measured at<br>fair value               | —                           | —                    | —               | —                         | —                 |
| Undisbursed commitments<br>measured at fair value  | —                           | —                    | —               | —                         | —                 |
| Other liability measured at<br>fair value          | —                           | —                    | (648)           | —                         | (648)             |
| <b>Total level 3 liabilities<br/>at fair value</b> | <b>\$ —</b>                 | <b>\$ —</b>          | <b>\$ (648)</b> | <b>\$ —</b>               | <b>\$ (648)</b>   |

## Inter-American Investment Corporation

### Notes to Financial Statements

The following tables present the valuation techniques and significant unobservable inputs for development related investment assets/(liabilities) classified as Level 3 as of December 31, 2023 and December 31, 2022 (USD thousands):

| December 31, 2023              |                     |                                      |                                 |             |                                 |
|--------------------------------|---------------------|--------------------------------------|---------------------------------|-------------|---------------------------------|
|                                | Fair value          | Valuation technique                  | Significant unobservable inputs | Range       | Weighted average <sup>(2)</sup> |
| Loans                          | \$ 405,036          | Discounted cash flows                | Discount rate                   | 2.9%-23.5%  | 9.5%                            |
|                                | 14,203              | Recent transaction price             | Transaction price               |             |                                 |
|                                | <b>419,239</b>      |                                      |                                 |             |                                 |
| Debt securities                | 1,133,413           | Discounted cash flows                | Discount rate                   | 3.0%-15.3%  | 9.4%                            |
|                                | 44,171              | Recent transaction price             | Transaction price               |             |                                 |
|                                | 7                   | Others                               |                                 |             |                                 |
|                                | <b>1,177,591</b>    |                                      |                                 |             |                                 |
| Equity investments             | 18,002              | Recent transaction price             | Transaction price               |             |                                 |
|                                | 77,723              | Discounted cash flows <sup>(1)</sup> | Discount rate                   | 12.8%-21.0% | 16.6%                           |
|                                |                     | Discounted cash flows <sup>(1)</sup> | Long term growth rate           | 3.0%-7.0%   | 4.8%                            |
|                                |                     | Relative Valuation <sup>(1)</sup>    | EV/EBITDA                       | 8.1x-10.0x  | 9.1x                            |
|                                |                     | Relative Valuation <sup>(1)</sup>    | EV/Revenues                     | 1.1x-4.9x   | 2.8x                            |
|                                | <b>95,725</b>       |                                      |                                 |             |                                 |
| Payables and other liabilities | (4,992)             | Others                               |                                 |             |                                 |
|                                | <b>(4,992)</b>      |                                      |                                 |             |                                 |
| <b>Total</b>                   | <b>\$ 1,687,563</b> |                                      |                                 |             |                                 |

<sup>(1)</sup> Equity investments of \$77.7 million utilizes multiple valuation techniques, including Discounted Cash Flows and Relative Valuation.

<sup>(2)</sup> Calculated using the input multiplied by the fair values of the instruments.

# Inter-American Investment Corporation

## Notes to Financial Statements

| December 31, 2022              |                     |                                      |                                 |             |                                 |
|--------------------------------|---------------------|--------------------------------------|---------------------------------|-------------|---------------------------------|
|                                | Fair value          | Valuation technique                  | Significant unobservable inputs | Range       | Weighted average <sup>(2)</sup> |
| Loans                          | \$ 255,918          | Discounted cash flows                | Discount rate                   | 6.9%-17.5%  | 9.6%                            |
|                                | 26,000              | Recent transaction price             | Transaction price               |             |                                 |
|                                | <b>281,918</b>      |                                      |                                 |             |                                 |
| Debt securities                | 692,608             | Discounted cash flows                | Discount rate                   | 3.0%-17.0%  | 9.2%                            |
|                                | 42,436              | Recent transaction price             | Transaction price               |             |                                 |
|                                | 7                   | Others                               |                                 |             |                                 |
|                                | <b>735,051</b>      |                                      |                                 |             |                                 |
| Equity investments             | 12,867              | Recent transaction price             | Transaction price               |             |                                 |
|                                | 84,967              | Discounted cash flows <sup>(1)</sup> | Discount rate                   | 16.0%-18.3% | 17.6%                           |
|                                |                     | Discounted cash flows <sup>(1)</sup> | Long term growth rate           | 3.0%-7.0%   | 5.0%                            |
|                                |                     | Relative valuation <sup>(1)</sup>    | EV/EBITDA                       | 7.5x-12.0x  | 10.7x                           |
|                                |                     | Relative valuation <sup>(1)</sup>    | EV/Revenues                     | 1.0x-12.8x  | 6.0x                            |
|                                | <b>97,834</b>       |                                      |                                 |             |                                 |
| Payables and other liabilities | (479)               | Others                               |                                 |             |                                 |
|                                | <b>(479)</b>        |                                      |                                 |             |                                 |
| <b>Total</b>                   | <b>\$ 1,114,324</b> |                                      |                                 |             |                                 |

<sup>(1)</sup> Equity investments of \$85.0 million utilizes multiple valuation techniques, including Discounted Cash Flows and Relative Valuation.

<sup>(2)</sup> Calculated using the input multiplied by the fair values of the instruments.

# Inter-American Investment Corporation

## Notes to Financial Statements

### 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 (USD thousands):

|  | Year ended December 31 |                  |
|--|------------------------|------------------|
|  | 2023                   | 2022             |
| <b>Changes in fair value</b>   |                        |                  |
| Development related debt investments   | \$ (7,204)             | \$ (44,511)      |
| Borrowings   | (182,227)              | 175,093          |
| Derivatives  |                        |                  |
| Unrealized gain/(loss) on swaps  | 57,000                 | (131,467)        |
| <b>Gain/(loss) from changes in fair value, net</b>   | <b>(132,431)</b>       | <b>(885)</b>     |
| <b>Foreign exchange transactions</b>   |                        |                  |
| Development related debt investments   | 133,376                | (9,408)          |
| Borrowings   | (102,026)              | 33,572           |
| Other assets/liabilities   | 4,777                  | 421              |
| <b>Gain/(loss) from foreign exchange transactions, net</b>   | <b>36,127</b>          | <b>24,585</b>    |
| <b>Swap transactions</b>   |                        |                  |
| <b>Realized gain/(loss) on swaps <sup>(1)</sup></b>  | <b>(135,907)</b>       | <b>17,626</b>    |
| <b>Gain/(loss) from changes in fair value on non-trading portfolios and foreign exchange transactions, net</b> | <b>\$ (232,211)</b>    | <b>\$ 41,326</b> |

<sup>(1)</sup> Includes realized swap interest income/(expense), fee income/(expense), termination gain/(loss) and foreign exchange gain/(loss) on cross currency swaps, net.

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

# Inter-American Investment Corporation

## Notes to Financial Statements

### 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 impact of the global geopolitical situation has 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 current geopolitical environment. Moreover, the Russian war on Ukraine is a source of concern that continues 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 Colombia and Panama include renewal options all of which IDB Invest is reasonably certain to exercise for the duration established in the contract. These renewal options extend the lease term for Colombia and Panama to 2024 and 2029, respectively.

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 December 31, 2023 and 2022.

The following table details the lease expenses and quantitative disclosure requirements (USD thousands):

|   | Year ended December 31 |                 |
|---|------------------------|-----------------|
|   | 2023                   | 2022            |
| <b>Operating leases</b>                       |                        |                 |
| Operating lease expense                       | \$ 7,225               | \$ 5,447        |
| <b>Total lease expense</b>                    | <b>\$ 7,225</b>        | <b>\$ 5,447</b> |
| Supplemental disclosure:                      |                        |                 |
| Weighted average of lease terms (years)       | 6.9                    | 7.9             |
| Weighted average discount rate <sup>(1)</sup> | 1.8 %                  | 1.8 %           |

<sup>(1)</sup> Discount rate applied for the office space lease at headquarters is based on the IDB multi-currency incremental borrowing rate.

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

| Estimated undiscounted cash flows | December 31, 2023 |
|-----------------------------------|-------------------|
| 2024                              | 5,245             |
| 2025                              | 5,027             |
| 2026                              | 4,985             |
| 2027                              | 4,990             |
| 2028 - 2030                       | 14,801            |
| <b>Total operating leases</b>     | <b>\$ 35,048</b>  |
| Discount                          | (2,020)           |
| <b>Operating lease liability</b>  | <b>\$ 33,028</b>  |

# **Inter-American Investment Corporation**

## **Notes to Financial Statements**

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### **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.

#### **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 year ended December 31, 2023, IDB Invest received \$6.3 million for these services (\$3.3 million for the year ended December 31, 2022). As of December 31, 2023, IDB Invest has recorded deferred revenue of \$21.0 million related to these services (\$17.1 million as of December 31, 2022), 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.

## Inter-American Investment Corporation

### Notes to Financial Statements

Revenue from related party transactions are as follows (USD thousands):

|                                      | Year ended December 31 |                  |
|--------------------------------------|------------------------|------------------|
|                                      | 2023                   | 2022             |
| SLA revenue                          | \$ 29,402              | \$ 71,456        |
| Management of external funds revenue | 1,808                  | 1,968            |
| IDB administered funds revenue       | 7,545                  | 7,604            |
| <b>Total</b>                         | <b>\$ 38,755</b>       | <b>\$ 81,028</b> |

#### SLA Expenses

IDB Invest purchases various general and administrative services from the IDB under a series of annual renewable SLAs. For the year ended December 31, 2023, IDB Invest incurred expenses of \$18.5 million SLA services provided by the IDB (\$16.7 million for the year ended December 31, 2022), 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 \$27.5 million as of December 31, 2023 (\$10.2 million as of December 31, 2022). 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, 2033. As of December 31, 2023, IDB Invest's total drawdowns from the IDB multi-currency credit facility were \$210.3 million and \$89.7 million remain undrawn (\$209.7 million total drawdowns and \$90.3 million undrawn as of December 31, 2022). Refer to Note 6 for additional details.

# Inter-American Investment Corporation

## Notes to Financial Statements

### 14. Pension and Postretirement Benefit Plans

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.

#### Obligations and funded status

IDB Invest uses a December 31 measurement date for the Pension Plans and the PRBP. The following table summarizes IDB Invest's change in projected benefit obligation, change in plan assets, and resulting funded status of the Pension Plans and the PRBP, as well as the assets/(liabilities) recognized in the balance sheets (USD thousands):

|   | Pension Plans       |                     | PRBP                |                     |
|---|---------------------|---------------------|---------------------|---------------------|
|   | 2023                | 2022                | 2023                | 2022                |
| <b>Reconciliation of benefit obligation</b> |                     |                     |                     |                     |
| Obligation as of January 1                  | \$ (292,781)        | \$ (426,530)        | \$ (126,382)        | \$ (206,493)        |
| Service cost                                | (13,351)            | (26,798)            | (5,236)             | (9,182)             |
| Interest cost                               | (14,549)            | (11,950)            | (6,244)             | (5,605)             |
| Participants' contributions                 | (4,621)             | (4,307)             | —                   | —                   |
| Net transfers between IDB and IDB Invest    | 2,965               | (131)               | 753                 | (32)                |
| Actuarial gains/(losses)                    | (17,604)            | 171,710             | (8,160)             | 93,670              |
| Benefits paid                               | 5,128               | 5,225               | 1,599               | 1,276               |
| Retiree Part D subsidy                      | —                   | —                   | (20)                | (16)                |
| <b>Obligation as of December 31</b>         | <b>\$ (334,813)</b> | <b>\$ (292,781)</b> | <b>\$ (143,690)</b> | <b>\$ (126,382)</b> |

#### Reconciliation of fair value of plan assets

|  |                   |                   |                   |                   |
|--|-------------------|-------------------|-------------------|-------------------|
| Fair value of plan assets as of January 1          | 257,406           | 300,352           | 161,059           | 188,040           |
| Net transfers between IDB and IDB Invest           | (2,965)           | 131               | (753)             | 32                |
| Actual return on plan assets                       | 25,183            | (50,979)          | 16,314            | (30,852)          |
| Benefits paid                                      | (5,128)           | (5,225)           | (1,599)           | (1,276)           |
| Participants' contributions                        | 4,621             | 4,307             | —                 | —                 |
| Employer contributions                             | 9,509             | 8,820             | 5,490             | 5,115             |
| <b>Fair value of plan assets as of December 31</b> | <b>\$ 288,626</b> | <b>\$ 257,406</b> | <b>\$ 180,511</b> | <b>\$ 161,059</b> |

#### Funded status

|  |                    |                    |                  |                  |
|--|--------------------|--------------------|------------------|------------------|
| Funded/(Underfunded) status as of December 31        | (46,187)           | (35,375)           | 36,821           | 34,677           |
| <b>Funded/(Underfunded) status as of December 31</b> | <b>\$ (46,187)</b> | <b>\$ (35,375)</b> | <b>\$ 36,821</b> | <b>\$ 34,677</b> |

#### Amounts recognized in Accumulated other comprehensive income/(loss) consist of:

|  |                    |                    |                 |                 |
|--|--------------------|--------------------|-----------------|-----------------|
| Net actuarial (gain)/loss                      | (33,851)           | (49,452)           | (27,725)        | (34,465)        |
| Prior service (credit)/cost                    | —                  | —                  | (160)           | (525)           |
| <b>Net amount recognized as of December 31</b> | <b>\$ (33,851)</b> | <b>\$ (49,452)</b> | <b>(27,885)</b> | <b>(34,990)</b> |

As of December 31, 2023, the Pension Plans were underfunded and PRBP funded (the Pension Plans were underfunded and PRBP funded as of December 31, 2022). In 2023 and 2022, the aggregate fair value of the Pension Plans and PRBP's assets were \$469.1 million and \$418.5 million, respectively, and aggregate

## Inter-American Investment Corporation

### Notes to Financial Statements

projected benefit obligations were \$478.5 million and \$419.2 million, respectively, contributing to the total Pension Plans and PRBP net liabilities in \$9.4 million and \$0.7 million, respectively, as of December 31, 2023 and 2022.

The accumulated benefit obligation, which excludes the effect of future salary increases, in comparison to the fair value of the Pension Plans' assets is as follows as of December 31, 2023 and 2022 (USD thousands):

|                                    | Pension Plans    |                 |
|------------------------------------|------------------|-----------------|
|                                    | 2023             | 2022            |
| Accumulated benefit obligation     | \$ (278,363)     | \$ (247,556)    |
| Fair value of plan assets          | 288,626          | 257,406         |
| <b>Funded/(Underfunded) status</b> | <b>\$ 10,263</b> | <b>\$ 9,850</b> |

#### Components of net periodic benefit cost

Pension Plans and PRBP net periodic benefit costs recognized in the income statements consist of the following components (USD thousands):

|  | Year ended December 31 |                  |                   |                 |
|--|------------------------|------------------|-------------------|-----------------|
|  | Pension Plans          |                  | PRBP              |                 |
|  | 2023                   | 2022             | 2023              | 2022            |
| Service cost <sup>(1)</sup>                      | \$ 13,351              | \$ 26,798        | \$ 5,236          | \$ 9,182        |
| Interest cost <sup>(3)</sup>                     | 14,549                 | 11,950           | 6,244             | 5,605           |
| Expected return on plan assets <sup>(2)(3)</sup> | (18,959)               | (13,052)         | (11,856)          | (8,197)         |
| Amortization of: <sup>(3)</sup>                  |                        |                  |                   |                 |
| Net actuarial (gain)/loss                        | (4,221)                | 5,959            | (3,038)           | 1,705           |
| Prior service (credit)/cost                      | —                      | —                | (365)             | (437)           |
| <b>Net periodic benefit cost</b>                 | <b>\$ 4,720</b>        | <b>\$ 31,655</b> | <b>\$ (3,779)</b> | <b>\$ 7,858</b> |

<sup>(1)</sup> Included in Administrative expenses.

<sup>(2)</sup> The expected long-term rate of return on plan assets is 6.50% in 2023 and 5.00% in 2022.

<sup>(3)</sup> Included in Other components of pension benefit costs, net.

Other changes in the Pension Plans and PRBP assets and projected benefit obligations recognized in Other comprehensive income/(loss) consist of the following components (USD thousands):

|  | Year ended December 31 |                     |                 |                    |
|--|------------------------|---------------------|-----------------|--------------------|
|  | Pension Plans          |                     | PRBP            |                    |
|  | 2023                   | 2022                | 2023            | 2022               |
| Current actuarial (gain)/loss, net   | \$ 11,380              | \$ (107,680)        | \$ 3,702        | \$ (54,621)        |
| Amortization of:   |                        |                     |                 |                    |
| Net actuarial gain/(loss)  | 4,221                  | (5,959)             | 3,038           | (1,705)            |
| Prior service credit/(cost)  | —                      | —                   | 365             | 437                |
| <b>Total recognized in other comprehensive (income)/loss</b>                               | <b>\$ 15,601</b>       | <b>\$ (113,639)</b> | <b>\$ 7,105</b> | <b>\$ (55,889)</b> |
| <b>Total recognized in Net periodic benefit cost and Other comprehensive (income)/loss</b> | <b>\$ 20,321</b>       | <b>\$ (81,984)</b>  | <b>\$ 3,326</b> | <b>\$ (48,031)</b> |

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## Notes to Financial Statements

### Actuarial assumptions

The actuarial assumptions used in the Pension Plans and PRBP valuations are based on financial market interest rates, past experience, and management's best estimate of future benefit changes and economic conditions. Changes in these assumptions will impact future benefit costs and obligations. Actuarial gains and losses occur when actual results are different from expected results. Actuarial gains and losses recognized in Accumulated other comprehensive income/(loss), which exceed 10% of the greater of the benefit obligation or market-related value of the plan assets at the beginning of the period, are amortized to income over the average remaining service period of active participants expected to receive benefits under the Pension Plans and PRBP, which is approximately 10.5 years and 12.0 years, respectively.

Unrecognized prior service credit is amortized over a range of 0.4 years to 2.0 years for the PRBP.

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

|   | Pension Plans |        | PRBP   |        |
|---|---------------|--------|--------|--------|
|   | 2023          | 2022   | 2023   | 2022   |
| <b>Weighted average assumptions used to determine benefit obligation as of December 31</b>                  |               |        |        |        |
| Discount rate   | 4.80 %        | 5.00 % | 4.82 % | 5.01 % |
| Inflation rate  | 2.42 %        | 2.47 % | 2.42 % | 2.47 % |
| Rate of compensation increase   | 4.24 %        | 4.26 % |        | n/a    |
| <b>Weighted average assumptions used to determine net periodic benefit cost for years ended December 31</b> |               |        |        |        |
|   | Pension Plans |        | PRBP   |        |
|   | 2023          | 2022   | 2023   | 2022   |
| Discount rate   | 5.00 %        | 2.78 % | 5.01 % | 2.83 % |
| Expected long-term rate of return on plan assets  | 6.50 %        | 5.00 % | 6.50 % | 5.00 % |
| Rate of compensation increase   | 4.26 %        | 4.59 % |        | n/a    |
| Inflation rate  | 2.47 %        | 2.55 % | 2.47 % | 2.55 % |

Accumulated and projected benefit obligations are measured as the present value of expected payments. The discount rate used is selected in reference to the year-end yield of AA corporate bonds within the approved Financial Times Stock Exchange Pension Liability Index, with maturities that correspond to the payment of benefits. For the assumed rate of U.S inflation, the IDB and IDB Invest have established a process by which a range of inputs is reviewed, including 20-year forward looking expert opinion forecasts, projections from the U.S. Federal Reserve System for 20-year inflation rates, and historical averages for U.S Consumer Price Index (CPI).

The actuarial losses and actuarial gains related to changes in the Pension Plans' and PRBP benefit obligations for the years ended December 31, 2023 and 2022, respectively, primarily resulted from changes in discount rates and inflation rates.

The long-term expected rate of return on the Pension Plans' and PRBP investments was determined by surveying industry leading external providers' capital market assumptions (CMAs), most using a building-block method. Using CMAs as the base, best estimates of expected future nominal rates of return are assigned for each asset class, including expected excess returns over benchmark indices, and netting out investment expenses. The estimated future nominal returns of the asset classes are combined to produce the Pension Plans' and PRBP long-term expected rates of return. The Pension Plans' and PRBP strategic asset allocations (target weight to each asset class) are then multiplied by each asset class's expected future nominal rate of

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### Notes to Financial Statements

return. Respective volatilities and covariances across asset classes are also incorporated. Then, IDB Invest's approved long-term rate of inflation, that is consistent with the long-term horizon for computing expected returns, is deducted from the nominal expected rates of return.

For participants assumed to retire in the United States, the accumulated postretirement benefit obligation was determined using the following health care cost trend rates as of December 31:

|  | PRBP  |       |
|--|-------|-------|
|  | 2023  | 2022  |
| <b>Health care cost trend rates assumed for next year</b>                                |       |       |
| Medical, Non-Medicare  | 5.50% | 4.50% |
| Medical, Medicare  | 5.00% | 4.50% |
| Prescription drugs   | 8.00% | 7.50% |
| Dental   | 4.50% | 4.50% |
| <b>Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)</b> |       |       |
| Medical, Non-Medicare  | 4.50% | 4.50% |
| Medical, Medicare  | 3.00% | 3.00% |
| Prescription drugs   | 6.00% | 6.00% |
| Dental   | 4.50% | 4.50% |
| <b>Year that the rate reaches the ultimate trend rate</b>                                |       |       |
| Medical, Non-Medicare  | 2027  | 2023  |
| Medical, Medicare  | 2028  | 2027  |
| Prescription drugs   | 2027  | 2026  |
| Dental   | 2023  | 2023  |

For those participants assumed to retire outside of the United States, a 7.50% health care cost trend rate was used for 2023 (6.00% for 2022), with an ultimate trend rate of 4.50% in 2029.

#### Pension Plans and PRBP Assets

The assets of the Pension Plans and the PRBP are managed primarily by external investment managers engaged by the IDB who are provided with governing Committee-approved investment guidelines that take into account the Pension Plans and PRBP investment policies. Investment policies with long-term strategic asset allocations have been developed so that there is an expectation of sufficient returns to meet long-term funding needs. The Pension Plans and PRBP assets include both, fully-diversified main Funds, and their low-risk Stabilization Reserve Funds. The main fund investment policies allocate 60% to 70% with a target of 65% of the Pension Plans portfolio to growth-oriented, inflation-hedging assets (the Return Strategies), and 30% to 40% with a target of 35% of assets to nominal and inflation-indexed U.S. fixed income which partially hedge the interest rate of the Pension Plans and PRBP's liabilities, and to protect against disinflation (the Liabilities Strategies). The Stabilization Reserve Funds invest in Liabilities Strategies only, specifically short/intermediate term U.S. fixed income.

The Pension and Managing Committees approve Investment Policy Statements (IPS) and Strategic Asset Allocations (SAA) of the Pension Plan's and PRBP, consistent with the IDB's Risk Appetite (RA) and Long-term Funding (LTF) policies and adopted by IDB Invest.

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The IPS SAA target allocations as of December 31, 2023, are as follows:

|  | Pension Plans | PRBP |
|--|---------------|------|
| Main Funds:                            |               |      |
| U.S. equities                          | 19 %          | 19 % |
| Non-U.S. equities                      | 12 %          | 12 % |
| Emerging markets equities              | 4 %           | 4 %  |
| Public real estate                     | 3 %           | 3 %  |
| Long duration diversified fixed income | 21 %          | 21 % |
| Core fixed income                      | 4 %           | 4 %  |
| High yield fixed income                | 3 %           | 3 %  |
| U.S. inflation-indexed fixed income    | 10 %          | 10 % |
| Emerging markets fixed income          | 3 %           | 3 %  |
| Private real estate                    | 7 %           | 7 %  |
| Public Infrastructure                  | 3 %           | 3 %  |
| Private Infrastructure                 | 5 %           | 5 %  |
| Tactical Asset Allocation              | 6 %           | 6 %  |
| Commodity index futures                | 0 %           | 0 %  |
| Short-term fixed income funds          | 0 %           | 0 %  |
| Stabilization Reserve Fund:            |               |      |
| Core fixed income                      | 50 %          | 50 % |
| U.S. inflation-indexed fixed income    | 30 %          | 30 % |
| Short-term fixed income funds          | 20 %          | 20 % |

Investment and asset class risk is monitored, managed and mitigated by continuous oversight of each asset class level and investment manager, regular rebalancing of assets among asset classes, and compliance with the Pension Plans' and PRBP's investments policies and the Board of Executive Directors' Pension Plans and PRBP-related Policies. Investment managers are generally not allowed to invest more than 5% of their respective portfolios in the securities of a single issuer other than the U.S. Government. The use of derivatives by an investment manager for the Pension Plans and PRBP is limited, and subject to specific approval by the Managing Committees of the Pension Plans and PRBP. Investments are generally rebalanced monthly within IPS targets ranges using cash flows and other transactions.

The assets classes in which the Pension Plans (SRP and CSRP) and PRBP, invest are described below:

- U.S. equities - For the Pension Plans and PRBP, commingled funds that invest, long-only, in U.S. publicly traded common stocks. Managers of the funds replicate or optimize the all capitalization (cap) Russell 3000 Index. For the SRP and PRBP only, approximately 50% of U.S. equities assets are actively managed in separate accounts holding individual stocks.
- Non-U.S. equities - For the Pension Plans and PRBP, commingled funds that invest, long-only, in non-U.S. develop market publicly traded common stocks. Managers of the funds replicate or optimize the large/mid-cap MSCI WORLD EX-USA Index and/or the large/mid-cap MSCI EAFE Index. For the SRP and PRBP only, approximately 60% of non-U.S. equities assets are actively-managed in separate accounts holding individual stocks.
- Emerging markets equities - For the Pension Plans and PRBP, actively managed commingled funds and/or mutual fund that invest, long-only, in emerging markets publicly traded common stocks.

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### Notes to Financial Statements

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Managers of the funds select securities, based upon fundamental characteristics, which are generally comprised within the large/mid-cap MSCI Emerging Markets Free Index.

- Public real estate - For the SRP and PRBP only, separate accounts which holds, long-only, publicly traded real estate securities. The accounts are actively-managed based upon fundamental characteristics, investing in securities generally comprised within the MSCI U.S. REIT Index.
- Long duration diversified fixed income - For the SRP and PRBP only, long duration fixed income assets are actively managed in separate accounts holding publicly traded individual bonds generally comprised within the Bloomberg Barclays U.S. Long Government/Credit Bond Index. For the CSRP only, actively managed commingled fund and/or mutual fund that invest, long-only, in publicly traded long duration government and credit securities. Managers of the funds select securities, based upon fundamental characteristics, which are generally comprised within the Bloomberg Barclays U.S. Long Government/Credit Bond Index, as well as opportunistic investments in non-index securities.
- Core fixed income - For the Pension Plans and PRBP, actively managed commingled funds that invest, long-only, in publicly traded intermediate duration government and credit securities. Managers of the funds select securities, based upon fundamental characteristics, which are generally comprised within the Bloomberg Barclays U.S. Aggregate Bond Index, as well as opportunistic investments in non-index securities.
- High yield fixed income - For the SRP only, assets are actively managed in a separate account holding publicly traded individual securities, and for the PRBP only, in an actively managed commingled fund. For both the SRP and PRBP, the investible universe is generally comprised of the securities within the Bloomberg Barclays High Yield 2% Constrained Index, as well as opportunistic investments in publicly traded non-index securities. High yield securities are financial obligations of U.S. companies, rated below investment-grade by at least one of the nationally recognized statistical rating organizations.
- U.S. inflation-indexed fixed income - For the Pension Plans and PRBP, investment in publicly traded individual U.S. Treasury Inflation Protected Securities in accounts managed internally. For the SRP, CSRP and PRBP, replicate or optimize the Bloomberg Barclays U.S. Treasury Inflation Notes 10+ Years Index. For the SRP and PRBP Stabilization Reserve Funds, replicate or optimize the Bloomberg Barclays U.S. Treasury Inflation TIPS 0-5 Years Index.
- Emerging markets fixed income - For the Pension Plans and PRBP, actively managed commingled funds that invest, long-only, in publicly traded emerging markets fixed income. The funds invest in sovereign and sub-sovereign United States dollar- and local-denominated debt. Managers of the funds invest in securities generally comprised within the J.P. Morgan EMBI Global Diversified Index, as well as opportunistic investments in non-index securities.
- Private real estate - For the Pension Plans and PRBP, open-end commingled funds which invest, long-only, in U.S. real estate properties. The funds are actively-managed based upon fundamental characteristics of the properties.
- Public infrastructure - For the CSRP, an enhanced index exchange-traded fund that invests, long-only, in U.S. and developed non-U.S. markets publicly traded common stocks within the infrastructure industries. Managers of the fund selects securities, based upon fundamental characteristics, which are generally comprised within the MSCI World Infrastructure Index. For the SRP and PRBP only, assets are actively managed in a separate account holding publicly traded individual stocks traded in the U.S. and developed non-U.S. markets.
- Private infrastructure - For the SRP and PRBP only, an actively managed, open-end commingled fund which invests, long-only, in U.S. and developed non-U.S. markets private equity within the infrastructure sector.

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### Notes to Financial Statements

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- Tactical asset allocation - For the SRP and PRBP only, actively managed commingled funds and mutual fund that invest in U.S. and developed markets equities, fixed income, commodities and currencies, investments could shift due to opportunistic behavior within these markets.
- Short-term fixed income funds - Commingled funds that invest, long-only, in publicly traded U.S. Government securities with maturities of less than 18 months. Managers of the funds invest in short-term government securities only, which are benchmarked against the Merrill Lynch 3-month Treasury Bill Index.

Effective December 2015, the IDB Board of Executive Directors (Board) approved and IDB Invest adopted the Long-Term Funding Policy (LTF) for the Pension Plans (SRP and CSRP) and the PRBP that established stable contribution rates of 20% (SRP), 0.71% (CSRP) and 12% (PRBP) of applicable salaries and established the Stabilization Reserve Funds (SRFs) for the SRP and PRBP for IDB Invest and the IDB. The LTF Policy had a five-year initial term.

In July 2019, following a review of the LTF Policy components, the Boards of IDB Invest and the IDB adopted an enhanced version of the LTF policy as part of the ongoing financial policies of the IDB. The enhanced version of the LTF policy removes its sunset period, continues to keep the IDB Invest and IDB contribution rates at a stable level, and establishes a rules based mechanism to guide Management decision making to allocate IDB Invest and IDB contributions when the SR Funds reaches its limits, as well as when the Pension Plans and PRBP reach their fully funded status. IDB Invest contributions made in excess (deficit) of the actuary's determined contribution rate are allocated (withdrawn) to (from) the SR Funds. The approved IPS SAA for the SR Funds is 50% Core fixed income, 20% Short-term fixed income funds and 30% U.S. TIPS.

The following tables set forth the investments of the Pension Plans and PRBP as of December 31, 2023 and 2022, which are measured at fair value and presented together with their weighted average allocation, by level within the fair value hierarchy (in thousands). As required by the fair value measurements accounting framework, these investments are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Investments in funds that do not have a readily determinable fair value are measured at NAV as a practical expedient and are not classified within the fair value hierarchy (USD thousands).

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## Notes to Financial Statements

| Pension Plans   |                   |                        |                         |                              |
|---|-------------------|------------------------|-------------------------|------------------------------|
| December 31, 2023   |                   |                        |                         |                              |
|   | Level 1           | Level 2 <sup>(1)</sup> | Fair value measurements | Weighted average allocations |
| <b>Equity securities</b>  |                   |                        |                         |                              |
| U.S. equities   | \$ 22,691         | \$ 27,470              | \$ 50,161               | 17 %                         |
| Non-U.S. equities   | 19,986            | 11,429                 | 31,415                  | 11 %                         |
| Emerging markets equities   | 5,737             | 4,643                  | 10,380                  | 4 %                          |
| Public real estate equities   | 7,842             | —                      | 7,842                   | 3 %                          |
| Public infrastructure equities  | 10,905            | —                      | 10,905                  | 4 %                          |
| <b>Government and diversified fixed income and fixed income funds</b> |                   |                        |                         |                              |
| Long duration U.S. Government and Agencies fixed income               | 23,353            | 938                    | 24,291                  | 8 %                          |
| Long duration diversified fixed income                                | 609               | 28,841                 | 29,450                  | 10 %                         |
| Core fixed income   | —                 | 23,327                 | 23,327                  | 8 %                          |
| Emerging markets fixed income   | —                 | 8,388                  | 8,388                   | 3 %                          |
| High yield fixed income   | —                 | 5,753                  | 5,753                   | 2 %                          |
| U.S. inflation-indexed fixed income                                   | 33,217            | —                      | 33,217                  | 11 %                         |
| <b>Tactical asset allocation<sup>(2)</sup></b>                        | 8,930             | 8,411                  | 17,341                  | 6 %                          |
| <b>Short-term fixed income funds</b>                                  | 426               | 12,943                 | 13,369                  | 4 %                          |
|   | <b>\$ 133,696</b> | <b>\$ 132,143</b>      | <b>\$ 265,839</b>       |                              |
| <b>Investments measured at NAV</b>                                    |                   |                        |                         |                              |
| Private real estate fund  |                   |                        | 17,468                  | 6 %                          |
| Private infrastructure fund   |                   |                        | 8,245                   | 3 %                          |
| <b>Total investments</b>  |                   |                        | <b>\$ 291,552</b>       | <b>100 %</b>                 |
| <b>Other liabilities, net<sup>(3)</sup></b>                           |                   |                        | <b>(2,926)</b>          |                              |
| <b>Total</b>  |                   |                        | <b>\$ 288,626</b>       |                              |

<sup>(1)</sup> Investments in this asset class are made through investment vehicles that may include commingled funds.

<sup>(2)</sup> Tactical Assets Allocation (TAA) may consist of investment in equities, fixed income and other alternative investments, including currencies and commodities. TAA allocates among asset classes based on the investment managers' assessment of relative value, with the goal of delivering equity-like returns with lower volatility. Some strategies may employ shorting and/or leverage to achieve investment goals. As of December 31, 2023, the total TAA consisted of approximately 49% in equities, 45% in fixed income, and 6% in alternative investment holdings.

<sup>(3)</sup> Includes receivables and payables carried at amounts that approximate fair value. Mainly payables for investments purchased.

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## Notes to Financial Statements

| Pension Plans   |                   |                        |                         |                              |
|---|-------------------|------------------------|-------------------------|------------------------------|
| December 31, 2022   |                   |                        |                         |                              |
|   | Level 1           | Level 2 <sup>(1)</sup> | Fair value measurements | Weighted average allocations |
| <b>Equity securities</b>  |                   |                        |                         |                              |
| U.S. equities   | \$ 21,376         | \$ 24,214              | \$ 45,590               | 18 %                         |
| Non-U.S. equities   | 25,497            | 14,009                 | 39,506                  | 15 %                         |
| Emerging markets equities   | 4,421             | 4,092                  | 8,513                   | 3 %                          |
| Public real estate equities   | 7,114             | —                      | 7,114                   | 3 %                          |
| Public infrastructure equities  | 8,276             | —                      | 8,276                   | 3 %                          |
| <b>Government and diversified fixed income and fixed income funds</b> |                   |                        |                         |                              |
| Long duration U.S. Government and Agencies fixed income               | 23,649            | 1,287                  | 24,936                  | 10 %                         |
| Long duration diversified fixed income                                | 567               | 32,790                 | 33,357                  | 13 %                         |
| Core fixed income   | —                 | 18,707                 | 18,707                  | 7 %                          |
| Emerging markets fixed income   | —                 | 7,096                  | 7,096                   | 3 %                          |
| High yield fixed income   | —                 | 4,822                  | 4,822                   | 2 %                          |
| U.S. inflation-indexed fixed income                                   | 8,338             | —                      | 8,338                   | 3 %                          |
| <b>Tactical asset allocation<sup>(2)</sup></b>                        | 6,357             | 7,709                  | 14,066                  | 5 %                          |
| <b>Short-term fixed income funds</b>                                  | 219               | 14,063                 | 14,282                  | 5 %                          |
|   | <b>\$ 105,814</b> | <b>\$ 128,789</b>      | <b>\$ 234,603</b>       |                              |
| <b>Investments measured at NAV</b>                                    |                   |                        |                         |                              |
| Private real estate fund  |                   |                        | 20,052                  | 8 %                          |
| Private infrastructure fund   |                   |                        | 4,924                   | 2 %                          |
| <b>Total investments</b>  |                   |                        | <b>\$ 259,579</b>       | <b>100 %</b>                 |
| <b>Other liabilities, net<sup>(3)</sup></b>                           |                   |                        | <b>(2,173)</b>          |                              |
| <b>Total</b>  |                   |                        | <b>\$ 257,406</b>       |                              |

<sup>(1)</sup> Investments in this asset class are made through investment vehicles that may include commingled funds.

<sup>(2)</sup> Tactical Assets Allocation (TAA) may consist of investment in equities, fixed income and other alternative investments, including currencies and commodities. TAA allocates among asset classes based on the investment managers' assessment of relative value, with the goal of delivering equity-like returns with lower volatility. Some strategies may employ shorting and/or leverage to achieve investment goals. As of December 31, 2022, the total TAA consisted of approximately 49% in equities, 45% in fixed income, and 6% in alternative investment holdings.

<sup>(3)</sup> Includes receivables and payables carried at amounts that approximate fair value. Mainly payables for investments purchased.

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|   | PRBP              |                        |                         |                              |
|---|-------------------|------------------------|-------------------------|------------------------------|
|   | December 31, 2023 |                        |                         |                              |
|   | Level 1           | Level 2 <sup>(1)</sup> | Fair value measurements | Weighted average allocations |
| <b>Equity and equity funds</b>  |                   |                        |                         |                              |
| U.S. equities   | \$ 15,092         | \$ 16,883              | \$ 31,975               | 17 %                         |
| Non-U.S. equities   | 12,308            | 7,470                  | 19,778                  | 11 %                         |
| Emerging markets equities   | 3,314             | 3,326                  | 6,640                   | 4 %                          |
| Public real estate equities   | 4,832             | —                      | 4,832                   | 3 %                          |
| Public Infrastructure equities  | 6,613             | —                      | 6,613                   | 4 %                          |
| <b>Government and diversified fixed income and fixed income funds</b> |                   |                        |                         |                              |
| Long duration U.S. Government and Agencies fixed income               | 15,311            | 592                    | 15,903                  | 9 %                          |
| Long duration diversified fixed income                                | —                 | 18,008                 | 18,008                  | 10 %                         |
| Core fixed income   | —                 | 14,014                 | 14,014                  | 8 %                          |
| Emerging markets fixed income   | —                 | 5,213                  | 5,213                   | 3 %                          |
| High yield fixed income   | —                 | 3,618                  | 3,618                   | 2 %                          |
| U.S. inflation-indexed fixed income                                   | 20,492            | —                      | 20,492                  | 11 %                         |
| <b>Tactical asset allocation<sup>(2)</sup></b>                        | 5,691             | 5,618                  | 11,309                  | 6 %                          |
| <b>Short-term fixed income funds</b>                                  | 8,250             | 164                    | 8,414                   | 4 %                          |
|   | <b>\$ 91,903</b>  | <b>\$ 74,906</b>       | <b>\$ 166,809</b>       |                              |
| <b>Investments measured at NAV</b>                                    |                   |                        |                         |                              |
| Private real estate fund  |                   |                        | 10,091                  | 5 %                          |
| Private infrastructure fund   |                   |                        | 5,767                   | 3 %                          |
| <b>Total investments</b>  |                   |                        | <b>\$ 182,667</b>       | <b>100 %</b>                 |
| <b>Other liabilities, net<sup>(3)</sup></b>                           |                   |                        | <b>(2,156)</b>          |                              |
| <b>Total</b>  |                   |                        | <b>\$ 180,511</b>       |                              |

<sup>(1)</sup> Investments in this asset class are made through investment vehicles that may include commingled funds.

<sup>(2)</sup> Tactical Assets Allocation (TAA) may consist of investment in equities, fixed income and other alternative investments, including currencies and commodities. TAA allocates among asset classes based on the investment managers' assessment of relative value, with the goal of delivering equity-like returns with lower volatility. Some strategies may employ shorting and/or leverage to achieve investment goals. As of December 31, 2023, the total TAA consisted of approximately 49% in equities, 45% in fixed income, and 6% in alternative investment holdings.

<sup>(3)</sup> Includes receivables and payables carried at amounts that approximate fair value. Mainly payables for investments purchased

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|   | PRBP              |                        |                         |                              |
|---|-------------------|------------------------|-------------------------|------------------------------|
|   | December 31, 2022 |                        |                         |                              |
|   | Level 1           | Level 2 <sup>(1)</sup> | Fair value measurements | Weighted average allocations |
| <b>Equity and equity funds</b>  |                   |                        |                         |                              |
| U.S. equities   | \$ 13,516         | \$ 14,463              | \$ 27,979               | 17 %                         |
| Non-U.S. equities   | 16,279            | 9,173                  | 25,452                  | 16 %                         |
| Emerging markets equities   | 2,399             | 2,448                  | 4,847                   | 3 %                          |
| Public real estate equities   | 4,459             | —                      | 4,459                   | 3 %                          |
| Public infrastructure equities  | 5,042             | —                      | 5,042                   | 3 %                          |
| <b>Government and diversified fixed income and fixed income funds</b> |                   |                        |                         |                              |
| Long duration U.S. Government and Agencies fixed income               | 15,362            | 783                    | 16,145                  | 10 %                         |
| Long duration diversified fixed income                                | —                 | 20,683                 | 20,683                  | 13 %                         |
| Core fixed income   | —                 | 12,439                 | 12,439                  | 8 %                          |
| Emerging markets fixed income   | —                 | 4,493                  | 4,493                   | 3 %                          |
| High yield fixed income   | —                 | 3,142                  | 3,142                   | 2 %                          |
| U.S. inflation-indexed fixed income                                   | 5,297             | —                      | 5,297                   | 3 %                          |
| <b>Tactical asset allocation<sup>(2)</sup></b>                        | 3,734             | 5,250                  | 8,984                   | 5 %                          |
| <b>Short-term fixed income funds</b>                                  | 8,458             | 124                    | 8,582                   | 5 %                          |
|   | <b>\$ 74,546</b>  | <b>\$ 72,998</b>       | <b>\$ 147,544</b>       |                              |
| <b>Investments measured at NAV</b>                                    |                   |                        |                         |                              |
| Private real estate fund  |                   |                        | 11,549                  | 7 %                          |
| Private infrastructure fund   |                   |                        | 3,713                   | 2 %                          |
| <b>Total investments</b>  |                   |                        | <b>\$ 162,806</b>       | <b>100 %</b>                 |
| <b>Other liabilities, net<sup>(3)</sup></b>                           |                   |                        | <b>(1,747)</b>          |                              |
| <b>Total</b>  |                   |                        | <b>\$ 161,059</b>       |                              |

<sup>(1)</sup> Investments in this asset class are made through investment vehicles that may include commingled funds.

<sup>(2)</sup> Tactical Assets Allocation (TAA) may consist of investment in equities, fixed income and other alternative investments, including currencies and commodities. TAA allocates among asset classes based on the investment managers' assessment of relative value, with the goal of delivering equity-like returns with lower volatility. Some strategies may employ shorting and/or leverage to achieve investment goals. As of December 31, 2022, the total TAA consisted of approximately 49% in equities, 45% in fixed income, and 6% in alternative investment holdings.

<sup>(3)</sup> Includes receivables and payables carried at amounts that approximate fair value. Mainly payables for investments purchased.

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

Investment securities that are measured at fair value based on quoted market prices for similar assets in active markets, or quoted prices for identical or similar assets in markets that are not active, a valuation technique consistent with the market approach, include corporate, non-U.S. government, high yield and municipal fixed income, and commercial mortgage backed securities. Also included are proprietary investment managers'

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commingled funds investing in U.S., non-U.S. developed and emerging markets equities, emerging markets fixed income, core and long-duration fixed income funds, and/or short-term fixed income investments. These commingled funds are not publicly traded and are measured at fair value based on the net asset per share, which is determined and published and are the basis for current transactions. Such securities are classified within Level 2 of the fair value hierarchy.

Proprietary investment managers' funds investing in private real estate and infrastructure do not have readily determinable fair values and are measured at the NAV as a practical expedient. Such investments are not classified within the fair value hierarchy.

#### Contributions

Contributions from IDB Invest to the Pension Plans and the PRBP during 2024 are expected to be approximately \$9.9 million and \$5.8 million, respectively. All contributions are made in cash.

#### Estimated future benefit payments

The following table summarizes the benefit payments, which reflect expected future service, as appropriate, expected to be paid in each of the next five years and in the aggregate for the subsequent five years. These amounts are based on the same assumptions used to measure the benefit obligation as of December 31, 2023 (USD thousands).

|                                   | Pension Plans | PRBP     |
|-----------------------------------|---------------|----------|
| Estimated future benefit payments |               |          |
| 2024                              | \$ 6,996      | \$ 1,952 |
| 2025                              | 7,712         | 2,200    |
| 2026                              | 8,583         | 2,480    |
| 2027                              | 9,678         | 2,852    |
| 2028                              | 10,748        | 3,256    |
| 2029-2033                         | 71,754        | 23,535   |

#### 15. Subsequent Events

Management has evaluated subsequent events through February 20, 2024, 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*.