CORPORACIÓN INTERAMERICANA PARA EL FINANCIAMIENTO DE INFRAESTRUCTURA, S. A. AND SUBSIDIARIES

(Panama, Republic of Panama)

Consolidated Financial Statements

December 31, 2019

(With Independent Auditors' Report)

CORPORACIÓN INTERAMERICANA PARA EL FINANCIAMIENTO DE INFRAESTRUCTURA, S. A. AND SUBSIDIARIES
(Panama, Republic of Panama)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Corporación Interamericana para el Financiamiento de Infraestructura, S. A.

Opinion

We have audited the consolidated financial statements of Corporación Interamericana para el Financiamiento de Infraestructura, S. A. and Subsidiaries ("the Corporation"), which comprise the consolidated statement of financial position as of December 31, 2019, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as of December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Corporation in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Panamá, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. This matter was addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on this matter.

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Allowance for loan losses
See Notes 3(h) and 6 to the consolidated financial statements

Key audit matter	How the key matter was addressed during the audit
The allowance for loan losses is considered as one of the most significant matters because it requires the use of judgments and subjective assumptions made by management for the construction of its expected credit loss ("ECL") model. The loan portfolio´s gross amount represents 91% of the Corporation´s total assets. The allowance for loan losses is comprised of ECL as a result of the loan rating model and the mechanism to determine the probability of default of each loan according to the impairment stage in which it is assigned.	Our audit procedures, considering the use of specialists, included: • We assessed key controls on delinquency calculations, and internal customer risk ratings, and reviewed as to accuracy of customer and model information and methodologies used. • For a sample of loans, the respective credit files were inspected, including the debtors' financial information, the values of guarantees, determined by expert appraisers, which support the credit operations and other factors that could represent an event of loss, to determine the reasonableness of the credit risk rating assigned by the risk officers. • The methodology applied by the Corporation in the ECL model was assessed in accordance with IFRS 9 Financial Instruments, through the inspection of policies, manuals and methodology documented and approved by the Corporation's governance. • An independent assessment was made of the inputs used based on the methodology and recalculation was carried out according to the ECL model. • We assessed the judgments applied by management on assumptions relating to the current conditions of the economy and the considerations on the prospective analysis that can change the level of ECL, based on our experience and knowledge of the industry.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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.

- 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors´ report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner of the audit resulting in this independent auditors' report is Luis Venegas.

KPMG

Panama, Republic of Panama
March 27, 2020

Consolidated Statement of Financial Position

December 31, 2019

(Expressed in US Dollars)

	Note	2019	2018
Assets			
Cash and cash equivalents	6	18,419,136	15,215,074
Investment securities	6	1,897,964	1,451,595
Loans receivable at amortized cost	6	378,302,168	354,494,289
Assets held-for-sale, net	6	541,970	1,423,461
Furniture, equipment and improvements, net	7, 16	2,524,765	727,548
Receivables from advisory and structuring services, net	6	3,404,575	5,010,647
Derivative assets held for risk management	6, 15	5,268,269	1,981,746
Investment property	8	13,326,832	0
Other assets		3,511,193	2,042,368
Total assets		427,196,872	382,346,728
Liabilities			
At amortized cost:			
Loans	6, 9	153,892,042	148,347,209
Bonds	6, 10	144,744,891	101,208,384
Commercial paper	6, 11	25,143,000	33,193,000
Accrued interest payable		1,231,527	781,432
Lease liabilities	16	1,672,877	0
Other liabilities		1,640,936	1,140,128
Total liabilities		328,325,273	284,670,153
Equity			
Share capital	12	54,000,001	54,000,001
Treasury shares	12	(3,673,618)	0
Additional paid-in capital		85,000	85,000
Retained earnings		48,460,216	43,591,574
Total equity		98,871,599	97,676,575
Total liabilities and equity		427,196,872	382,346,728
Commitments and contingencies			
Loans pending disbursement	18	41,588,104	46,563,788
Undrawn balance of credit facilities	6, 9	68,678,380	93,500,000
Notional amount of swaps	15	141,238,200	94,000,000

The consolidated statement of financial position should be read along with the accompanying notes to the consolidated financial statements.

CORPORACIÓN INTERAMERICANA PARA EL FINANCIAMIENTO DE INFRAESTRUCTURA, S. A. AND SUBSIDIARIES
(Panama, Republic of Panama)

Consolidated Statement of Comprehensive Income

For the year ended on December 31, 2019

(Expressed in US Dollars)

	Note	2019	2018
Interest income:			
Cash and cash equivalents		244,048	215,753
Investment securities		69,254	28,833
Loans receivable		33,360,514	32,909,883
Total interest income		33,673,816	33,154,469
Interest expense:			
Loans payable		(10,259,659)	(12,496,448)
Debt securities		(7,402,189)	(3,850,658)
Lease	16	(100,778)	0
Total interest expense		(17,762,626)	(16,347,106)
Net interest income		15,911,190	16,807,363
Other income:			
Advisory and structuring fees and other, net		6,732,341	6,748,336
Gain or loss on derivative instruments and other financial assets, net	15	117,381	173,362
Total other income		6,849,722	6,921,698
Operating income		22,760,912	23,729,061
Provision for loan losses	6	(3,381,935)	(3,144,671)
Reversal of impairment loss on investment securities	6	0	177,841
Impairment loss on assets held-for-sale	6	(259,343)	(1,336,105)
Impairment loss on receivables		(55,697)	(494,891)
Depreciation and amortization expense	7	(487,122)	(161,966)
Personnel expenses		(5,659,022)	(5,592,365)
Other administrative expenses		(4,352,378)	(4,536,608)
Net income before tax		8,565,415	8,640,296
Income taxes	14	(255,811)	(480,028)
Total comprehensive income for the year		8,309,604	8,160,268
Basic earnings per share	13	0.15	0.15

The consolidated statement of compehensive income should be read along with the accompanying notes to the consolidated financial statements.

CORPORACIÓN INTERAMERICANA PARA EL FINANCIAMIENTO DE INFRAESTRUCTURA, S. A. AND SUBSIDIARIES
(Panama, Republic of Panama)

Consolidated Statement of Changes in Equity

For year ended on December 31, 2019

(Expressed in US Dollars)

	Share capital	Treasury shares	Additional paid-in capital	Retained earnings	Total equity
Balance at December 31, 2017	54,000,001	0	85,000	44,690,545	98,775,546
Impact of adopting IFRS 9 at January 1, 2018	0	0	0	(4,745,189)	(4,745,189)
Balance at January 1, 2018	54,000,001	0	85,000	39,945,356	94,030,357
Net income for the year	0	0	0	8,160,268	8,160,268
Total comprehensive income for the year	0	0	0	8,160,268	8,160,268
Transactions with owners of the Corporation					
Complementary tax, Panama	0	0	0	(235,121)	(235,121)
Dividends paid	0	0	0	(4,278,929)	(4,278,929)
Balance at December 31, 2018	54,000,001	0	85,000	43,591,574	97,676,575
Net income for the year	0	0	0	8,309,604	8,309,604
Total comprehensive income for the year	0	0	0	8,309,604	8,309,604
Transactions with owners of the Corporation					
Complementary tax, Panama	0	0	0	(176,854)	(176,854)
Dividends paid	0	0	0	(3,264,108)	(3,264,108)
Share repurchase	0	(3,673,618)	0	0	(3,673,618)
Balance at December 31, 2019	54,000,001	(3,673,618)	85,000	48,460,216	98,871,599

The consolidated statement of changes in equity should be read along with the accompanying notes to the consolidated financial statements.

CORPORACIÓN INTERAMERICANA PARA EL FINANCIAMIENTO DE INFRAESTRUCTURA, S. A. AND SUBSIDIARIES
(Panama, Republic of Panama)

Consolidated Statement of Cash Flows

For the year ended on December 31, 2019

(Expressed in US Dollars)

	Note	2019	2018
Cash flows from operating activities			
Net income for the year		8,309,604	8,160,268
Gain or loss on derivative instruments and other financial assets, net		(117,381)	(173,362)
Provision for loan losses	6	3,381,935	3,144,671
Reversal of impairment loss on investment securities	6	0	(177,841)
Impairment loss on assets held-for-sale	6	259,343	1,336,105
Impairment loss on receivables		55,697	494,891
Depreciation and amortization expense	7	487,122	161,966
Net interest income		(15,911,190)	(16,807,363)
Income tax expense	14	255,811	480,028
		(3,279,059)	(3,380,637)
Changes in:			
Other assets		821,923	(18,916)
Other account payable		244,997	(1,326,586)
Loan collections		68,904,688	144,554,361
Loan disbursements		(110,282,159)	(157,681,106)
		(40,310,551)	(14,472,247)
Income tax paid		(464,598)	(545,121)
Interest received		34,525,725	33,341,913
Interest paid		(17,312,531)	(17,364,593)
		16,748,596	15,432,199
Net cash flows from operating activities		(26,841,014)	(2,420,685)
Cash flows from investing activities			
Acquisition of investment securities		(1,894,000)	(1,450,000)
Proceeds form sales, redemption and amortization of investment securities		1,450,000	0
Acquisition of furniture, equipment and improvements	7	(435,557)	(125,504)
Proceeds from sale of computer equipment	7	1,379	1,718
Net cash flows from investing activities		(878,178)	(1,573,786)
Cash flows from financing activities			
Proceeds from loans payable		172,079,944	100,975,000
Repayment of loans payable		(166,535,110)	(235,201,353)
Proceeds from bonds		33,991,000	100,000,000
Repayment of bonds		(42,041,000)	(600,000)
Proceeds from commercial paper issued		41,743,000	43,003,000
Repayment of commercial paper		(1,200,000)	(14,810,000)
Share repurchase		(3,673,618)	0
Complementary tax paid		(176,854)	(235,121)
Dividends paid		(3,264,108)	(4,278,929)
Net cash flows from financing activities		30,923,254	(11,147,403)
Net decrease in cash and cash equivalents		3,204,062	(15,141,874)
Cash and cash equivalents at the beginning of the year		15,215,074	30,356,948
Cash and cash equivalents at the end of the year		18,419,136	15,215,074

The consolidated statement of cash flows should be read along with the accompanying notes to the consolidated financial statements.

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(1) Reporting Entity

Corporación Interamericana para el Financiamiento de Infraestructura, S. A. (the Corporation or CIFI) was organized on August 10, 2001 under the laws of the Republic of Costa Rica and began operations in July 2002. As of April 4, 2011, the Corporation was legally redomiciled under the laws of Republic of Panama.

The Corporation's business structure is based on one segment, as its main line of business is granting loans to finance infrastructure projects in Latin America. However, it also offers other services such as "Advisory & Structuring" services, which are not evaluated as a separate segment of the Corporation's business but rather assessed in conjunction with its lending activities.

Effective July 1, 2016, CIFI moved its headquarters from Arlington, Virginia to Panama City, Republic of Panama; the presence in Panama has allowed the Corporation to be closer to CIFI's Latin America and Caribbean operations, which is its center stage. Panama is an important financial center in Latin America and the Caribbean, and also it is a logistical enclave that allows quick access to the region.

The Corporation's main offices are located at MMG Tower, 13th Floor, Office 13A, Paseo Roberto Motta Avenue, Costa del Este, Panama City, Republic of Panama.

The Corporation owns or controls the following subsidiary companies incorporated in 2017:

	Activity	Country of Incorporation	Controlling Ownership	
			2019	2018
CIFI SEM, S. A.	Personnel Management	Panama	100%	100%
CIFI PANAMA, S. A.	Lending & Financing Structuring	Panama	100%	100%
CIFI LATAM, S. A.	Lending & Financing Structuring	Panama	100%	100%
CIFI AM, S.A.	Currently inactive	Cayman Islands	100%	100%

The consolidated financial statements were authorized for issuance by the Corporation's Board of Directors on March 19, 2020.

(2) Basis of Preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for derivative financial instruments and certain investment securities that are measured at fair value, assets held-for-sale measured at fair value less costs to sell, investment property at fair value and bonds designated as hedged items in qualifying fair value hedging relationships which are measured at amortized cost adjusted for hedging gains or losses.

(2) Basis of Preparation, continued

(c) Functional and presentation currency

The consolidated financial statements are presented in U.S. dollars (US$), which is the Corporation's functional currency.

All of the Corporation's assets and liabilities are denominated in U.S. dollars. Additionally, shareholder contributions and ordinary shares are denominated in that currency.

(d) Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is reviewed and in any future years affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are included in the following notes:

- Allowance for loan losses and accrued interest receivable – note 6;
- Impairment of assets held-for-sale – note 6;
- Fair value of financial instruments – note 17.

(3) Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements, except for adoption of IFRS 16 Leases as of January 1, 2019 (see Notes 3 (r) and 16).

(a) Basis of Consolidation

(i) Subsidiaries

The Corporation has control on a subsidiary when it is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns. The financial statements of the subsidiaries, described in Note 1, are included in the consolidated financial statements since the date the Corporation obtains control and ceases when the Corporation loses control.

Income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective acquisition/inception date or until the effective disposal date, as applicable.

(ii) Transactions eliminated in consolidation

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the Corporation and its subsidiaries are eliminated in preparing the consolidated financial statements.

(3) Significant Accounting Policies, continued

(b) Foreign currency transactions

The Corporation's functional currency is the U.S. dollar, and all assets and liabilities are denominated in U.S. dollars (US$). In case the Corporation has assets and liabilities denominated in currencies other than the U.S. dollar, the Corporation translates the value of such assets or liabilities into U.S. dollars at the prevailing exchange rate between the currency in which the assets or liabilities are denominated and the U.S. dollar as of the reporting date. Transactions in foreign currency are translated at the foreign exchange rate in effect at the date of the transaction. Translation gains or losses are presented in profit or loss.

(c) Cash and cash equivalents

Cash and cash equivalents include currency on hand, unrestricted cash balances held with banks, and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value and are used by the Corporation for management of its short-term commitments.

(d) Financial assets and financial liabilities

(i) Recognition and initial measurement

The Corporation initially recognizes loans receivable, debt securities issued and subordinated liabilities on the date on which they are originated. All other financial instruments are recognized on the trade date, which is the date on which the Corporation becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification

Financial assets

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows.

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(3) Significant Accounting Policies, continued

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

All other financial assets are classified as measured at FVTPL.

Business model assessment

The Corporation makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Corporation's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Corporation's stated objective for managing the financial assets is achieved and how cash flows are realized.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

(3) Significant Accounting Policies, continued

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, principal is defined as the fair value of the financial asset on initial recognition. Interest is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risk and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Corporation considers the contractual terms of the instruments. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Corporation considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Corporation's claim to cash flows from specified assets - e.g. non-recourse asset arrangements; and
- features that modify consideration of the time value of money - e.g. periodical reset of interest rates.

The Corporation holds a portfolio of long-term fixed rate loans for which the Group has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The Corporation has determined that the contractual cash flows of these loans are solely payments of principal and interest because the option varies the interest rate in a way that reflect a consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Financial Liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, under IAS 39 all fair value changes of liabilities designated as at FVTPL are recognized in profit or loss, whereas under IFRS 9 these fair value changes will generally be presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

(3) Significant Accounting Policies, continued

The Corporation has not designated any liabilities as at FVTPL and does not intend to do so.

(iii) Derecognition

A financial asset is derecognized when the Corporation loses control over the contractual rights that comprise the asset. This occurs when the rights are realized, expire, or are surrendered. The Corporation derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired.

(iv) Modifications to financial assets

Financial assets

If the terms of a financial asset are modified, the Corporation evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized, and a new financial asset is recognized at fair value.

If the cash flows of the modified asset carried at amortized cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Corporation recalculates the gross carrying amount of the financial asset and recognizes the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

(v) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Corporation has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Corporation measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with enough frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Corporation uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Corporation measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

(3) Significant Accounting Policies, continued

The Corporation recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(vi) Impairment

The Corporation recognizes loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- Financial assets that are debt instruments
- Loan commitments issued and financial guarantees.

No impairment loss is recognized on equity investments.

The Corporation measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- Debt investment securities that are determined to have low credit risk at the reporting date
- Other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Corporation considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of ‘investment grade’.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls.
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows
- Undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Corporation if the commitment is drawn down and the cash flows that the Corporation expects to receive
- Financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Corporation expects to recover.

(3) Significant Accounting Policies, continued

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer

- A breach of contract such as a default or past due event

- The restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise

- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization

- The disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

(3) Significant Accounting Policies, continued

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the consolidated statement of financial position as follows:

- Financial assets measured at amortized cost: as a deduction from the gross carrying amount of assets;

- Loan commitments and financial guarantee contracts: generally, as a provision;

- Where a financial instrument includes both a drawn and an undrawn component and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and

- Debt instruments measured at FVOCI: no loss allowance is recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognized in retained earnings.

Write-offs

Loans and debt securities are written off when there is no realistic prospect of recovery. This is generally the case when the Corporation determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities, in order to comply with the Corporation procedures for recovery of amounts due.

Financial assets

IFRS 9 contains a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgment over how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The impairment model is applied to financial assets measured at amortized cost and FVOCI, except for investments in equity instruments.

A three-stage approach to impairment is used for financial assets that are performing at the date of origination or purchase. This approach is summarized as follows:

- 12-month ECL: The Corporation recognizes a credit loss allowance at an amount equal to 12-month expected credit losses. This represents the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date, assuming that credit risk has not increased significantly after initial recognition.

(3) Significant Accounting Policies, continued

- Lifetime ECL not credit impaired: The Corporation recognizes a credit loss allowance at an amount equal to lifetime expected credit losses for those financial assets which are considered to have experienced a significant increase in credit risk since initial recognition. This requires the computation of ECL based on lifetime probability of default (LTPD) that represents the probability of default occurring over the remaining lifetime of the financial assets. Allowance for credit losses are higher in this stage because of an increase in credit risk and the impact of a longer time horizon being considered compared to 12-month ECL.

- Lifetime ECL credit impaired: The Corporation recognizes a loss allowance at an amount equal to lifetime expected credit losses, reflecting a probability of default (PD) of 100% via the recoverable cash flows for the asset, for those financial assets that are credit-impaired.

- Financial assets that are credit-impaired upon recognition are categorized within this stage with a carrying value already reflecting the lifetime expected credit losses. The accounting treatment for these purchased or originated credit-impaired (POCI) assets is discussed further below.

- POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognized based on a credit-adjusted effective interest rate. ECLs are only recognized or released to the extent that there is a subsequent change in the expected credit losses.

(e) Derivatives held for risk management purposes and hedge accounting

Management uses derivative financial instruments as part of its operations. Those instruments are recognized at fair value in the consolidated statement of financial position.

The Corporation designates certain derivatives held for risk management as hedging instruments in qualifying hedging relationships. On initial designation of the hedge, the Corporation formally documents the relationship between the hedging instrument and the hedged item, including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Corporation makes an assessment, both at the inception of the hedge relationship as well as on a quarterly basis, as to whether the hedging instrument is expected to be ‘highly effective’ in offsetting the changes in the fair value or cash flows of the respective hedged item during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent.

Derivative instruments recognized as fair value hedges hedge exposure to changes in the fair value of an asset or liability recognized in the consolidated statement of financial position, or in the fair value of an identified portion of such asset or liability that is attributable to the specific hedged risk that could affect the net gain or loss recognized in the consolidated financial statements.

(3) Significant Accounting Policies, continued

When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognized asset or liability or a firm commitment that could affect profit or loss, changes in the fair value are recognized immediately in profit or loss. The change in fair value of the hedged item attributable to the hedged risk is recognized in profit or loss. If the hedged item would otherwise be measured at cost or amortized cost, then its carrying amount is adjusted accordingly.

If the hedging derivative expires or is sold, terminated, or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, hedge accounting is discontinued prospectively. Any adjustment up to that point to a hedged item for which the effective interest method is used, is amortized to profit or loss as part of the recalculated effective interest rate of the item over its remaining life.

(f) Investment securities

The investment securities in the consolidated statement of financial position includes:

- Debt investment securities measured at amortized cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortized cost using the effective interest method.

- Debt and equity investment securities mandatorily measured at FVTPL or designated as at FVTPL; these are measured at fair value with changes recognized immediately in profit or loss.

- Debt securities measured at FVOCI.

- Equity investment securities designated as at FVOCI.

For debt securities measured at FVOCI, gains and losses are recognized in OCI, except for the following, which are recognized in profit or loss in the same manner as for financial assets measured at amortized cost:

- Interest revenue using the effective interest method.

- ECL and reversals.

- Foreign exchange gains and losses.

When a debt security measured at FVOCI is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss.

The Corporation elects to present in OCI changes in the fair value of certain investments in equity instruments that are not held for trading. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

(3) Significant Accounting Policies, continued

Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognized in profit or loss. Dividends are recognized in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognized in OCI. Cumulative gains and losses recognized in OCI are transferred to retained earnings on disposal of an investment.

(g) Assets held for sale

Non-current assets are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Such assets are generally measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on remeasurement are recognized in profit or loss. The Company reviews the carrying amounts of its assets held-for-sale to determine whether there is any indication of impairment. If any such indication exists, then the asset´s recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognized if the carrying amount of the asset exceeds its recoverable amount.

(h) Furniture, equipment and improvements

Furniture, equipment and improvements are used in the office premises of the Corporation. Those assets are stated at historical cost less accumulated depreciation and amortization. The historical cost includes the expense that is directly attributable to the acquisition of the assets.

Subsequent costs are included in the carrying value of the asset or recognized as a separate asset, as applicable, only when it is likely that the Corporation would obtain the future economic benefits associated with the property and the cost can be reliably measured. Costs considered as repair and maintenance are recognized in profit or loss during the financial period they are incurred on.

Depreciation and amortization expenses of furniture, equipment and improvements are recognized in profit or loss under the straight-line method considering the useful life of the assets. The estimated useful lives are summarized as follows:

Improvements	5 years
Furniture and equipment	4-5 years

Furniture and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount. The recoverable amount is the greater of its value in use and its fair value less costs to sell.

(3) Significant Accounting Policies, continued

(i) Investment property

Investment property is initially measured at cost and subsequently at fair value with any change therein recognized in profit or loss within other income. In case the investment property is acquired in exchange for a non-monetary asset or assets, the cost of such an investment property is measured at fair value.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposals and the carrying amount of the item) is recognized in profit or loss.

When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

(j) Liabilities

Liabilities are carried at cost or amortized cost, except for bonds in qualifying hedging relationships which are measured at amortized cost adjusted for hedging gain or loss.

(k) Provisions

A provision is recognized in the consolidated statement of financial position when the Corporation has acquired a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions made approximate settlement value; however, final amounts may vary. The estimated amount of the provision is adjusted at each reporting date, directly affecting profit or loss.

(l) Income tax

Estimated income tax is the expected tax payable on taxable income for the year, using tax rates enacted at the reporting date, and any other adjustment to taxes payable in respect of previous years.

Deferred income tax represents the amount of income tax payable and/or receivable in future years resulting from temporary differences between the carrying values of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. These temporary differences are expected to be reversed in future years. If it is determined that the deferred tax would not be realized in future years, the deferred tax will be totally or partially reduced. The Corporation has not recognized any deferred tax assets or liabilities at December 31, 2019.

(3) Significant Accounting Policies, continued

(m) Income and expense recognition

(i) Interest income and expense

Effective interest rate

Interest income and expense are recognized in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortized cost of the financial liability.

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Corporation estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortized cost and gross carrying amount

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured on initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

(3) Significant Accounting Policies, continued

(ii) Fee and commission income and expenses

Fee and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate. When a commission is deferred, it is recognized over the term of the loan.

Other fee and commission income is included in other operating income, arises from services provided by the Corporation, including advisory and structuring services, and is recognized as the related services are performed.

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Corporation recognizes revenue when it transfers control over a service to a customer.

The following table describes the products, services and nature for which the Corporation generates its income.

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15
Advisory and Structuring Services	Advising customers on the structuring of the terms and conditions established in the offer of financing and coordination between the legal advisors of the lending and borrowing counterparties in all legal aspects relating to the offer and acceptance of the credit facility, among others.	Revenue related to transactions is recognized at the point in time when the transaction takes place.

(n) Net income from other financial instruments at fair value through profit or loss

Net income from other financial instruments at fair value through profit or loss relates to non-trading derivatives held for risk management purposes that do not form part of qualifying hedge relationships and financial assets and liabilities designated at fair value through profit or loss and includes all realized and unrealized fair value changes.

(o) Basic earnings per share

The Corporation presents basic earnings per share (EPS) data for its ordinary shares. EPS is calculated by dividing the profit or loss that is attributable to ordinary shareholders of the Corporation by the weighted average number of ordinary shares outstanding during the period.

(p) Segment Information

A business segment is a component of the Corporation, whose operating results are regularly reviewed by management to make decisions about the resources that will be assigned to the segment and thus evaluate its performance, and for which financial information is available for this purpose.

(3) Significant Accounting Policies, continued

The Corporation's business structure is based on one segment, as its main line of business is granting loans to finance infrastructure projects in Latin America. However, it also offers other services such as "Advisory & Structuring" services, which are not evaluated as a separate segment of the Corporation's business but rather assessed in conjunction with its lending activities.

(q) Employee benefits

(i) *Short-term employee benefits*

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Corporation has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) *Other long-term employee benefits*

The Corporation's net obligation in respect of long-term employee (key executive) benefits is the amount of future benefits that executives have earned in return for their service in the current and future period. That benefit is based on the award value generated to determine its present value. Remeasurements are recognized in profit or loss in the period in which they arise.

(r) Leases

The Corporation's has initially adopted IFRS 16 *Leases* from January 1, 2019.

The Corporation has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately if they are different from those under IFRS 16 and the impact of changes is disclosed in Note 16.

Policy applicable from January 1, 2019

Previously, the Corporation determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Corporation assesses whether a contract is or contains a lease based on the definition of a lease.

At inception of a contract, the Corporation assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Corporation assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

(3) Significant Accounting Policies, continued

- The Corporation has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

- The Corporation has the right to direct the use of the asset. The Corporation has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Corporation has the right to direct the use of the asset if either:

- The Corporation has the right to operate the asset; or

- The Corporation designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after January 1, 2019.

At inception or on reassessment of a contract that contains a lease component, the Corporation allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Corporation has elected separate non-lease components and not account for the lease and non-lease components as a single lease component.

The Corporation recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of furniture, equipment and improvements. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Corporation's incremental borrowing rate. The Corporation uses its incremental borrowing rate as the discount rate.

(3) Significant Accounting Policies, continued

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Corporation is reasonably certain to exercise, lease payments in an optional renewal period if the Corporation is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Corporation is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Corporation's estimate of the amount expected to be payable under a residual value guarantee, or if the Corporation changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Corporation presents right-of-use assets that do not meet the definition of investment property in furniture, equipment and improvement and lease liabilities in the consolidated statement of financial position.

Short-term leases and leases of low-value assets

The Corporation has elected not to recognize right-of-use assets and lease liabilities for short-term leases of computer equipment that have a lease term of 12 months or less and leases of low-value assets. The Corporation recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

For contracts entered into before January 1, 2019, the Corporation determined whether the arrangement was or contained a lease based on the assessment of whether:

- Fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- The arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
  - The purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - The purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or

(3) Significant Accounting Policies, continued

Policy applicable before January 1, 2019

- Facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

Under IAS 17

In the comparative period, as a lessee the Corporation classified leases that transfer substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent.

Subsequently, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognized in the Corporation's consolidated statement of financial position. Payments made under operating leases were recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognized as an integral part of the total lease expense, over the term of the lease.

(4) Balances and Transactions with Related Parties

For the year ended December 31, 2019, the Corporation entered into transactions with parties that are considered, to be related.

The following items were included in the consolidated statement of financial position and of comprehensive income, and their effects are as follows:

2019

Type of entity	Relationship	Assets – Loans and Accrued Interest Receivable	Liabilities - Loans and Accrued Interest Payable	Interest Income on Loans Receivable	Interest Expenses on Loans Payable
Legal entities	Shareholders	8,375,468	9,776,414	840,166	870,185

2018

Type of entity	Relationship	Assets – Loans and Accrued Interest Receivable	Liabilities - Loans and Accrued Interest Payable	Interest Income on Loans Receivable	Interest Expenses on Loans Payable
Legal entities	Shareholders	0	16,934,489	0	861,425

(4) Balances and Transactions with Related Parties, continued

For the year ended on December 31, 2019, the Corporation had access to undisbursed committed and uncommitted lines of credit with related parties of US$35,000,000 (December 31, 2018: US$5,000,000), in addition to other credit facilities (see note 9).

Members of the Board of Directors have received compensation of US$150,238 (December 31, 2018: US$125,265) for attending meetings during the year.

(5) Employee Benefits

For the year ended December 31, 2019 personnel expenses include salaries and benefits paid to key executive officers for US$886,516 (December 31, 2018: US$988,653).

In addition to employee salaries, the Corporation provides all full-time employees with the following benefits:

(a) All full-time employees are required to participate in the following insurance plans, unless proof of equivalent coverage is provided:

- Medical insurance
- Health and life insurance
- Travel insurance.

(b) Retirement plan contributions (Simple IRA): The Corporation contributes 3% (December 31, 2018: 3%) of each employee's annual base salary. The Corporation makes its contributions to an independent fund manager and expenses those contributions as incurred. The Corporation has no future commitment to manage the funds contributed.

(c) In June 2018, the Board of Directors of the Corporation approved the implementation of a long-term incentive plan ("Plan") applicable to key executives ("Participants"). The Plan is focused on rewarding and motivating the Participants for generating sustainable long term-value for the Corporation.

Pursuant to the Plan, the Corporation grants the Participant a right to receive stock options convertible into cash, if certain performance metrics are achieved, as amended in 2019, during a seven-year term starting in 2018, that is attributed yearly ("Option"). The Option does not grant the Participant any rights on the Corporation´s stock.

The Plan has a vesting period of five years and a subsequent three-year payout period. During the first two years of the payout period, the plan continues granting the right under the Option to the Participants.

The benefits to the Participants are recognized in the consolidated statement of comprehensive income as personnel expense during the period in which they arise.

As of December 31, 2019, based on 2019 and 2018 performance metrics and evaluation of the potential award value under the Plan, the annual pro-rata portion of the Option accumulated for this benefit was US$155,038, based on amended terms.

The Corporation's internal policy does not allow loans to be extended to its employees.

(6) Financial Risk Management

In the normal course of operations, the Corporation is exposed to different types of financial risks, which are minimized through the application of risk management policies and procedures. Those policies cover credit, liquidity, market, capital adequacy and operating risks.

Risk management framework

The Corporation's Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. For such purposes, the Board reviews and approves the Corporation's policies and has created the Risk Committee, the Audit Committee, the Credit Committee and the Nominating and Corporate Governance-Compensation Committee. All report regularly to the Board of Directors and are comprised of members of the Board and independent members.

The Corporation's risk management policies are established to identify and analyze the risks faced by the Corporation and to set appropriate risk limits and controls. Risk management policies and controls are reviewed regularly to adapt to and reflect changes in market conditions and in the products and services offered. The Corporation applies periodic employee training, management standards, and internal procedures to develop a disciplined and controlled environment in which all employees understand their roles and responsibilities.

The Risk Committee of the Board of Directors oversees management's program to limit or control the material business risks. It ensures the Corporation has in place an appropriate enterprise-wide process to identify, assess, monitor and control material business risks including, but not limited to, credit risk, interest rate risk, liquidity risk, regulatory risk, counterparty risk, legal risk, operational risk, strategic risk, environmental risk, social risk, and reputational risk. The Committee also, on a regular basis, reviews the risk management programs and activities and the Corporation's compliance with those programs and activities. In addition, the Committee periodically reviews and monitors all matters related to the corporate culture within the Corporation. It reviews and monitors all the environmental and social responsibility standards and guidelines under which the Corporation and its employees must operate.

The Audit Committee of the Board of Directors oversees the integrity of the Corporation's financial statements, compliance with legal and regulatory requirements, the independent auditor's qualifications and independence, the performance of the Corporation's internal audit function and independent auditor, and the Corporation's system of disclosure controls and system of internal controls regarding finance, accounting, and legal compliance. The Audit Committee encourages continuous improvement of, and fosters adherence to the Corporation's policies, procedures and practices at all levels. It also provides an open avenue of communication among the independent auditors, financial and senior management, the internal auditing function, and the Board.

(6) Financial Risk Management, continued

The Credit Committee, majority comprised of senior management, reviews, approves and oversees the lending program of the Corporation. Their duties and responsibilities are to: review and approve loan transactions (including refinancing, rescheduling and restructuring transactions) within the limits established by the Board, including but not limited to Corporation's credit and lending policies; review and approve material waivers and amendments to a credit (changes in spread, amortization schedule, tenor and/or guarantees) within the limits established by the Board; and monitor problem loans and assets. This Committee also reviews and approves material waivers and amendments to a credit (changes in spread, amortization schedule, tenor and/or guarantees) within the limits established by the Board and monitors problem loans and assets. Any waiver to limits and policies requires approval from the Risk Committee.

The Nominating and Corporate Governance/Compensation Committee assists the Board in establishing and maintaining qualification standards for evaluating board candidates, in determining the size and composition of the Board of Directors and its committees, in monitoring a process to assess board effectiveness and in developing and implementing the Company's corporate governance guidelines. The Committee also makes employment and compensation decisions related to the Chief Executive Officer (the "CEO") and assist the CEO in carrying out his or her responsibilities relating to executive compensation, incentive compensation, and equity and non-equity based benefit awards.

There are two (2) committees at management level: Asset and Liability Committee (ALCO) and Procurement.

The ALCO must abide by the guidelines established in the risk policies relating to management of Interest Rate, Forex, GAP and Liquidity Risks and comply with technical criteria pursuant to good banking practices. In addition, it recommends to the Risk Committee updates to the Capital Adequacy, Interest Rate, Forex, GAP and Liquidity policies. This Committee is composed of four (4) members of Management and is assisted by the Treasurer. As in the Credit Committee, any waiver to limits and policies will require approval from the Risk Committee.

The Procurement Committee, which is composed of three (3) members of Management, is involved in the procurement of goods and services on behalf of the Corporation. The Committee should ensure that purchasing and contracting activities comply with principles of fair competition, non-conflict of interest, cost-effectiveness and transparency.

Following is a detailed explanation on management of credit, liquidity, market and operational risks:

(a) Credit risk

Credit risk is the risk that the debtor or issuer of a financial instrument owned by the Corporation fails to meet an obligation fully and on time in accordance with the contractual terms and conditions agreed when the Corporation acquired or originated the financial asset. Credit risk is mainly associated with the loan and investment securities (bonds) portfolios; and is represented by the carrying amount of those assets in the consolidated statement of financial position.

(6) Financial Risk Management, continued

Investment and Loan Portfolios

CIFI will invest its liquid portfolio to give priority to security, liquidity, and profitability, using the following criteria:

- The investment horizon is up to 1 year.
- In instruments:
  - With a minimum issue or program size of US$200 million (to ensure liquid secondary market), excluding commercial paper programs in Panama (Valores Comerciales Negociables - VCN), which minimum program size is of US$50 million as approved by the Superintendency of the Securities Market (SMV) of Panama.
  - Of issuers located in countries with a rating of at least BB+/Ba1 from one of the main rating agencies (Moody's, Standard & Poor's, Fitch Ratings, Inc.).
  - Have a national rating of at least A or an international rating of BBB-/Baa3 (long term) or F2/ P-2 (short term).
- Excluding demand deposits, the exposure to any single issuer shall not exceed 10% of CIFI's total equity.
- Not more than 25% of the liquid portfolio may be invested in a country with a rating lower than BBB-.
- All investments shall be denominated in US$ or in local currency, provided that a financial institution with an international rating of AA- can hedge against the exchange risk (e.g., currency swap).
- 25% of the nominal value of the investment in the liquid portfolio will be included in the overall country loan portfolio exposure.
- For certificates of deposit, minimum issue or program size does not apply.

At December 31, 2019, the concentrations of credit risk by sectors and countries are within the limits established by the Corporation. There are no significant concentrations of credit risk by economic unit, sector, or country. The maximum exposure to credit risk is represented by the nominal amount of each financial asset.

(6) Financial Risk Management, continued

Balances of loans receivable and investment securities are as follows:

Loans and investment securities	2019	2018
Investment securities	1,894,000	1,450,000
Accrued interest	3,964	1,595
Investment securities at amortized cost	1,897,964	1,451,595
Loans receivable	389,249,701	365,468,318
Accrued interest	4,760,601	5,621,425
Allowance for loan losses	(13,918,295)	(14,997,160)
Deferred income	(1,660,005)	(1,598,294)
	378,432,002	354,494,289
Less: re-measurement of hedged item	(129,834)	0
Loans receivable	378,302,168	354,494,289
Total investments and loans (par value)	395,778,432	372,541,338
Total investments and loans, carrying value	380,200,132	355,945,884

The loan portfolio includes the financing of project bonds totaling US$2,088,676 (December 31, 2018: US$2,088,676).

The Corporation has a policy in place for granting payment extensions and for restructuring, renegotiating and refinancing loans. Payment extensions apply only when the borrower is experiencing temporary difficulties and will be able to resume payments in the short term in accordance with the original agreement. Restructuring and refinancing are considered as part of the overall credit/risk reevaluation framework, provided that a joint and collective effort is made by all participating lenders and both owners and lenders will equally share the debt burden.

The Corporation has a derecognition policy in place that requires impaired loans and investments to be monitored on an ongoing basis to determine the probability of their recovery, either by executing a guaranty pledged on behalf of the Corporation or through financial restructuring. An impaired loan is derecognized when the Board of Directors determines the loan or investment to be uncollectible or decides that its valuation does not warrant continued recognition as an asset.

The Corporation has developed a Credit Risk Rating System based on the Altman Z-score method adapted to emerging markets, for its project finance loans. The method identifies certain key factors based on a debtor's financial performance that determine the probability of default and combine or weigh them into a quantitative score. That system also includes quantitative information and qualitative factors that affect infrastructure projects and emerging markets. The results consider relevant information such as foreign exchange risk, competition, project analysis, and country risk. For corporate loans, the Corporation has acquired the RiskCalc EDF model for Emerging Markets from Moody's.

(6) Financial Risk Management, continued

The average loan portfolio risk rating is B+ as of December 31, 2019 (December 31, 2018: average loan portfolio risk rating was B+) based on the Corporation's standards, which are not necessarily comparable to international credit rating standards.

The following table sets out information about the credit quality of financial assets measured at amortized cost and FVTPL.

		2019		
	12-month ECL	Lifetime ECL, not credit impaired	Lifetime ECL, credit impaired	Total
Loans and advances at amortized cost				
AAA / A-	0	0	0	0
BBB + / BBB-	61,436,473	0	0	61,436,473
BB+ / BB-	133,111,555	5,200,000	0	138,311,555
B+ / B-	124,728,575	16,999,697	6,374,636	148,102,908
<= CCC+	19,904,430	10,900,000	10,594,335	41,398,765
Total gross amount	339,181,033	33,099,697	16,968,971	389,249,701
Accrued interest	3,425,216	487,287	848,098	4,760,601
Loss allowance	(1,792,050)	(4,242,958)	(7,883,287)	(13,918,295)
Deferred income	(1,660,005)	0	0	(1,660,005)
	339,154,194	29,344,026	9,933,782	378,432,002
Less: re-measurement of hedged item	(129,834)	0	0	(129,834)
Net carrying amount (*)	339,024,360	29,344,026	9,933,782	378,302,168
Investment securities at amortized cost				
AAA / A-	0	0	0	0
BBB + / BBB-	0	0	0	0
BB+ / BB-	1,894,000	0	0	1,894,000
B+ / B-	0	0	0	0
<= CCC+	0	0	0	0
Total gross amount	1,894,000	0	0	1,894,000
Accrued interest	3,964	0	0	3,964
Net carrying amount	1,897,964	0	0	1,897,964

		2018		
	12-month ECL	Lifetime ECL, not credit impaired	Lifetime ECL, credit impaired	Total
Loans receivable at amortized cost				
AAA / A-	10,866,426	0	0	10,866,426
BBB + / BBB-	18,261,592	0	0	18,261,592
BB+ / BB-	106,900,647	0	0	106,900,647
B+ / B-	174,629,598	2,088,676	0	176,718,274
<= CCC+	0	31,025,000	21,696,379	52,721,379
Total gross amount	310,658,263	33,113,676	21,696,379	365,468,318
Accrued interest	4,382,183	370,642	868,600	5,621,425
Loss allowance	(1,872,379)	(2,275,396)	(10,849,385)	(14,997,160)
Deferred income	(1,598,294)	0	0	(1,598,294)
Net carrying amount	311,569,773	31,208,922	11,715,594	354,494,289
Investment securities at amortized cost				
AAA / A-	0	0	0	0
BBB + / BBB-	203,000	0	0	203,000
BB+ / BB-	1,247,000	0	0	1,247,000
B+ / B-	0	0	0	0
<= CCC+	0	0	0	0
Total gross amount	1,450,000	0	0	1,450,000
Accrued interest	1,595	0	0	1,595
Net carrying amount	1,451,595	0	0	1,451,595

(6) Financial Risk Management, continued

As of December 31, 2019, the Corporation has past due loans for US$16,968,971 (December 31, 2018: US$21,696,379).

To secure some of its loans payable, at December 31, 2019 the Corporation has pledged to the lenders rights to cash flows derived from certain loans receivable granted by the Corporation; those cash flows derive from certain loan and investment security portfolios representing 17.19% (December 31, 2018: 12.38%) of the total assets.

The following table shows a reconciliation from the opening to the closing balance of the ECL allowance by class of financial instrument:

		2019		
	12-month ECL	Lifetime ECL, not credit impaired	Lifetime ECL, credit impaired	Total
Loans and advances at amortized cost				
Balance at January 1	1,872,379	2,275,396	10,849,385	14,997,160
Transfer to 12-month ECL	41,311	(41,311)	0	0
Transfer to lifetime ECL credit impaired	0	(628,909)	628,909	0
Net remeasurement of loss allowance	(690,006)	2,637,782	897,590	2,845,366
New financial assets originated	568,366	0	0	568,366
Write-offs	0	0	(4,492,597)	(4,492,597)
Balance at December 31	1,792,050	4,242,958	7,883,287	13,918,295

		2018		
	12-month ECL	Lifetime ECL, not credit impaired	Lifetime ECL, credit impaired	Total
Loans and advances at amortized cost				
Balance at January 1	1,408,782	1,109,154	9,334,553	11,852,489
Transfer to 12-month ECL	14,581	(14,581)	0	0
Transfer to lifetime ECL not credit-impaired	(223,621)	223,621	0	0
Transfer to lifetime ECL credit-impaired	(41,751)	(226,726)	268,477	0
Net remeasurement of loss allowance	(124,318)	1,183,928	1,246,355	2,305,965
New financial assets originated	838,706	0	0	838,706
Total balance at December 31	1,872,379	2,275,396	10,849,385	14,997,160

Management of the Corporation generally follows the policy of requiring collateral from its customers or a corporate loan guarantee prior to formally extending and disbursing a loan. The loan portfolio is secured 99% (December 31, 2018: 99%) as follows:

	2019	2018
Mortgage on fixed assets	124,841,250	140,872,279
Assets held in trust	177,098,567	150,101,773
Pledge on movable assets	38,060,217	40,834,481
Corporate guarantor	48,292,302	32,064,180
Unsecured	957,365	1,595,605
	389,249,701	365,468,318

The Corporation classifies loans as past due when no principal or interest payments have been made by thirty-one days after the due date.

(6) Financial Risk Management, continued

Loans and investment securities earn interest at rates ranging between 4.07% and 11.75% per annum (December 31, 2018: 3.09% and 12.16%).

- Maximum risk by economic unit: The maximum risk limit assumed by the Corporation with respect to individual borrowers or groups of borrowers having similar economic interests is 18% of CIFI's net worth of its audited consolidated financial statements. However, exposure to any single client shall not exceed the following criteria, based on CIFI's net worth of its audited consolidated financial statements:

Tier	CIFI Credit Rating	Unsecured	Secured
I	BB or better	12.5%	18.0%
II	B+ to BB-	9.0%	15.0%
III	B to B-	5.0%	12.0%

A loan will be secured if exposure is fully covered with acceptable guarantees to CIFI. All guarantees shall comply with the following criteria: i) Security valuation was performed based on an external and independent assessment; ii) an analysis must be made relating to the underlying credit quality of any guarantee and its acceptable value for CIFI, including appraisals. For appraisals, if the most recent security valuation occurred within the span of three years might be accepted. However, the security valuation will be adjusted every year based on the appropriate depreciation; and iii) after the above value estimation, this valuation will be further adjusted.

The concentration of the loan portfolio in individual borrowers or groups of borrowers having similar economic interests based on total equity is as follows:

	% of total equity 2019		% of total equity 2018	
	Number of exposures	U.S. dollars	Number of Exposures	U.S. dollars
0 to 4.99%	17	40,902,617	17	39,017,205
5 to 9.99%	16	110,933,197	19	128,822,342
10 to 14.99%	17	190,667,756	14	166,628,771
15 to 18%	3	46,746,131	2	31,000,000
	53	389,249,701	52	365,468,318

- Country risk: The Corporation uses a series of classifications by country risk and gross domestic product to place countries in the following risk categories: Prime, Normal, Fair, and Restricted. Under this system, country size is less relevant for high-risk countries and more significant for low-risk countries. Each category has a maximum credit limit on the total value of the corresponding loan portfolio. As of December 31, 2019, the Corporation complied with country risk exposure limits. However, for Argentina the Board of Directors has approved a temporary waiver until September 30, 2020.

(6) Financial Risk Management, continued

An analysis of the concentration of credit risk by country for gross loans and investment securities at the reporting date is as follows:

	2019	2018
Argentina	65,175,503	64,232,855
Panama	59,888,064	30,119,191
Peru	46,200,000	15,000,000
Ecuador	32,776,981	35,538,036
Brazil	26,957,365	47,627,625
Colombia	22,627,372	35,013,352
Chile	20,467,941	11,252,323
Honduras	19,952,912	26,813,891
Belize	19,904,430	13,125,000
Salvador	14,604,000	10,627,119
Nicaragua	13,460,032	15,059,924
Jamaica	12,711,895	12,098,398
Uruguay	10,209,687	10,866,426
Mexico	10,000,000	20,064,180
Bolivia	9,923,077	0
Paraguay	6,284,442	6,559,998
Guatemala	0	12,920,000
Gross loans and investment portfolio	391,143,701	366,918,318
Accrued Interest	4,764,565	5,623,020
	395,908,266	372,541,338
Less: re-measurement of hedged item	(129,834)	0
Total	395,778,432	372,541,338

- Sector risk: The Corporation limits its concentration in any sector to 50% of the corresponding country risk limit. As of December 31, 2019, the Corporation complied with sector risk exposure limits. In addition, to control exposure to regulatory and market risks that may be common to the energy sectors, exposure to the aggregate of Hydro Power, Hydro Power (mini), Co-generation (Biomass), Geothermal, Solar Power, Wind Power, Gas Power and Thermal Power will be limited to 100% of the corresponding country exposure limit. The Thermal subsector will be limited to 20% of the country limit.

(6) Financial Risk Management, continued

Gross loans and investment securities by economic sector are as follows:

	2019	2018
Solar Power	76,328,161	86,949,617
Airports and Seaports	61,357,404	46,800,206
Telecommunications	40,643,077	22,000,000
Construction & Engineering	39,196,082	37,347,365
Hydro Power	32,301,463	29,444,757
Wind Power	26,020,676	28,185,430
Gas & Oil	24,500,000	30,479,937
Co-generation (Biomass)	20,184,771	18,000,312
Social Infrastructure	16,853,912	0
Roads, Railroads and Other	14,769,612	26,711,592
Thermo Power	12,088,676	2,088,676
Tourism	9,308,084	0
Infrastructure Conglomerates	6,910,680	12,920,000
Logistics Center and Other	6,374,636	7,000,000
Geothermal	4,306,467	4,938,343
Water & Sanitation	0	14,052,083
Gross loans and investment portfolio	391,143,701	366,918,318
Accrued Interest	4,764,565	5,623,020
	395,908,266	372,541,338
Less: re-measurement of hedged item	(129,834)	0
Total	395,778,432	372,541,338

Due to Argentina's credit rating downgrade, the Oil & Gas sector limit, set in CIFI´s credit policy was not in compliance. The Board of Directors approved a temporary waiver of this sector limit until June 2020.

Assets held-for-sale (Panama): In March 2014, CIFI accelerated the loan granted to a thermo-power company in Panama, executing the guarantees of the loan, which included the trusts that owned: all of the shares of the company, all fixed assets (land and equipment) and the license of operation of the plant. As of March 31, 2014, CIFI reclassified the loan receivable, by transferring it to *"Assets Held-for-Sale"*, for US$7,425,000, plus US$678,682 that corresponded to other accounts receivable.

During the year ended December 31, 2019, write-downs of US$259,343 on the asset held-for-sale were made to lower its carrying amount to fair value less costs to sell (December 31, 2018: US$1,336,105).

(6) Financial Risk Management, continued

Changes in the impairment allowance for assets held-for-sale are as follows:

	2019	**2018**
Balance at beginning of the year	(6,680,221)	(5,344,116)
Allowance for the year	(259,343)	(1,336,105)
Balance at end of the year	(6,939,564)	(6,680,221)

The carrying value of the assets helf-for-sale as of December 31, 2019 is US$541,970 (December 31, 2018: US$1,423,461). As of December 31, 2019, the asset is being actively traded.

In addition, commissions receivable from corporate services rendered to third parties, amounting to US$3,404,575 (2018: US$5,010,647), which are presented as receivable from advisory and structuring services, are classified as performing receivables. ECL impairment on receivables recognized in 2019 amounted to US$55,697 (2018: US$494,891).

(b) Liquidity risk

Liquidity risk arises in the general funding of the Corporation's activities. It includes both the risk of being unable to settle assets at contractual maturities and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame.

Management of liquidity risk

The Corporation's approach to managing liquidity is to ensure, as far as possible, that it always has to have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Corporation's reputation.

The Treasurer receives information from management of new business units regarding liquidity needs for the next several days, weeks, and months. The Treasurer then keeps a portfolio of short-term liquid assets, largely made up of cash in banks, liquid investments in secure instruments in accordance with internal policies on liquid portfolio investment limits, and committed and available lines of credit, to ensure that the Corporation can meet expected and unexpected liquidity requirements.

(6) Financial Risk Management, continued

The liquidity position is monitored on a regular basis and liquidity stress testing is conducted under scenarios covering both normal and more severe market conditions. All internal policies and procedures for term matching are subject to review and approval by the Board of Directors. ALCO monitors the Corporation's liquidity position by evaluating the following requirements established in the Corporation's current liquidity policy, reporting to the Risk Committee and the Board of Directors on a quarterly basis:

- Mismatches in the consolidated statement of financial position – asset-liability gap analysis
- Anticipated funding needs and strategies
- Liquidity position
- Mark to market variances
- Stress analysis of the Corporation's forecasted cash flows.

As of December 31, 2019, the Corporation had US$18,419,136 (December 31, 2018: US$15,215,074) in cash and cash equivalents and maintains undisbursed and available balances of committed credit facilities with financial institutions for US$48,000,000 (December 31, 2018: US$25,000,000) with tenors at 2020 (December 31, 2018: tenors between 2018 and 2019). Additionally, the Corporation maintains undisbursed and available balances of uncommitted short-term revolving credit facilities with financial institutions for US$20,678,380 (December 31, 2018: US$68,500,00). (See note 9).

According to the Corporation's liquidity policies, the Corporation shall comply with the following two limits: i) Cumulative asset-liability gap from 1 to 180 days > 0, and ii) Probability of negative cash flow balance in six months ≤ 1%. To apply the policy, the asset-liability gap analysis aggregates all contractual cash flows of on- and off-balance sheet assets and liabilities in their corresponding time band and cash flows attributed to undrawn loan commitments and borrowings are allocated to the time band in which management expects their occurrence.

(6) Financial Risk Management, continued

The Corporation's on-balance sheet financial asset and liability terms are matched as follows:

2019	1 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 365 days	Over 365 days	Total
Assets							
Cash and cash equivalents	18,419,136	0	0	0	0	0	18,419,136
Investment securities	1,253	48,314	1,335	1,044,062	803,000	0	1,897,964
Loans receivable	3,610,125	(8,679,878)	2,269,201	6,871,911	16,815,384	357,415,425	378,302,168
Assets held-for-sale	0	0	0	0	0	541,970	541,970
Receivables from advisory and structuring services	2,376,007	21,946	79,435	927,187	0	0	3,404,575
Derivative assets	0	(10,020)	(7,343)	226,076	792,718	4,266,838	5,268,269
Investment property	0	0	0	0	0	13,326,832	13,326,832
Total	24,406,521	(8,619,638)	2,342,628	9,069,236	18,411,102	375,551,065	421,160,914
Liabilities							
Loans payable, gross	10,568,182	0	(4,227,179)	9,470,396	37,261,007	100,819,636	153,892,042
Bonds	0	0	0	300,000	600,000	143,844,891	144,744,891
Commercial paper	0	0	0	6,000,000	19,143,000	0	25,143,000
Accrued interest payable	760,521	0	225,535	245,471	0	0	1,231,527
Total	11,328,703	0	(4,001,644)	16,015,867	57,004,007	244,664,527	325,011,460

2018	1 to 30 Days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 365 days	Over 365 days	Total
Assets							
Cash and cash equivalents	15,215,074	0	0	0	0	0	15,215,074
Investments securities	967	47,000	453,628	500,000	450,000	0	1,451,595
Loans receivable at amortized cost	3,224,848	3,172,134	(1,017,047)	(4,046,230)	30,044,329	323,116,255	354,494,289
Assets held-for-sale	0	0	0	0	0	1,423,461	1,423,461
Derivative assets	0	0	144,753	0	243,997	1,592,996	1,981,746
Receivables from advisory and structuring services	871,481	1,009,549	2,514,020	615,597	0	0	5,010,647
Total	19,312,370	4,228,683	2,095,354	(2,930,633)	30,738,326	326,132,712	379,576,812
Liabilities							
Loans payable, gross	568,182	0	1,363,636	(7,795,829)	70,135,989	85,444,229	149,716,207
Bonds	0	0	432,090	0	1,122,653	99,653,641	101,208,384
Commercial paper	0	0	0	13,000,000	20,193,000	0	33,193,000
Accrued interest payable	147,685	96,517	157,751	379,479	0	0	781,432
Total	715,867	96,517	1,953,477	5,583,650	91,451,642	185,097,870	284,899,023

(6) Financial Risk Management, continued

Outstanding contractual maturities of financial assets and liabilities and unrecognized loan commitments are as follows:

2019	Carrying amount	Gross Nominal inflow/ (outflow)	Less than 1 month	Over 1 to 3 months	Over 3 months to 1 year	Over 1 to 5 years	Over 5 years
Non-derivative liabilities							
Loans payable	153,892,042	(167,369,294)	(11,478,323)	(21,458,277)	(53,245,877)	(81,186,817)	0
Bonds *	144,744,891	(157,575,093)	(49,716)	18,767,979	(8,417,576)	(120,313,917)	(47,561,863)
Commercial paper	25,143,000	(25,795,917)	0	0	(25,795,917)	0	0
Unrecognized loan commitments	0	(68,678,380)	(68,678,380)	0	0	0	0
Total	323,779,933	(419,418,684)	(80,206,419)	(2,690,298)	(87,459,370)	(201,500,734)	(47,561,863)
Non – derivative assets							
Investments securities	1,897,964	1,939,758	1,868	58,958	1,878,932	0	0
Loans receivable	378,302,168	523,830,355	19,710,810	12,130,938	54,756,745	245,535,523	191,696,339
Total	380,200,132	525,770,113	19,712,678	12,189,896	56,635,677	245,535,523	191,696,339

2018	Carrying amount	Gross Nominal inflow/ (outflow)	Less than 1 month	Over 1 to 3 months	Over 3 months to 1 year	Over 1 to 5 years	Over 5 years
Non-derivative liabilities							
Loans payable	148,347,209	(157,498,390)	(755,794)	(1,997,945)	(65,516,266)	(88,657,532)	(570,852)
Bonds *	101,208,384	(126,272,764)	0	(1,892,162)	(4,077,453)	(43,118,701)	(77,184,449)
Commercial paper	33,193,000	(34,054,332)	0	(331,957)	(33,722,375)	0	0
Unrecognized loan commitments	0	(93,500,000)	(93,500,000)	0	0	0	0
Total	282,748,593	(411,325,486)	(94,255,794)	(4,222,064)	(103,316,094)	(131,776,233)	(77,755,301)
Non- derivative assets							
Investments securities	1,451,595	1,476,361	2,542	511,059	962,760	0	0
Loans receivable	354,494,289	546,762,589	9,507,788	9,920,598	68,523,256	255,842,460	202,968,487
Total	355,945,884	548,238,950	9,510,330	10,431,657	69,486,016	255,842,460	202,968,487

*Before fair value hedging adjustment.

(c) Market risk

Market risk is the risk that unfavorable movements in market variables, such as interest rates, equity prices, underlying assets, foreign exchange rates, and other financial variables will affect the Corporation's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and monitor risk exposure and to ensure that such exposure does not exceed acceptable limits, thus jeopardizing returns.

Foreign currency risk

The Corporation incurs foreign currency risk when the value of its assets and liabilities denominated in currencies other than the U.S. dollar is affected by exchange rate variations, which are recognized in profit or loss.

As of December 31, 2019, all of the Corporation's assets and liabilities are denominated in U.S. dollars. Accordingly, no foreign currency risk is anticipated.

(6) Financial Risk Management, continued

Interest rate risk

Interest rate risk is the risk that future cash flows and the value of underlying financial instruments will vary due to changes in market interest rates. Interest rate risk is managed by following an internal policy that limits the duration of equity to +/-1.5%. The ALCO Committee, with the oversight of the Risk Committee is responsible for monitoring interest rate risk.

Most of the Corporation's interest-earning assets and interest-bearing liabilities are re-priced at least quarterly. As of December 31, 2019, 15% (December 31, 2018:15%) of interest-earning assets and 6% (December 31, 2018: 13%) of interest-bearing liabilities net of swaps are set to re-price after six months.

The following tables summarize the Corporation's exposure to interest rate risks based on duration of economic equity analysis.

2019	Assets	Liabilities	Net
Present Value	425,605,069	(344,705,299)	80,899,770
Duration (excluding interest rate swaps)	0.52	0.33	
Duration (including interest rate swaps)	0.52	0.33	0.19
Floating rate as a % total	82.99%	39.78%	
Fixed rate as a % total	17.01%	60.22%	
Net Portfolio's Sensitivity to 100bp change in interest rate			1.30%
POLICY LIMIT:			+/- 1.50

2018	Assets	Liabilities	Net
Present Value	411,613,325	(283,152,637)	128,460,688
Duration (excluding interest rate swaps)	0.79	0.44	
Duration (including interest rate swaps)	0.79	0.44	0.35
Floating rate as a % total	81.85%	45.95%	
Fixed rate as a % total	18.15%	54.05%	
Net Portfolio's Sensitivity to 100bp change in interest rate			1.55%
POLICY LIMIT:			+/- 1.50

A change of 100 basis points in interest rates would have increased or decreased the Corporation's net economic value by US$1,048,728 or 1.06%.

(6) Financial Risk Management, continued

The following tables summarize the Corporation's exposure to interest rate risk. Assets and liabilities are classified based on the repricing or maturity date, whichever occurs first.

2019	1 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 365 days	Over 365 days	Total
Assets:							
Loans and investments, gross	58,499,952	84,476,149	56,743,072	116,423,456	19,389,168	55,611,904	391,143,701
Liabilities:							
Loans, gross	45,568,181	0	32,639,802	68,532,468	1,136,364	7,389,034	155,265,849
Net position	12,931,771	84,476,149	24,103,270	47,890,988	18,252,804	48,222,870	235,877,852

2018	1 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 365 days	Over 365 days	Total
Assets:							
Loans and investments, gross	57,158,794	86,498,109	89,256,422	77,266,507	4,721,071	52,017,415	366,918,318
Liabilities:							
Loans, gross	9,068,182	10,000,000	14,545,455	100,304,446	6,136,364	9,661,760	149,716,207
Net position	48,090,612	76,498,109	74,710,967	(23,037,939)	(1,415,293)	42,355,655	217,202,111

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Corporation's processes, personnel, technology and infrastructure, and from external factors such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Corporation's operations and are faced by all business entities.

The Corporation's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Corporation's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development of internal controls and procedures to address operational risk is assigned to the Corporation's management. The Corporation has the following controls and procedures in place:

- Internal procedures for evaluating, approving, and monitoring loan operations
- Internal procedures for managing the liquid portfolio
- Internal procedures for acquiring derivative financial instruments
- Internal procedures for the minimum insurance requirement
- Environmental and social policies
- Compliance with internal policies and controls
- Code of conduct for employees and the Board of Directors and its Committees
- Corporate Compliance Manual to prevent money laundering activities
- Acquisition of insurance to mitigate operational risk.

(6) Financial Risk Management, continued

The Risk Committee oversees management's program to limit or control operational risk and ensures that CIFI has in place an appropriate enterprise-wide process to identify, assess, monitor and control this risk. The Audit Committee monitors compliance with the Corporation's internal policies and procedures on a regular basis, based on reports made by the Corporate Compliance Officer.

(d) Capital management

The Corporation has adopted the Standardized Approach of Basel II, approved by the Board of Directors on December 13, 2018. The Corporation's capital structure is as follows:

	2019	2018
Tier 1 capital	98,871,599	97,676,575
Total capital	98,871,599	97,676,575
Risk weight of 50%	18,294,052	101,500
Risk weight of 100%	344,497,716	370,019,878
Risk weight of 150%	79,156,877	34,679,761
Risk weight of 250%	13,776,567	0
Risk weight of 400%	23,992,568	0
Subtotal for Credit Risk	479,717,780	404,801,139
Concentration	204,348,425	201,556,636
Operational Risk	74,271,961	74,271,961
Risk - weighted assets	758,338,166	680,629,736
Capital adequacy	13.04%	14.35%
Required capital adequacy (as established by the Board)	12.50%	12.50%

For two assets, the asset available for sale and the solar power company (investment property), a 400% risk weight was used as CIFI owns shares in these companies. For the remaining investment property, a 100% risk weight was used.

(7) Furniture, Equipment and Improvements

Furniture, equipment and improvements are summarized as follows:

	2019				
	Furniture and Equipment	Property Improvements	Computer Equipment	Rights of Use-Assets[1]	Total
Cost:					
Balance at January 1, 2019	147,755	739,654	146,543	0	1,033,952
Additions/Adoption of IFRS 16	0	380,352	55,205	1,832,332	2,267,889
Sales	0	0	(34,372)	0	(34,372)
Balance at end of year	147,755	1,120,006	167,376	1,832,332	3,267,469
Accumulated depreciation:					
Balance at January 1, 2019	71,159	178,747	56,498	0	306,404
Expense of the year	29,414	150,614	60,224	229,041	469,293
Sales	0	0	(32,993)	0	(32,993)
Balance at end of year	100,573	329,361	83,729	229,041	742,704
Net balance	47,182	790,645	83,647	1,603,291	2,524,765

[1] They mainly consist of rights of use-assets corresponding to office premises under lease (see note 3 (r)).

	2018				
	Furniture and Equipment	Property Improvements	Computer Equipment	Rights of Use-Assets	Total
Cost:					
Balance at January 1, 2018	147,755	739,654	113,769	0	1,001,178
Additions	0	0	36,360	0	36,360
Sale	0	0	(3,586)	0	(3,586)
Balance at end of year	147,755	739,654	146,543	0	1,033,952
Accumulated depreciation:					
Balance at January 1, 2018	41,745	104,783	28,007	0	174,535
Expense of the year	29,414	73,964	30,359	0	133,737
Sale	0	0	(1,868)	0	(1,868)
Balance at end of year	71,159	178,747	56,498	0	306,404
Net balance	76,596	560,907	90,045	0	727,548

The Corporation has an intangible asset recorded as other assets for an amount of US$90,881, that generated an amortization of US$17,829 during the year ended December 31, 2019.

(8) Investment Property

Investment property is summarized as follows:

	2019
Balance at beginning of the year	0
Assets received in satisfaction of loans	13,326,832
Balance at end of year	13,326,832

In November 2019, CIFI accelerated the loan granted to a solar-power company in Honduras, executing the guarantees of the loan, which included the trusts that owned: all of the shares of the company, all fixed assets (land and equipment) and the license of the operation of the plant. As a consequence, investment property for US$5,456,172 was recognized.

In December 2019, the Corporation granted a new loan with an independent source of payment from the original sponsor, as a result of a restructured transaction, which new outstanding balance is of US$6,956,481. Additionally, a tract of land, was received in lieu of payment as part of the restructuring and was recorded as investment property for US$7,870,660.

The assets received in satisfaction of loans, recognized on each of the aforementioned transactions, were based on qualified independent appraisals less cost of sale, adjusted by time value of money.

(9) Loans Payable

Loans payable, net of origination costs (commissions paid) are as follows:

	Maturity	2019	2018
Foreign Financial Institutions			
German Investment Corporation (KFW DEG)	2019	0	2,307,692
Bancaribe Curacao Bank NV	2020	0	10,000,000
Occidental Bank (Barbados) Ltd.	2020	2,500,000	5,000,000
Corporación Andina de Fomento	2020	10,000,000	0
Corporación Andina de Fomento - Syndicate	2020	19,714,286	39,428,571
Opec Fund for International Development (OFID)	2022	6,818,182	9,545,455
German Investment Corporation (KFW DEG)	2022	18,750,000	25,000,000
Global Climate Partnership Fund	2022	26,000,000	23,000,000
International Finance Bank (IFB)	2023	25,000,000	0
Caribbean Development Bank	2024	9,661,761	11,934,489
Local Financial Institutions			
Banco Internacional de Costa Rica, S. A.	2020	10,000,000	8,500,000
MMG Bank, Corp.	2020	10,000,000	10,000,000
Banco Pichincha Panamá, S. A.	2020	0	5,000,000
Banco Mercantil, S. A.	2020	3,500,000	0
Banco Internacional de Costa Rica, S.A.	2021	13,321,620	0
		155,265,849	149,716,207
Deferred costs		(1,373,807)	(1,368,998)
Total		153,892,042	148,347,209

The effective interest rates on loans with financial entities range between 3.51% and 6.61% per annum (December 31, 2018: between 3.07% and 6.25%).

(9) Loans Payable, continued

The following is a detail of the loans payable outstanding, undrawn balance of committed lines of credit and undrawn balance of uncommitted lines of credit as of December 31, 2019 and December 31, 2018:

	2019	2018
Loans payable outstanding, gross	153,892,042	149,716,207
Undrawn balance of committed lines of credit	48,000,000	25,000,000
Undrawn balance of uncommitted lines of credit	20,678,380	68,500,000

See note 6(b) for information on outstanding contractual maturities of borrowings. The Corporation has never had any defaults of principal, interest or other covenant breaches with respect to its loans payable.

(10) Bonds

Through Resolution SMV-691-17 of the Superintendency of the Securities Market, on December 20, 2017, the public offering of a corporate bonds program in Panama was made, with a nominal value of US$100,000,000. The corporate bonds were issued in nominative titles, rotating, registered and without coupons, in denominations of US$1,000 and their multiples. The bonds will pay interest quarterly and may not be redeemed early by the issuer.

The terms and conditions of the bonds issued by the Corporation are detailed below:

Corporate Bonds	Nominal Interest Rate	Maturity Date	2019 Carrying Amount	2018 Carrying Amount
Series A	4.58%	2021	10,000,000	10,000,000
Series B	5.00%	2023	5,000,000	5,000,000
Series C	5.74%	2025	12,934,000	12,934,000
Series D	5.51%	2023	4,200,000	5,400,000
Series E	5.74%	2025	2,000,000	2,000,000
Series F	5.61%	2025	2,000,000	2,000,000
Series G	5.55%	2024	17,500,000	17,500,000
Series H	5.71%	2025	7,500,000	7,500,000
Series I	5.71%	2025	7,500,000	7,500,000
Series J	5.55%	2024	27,500,000	27,500,000
Series K	5.21%	2023	1,500,000	1,500,000
Series L	5.66%	2023	566,000	566,000
			98,200,000	99,400,000
Remeasurement of hedged item			4,857,999	1,808,384
			103,057,999	101,208,384

(10) Bonds, continued

Through Resolution SMV-337-19 of the Superintendency of the Securities Market, on August 20, 2019, the public offering of corporate green bonds program in Panama was made, with a nominal value of US$200,000,000. The corporate green bonds were issued in nominative titles, rotating, registered and without coupons, in denominations of US$1,000 and their multiples. The bonds will pay interest quarterly and may not be redeemed early by the issuer.

The terms and conditions of the green bonds issued by the Corporation are detailed below:

			2019
Green Bonds	**Nominal Interest Rate**	**Maturity Date**	**Carrying Amount**
Series A	5.35%	2022	14,997,000
Series B	5.16%	2024	12,000,000
Series C	4.90%	2024	746,000
Series D	5.11%	2024	7,000,000
Series E	5.10%	2024	7,000,000
			41,743,000
Remeasurement of hedged item			(56,108)
			41,686,892

(11) Commercial Paper

Through Resolution SMV-690-17 of the Superintendency of the Securities Market, on December 20, 2017, the public offering of a commercial paper program in Panama (Valores Comerciales Negociables - VCN) was made, with a nominal value of US$50,000,000. The commercial negotiable securities (VCN) were issued in nominative titles, rotating, registered and without coupons, in denominations of US$1,000 and their multiples. The VCN will pay interest quarterly and may not be redeemed early by the issuer.

(11) Commercial Paper, continued

The terms and conditions of the commercial paper issued by the Corporation are detailed below:

VCN	Nominal Interest Rate	Maturity Date	2019 Carrying Amount	2018 Carrying Amount
Series C	4.00%	2019	0	13,000,000
Series D	4.00%	2019	0	3,000,000
Series E	4.00%	2019	0	4,000,000
Series F	3.75%	2019	0	1,075,000
Series G	4.00%	2019	0	2,000,000
Series H	4.00%	2019	0	9,000,000
Series I	4.25%	2019	0	1,118,000
Series J	4.13%	2020	4,000,000	0
Series K	4.25%	2020	5,000,000	0
Series L	4.13%	2020	2,000,000	0
Series M	4.13%	2020	1,000,000	0
Series N	4.00%	2020	2,000,000	0
Series O	3.88%	2020	2,000,000	0
Series P	4.13%	2020	8,308,000	0
Series Q	4.13%	2020	835,000	0
			25,143,000	33,193,000

(12) Equity

Share capital

The Corporation's share capital is comprised of 54,000,001 (2018: 54,000,001) common shares of US$1 par value, for a total of US$54,000,001 (2018: US$54,000,001). In 2019, shares acquired for treasury amount to 3,673,618.

The issued and outstanding share capital is distributed as follows:

	2019		2018	
	Acquired Capital	Ownership Interest	Acquired Capital	Ownership Interest
Norwegian Investment Fund for Developing Countries	17,263,819	34.30%	17,263,819	31.97%
Valora Holdings, S. A.	10,408,585	20.68%	0	0%
Banistmo, S. A.	0	0%	6,122,697	11.34%
Central American Bank for Economic Integration	6,122,697	12.17%	6,122,697	11.34%
Caixa Banco de Investimento, S. A.	6,122,697	12.17%	6,122,697	11.34%
International Finance Corporation	0	0%	4,285,888	7.94%
Caribbean Development Bank	3,673,618	7.30%	3,673,618	6.80%
Finnish Fund for Industrial Cooperation Ltd.	3,673,618	7.30%	3,673,618	6.80%
Itau Unibanco, S. A.	0	0%	3,673,618	6.80%
Banco Pichincha C. A.	3,061,349	6.08%	3,061,349	5.67%
	50,326,383		54,000,001	

(12) Equity, continued

In June 2019, Valora Holdings, S.A. a Panamanian corporation was created by the management team of CIFI, exclusively to fully purchase the ownership interest of Banistmo, S.A. and the International Finance Corporation in shares of the Corporation, resulting in an aggregate ownership interest of 20.68%. By making this purchase, the management team of CIFI is fully aligned with the vision for the Corporation of being a key player between the institutional investors and the infrastructure sector in the middle market in Latin America and the Caribbean. The new alignment between the management team and the shareholders is a significant step towards the implementation of the Strategic Plan of the Corporation.

(13) Basic Earnings Per Share

The calculation of basic earnings per share was based on the profit attributable to shareholders and the weighted average number of shares for the year, as follows:

	2019	**2018**
Net income	8,309,604	8,160,268
Number of shares	50,326,383	54,000,001
Earnings per share	0.17	0.15

(14) Income Taxes

Panama

The income tax returns of the Corporation are subject to examination by the local income tax authorities for the last three (3) years, in accordance with current Panamanian tax regulations.

In accordance with current tax regulations, companies incorporated in Panama are exempt from income taxes on profits derived from foreign operations. They are also exempt from income taxes on profits derived from interest earned on deposits with banks operating in Panama, and investment securities issued by the Government of Panama and securities listed with the Superintendency of the Securities Market and traded through the Panama Stock Exchange.

For corporations in Panama, the current interest tax rate is 25% of taxable net income.

Law No. 8 of March 15, 2010 introduced the method of taxation for presumptive income tax, requiring a legal person who earns income in excess of one million five hundred thousand dollars (US$1,500,000) to determine its tax base as the amount greater of: (a) the net taxable income calculated by the ordinary method established in the Tax Code and (b) the net taxable income resulting from applying four point sixty-seven percent (4.67%) on total gross income.

Following is a reconciliation of net financial income before income tax to net taxable income:

Panama	**2019**	**2018**
Net financial income before income tax	8,565,415	8,640,296
Foreign revenue, exempt and non-taxable, net of costs and expenses	(7,542,171)	(6,720,184)
Net taxable income	1,023,244	1,920,112
Income tax	255,811	480,028

(15) Derivatives Held for Risk Management Purposes

Interest rate derivatives

Management uses interest rate swaps to reduce interest rate risk on its assets (loans) and liabilities (bonds). The Corporation reduces its credit risk in respect of those swaps entered into by dealing with financially sound counterparty institutions.

As of December 31, 2019, the Corporation held the following interest rate swaps as hedging instruments in fair value hedges of interest risk.

	Maturity				
Risk category	**Less than 1 month**	**1-3 months**	**3 months – 1 year**	**1-5 years**	**More than 5 years**
Interest rate risk					
Hedge of issued bonds					
Notional amount (US$)	0	0	0	88,753,000	31,934,000
Average fixed interest rate	0	0	0	4.96%	5.24%
Average spread over Libor	0	0	0	3.01%	3.30%
Interest rate risk					
Hedge of issued loans					
Notional amount (US$)	0	0	0	0	20,551,200
Average fixed interest rate	0	0	0	0	8.68%
Average spread over Libor	0	0	0	0	0%

The amounts relating to items designated as hedging instruments and hedge ineffectiveness were as follows:

		2019					
		Carrying amount					
US$	**Nominal amount**	**Assets**	**Liabilities**	**Line item in the consolidated statement of financial position where the hedging instrument is included**	**Change in fair value used for calculating hedge ineffectiveness**	**Ineffectiveness recognized in profit or loss**	**Line item in profit or loss that includes hedge ineffectiveness**
Interest rate risk							
Interest rate swaps – hedge of issued bonds	120,687,000	5,138,435	0	Derivative assets held for risk management	5,138,435	28,347	Other income – gain on derivative instruments
Interest rate swaps – hedge of loans	20,551,200	129,834	0	Derivative liabilities held for risk management	129,834	129,834	Other income – gain on derivative instruments

(15) Derivatives Held for Risk Management Purposes, continued

2018

US$	Nominal amount	Carrying amount Assets	Carrying amount Liabilities	Line item in the consolidated statement of financial position where the hedging instrument is included	Change in fair value used for calculating hedge ineffectiveness	Ineffectiveness recognized in profit or loss	Line item in profit or loss that includes hedge ineffectiveness
Interest rate risk							
Interest rate swaps – hedge of issued bonds	94,000,000	1,981,746	0	Derivative assets held for risk management	1,981,746	173,362	Other income – gain on derivative instruments

The amounts relating to items designated as hedged items were as follows:

2019

Line item in the consolidated statement of financial position in which the hedged item is included	Carrying amount Assets	Carrying amount Liabilities	Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item – Assets	Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item – Liabilities	Change value used for calculating hedge ineffectiveness
Bonds	0	120,687,000	0	(4,801,891)	(4,801,891)
Loans	20,551,200		0	(129,834)	(129,834)

2018

Line item in the consolidated statement of financial position in which the hedged item is included	Carrying amount Assets	Carrying amount Liabilities	Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item – Assets	Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item – Liabilities	Change value used for calculating hedge ineffectiveness
Bonds	0	94,000,000	0	(1,808,384)	(1,808,384)

(16) Impact of Change in Accounting Policy

Definition of a lease

On transition to IFRS 16, the Corporation elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

(16) Impact of Change in Accounting Policy, continued

As a lessee

As a lessee, the Corporation previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Corporation. Under IFRS 16, the Corporation recognises right-of-use assets and lease liabilities for most leases - i.e. these leases are on-balance sheet.

The Corporation decided to apply recognition exemptions to short-term leases of computer equipment (see Note 3(r)). For leases of other assets, which were classified as operating under IAS 17, the Corporation recognised right-of-use assets and lease liabilities.

i. Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Corporation's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application.
- the Corporation applied this approach to its largest property leases; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments; the Corporation applied this approach to all other leases.

The Corporation used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review, if applicable.
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

ii. Leases previously classified as finance leases

For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at January 1, 2019, are determined at the carrying amount of the lease and lease liability under IAS 17 immediately before that date.

(16) Impact of Change in Accounting Policy, continued

Lease liabilities	**2019**
Maturity analysis – contractual undiscounted cash flows	
Less than one year	176,031
One to five years	1,181,456
More than five years	315,390
Total undiscounted lease liabilities at December 31	**1,672,877**
Lease liabilities included in the consolidated statement of position at December 31	**1,672,877**
Current	176,031
Non-current	1,496,846

Amounts recognized in profit or loss	**2019**
Interest on lease liabilities	(100,778)
Expenses relating to short-term leases	(18,720)
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	(5,248)
Total	**(124,746)**

Amounts recognized in cash flows	**2019**
Total cash outflow for leases	284,200
Total	**284,200**

Impacts on consolidated financial statements

On transition to IFRS 16, the Corporation recognized an amount of US$1,832,332 of right-of-use assets and US$1,832,332 of lease liabilities, without recognizing any difference in retained earnings.

When measuring lease liabilities, the Corporation discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 5.50%.

	January 1, 2019
Commitments at December 31, 2018, from operating leases	2,339,066
Discounted using the incremental borrowing rate at January 1, 2019	1,857,324
– Recognition exemption for:	
- short-term leases	(18,720)
- leases of low-value assets	(6,272)
Lease liabilities recognized at January 1, 2019	**1,832,332**

(17) Fair Value of Financial Instruments

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Corporation determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The Corporation measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

- Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist, and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premises used in estimating discount rates, bond and equity prices, and foreign currency exchange rates.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Corporation uses widely recognized valuation models for determining the fair value of common and simpler financial instruments, such as interest rate and currency swaps that use only observable market data and require little management judgment and estimation. Observable prices or model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives and simple over-the-counter derivatives such as interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determining fair values.

(17) Fair Value of Financial Instruments, continued

Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

The financial instruments recorded at fair value by hierarchical level are as follows:

	2019	
	Carrying amount	Level 2
Derivative assets	5,268,269	5,268,269

	2018	
	Carrying amount	Level 2
Derivative assets	1,981,746	1,981,746

The following table sets outs the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorized, except those short-term financial instruments which carrying value approximates fair value:

	2019	
	Carrying amount	Fair value Level 3
Investment securities	1,897,964	1,914,330
Loans receivable	378,302,168	405,271,603
Loans payable	153,892,042	162,365,866
Bonds	144,744,891	156,601,704
Commercial paper	25,143,000	23,737,729

	2018	
	Carrying amount	Fair value Level 3
Investment securities	1,451,595	1,453,975
Loans receivable	354,494,289	394,944,276
Loans payable	148,347,209	151,515,348
Bonds	101,208,384	98,586,983
Commercial paper	33,193,000	33,050,307

During December 31, 2019, there have not been transfers between Levels of the fair value hierarchy (December 31, 2018: no transfers between Levels).

(17) Fair Value of Financial Instruments, continued

Valuation techniques and data inputs used in measuring financial instruments categorized in Level 2 and Level 3 of the fair value hierarchy are as follows:

(a) *Investment securities*
Fair values are determined by using a model based on observable market data, such as: yield rates (LIBOR and OIS (Overnight Index Swap)).

(b) *Loans receivable*
Fair value of loans is determined by grouping loans into classes with similar financial characteristics. The fair value of each class of loans is calculated by discounting cash flows expected until maturity, using a discount market rate that reflects the inherent credit and interest rate risks. Assumptions related to credit, cash flows, and discounted interest rate risks are determined by management based on available market and internal information.

(c) *Loans payable*
Fair value of loans payable is calculated by discounting committed cash flows at current market rates for loans with similar maturities.

(d) *Bonds and commercial paper*
Fair values of bonds and commercial paper are calculated by discounting committed cash flows at current market rates for instruments with similar maturities.

(18) Commitments and Contingencies

In the normal course of business, the Corporation maintains off-balance sheet commitments and contingencies that involve a certain degree of credit and liquidity risk.

As of December 31, 2019, the Corporation has commitments and contingencies in the amount of US$41,588,104 (December 31, 2018: US$46,563,788), corresponding to credits pending disbursement to various entities.

Based on management's best knowledge, the Corporation is not involved in any litigation that is likely to have a significant adverse effect on its business, consolidated financial position or consolidated financial performance.

(19) Subsequent Event - Effects of the Global Pandemic for the Coronavirus or Covid-19

Effects of the global pandemic regarding the spread of the coronavirus or Covid-19
In December 2019, the appearance of a new coronavirus strain named Covid-19 was reported, which has spread as a pandemic among the world population during the first quarter of 2020. Cases of this pandemic have already been reported in Panama and in March 2020 the closure of most economic activities nationwide was ordered.

This situation could significantly decrease the Corporation's economic activity and negatively affect the consolidated financial situation, the consolidated financial performance and the consolidated cash flows in the future. Currently, it is not possible to determine or quantify the effect that such a subsequent event may produce in the Corporation, since it will depend on future developments at the national and international level, which are uncertain and cannot be predicted.