Corporación Interamericana para el Financiamiento de Infraestructura, S. A. and Subsidiaries

Report and Consolidated Interim Financial Statements
June 30, 2022

Corporación Interamericana para el Financiamiento de Infraestructura, S. A. and Subsidiaries

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June 30, 2022

PricewaterhouseCoopers, S.R.L.

Report on Review of Consolidated Interim Financial Statements

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

Report on the review of the consolidated interim financial statements

Introduction

We have reviewed the accompanying consolidated interim statement of financial position of Corporación Interamericana para el Financiamiento de Infraestructura, S. A. and its subsidiaries (the "Corporation" or "CIFI") as of June 30, 2022 and the related consolidated interim statements of comprehensive income, changes in equity and cash flows for the six-month period then ended and notes, comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this consolidated interim financial statements in accordance with IAS 34, 'Interim financial reporting'. Our responsibility is to express a conclusion on this consolidated interim financial statement based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of interim financial information performed by the independent auditor of the entity'. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements do not present fairly, in all material respects, the financial position of the Corporation as of June 30, 2022, and of its financial performance and its cash flows for the six-month period then ended in accordance with IAS 34, Interim financial reporting.

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

Report on other legal and regulatory requirements

In compliance with Law 280 of December 30, 2021, which regulates the profession of certified public accountants in the Republic of Panama, we declare the following:

- The direction, execution and supervision of this review work has been carried out physically in Panamanian territory.

- The audit partner in charge who has prepared this report of review of the consolidated interim financial statements is Victor Delgado with certified public accountant license No.3146.

- The engagement team that has participated in the review referred to this report is constituted by Victor Delgado, Partner; Maribel Tejada, Partner and Christopher Collins, Manager.

PricewaterhouseCoopers
August 15, 2022
Panama, Republic of Panama

Victor M. Delgado G.
Victor Delgado
CPA 3146

Corporación Interamericana para el Financiamiento de Infraestructura, S. A. and Subsidiaries

Consolidated Interim Statement of Financial Position
June 30, 2022
(Expressed in US Dollars)

	Notes	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Assets			
Cash	6, 7	35,440,174	51,598,072
Investment securities at amortized cost	6	5,405,408	4,081,560
Loans receivable, net at amortized cost	6	403,792,461	357,321,168
Securitized loans, net	6, 22	23,244,203	24,117,501
Furniture, equipment and improvements, net	9	1,323,593	1,482,646
Receivables from advisory and structuring services, net	6	2,048,472	6,381,439
Derivative assets held for risk management	6, 19	290,974	-
Investment property	10	15,839,115	15,756,299
Margin call	6	14,650,000	6,230,000
Other assets	11	5,874,909	6,110,450
Total assets		507,909,309	473,079,135
Liabilities and Equity			
Liabilities			
At amortized cost:			
Loans	6, 8, 12	165,598,275	149,374,504
Bonds	6, 8, 13	161,530,360	154,084,363
Commercial paper	6, 8, 14	32,964,620	20,211,988
Accrued interest payable		1,582,386	1,275,647
Securitization liabilities, net	6, 22	23,385,656	24,117,501
Derivative liabilities held for risk management	19	15,252,421	9,534,884
Lease liabilities		734,992	830,306
Other liabilities	15	3,081,054	4,713,635
Total liabilities		404,129,764	364,142,828
Equity			
Share capital	16	54,000,001	54,000,001
Treasury shares	16	(3,673,618)	(3,673,618)
Additional paid-in capital		85,000	85,000
Retained earnings		53,368,162	58,524,924
Total equity		103,779,545	108,936,307
Total liabilities and equity		507,909,309	473,079,135
Commitments and contingencies			
Loans pending disbursement	21	53,529,170	50,986,307
Undrawn balance of credit facilities	6, 12	14,500,000	27,100,000
Notional amount of swaps	19	149,406,389	150,961,945
Credit letter stand by		5,000,000	5,000,000

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

Corporación Interamericana para el Financiamiento de Infraestructura, S. A. and Subsidiaries

Consolidated Interim Statement of Comprehensive Income
For the six months ended on June 30, 2022
(Expressed in US Dollars)

	Notes	June 30, 2022 (Unaudited)	June 30, 2021 (Unaudited)
Interest income:			
Cash and cash equivalents		63,048	299,348
Investment securities		68,911	105,018
Loans receivable		13,332,224	13,654,585
Securitized receivable	22	889,394	-
Total interest income		14,353,577	14,058,951
Interest expense:			
Loans payable		(3,933,750)	(3,603,330)
Debt securities		(4,392,964)	(4,563,379)
Securitization payable	22	(889,394)	-
Lease liability		(23,871)	(41,487)
Total interest expense		(9,239,980)	(8,208,196)
Net interest income		5,113,598	5,850,755
Other income:			
Advisory and structuring fees and others, net		3,098,734	1,667,093
(Loss) gain on derivative instruments and other financial instruments, net		(679,435)	949,063
Total other income, net		2,419,299	2,616,156
Operating income		7,532,896	8,466,911
Provision for loan losses	6	(2,032,709)	(1,240,420)
Impairment loss on receivable	6	(176,800)	(496,492)
Provision for securitized loans	22	(141,453)	-
Depreciation and amortization expense	9	(178,695)	(59,451)
Personnel expenses		(2,702,893)	(2,541,491)
Other administrative expenses		(1,556,422)	(1,527,487)
Net income before tax		743,926	2,601,570
Income tax	18	(60,817)	(79,644)
Total comprehensive income for the period		683,108	2,521,926
Basic earnings per share	17	0.01	0.05

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

Corporación Interamericana para el Financiamiento de Infraestructura, S. A. and Subsidiaries

Consolidated Interim Statement of Change in Equity
For the six months ended on June 30, 2022
(Expressed in US Dollars)

	Share capital	Treasury shares	Additional paid-in capital	Retained earnings	Total equity
Balance at December 31, 2020 (Audited)	54,000,001	(3,673,618)	85,000	54,458,090	104,869,473
Net income for the period	-	-	-	2,521,926	2,521,926
Total comprehensive income for the period	-	-	-	2,521,926	2,521,926
Transactions with owners of the Corporation:					
Dividends paid	-	-	-	(3,745,845)	(3,745,845)
Balance at June 30, 2021 (Unaudited)	54,000,001	(3,673,618)	85,000	53,234,171	103,645,554
Balance at December 31, 2021 (Audited)	54,000,001	(3,673,618)	85,000	58,524,924	108,936,307
Net income for the period	-	-	-	683,108	683,108
Total comprehensive income for the period	-	-	-	683,108	683,108
Transactions with owners of the Corporation:					
Complementary tax, Panama	-	-	-	(28,509)	(28,509)
Dividends paid	-	-	-	(5,811,361)	(5,811,361)
Balance at June 30, 2022 (Unaudited)	54,000,001	(3,673,618)	85,000	53,368,162	103,779,545

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

Corporación Interamericana para el Financiamiento de Infraestructura, S. A. and Subsidiaries

Consolidated Interim Statement of Cash Flows
For the six months ended on June 30, 2022
(Expressed in US Dollars)

	Notes	June 30, 2022 (Unaudited)	June 30, 2021 (Unaudited)
Cash flows from operating activities			
Net income for the period		683,108	2,521,926
Loss (gain) on derivative instruments and other financial assets, net		679,435	(949,063)
Provision for loan losses	6	2,032,709	1,240,420
Provision for securitized loans	22	141,453	-
Impairment loss on receivables	6	176,800	496,492
Depreciation and amortization expense	9	178,695	59,451
Net interest income		(5,113,598)	(5,850,755)
Income tax expense	18	60,817	79,644
Adjustments of furniture, equipment and improvements	9	(1,995)	-
		(1,162,576)	(2,401,885)
Changes in:			
Deposit more than ninety days	7	1,000,000	-
Other assets		3,846,280	(7,522,996)
Other account payable		(1,693,398)	(673,737)
Loan collections		16,115,358	73,538,761
Loan disbursements		(63,187,144)	(68,674,670)
		(43,918,904)	(3,332,642)
Income tax paid		(116,907)	(20,000)
Interest received		12,085,473	14,288,167
Interest paid		(8,043,846)	(8,165,098)
		3,924,720	6,103,069
Net cash (used in) provided by operating activities		(41,156,760)	368,542
Cash flows from investing activities			
Acquisition of investment securities		(1,849,000)	(1,300,000)
Proceeds form sales, redemption and amortization of securities		525,000	500,000
Acquisition of furniture, equipment and improvements	9	(12,234)	(29,850)
Proceeds from sale of computer equipment	9	21	(2,360)
Net cash used in investing activities		(1,336,213)	(832,210)
Cash flows from financing activities			
Proceeds from loans payable	8	49,600,000	44,464,651
Repayment of loans payable	8	(33,376,229)	(55,788,569)
Proceeds from bonds	8	14,300,000	50,111,160
Repayment of bonds	8	(1,681,458)	(25,765,817)
Proceeds from commercial paper issued	8	25,036,000	14,750,000
Repayment of commercial paper	8	(12,283,368)	(14,399,480)
Margin calls	19	(8,420,000)	(5,012,000)
Complementary tax paid		(28,509)	-
Dividends paid		(5,811,361)	(3,745,845)
Net cash provided by financing activities		27,335,075	4,614,100
Net (decrease) increase in cash and cash equivalents		(15,157,898)	4,150,432
Cash and cash equivalents at the beginning of the period		48,598,072	53,245,966
Cash and cash equivalents at the end of the period	7	33,440,174	57,396,398

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

1. Reporting Entity

Corporación Interamericana para el Financiamiento de Infraestructura, S. A. ("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, CIFI was legally redomiciled under the laws of the Republic of Panama.

CIFI's business structure is based on one segment, as its primary line of business is granting loans to finance infrastructure projects in Latin America. However, it also offers other services such as "Advisory & Structuring", which are not evaluated as a separate segment of the CIFI's business but instead 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 CIFI 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 it is a logistical enclave that allows quick access to the region.

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

CIFI owns or controls the following subsidiary companies incorporated in 2017:

	Activity	Country of Incorporation	Controlling Ownership	
			June 30, 2022	December 31, 2021
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 SERVICE, S. A.	Advisor Service	Panama	100%	100%
CIFI ASSET MANAGEMENT LTD.	Administration of Investment Funds	Cayman Islands	100%	100%

These group of companies are denominated the "Corporation".

The consolidated interim financial statements were approved by the Audit Committee on August 12, 2022.

2. Basis of Preparation

(a) Statement of compliance
These consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

2. Basis of Preparation (Continued)

(b) Basis of measurement
These consolidated interim 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. The consolidated interim statement of comprehensive income is presented in order of the liquidity position.

(c) Functional and presentation currency
The amounts included in the interim financial statements of each of the entities that make up the Corporation are measured in the currency of the primary economic environment in which each entity operates, that is, its functional currency. The consolidated interim financial statements are presented in dollars of the United States of America (US$), the Corporation's functional and presentation currency.

The monetary unit of the Republic of Panama is the Balboa, which is at par and is freely exchangeable with the dollar (US$) of the United States of America. The Republic of Panama does not issue its own paper money and, instead, the dollar (US$) of the United States of America is used as the legal and functional currency. All the Corporation's assets and liabilities are denominated in U.S. dollars. Additionally, shareholders contributions and ordinary shares are denominated in that currency.

(d) Use of estimates and judgments
The preparation of consolidated interim 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 interim financial statements are included in the following notes:

- Allowance for loan losses and accrued interest receivable Note 6; and
- Fair value of financial instruments Note 20.

3. Significant Accounting Policies

(a) *New standards and amendments adopted by the Corporation*

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after 1 January 2022.

Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16
The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment.

Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

Reference to the Conceptual Framework – Amendments to IFRS 3
Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and to add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognized at the acquisition date.

Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS 37
The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognizing a separate provision for an onerous contract, the entity recognizes any impairment loss that has occurred on assets used in fulfilling the contract.

3. Significant Accounting Policies (Continued)

(a) New standards and amendments adopted by the Corporation (continued)

Annual Improvements to IFRS Standards 2018 – 2020
The following improvements were finalized in May 2020:

- IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
- IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.
- IFRS 1 First-time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.
- IAS 41 Agriculture – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

(b) New standards, interpretations and amendments issued but not yet adopted by the Corporation

Classification of Liabilities as Current or Non-current – Amendments to IAS 1
The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (e.g., the receipt of a waver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability.

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.

They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments are effective for annual periods beginning on or after January 1, 2023 (deferred from 1 January 2021).

3. Significant Accounting Policies (Continued)

(b) New standards, interpretations and amendments issued but not yet adopted by the Corporation (continued)

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2
The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments are effective for annual periods beginning on or after January 1, 2023.

Definition of Accounting Estimates – Amendments to IAS 8
The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, whereas changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period. The amendments are effective for annual periods beginning on or after January 1, 2023.

Management is evaluating the impact of the changes that this amendment would have on the Corporation 's consolidated interim financial statements and disclosures.

The accounting policies set out below have been applied consistently to all years presented in these interim consolidated financial statements.

(c) Basis of consolidation

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

3. Significant Accounting Policies (Continued)

(c) Basis of consolidation (continued)

(i) Subsidiaries (continued)
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
The consolidated interim financial statements include the assets, liabilities, equity, income, and expenses of Corporación Interamericana para el Financiamiento de Infraestructura, S. A. and its subsidiaries CIFI SEM, S. A., CIFI Panamá, S. A., CIFI Latam, S. A. and CIFI Asset Management Ltd. These group of companies are denominated the "Corporation". 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 interim financial statements.

(iii) Structured Entities
Structured entities (SE) are entities created to achieve a specific and well-defined objective, such as the insurance of specific assets, or the execution of a specific loan or loan operation. An SE is consolidated if, based on an assessment of the substance of its relationship with the Corporation and the risks and rewards of the EE, the Corporation concludes that it controls the SE. The following circumstances may indicate a relationship in which, in essence, the Corporation controls and therefore consolidates an SE:

- The activities of the SE are carried out on behalf of the Corporation in accordance with its specific business needs in order for the Corporation to obtain benefits from the operation of the SE.

- The Corporation has the decision-making powers to obtain most of the benefits of SE activities or, by creating an "auto-pilot" mechanism, the Corporation has delegated those decision-making powers.

- The Corporation has the rights to obtain most of the benefits of the SE and, therefore, may be exposed to the risks related to the activities of the SE.

- The Corporation retains most of the SE-related property or residual risks of its assets in order to obtain benefits from its activities.

3. Significant Accounting Policies (Continued)

(c) Basis of consolidation (continued)

(iii) Structured Entities (continued)

The assessment of whether the Corporation has control over an SE is carried out at inception, and a subsequent reassessment is not normally made in the absence of changes in the structure or terms of the SE, or additional transactions between the Corporation and the SE. Day-to-day changes in market conditions do not usually lead to a reassessment of control. However, sometimes changes in market conditions can alter the substance of the relationship between the Corporation and the SE and in these cases, the Company determines whether the change warrants a new control evaluation based on the specific facts and circumstances. If the Corporation's voluntary actions, such as lending amounts in excess of existing liquidity facilities or extending terms beyond those originally established, change the relationship between the Corporation and an SE, the Corporation conducts a new control assessment of the SE.

(d) Foreign currency transactions

The functional currency of the Corporation 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.

(e) 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 three months or less, 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.

3. Significant Accounting Policies (Continued)

(f) 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.

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.

3. Significant Accounting Policies (Continued)

(f) Financial assets and financial liabilities (continued)

(ii) Classification (continued)

Financial assets (continued)

Business model assessment
The Corporation assesses 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 years, 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)

(f) Financial assets and financial liabilities (continued)

(ii) Classification (continued)

Financial assets (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 risks 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 loans for which 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, in some cases 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.

3. Significant Accounting Policies (Continued)

(f) Financial assets and financial liabilities (continued)

(ii) Classification (continued)

Financial liabilities
Under IFRS 9 all fair value changes of liabilities designated as at FVTPL 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.

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 derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

(iv) Modifications to 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.

3. Significant Accounting Policies (Continued)

(f) Financial assets and financial liabilities (continued)

(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 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; and
- Loan commitments issued and financial guarantees.

No impairment loss is recognized on equity investments.

3. Significant Accounting Policies (Continued)

(f) Financial assets and financial liabilities (continued)

(*vi*) *Impairment (continued)*

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; and
- Other financial instruments on which credit risk has not increased significantly since their initial recognition.

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)

(f) Financial assets and financial liabilities (continued)

(vi) Impairment (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 Corporation 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 Corporation on terms that the Corporation would not consider otherwise;

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

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

3. Significant Accounting Policies (Continued)

(f) Financial assets and financial liabilities (continued)

(vi) Impairment (continued)

Credit-impaired financial assets (continued)
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.

Presentation of allowance for ECL in the consolidated 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 Corporation cannot identify the ECL on the loan commitment component separately from those on the drawn component: The Corporation 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 consolidated 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. Any write-off must be recommended by the Risk Committee and approved by the Board of Directors.

3. Significant Accounting Policies (Continued)

(f) Financial assets and financial liabilities (continued)

(*vi*) *Impairment (continued)*

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.

- 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 is 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. The criteria for recognizing a "Significant Increase in Credit Risk", to migrate from 12-month ECL to Lifetime ECL not credit impaired, are:

    a. If a country is downgraded 3 or more notches, in a 6-month consecutive period, the Risk Committee will analyze all loans in order to decide which loans shall migrate to "Watch List";

    b. Early Warning System (EWS) Red Zone. The EWS model is a scoring system internally developed and based on a client credit worthiness; and

3. Significant Accounting Policies (Continued)

(f) Financial assets and financial liabilities (continued)

(*vi*) *Impairment (continued)*

Financial assets (continued)

c. By credit events that might affect country or industry risk, based on a documented opinion by the Risk Unit, and approved by the Risk Committee.

- 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.

(g) 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. For those cases outside this range, they are elevated to the ALCO to evaluate the effectiveness of the hedging relationship, based on IFRS 9.

3. Significant Accounting Policies (Continued)

(g) Derivatives held for risk management purposes and hedge accounting (continued)
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 interim financial statements.

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.

(h) Investment securities
The investment securities in the interim 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.

3. Significant Accounting Policies (Continued)

(h) Investment securities (continued)
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.

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.

(i) 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 Corporation 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.

3. Significant Accounting Policies (Continued)

(j) Furniture, equipment, and improvements, net

Furniture, equipment, and improvements are used in the office the Corporation's premises. 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.

(k) 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 disposal 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.

3. Significant Accounting Policies (Continued)

(l) 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.

(m) 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.

(n) 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.

(o) 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.

3. Significant Accounting Policies (Continued)

(o) Income and expense recognition (continued)

(i) Interest income and expense (continued)
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)

(o) Income and expense recognition (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 are included in other operating income, arises from services provided by the Corporation, including advisory and structuring services, and are 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.

(p) 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.

3. Significant Accounting Policies (Continued)

(q) 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.

(r) 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.

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", which are not evaluated as a separate segment of the Corporation's business but rather assessed in conjunction with its lending activities.

(s) 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.

3. Significant Accounting Policies (Continued)

(t) Leases

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;

- 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.

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 to separate non-lease components and not to 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.

3. Significant Accounting Policies (Continued)

(t) Leases (continued)

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.

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.

3. Significant Accounting Policies (Continued)

(t) Leases (continued)

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 has 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

  - 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.

4. Balances and Transactions with Related Parties

For the periods ended June 30, 2022, and December 31, 2021, 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:

		June 30, 2022		June 30, 2022	
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	5,961,717	19,116,908	225,714	380,320

		December 31, 2021		June 30, 2021	
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	5,968,356	5,116,307	246,655	343,357

For the period ended June 30, 2022, the Corporation doesn't have undisbursed committed and uncommitted lines of credit with related parties, in addition to other credit facilities (see Note 12).

Other liabilities include dividends payable for US$551,094. Members of the Board of Directors have received compensation of US$61,000 (June 30, 2021: US$97,000) for attending meetings during the period.

5. Employee Benefits

For the period ended June 30, 2022, personnel expenses include salaries and benefits paid to key executive officers for US$330,947 (June 30, 2021: US$335,870). 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% (2021: 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 year in which they arise.

As of June 30, 2022, based on 2022 and 2021 performance metrics and evaluation of the potential award value under the Plan, the annual pro-rata portion of the Option accumulated for this benefit maintain open balance US$242,095 (December 31, 2021: US$242,095), 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 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. In the case of Credit Risk, the Committee recommends write-offs to the Board of Directors; also, the Committee, 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.

6. Financial Risk Management (Continued)

Risk management framework (continued)
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 auditors' qualifications and independence, the performance of the Corporation's internal audit functions, and the Corporation's system of disclosure controls and system of internal controls regarding finance, accounting, legal compliance, ethics and anti-money laundering. 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.

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 Corporation's corporate governance guidelines. The Committee also makes employment and compensation decisions related to the Chief Executive Officer (the "CEO") and assists 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 three (3) committees at management level: Credit, Asset and Liability Committee (ALCO) and Procurement.

The Credit Committee, majority comprised of senior management and two independent members nominated by the Board of Directors, reviews, approves and oversees the lending program of the Corporation. Its 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. Any temporal waiver to limits and policies requires approval from the Risk Committee.

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 three (3) 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.

6. Financial Risk Management (Continued)

Risk management framework (continued)
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 security (bonds) portfolios; and is represented by the carrying amount of those assets in the consolidated statement of financial position.

Investment and loan portfolios
The Corporation will invest its liquid portfolio to give priority to security, liquidity, and profitability, using the following criteria:

- The investment horizon is up to 3 years.
- In instruments:
  - Type of instruments: Fix Income Instruments (Bonds), Certificates of Deposits or Time Deposits.
  - Type of Issuers: Corporates or financial institutions.
  - Program Size: with a minimum issue or program size of US$200 million (for insuring liquid secondary market), excluding commercial papers programs in Panama (VCN - Valores Comerciales Negociables), which minimum program size of US$50 million approved by the Superintendencia del Mercado de Valores (SMV) of Panama.
  - Country Risk: issuers located in countries with a rating of at least BBB-/Baa3 from one of the main rating agencies (Moody's, S&P, Fitch). The only exception is Panama in case its rating is less than BBB-/Baa3.
  - Issuer Rating: have a national rating of at least A or an international rating of BBB-/Baa3 (long term) or F2/ P-2 (short term).

6. Financial Risk Management (Continued)

Risk management framework (continued)

(a) Credit risk (continued)

Investment and loan portfolios (continued)

- Excluding demand deposits, the exposure to any single issuer shall not exceed 10% of CIFI's total capital.
- All investments shall be denominated in US$.
- 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.
  - The investment portfolio could be use as guarantee for margin credit facilities if it is required and approved by CIFI.

As of June 30, 2022, the concentrations of credit risk by sectors and countries are within the limits established by the Corporation. The maximum exposure to credit risk is represented by the nominal amount of each financial asset.

Balances of loans receivable and investment securities are as follows:

	June 30, 2022	December 31, 2021
Loans and investment securities		
Investment securities		
Investment securities	5,399,000	4,075,000
Accrued interest receivable	6,408	6,560
Investment securities at amortized cost	5,405,408	4,081,560

6. Financial Risk Management (Continued)

Risk management framework (continued)

(a) Credit risk (continued)

Investment and loan portfolios (continued)

	June 30, 2022	December 31, 2021
Loans and investment securities		
Loans		
Loans receivable	404,821,371	359,188,663
Accrued interest receivable	6,177,166	4,744,950
	410,998,537	363,933,613
Allowance for loan losses	(5,340,422)	(5,067,139)
Unearned fees and commissions	(1,568,749)	(1,641,820)
	404,089,366	357,224,654
Less: re-measurement of hedged item	(296,905)	96,514
Loans receivable	403,792,461	357,321,168
Total investments and loans (par value)	416,107,040	368,111,687
Total investments and loans, carrying value	409,197,869	361,402,728

The loan portfolio includes the financing of project bonds totaling US$6,335,402 (December 31, 2021: US$6,393,701).

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 a loan or investment is determined to be uncollectible or that its valuation does not warrant continued recognition as an asset.

6. Financial Risk Management (Continued)

Risk management framework (continued)

(a) Credit risk (continued)

Investment and loan portfolios (continued)
As of June 30, 2022, the Corporation held one loan receivable by US$6,827,724 (December 31, 2021: US$6,827,724) recognized as FVTPL, adjusted by remeasurement of hedged item by US$14,726 (December 31, 2021: US$133,625).

As of June 30, 2022, the average loan portfolio internal risk rating is "B+" (December 31, 2021: average loan portfolio internal 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.

	June 30, 2022			
	12-month ECL	**Lifetime ECL, not credit impaired**	**Lifetime ECL, credit impaired**	**Total**
Loans receivable at Amortized cost (*)				
AAA / A-	-	-	-	-
BBB + / BBB-	8,383,954	-	-	8,383,954
BB+ / BB-	105,184,911	5,964,838	-	111,149,749
B+ / B-	154,148,475	10,522,906	5,773,927	170,445,308
<= CCC+	86,724,437	11,000,000	17,117,923	114,842,360
Total gross amount	354,441,777	27,487,744	22,891,850	404,821,371
Accrued interest receivable	3,646,537	1,233,066	1,297,563	6,177,166
Allowance for loan losses	(2,194,409)	(1,512,638)	(1,633,375)	(5,340,422)
Deferred income	(1,568,749)	-	-	(1,568,749)
	354,325,156	27,208,172	22,556,038	404,089,366
Add: re-measurement of hedged item	(296,905)	-	-	(296,905)
Net carrying amount (*)	354,028,251	27,208,172	22,556,038	403,792,461
Investment securities at amortized cost (*)				
AAA / A-	-	-	-	-
BBB + / BBB-	-	-	-	-
BB+ / BB-	5,399,000	-	-	5,399,000
B+ / B-	-	-	-	-
<= CCC+	-	-	-	-
Total gross amount	5,399,000	-	-	5,399,000
Accrued interest receivable	6,408	-	-	6,408
Net carrying amount	5,405,408	-	-	5,405,408

6. Financial Risk Management (Continued)

Risk management framework (continued)

(a) Credit risk (continued)

Investment and loan portfolios (continued)

	December 31, 2021			
	12-month ECL	**Lifetime ECL, not credit impaired**	**Lifetime ECL, credit impaired**	**Total**
Loans receivable at amortized cost (*)				
AAA / A-	-	-	-	-
BBB + / BBB-	8,771,430	-	-	8,771,430
BB+ / BB-	59,753,184	16,897,283	-	76,650,468
B+ / B-	165,804,193	22,398,389	5,884,442	194,087,023
<= CCC+	67,922,918	-	11,756,824	79,679,742
Total gross amount	302,251,725	39,295,672	17,641,266	359,188,663
Accrued interest receivable	2,878,035	901,862	965,053	4,744,950
Loss allowance	(2,591,384)	(1,205,395)	(1,270,360)	(5,067,139)
Deferred income	(1,641,820)	-	-	(1,641,820)
	300,896,555	38,992,139	17,335,959	357,224,654
Add: re-measurement of hedged item	96,514	-	-	96,514
Net carrying amount (*)	300,993,069	38,992,139	17,335,959	357,321,168
Investment securities at amortized cost (*)				
AAA / A-	-	-	-	-
BBB + / BBB-	-	-	-	-
BB+ / BB-	4,075,000	-	-	4,075,000
B+ / B-	-	-	-	-
<= CCC+	-	-	-	-
Total gross amount	4,075,000	-	-	4,075,000
Accrued interest receivable	6,560	-	-	6,560
Net carrying amount	4,081,560	-	-	4,081,560

(*) The grades used are in line with the criteria of an international credit rating agencies.

6. Financial Risk Management (Continued)

Risk management framework (continued)

(a) Credit risk (continued)

Investment and loan portfolios (continued)
As of June 30, 2022, the Corporation has past due loans for US$22,891,850 (December 31, 2021: US$$17,641,266).

To secure some of its loans payable, as of June 30, 2022, 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 6.60% (December 31, 2021: 6.69%) 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:

	June 30, 2022			
	12 - month ECL	Lifetime ECL, not credit impaired	Lifetime ECL, credit impaired	Total
Loans receivable at amortized cost				
Balance at January 1	2,591,385	1,205,395	1,270,359	5,067,139
Transfer to 12-month ECL	89,621	(89,621)	-	-
Transfer to lifetime ECL not credit impaired	-	(194,479)	194,479	-
Transfer to lifetime ECL credit impaired	-	-	-	-
Net remeasurement of loss allowance	(237,597)	591,343	1,927,962	2,281,708
New financial assets originated	49,695	-	-	49,695
Financial assets that have been derecognized	(298,695)	-	-	(298,695)
Write - offs (*)	-	-	(1,759,425)	(1,759,425)
Balance at June 30	2,194,409	1,512,638	1,633,375	5,340,422

As of June 30, 2022, the Corporation has US$386,809,123 (December 31, 2021: US$346,292,347) of loans evaluated collectively with a provision for loan portfolio of US$3,707,047 December 31, 2021: US$3,796,77); and US$24,189,414 (December 31,2021: US$17,641,266) of loans evaluated individually with a loan portfolio provision of US$1,633,376 (December 31, 2021: US$1,270,360).

6. Financial Risk Management (Continued)

Risk management framework (continued)

(a) Credit risk (continued)

Investment and loan portfolios (continued)

	December 31, 2021			
	12 - month ECL	Lifetime ECL, not credit impaired	Lifetime ECL, credit impaired	Total
Loans receivable at amortized cost				
Balance at January 1	2,211,771	2,262,076	1,646,205	6,120,052
Transfer to 12 - month ECL	121,968	(121,968)	-	-
Transfer to lifetime ECL not credit impaired	(25,568)	25,568	-	-
Transfer to lifetime ECL credit impaired	-	(73,848)	73,848	-
Net remeasurement of loss allowance	271,269	(151,078)	4,354,174	4,474,365
New financial assets originated	11,945	-	-	11,945
Write - offs (*)	-	(735,355)	(4,803,868)	(5,539,223)
Balance at December 31	2,591,385	1,205,395	1,270,359	5,067,139

(*) The Corporation does not maintain legal processes to those write-offs.

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 loans collaterals and guarantees, as follows:

	June 30, 2022	December 31, 2021
Accounts receivable	10,743,229	11,694,314
Cash or CD pledge	16,792,043	13,620,340
Conditional sale agreement	7,038,052	7,038,052
Corporate	31,413,776	75,513,661
Guarantees issued by the operating companies	6,000,109	6,421,535
Mortgages or securities on buildings	83,870,916	82,048,765
Mortgages or securities on land	132,494,962	131,666,321
Pledge of shares	16,497,528	16,497,528
Pledge on property and mortgages on machinery	347,986,751	323,280,722
Pledge over rights on contracts	54,174,001	51,038,803
Pledge over rights on contracts or others	116,413,883	66,923,952
Shares	23,150,000	23,150,000
Stand-by letters of credit	3,482,840	3,482,840
	850,058,090	812,376,833

6. Financial Risk Management (Continued)

Risk management framework (continued)

(a) Credit risk (continued)

Investment and Loan Portfolios (continued)
The Corporation classifies loans as past due when no principal or interest payments have been made by thirty-one days after the due date. The Corporation classifies loans as impaired when no principal or interest payment have been made by ninety-one days after the due date.

Loans and investment securities earn interest at annual rates ranging between 4.92% and 13.50% (December 31, 2021: 3.12% and 13.50%).

- 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 Corporation's net worth of its consolidated financial statements. However, exposure to any single client shall not exceed the following criteria, based on Corporation's net worth of its consolidated interim financial statements:

Tier	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%

6. Financial Risk Management (Continued)

Risk management framework (continued)

(a) Credit risk (continued)

A loan will be secured if exposure is fully covered with acceptable guarantees to the Corporation. All guarantees shall comply with the following criteria: i) Security valuation is performed based on an external and independent assessment. Appraisers shall be recommended by the COO based on their technical background and approved by the CEO; ii) An analysis must be made related to the underlying credit quality of any collateral and its acceptable value for CIFI, including appraisals. For appraisals, the most recent security valuation occurred within the span of three years might be accepted. However, valuation will be adjusted every year according to the appropriate depreciation. If collateral is related to publicly available market information, collateral should be updated on the quarterly review of the loan/covenant for information from issuer. The analysis must be included in the Credit Memorandum; iii) For mortgages or securities on land, analyzing environmental liabilities must be part of the acceptance process. The level of effort shall be commensurate with the risk and will be determined by the ESG and the Risk units; and iv) 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 June 30, 2022		% of total equity December 31, 2021	
	Number of exposures	**Amount**	**Number of Exposures**	**Amount**
0 to 4.99%	25	65,307,320	23	59,202,803
5 to 9.99%	27	208,169,553	26	203,978,069
10 to 14.99%	9	113,844,498	6	78,507,791
15 to 18%	1	17,500,000	1	17,500,000
	62	404,821,371	56	359,188,663

- 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 June 30, 2022, the Corporation complied with country risk exposure limits.

6. Financial Risk Management (Continued)

Risk management framework (continued)

(a) Credit risk (continued)

Investment and Loan Portfolios (continued)

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

	June 30, 2022	December 31, 2021
Chile	94,044,196	45,546,670
Panama	53,585,915	53,919,585
Brazil	35,440,072	36,266,900
Argentina	33,378,636	37,593,092
Ecuador	29,690,376	30,593,972
Mexico	24,817,736	25,287,067
Honduras	20,436,228	20,781,397
Belize	18,308,163	18,427,062
Nicaragua	17,314,107	8,743,162
Peru	14,356,689	15,390,225
Colombia	13,914,897	16,151,454
Bolivia	12,180,000	12,535,385
Spain	9,920,000	9,920,000
Jamaica	9,904,350	10,180,837
Uruguay	8,383,954	8,771,430
Paraguay	5,884,442	5,884,442
Dominican Republic	4,247,500	2,747,500
Salvador	3,413,110	3,523,483
Costa Rica	1,000,000	1,000,000
Gross loans and investment portfolio	410,220,371	363,263,663
Accrued interest receivable	6,183,574	4,751,510
	416,403,945	368,015,173
Add: re-measurement of hedged item	(296,905)	96,514
	416,107,040	368,111,687

6. Financial Risk Management (Continued)

Risk management framework (continued)

(a) Credit risk (continued)

Investment and Loan Portfolios (continued)

- Sector risk: The Corporation limits its portfolio concentration by subsectors based on the applicable I, II or III TIERS. Subsectors classified in TIER I – Renewable Energy, such as Solar, Wind, Hydro are limited to 75% of the total portfolio; Subsectors classified in TIER II - Transportation and Telecommunication are limited to 40% of the total portfolio, and Subsectors classified in TIER III - Alternative Fuels, Construction and Logistics, among others, are limited to 20% of the total portfolio. As of June 30, 2022, the Corporation complied with sector risk exposure limits.

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

	June 30, 2022	December 31, 2021
Solar Power	132,200,025	97,721,805
Telecommunications	48,530,000	48,305,385
Airports and Seaports	39,008,598	41,158,040
Alternative Fuel	26,300,000	15,000,000
Construction & Engineering	23,731,161	25,340,893
Co-generation (Biomass)	20,682,007	20,932,082
Roads, Railroads and Others	18,580,134	19,053,181
Social Infrastructure	14,669,274	15,297,815
Tourism	14,330,351	15,269,433
Wind Power	13,897,151	14,893,129
Geothermal	11,800,909	2,621,464
Energy Efficiency	11,000,000	11,000,000
Logistics Center and Other	8,888,708	8,888,708
Hydro Power	8,785,317	9,119,661
Thermo Power	7,317,736	7,787,067
Securities	5,399,000	4,075,000
Gas & Oil	5,100,000	6,800,000
Gross loans and investment portfolio	410,220,371	363,263,663
Accrued interest receivable	6,183,574	4,751,510
	416,403,945	368,015,173
Add: re-measurement of hedged item	(296,905)	96,514
Total	416,107,040	368,111,687

6. Financial Risk Management (Continued)

Risk management framework (continued)

(a) Credit risk (continued)

Investment and Loan Portfolios (continued)
In addition, commissions receivable from corporate services rendered to third parties, amounting on June 30, 2022 to US$2,048,472 (December 31, 2021: US$6,381,439), which are presented as receivables from advisory and structuring services, are classified as performing receivables. ECL impairment on receivables recognized in 2022 amounted to US$176,800 (June 30, 2021: US$496,492).

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 combines or weighs 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. This rating was not related with expected losses as LGD and doesn't impact the Corporation's internal credit rating. For corporate loans, the Corporation has acquired the RiskCalc EDF model for Emerging Markets from Moody's.

After a final analysis presented by Management to the Risk Committee and the Board of Directors in September 2021, the Corporation has normalized its credit cycle.

(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 timeframe.

Management of liquidity risk
The Corporation's approach to managing liquidity is to ensure, as far as possible, that it always must 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.

6. Financial Risk Management (Continued)

Risk management framework (continued)

(b) Liquid risk(continued)

Management of liquidity risk (continued)
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.

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. The ALCO monitors the Corporation's liquidity position by evaluating the following requirements established in the Corporation's current liquidity policy, which are reported 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; and
- Stress analysis of the Corporation's forecasted cash flows.

When a financial crisis impacts the markets, the Corporation activates its liquidity contingency plan, which requires Management to increase liquidity and to extend its liquidity position from 6 months to 1 year its liquidity position.

As of June 30, 2022, the Corporation had US$35,440,174 (December 31, 2021: US$51,598,072) in cash and cash equivalents and doesn't maintain undisbursed and available balances of committed credit facilities with financial institutions (December 31, 2021: US$2,100,000) with tenors at 2022 and 2023 (December 31, 2021: tenors at 2021 and 2022). Additionally, the Corporation maintains undisbursed and available balances of uncommitted short-term revolving credit facilities with financial institutions for US$14,500,000 (December 31, 2021: US$25,000,000) (See Note 12).

6. Financial Risk Management (Continued)

Risk management framework (continued)

(b) Liquidity risk (continued)

Management of liquidity risk (continued)
According to the Corporation's liquidity policies, the Corporation shall comply with the following three limits: i) Cumulative asset-liability gap from 1 to 180 days > 0, ii) Probability of negative cash flow balance in six months ≤ 1%; and iii) Short term funding, up to 1 year, cannot exceed either $65 million or 25% of total funding. 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. Cash flows attributed to undrawn loan commitments and borrowings are allocated to the time band in which management expects their occurrence.

The Corporation’s consolidated statement of financial position asset and liability terms are matched as follows:

	1 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 365 days	Over 365 days	Total
June 30, 2022							
Assets							
Cash and cash equivalents	31,440,174	-	-	4,000,000	-	-	35,440,174
Investment securities	729,386	1,000,028	2,051,994	-	1,624,000	-	5,405,408
Loans receivable	1,275,295	10,774,049	4,643,373	10,647,392	65,019,774	311,432,578	403,792,461
Securitized of loan	-	-	-	-	-	23,244,203	23,244,203
Receivables from advisory and structuring services	941,156	163	3,909	1,103,244	-	-	2,048,472
Derivative assets	-	-	1,654	15,474	52,851	220,995	290,974
Margin Call	14,650,000	-	-	-	-	-	14,650,000
	49,036,011	11,774,240	6,700,930	15,766,110	66,696,625	334,897,776	484,871,692
Liabilities							
Loans payable	2,400,475	3,750,000	7,450,000	18,264,610	34,029,221	99,703,969	165,598,275
Bonds	-	-	-	18,731,105	12,591,351	130,207,904	161,530,360
Commercial paper	-	-	1,400,000	16,675,000	14,970,000	(80,380)	32,964,620
Derivative liabilities	-	-	-	216,616	1,462,946	13,572,859	15,252,421
Accrued interest payable	282,695	59,158	469,199	769,677	1,657	-	1,582,386
Securitization liabilities	-	-	-	-	-	23,385,656	23,385,656
	2,683,170	3,809,158	9,319,199	54,657,008	63,055,175	266,790,008	400,313,718

6. Financial Risk Management (Continued)

Risk management framework (continued)

(b) Liquidity risk (continued)

Management of liquidity risk (continued)

	1 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 365 days	Over 365 days	Total
December 31, 2021							
Assets							
Cash and cash equivalents	47,598,072	1,000,000	-	3,000,000	-	-	51,598,072
Investment securities	229,671	-	1,889	300,000	2,550,000	1,000,000	4,081,560
Loans receivable	(644,369)	13,315,739	14,384,241	12,546,201	37,074,561	280,644,795	357,321,168
Securitized of loan	-	-	-	-	-	24,117,501	24,117,501
Receivables from advisory and structuring services	3,440,570	30,700	1,440,600	1,469,569	-	-	6,381,439
Margin Call	6,230,000	-	-	-	-	-	6,230,000
	56,853,944	14,346,439	15,826,730	17,315,770	39,624,561	305,762,296	449,729,740
Liabilities							
Loans payable	762,093	(2,100,000)	17,450,000	10,493,182	27,854,221	94,915,008	149,374,504
Bonds	(2,000,000)	(2,100,000)	300,000	1,000,000	19,897,000	136,987,363	154,084,363
Commercial paper	-	2,100,000	3,050,000	3,000,000	8,009,000	4,052,988	20,211,988
Derivative liabilities	-	-	(418,669)	(287,572)	(615,160)	10,856,285	9,534,884
Accrued interest payable	422,245	286,723	268,102	297,381	1,197	-	1,275,648
Securitization liabilities	-	-	-	-	-	24,117,501	24,117,501
	(815,662)	(1,813,277)	20,649,433	14,502,991	55,146,258	270,929,145	358,598,888

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

	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
June 30, 2022							
Non-derivative liabilities:							
Loans payable	165,598,275	(189,898,631)	(3,854,762)	(12,024,979)	(58,068,660)	(115,950,230)	-
Bonds *	161,530,360	(197,200,315)	-	(828,243)	(38,621,570)	(147,567,238)	(10,183,264)
Commercial paper	32,964,620	(33,491,497)	(14,650,000)	(1,409,411)	(32,082,086)	-	-
Margin Call	14,650,000	(14,650,000)	(9,420,000)	-	-	-	-
Unrecognized loan commitments	-	(7,500,000)	(7,500,000)	-	-	-	-
	374,743,255	(442,740,443)	(35,424,762)	(14,262,633)	(128,772,316)	(263,517,468)	(10,183,264)
Non – derivative assets:							
Investment securities	5,405,408	5,449,523	731,718	2,572,374	2,145,431	-	-
Loans receivable	403,792,461	599,073,141	(13,200,867)	7,701,001	77,326,997	274,085,949	253,160,061
	409,197,869	604,522,664	(12,469,149)	10,273,375	79,472,428	274,085,949	253,160,061

6. Financial Risk Management (Continued)

Risk management framework (continued)

(b) Liquidity risk (continued)

Management of liquidity risk (continued)

	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
December 31, 2021							
Non-derivative liabilities:							
Loans payable	149,374,504	(225,348,177)	(4,622,321)	(19,200,592)	(43,593,965)	(157,931,299)	-
Bonds *	154,084,363	(185,584,478)	-	(2,484,664)	(25,929,064)	(157,170,750)	-
Commercial paper	20,211,988	(20,518,125)	(2,001,556)	(7,368,948)	(11,147,621)	-	-
Margin call	(6,230,000)	(6,230,000)	(6,230,000)	-	-	-	-
Unrecognized loan commitments	-	(27,100,000)	(27,100,000)	-	-	-	-
	317,440,855	(464,780,780)	(39,953,877)	(29,054,204)	(80,670,650)	(315,102,049)	-
Non – derivative assets:							
Investment securities	4,081,560	4,176,432	233,026	23,046	2,915,582	1,004,778	-
Loans receivable	357,321,168	464,411,787	171,665	30,173,803	64,587,528	207,860,236	161,618,555
	361,402,728	468,588,219	404,691	30,196,849	67,503,110	208,865,014	161,618,555

*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 the consolidated statement of comprehensive income.

As of June 30, 2022, all the Corporation's assets and liabilities are denominated in U.S. dollars. Accordingly, no foreign currency risk is anticipated.

6. Financial Risk Management (Continued)

Risk management framework (continued)

(c) Market risk (continued)

Interest rate risk (continued)
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 +/-2.0%. 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 June 30, 2022, 16% (December 31, 2021: 11%) of interest-earning assets and 14% (December 31, 2021: 0%) 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 a duration of economic equity analysis.

June 30, 2022	Assets	Liabilities	Net
Present Value	479,921,960	(376,283,811)	103,638,149
Duration (excluding interest rate swaps)	0.41	0.36	
Duration (including interest rate swaps)	0.41	0.35	0.06
Floating rate as a % total	90.54%	44.79%	
Fixed rate as a % total	7.72%	17.04%	
Hybrid Rate as a % Total	1.75%	38.17%	
Net Portfolio's Sensitivity to 100bp change in interest rate			0.62
POLICY LIMIT:			+/- 2.00

December 31, 2021	Assets	Liabilities	Net
Present Value	428,417,300	(352,993,638)	75,423,662
Duration (excluding interest rate swaps)	0.42	0.32	
Duration (including interest rate swaps)	0.42	0.32	0.10
Floating rate as a % total	89.15%	42.01%	
Fixed rate as a % total	8.82%	14.00%	
Hybrid Rate as a % Total	2.02%	44.00%	
Net Portfolio's Sensitivity to 100bp change in interest rate			0.90
POLICY LIMIT:			+/- 2.00

A change of 100 basis points in interest rates would have increased or decreased the Corporation's net economic value by US$639,099 (December 31, 2021: US$404,121) or 0.62% (December 31, 2021: 0.32%).

6. Financial Risk Management (Continued)

Risk management framework (continued)

(c) Market risk (continued)

Interest rate risk (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.

	1 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 365 days	Over 365 days	Total
June 30, 2022							
Asset							
Loans and investments, gross	75,436,002	64,961,484	94,476,941	111,442,315	23,045,126	40,858,503	410,220,371
Liability							
Loans, gross	10,714,286	27,500,000	39,850,000	127,560,182	37,101,363	134,402,882	377,128,713
Net position	64,721,716	37,461,484	54,626,941	(16,117,867)	(14,056,237)	(93,544,379)	33,091,658

	1 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 365 days	Over 365 days	Total
December 31, 2021							
Asset							
Loans and investments, gross	64,637,248	58,822,622	105,321,555	94,005,582	12,328,196	28,148,460	363,263,663
Liability							
Loans, gross	14,853,895	20,000,000	33,568,182	74,350,000	5,136,364	2,843,580	150,752,021
Net position	49,783,353	38,822,622	71,753,373	19,655,582	7,191,832	25,304,880	212,511,642

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 the Corporation's operations and are faced by all business entities.

The Corporation's objective is to manage operational risk 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;

6. Financial Risk Management (Continued)

Risk management framework (continued)

(c) Market risk (continued)

Operational risk (continued)

- 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; and
- Acquisition of insurance to mitigate operational risk.

The Risk Committee oversees management's program to limit or control operational risk and ensures that the Corporation has in place an appropriate enterprise-wide process to identify, assess and monitor 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 Internal Auditor.

(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:

	June 30, 2022	December 31, 2021
Tier 1 capital	103,779,545	108,936,307
Total capital	103,779,545	108,936,307
Risk weight of 50%	26,764,585	25,493,153
Risk weight of 100%	375,778,936	330,724,167
Risk weight of 150%	70,850,370	85,222,891
Risk weight of 250%	13,175,374	12,044,534
Risk weight of 400%	25,169,061	25,384,274
Subtotal for credit risk	511,738,326	478,869,019
Concentration	213,373,950	183,954,974
Operational risk	78,370,959	78,370,959
Risk - weighted assets	803,483,235	741,194,952
Capital adequacy	12.92%	14.70%
Required capital adequacy (as established by the Board)	12.50%	12.50%

6. Financial Risk Management (Continued)

Risk management framework (continued)

(d) Capital management (continued)
For investment property, a 400% risk weight was used in a Solar Power Company as the Corporation owns shares in this company. For the US$1.2 million first loss guarantee related to the securitization program, a 400% risk weight was applied.

(e) Securitized loans
As part of the credit risk management, specifically concentration risk, the Corporation decided to reduce its individual concentration by starting a securitization program with institutional investors in El Salvador. (See Note 22).

7. Cash and Cash Equivalents

Cash and cash equivalents are detail as follows:

	June 30, 2022	December 31, 2021
Cash	1,000	1,000
Current account	22,939,174	28,447,072
Time deposits	12,500,000	23,150,000
	35,440,174	51,598,072
Less: Time deposits with maturity more than ninety days	(2,000,000)	(3,000,000)
	33,440,174	48,598,072

8. Reconciliation of Movements of Borrowings and Debt Arising from Financing Activities, as Presented in the Consolidated Statements of Cash Flows

	June 30, 2022			
	Loans	**Bonds**	**Commercial Paper**	**Total**
Balance at January 1, 2021	149,374,504	154,084,363	20,211,988	323,670,855
Change from financing cash flow				
Proceeds from loans payable	49,600,000	-	-	49,600,000
Repayment of loans payable	(33,376,229)	-	-	(33,376,229)
Proceeds from issue bonds	-	14,300,000	-	14,300,000
Repayment of bonds	-	(1,681,458)	-	(1,681,458)
Proceeds from issue of commercial paper	-	-	25,036,000	25,036,000
Repayment of commercial paper	-	-	(12,283,368)	(12,283,368)
Total from financing cash flows	16,223,771	12,618,542	12,752,632	41,594,945
Change of fair value for hedge accounting relationship	-	(5,172,545)	-	(5,172,545)
Balance at June 30, 2022	165,598,275	161,530,360	32,964,620	360,093,255

	June 30, 2021			
	Loans	**Bonds**	**Commercial Paper**	**Total**
Balance at January 1, 2020	159,909,764	166,415,132	39,547,680	365,872,576
Change from financing cash flow				
Proceeds from loans payable	44,464,651	-	-	44,464,651
Repayment of loans payable	(55,788,569)	-	-	(55,788,569)
Proceeds from issue bonds	-	50,111,160	-	50,111,160
Repayment of bonds	-	(25,765,817)	-	(25,765,817)
Proceeds from issue of commercial paper	-	-	14,750,000	14,750,000
Repayment of commercial paper	-	-	(14,399,480)	(14,399,480)
Total from financing cash flows	(11,323,918)	24,345,343	350,520	13,371,945
Change of fair value for hedge accounting relationship	-	(7,504,927)	-	(7,504,927)
Balance at June 30, 2021	148,585,846	183,255,548	39,898,200	371,739,594

Reconciliation of equity movements arising from financing activities are presented in the consolidated statement of changes in equity.

9. Furniture, Equipment, Improvements and Rights-of-Use Assets

Furniture, equipment, improvements, and rights-of-use assets are summarized as follows:

	June 30, 2022 (Unaudited)				
	Furniture and Equipment	**Property Improvements**	**Computer Equipment**	**Rights-of-Use Assets (1)**	**Total**
Cost					
Balance at January 1, 2022	147,755	1,120,007	170,870	1,014,493	2,453,125
Acquisitions	-	-	12,234	-	12,234
Adjustment	-	-	-	-	-
Sales	-	-	(2,016)	-	(2,016)
Balance at June 30, 2022	147,755	1,120,007	181,088	1,014,493	2,463,343
Accumulated depreciation:					
Balance at January 1, 2022	147,639	491,640	128,301	202,899	970,479
Expense of the period	-	55,810	14,007	101,449	171,266
Adjustment	-	-	-	-	-
Sales	-	-	(1,995)	-	(1,995)
Balance at June 30, 2022	147,639	547,450	140,313	304,348	1,139,750
Net balance	116	572,557	40,775	710,145	1,323,593

(1) The rights-of-use assets mainly consist of office premises under lease (see Note 3 (t)).

	December 31, 2021 (Audited)				
	Furniture and Equipment	**Property Improvements**	**Computer Equipment**	**Rights-of-Use Assets** (1)	**Total**
Cost					
Balance at January 1, 2021	147,755	1,120,007	160,572	1,610,639	3,038,973
Acquisitions	-	-	57,026	-	57,026
Adjustment	-	-	3,367	(596,146)	(592,779)
Sales	-	-	(50,095)	-	(50,095)
Balance at December 31, 2021	147,755	1,120,007	170,870	1,014,493	2,453,125
Accumulated depreciation:					
Balance at January 1, 2021	129,986	514,207	130,105	402,660	1,176,958
Expense of the period	17,719	142,130	42,585	201,330	403,764
Adjustment	(66)	(164,697)	(3,269)	(401,091)	(569,123)
Sales	-	-	(41,120)	-	(41,120)
Balance at December 31, 2021	147,639	491,640	128,301	202,899	970,479
Net balance	116	628,367	42,569	811,594	1,482,646

(1) They mainly consist of rights of use-assets corresponding to office premises under lease (see Note 3 (t)).

9. Furniture, Equipment, Improvements and Rights-of-Use Assets (Continued)

The Corporation has an intangible asset recorded as other assets for an amount of US$90,882 (December 31,2021: US$90,882) which generated an amortization of US$7,428 during the period ended June 30, 2022 (June 30, 2021: US$8,914) (Note 11).

10. Investment Property

Investment property is summarized as follows:

	June 30, 2022	December 31, 2021
Balance at beginning of the year	15,756,299	17,016,964
Changes in fair value	82,816	(1,260,665)
Balance at end of the period	15,839,115	15,756,299

In November 2019, the Corporation accelerated the loan granted to a solar-power company in Honduras, executing the guarantees of the loan, which included the trusts that owned: all the shares of the company, all fixed assets (land and equipment) and the license of the operation of the plant. As of June 30, 2022, the book value of the investment property and its fair value, is US$5,223,009 (December 31, 2021: US$5,140,193). In addition, the lessee of the solar power plant paid the Corporation annual payment for the current business as own ewe, which has to be recognized as income.

In December 2019, the Corporation granted a new loan with an independent source of payment from the original sponsor. As a result of the restructured transaction, the new outstanding balance is 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 which fair value as of June 30, 2022, is US$10,616,106 (December 31, 2021: US$10,616,106). As of December 31, 2021, the Corporation has signed a contract to sale this land for a value of US$10,616,106, which will be executed in the third quarter of 2022.

11. Other Assets

Other assets are summarized as follows:

	June 30, 2022	December31, 2021
Administrative prepaid expenses	1,402,156	1,639,888
Treasury prepaid expenses	547,816	533,380
Intangible asset, net (Note 9)	1,737	9,166
Guarantee deposits	16,345	16,345
Ongoing projects	63,760	63,760
Deferred income tax asset	1,122,538	1,044,972
Other receivables	2,720,557	2,802,939
	5,874,909	6,110,450

12. Loans Payable

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

	Maturity	June 30, 2022	December 31, 2021
Foreign financial institutions			
German Investment Corporation (KFW DEG)	2022	3,125,000	6,250,000
Occidental Bank (Barbados) Ltd.	2022	4,000,000	4,000,000
Global Climate Partnership Fund	2022	7,450,000	14,900,000
Bancaribe Curacao	2023	6,000,000	8,000,000
Banco de Desarrollo de América Latina (CAF)	2023	7,500,000	-
International Finance Bank (IFB)	2023	10,714,286	14,285,714
Finnish Fund for Industrial Cooperation (Finn fund)	2023	15,000,000	12,900,000
Caribbean Development Bank	2024	3,979,943	5,116,307
Development Finance Institute (FinDev)	2025	9,000,000	10,500,000
Cargill Financial Services International	2025	25,000,000	25,000,000
Cargill Financial Services International	2026	20,000,000	20,000,000
Global Climate Partnership Fund	2026	25,000,000	15,000,000
OPEC Fund for International Development	2027	25,000,000	-
Local financial institutions			
Banco Internacional de Costa Rica, S. A.	2022	-	9,800,000
Banco Mercantil	2022	5,000,000	5,000,000
		166,769,229	150,752,021
Deferred costs		(1,170,954)	(1,377,517)
		165,598,275	149,374,504

12. Loans Payable (Continued)

The effective annual interest rates on loans with financial entities range between 1.93% and 5.25% (December 31, 2021: between 3.23% and 5.85%).

Following is a detail of the loans outstanding payable, undrawn balance of committed lines of credit and undrawn balance of uncommitted lines of credit:

	June 30, 2022	December 31, 2021
Loans payable outstanding, net gross	165,598,275	149,374,504
Undrawn balance of committed lines of credit	-	2,100,000
Undrawn balance of uncommitted lines of credit	14,500,000	25,000,000

See Note 6(b) for information on outstanding contractual maturities of borrowings. The Corporation has not any defaults of principal, interest, or other covenant breaches with respect to its loans payable.

13. Bonds

Bonds are detail as follows:

	June 30, 2022	December 31, 2021
Corporate Bond - Panama	73,388,020	61,886,497
Corporate Green Bond - Panama	48,982,900	50,762,544
Corporate Green Bond - Colombia	40,365,580	42,707,241
	162,736,500	155,356,282
Deferred costs	(1,206,140)	(1,271,919)
	161,530,360	154,084,363

Corporate Bond - Panama
Through Resolution SMV-691-17 of the Superintendency of the Securities Market of Panama, 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 and rotating titles, 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.

13. Bonds (Continued)

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

	Nominal Interest Rate	Maturity Date	June 30, 2022 Carrying Amount	December 31, 2021 Carrying Amount
Corporate Bonds				
Series B	5.50%	2023	5,000,000	5,000,000
Series D	5.00%	2023	1,200,000	1,800,000
Series K	5.75%	2023	1,500,000	1,500,000
Series L	5.75%	2023	566,000	566,000
Series M	4.00%	2023	2,000,000	2,000,000
Series N	4.25%	2024	2,000,000	2,000,000
Series O	4.50%	2025	2,000,000	2,000,000
Series P	4.75%	2026	3,000,000	3,000,000
Series Q	4.00%	2023	1,495,000	1,495,000
Series R	4.25%	2024	5,500,000	5,500,000
Series S	4.00%	2023	1,000,000	1,000,000
Series T	4.25%	2024	2,000,000	2,000,000
Series U	4.25%	2024	500,000	500,000
Series V	4.25%	2024	1,000,000	1,000,000
Series W	3.75%	2023	2,000,000	2,000,000
Series X	4.00%	2024	5,000,000	5,000,000
Series Y	4.00%	2024	2,300,000	2,300,000
Series Z	4.00%	2024	2,755,000	2,755,000
Series AA	3.25%	2023	2,400,000	2,400,000
Series AB	4.00%	2024	6,750,000	6,750,000
Series AC	4.38%	2025	7,000,000	7,000,000
Series AD	4.25%	2025	1,140,000	1,140,000
Series AE	3.50%	2023	2,000,000	2,000,000
Series AF	3.50%	2023	1,500,000	1,500,000
Series AG	3.50%	2024	2,000,000	-
Series AH	3.38%	2023	2,000,000	-
Series AI	7.25%	2027	10,000,000	-
			75,606,000	62,206,000
Remeasurement of hedged items			(2,217,980)	(319,503)
			73,388,020	61,886,497

Corporate Green Bond - Panama
Through Resolution SMV-337-19 of the Superintendency of the Securities Market of Panama, 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 and rotating titles, 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.

13. Bonds (Continued)

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

	Nominal Interest Rate	Maturity Date	June 30, 2022 Carrying Amount	December 31, 2021 Carrying Amount
Green Bonds				
Series A	4.75%	2022	14,997,000	14,997,000
Series B	5.00%	2024	12,000,000	12,000,000
Series C	5.00%	2024	995,000	995,000
Series D	5.15%	2024	7,000,000	7,000,000
Series E	5.15%	2024	7,000,000	7,000,000
Series F	4.50%	2023	500,000	500,000
Series G	5.25%	2023	1,000,000	1,000,000
Series I	5.00%	2022	4,000,000	4,000,000
Series J	5.25%	2023	2,000,000	2,000,000
Series K	4.50%	2022	-	1,000,000
			49,492,000	50,492,000
Remeasurement of hedged items			(509,100)	270,544
			48,982,900	50,762,544

Corporate Green Bond - Colombia
Through filing No.2020258225-006-000 of the Financial Superintendency of Colombia, on November 23, 2020, the public offering of an ordinary bonds program in Colombia was made, with a nominal value. The bonds will pay interest quarterly and may not be redeemed early by the issuer.

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

	Nominal Interest Rate	Maturity Date	June 30, 2022 Carrying Amount	December 31, 2021 Carrying Amount
Green Bonds				
Series A	6.63%	2023	29,600,395	29,600,395
Series B	6.63%	2023	12,654,240	12,654,240
Series C	8.15%	2026	9,961,849	9,961,849
			52,216,484	52,216,484
Remeasurement of hedged items			(11,850,904)	(9,509,243)
			40,365,580	42,707,241

14. Commercial Paper

Through Resolution SMV-690-17 of the Superintendency of the Securities Market of Panama, on December 20, 2017, the public offering of a commercial paper program in Panama (Valores Comerciales Negociables – VCN, in Spanish) was made, with a nominal value of US$50,000,000. The VCN were issued in nominative and rotating titles, 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.

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

	Nominal Interest Rate	Maturity Date	June 30, 2022 Carrying Amount	December 31, 2021 Carrying Amount
VCN				
Series AL	3.50%	2022	-	2,000,000
Series AM	3.50%	2022	-	500,000
Series AN	3.50%	2022	-	1,700,000
Series AO	3.50%	2022	-	2,000,000
Series AP	3.50%	2022	-	3,050,000
Series AS	3.25%	2022	-	3,000,000
Series AT	2.75%	2022	1,400,000	1,400,000
Series AU	2.75%	2022	1,000,000	1,000,000
Series AV	2.75%	2022	1,000,000	1,000,000
Series AW	2.75%	2022	1,000,000	1,000,000
Series AX	2.75%	2022	2,500,000	2,281,000
Series AY	2.75%	2022	1,000,000	1,000,000
Series AZ	2.75%	2022	1,000,000	328,000
Series BA	3.00%	2023	2,500,000	-
Series BB	3.00%	2023	4,175,000	-
Series BC	3.00%	2023	1,000,000	-
Series BD	2.50%	2022	3,175,000	-
Series BE	3.00%	2023	1,050,000	-
Series BF	2.75%	2023	3,245,000	-
Series BG	2.63%	2022	2,000,000	-
Series BH	3.25%	2023	1,000,000	-
Series BI	2.63%	2022	4,000,000	-
Series BJ	2.85%	2023	2,000,000	-
			33,045,000	20,259,000
Deferred costs			(80,380)	(47,012)
			32,964,620	20,211,988

15. Other Liabilities

Other liabilities are summarized as follows:

	June 30, 2022	December 31, 2021
Employment benefits	1,730,929	1,428,339
Tax payable	638,285	478,832
Others payable	711,840	2,806,464
	3,081,054	4,713,635

16. Equity

Share Capital

The Corporation's share capital is comprised of 54,000,001 (December 31,2020: 54,000,001) common shares of US$1 par value, for a total of US$54,000,001 (December 31, 2020: US$54,000,001). Treasury shares acquired in 2019 amount to US$3,673,618.

The issued and outstanding share capital is distributed as follows:

	June 30, 2022		December 31, 2021	
	Acquired Capital	Ownership Interest	Acquired Capital	Ownership Interest
Valora Holdings, S. A.	22,653,979	45.02%	10,408,585	20.68%
Norwegian Investment Fund for Developing Countries	17,263,819	34.30%	17,263,819	34.30%
Central American Bank for Economic Integrations	-	-	6,122,697	12.17%
Caixa Banco de Investimento, S.A.	-	-	6,122,697	12.17%
Caribbean Development Bank	3,673,618	7.30%	3,673,618	7.30%
Finnish Fund for Industrial Cooperation Ltd.	3,673,618	7.30%	3,673,618	7.30%
Banco Pichincha C. A.	3,061,349	6.08%	3,061,349	6.08%
	50,326,383		50,326,383	

As of June 30, 2022, Valora Holdings, S.A. purchased the participation of CAIXA and BCIE shares, increasing its shareholding from 20.68% to 45.02%, positioning itself as the largest shareholder of The Corporation. This transaction was made directly between shareholders, so there was no movement of cash in The Corporation.

17. Basic Earnings Per Share

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

	June 30, 2022	June 30, 2021
Net income	683,108	2,521,926
Number of shares	50,326,383	50,326,383
Earnings per share	0.01	0.05

18. Income Taxes

Panama
The income tax returns of the Corporation are subject to examination by the local income tax authorities, including the period ended June 30, 2022, in accordance with current Panamanian tax regulation.

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 deposit with banks operation in Panama, and investment securities issued by the Government of Panama and securities listed with the Superintendency of the Securities Market and traded the Panama Stock Exchange.

For corporations in Panama, the current 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 base as the amount greater of: (a) the next taxable income calculated by the ordinary method established in the Tax code and (b) the next taxable income resulting from applying four-point sixty-seven percent (4.67%) on total gross income.

18. Income Taxes (Continued)

Panama (continued)
The income tax net is detailed below:

	June 30, 2022	June 30, 2021
Estimated income tax	138,383	158,149
Deferred income tax	(77,566)	(78,505)
Income tax, net	60,817	79,644

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

	June 30, 2022	June 30, 2021
Panama		
Net financial income before income tax	1,647,889	2,037,299
Foreign revenue, exempt and non-taxable, net of costs and expenses	(540,819)	(772,109)
Tax loss carryforward	(553,535)	(632,595)
Net taxable income	553,535	632,595
Income tax	138,383	158,149

The movement of the deferred income tax asset is detailed as follows:

	June 30, 2022	June 30, 2021
Balance at the beginning of the period	1,044,972	236,537
Increase	77,566	78,505
Balance at the end of the period	1,122,538	315,042

Deferred income tax asset is detailed as follows:

	June 30, 2022	June 30, 2021
Panama		
Deferred income tax - asset		
Allowance for loans losses	283,099	315,042
Tax loss carryforward	839,439	-
	1,122,538	315,042

18. Income Taxes (Continued)

Panama (continued)

Transfer Price Regime
Law No.52 of August 28, 2012 established as of the 2012 fiscal period the transfer pricing regime aimed at regulating for tax purposes the transactions carried out between related parties, and applicable to operations that the taxpayer carries out with related companies that are tax residents of other jurisdictions. The most relevant aspects of this regulation include:

- Taxpayers must submit, annually, an informative declaration of the operations related to related parties, within six (6) months following the closing of the corresponding fiscal period.

- Failure to present the previous report will be sanctioned with a fine equivalent to 1% of the total amount of operations with related parties.

- The entities obliged to present the report referred to in the previous point must maintain a study of transfer prices, which must contain the information and analysis that allow assessing and documenting their operations with related parties, in accordance with the established provisions in the law.

- The taxpayer must only present this study at the request of the General Directorate of Revenue within 45 days after their request.

19. 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 June 30, 2022, the Corporation held the following interest rate swaps as hedging instruments in fair value hedges of interest risk.

19. Derivatives Held for Risk Management Purposes (Continued)

	Maturity June 30, 2022				
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$)	-	-	28,682,000	61,271,000	-
Average fixed interest rate	-	-	4.44%	4.55%	-
Average spread over Libor	-	-	6.01%	5.68%	-
Interest rate risk					
Hedge of issued loans	-	-	-	-	7,222,222
Notional amount (US$)	-	-	-	-	8.25%
Average fixed interest rate	-	-	-	-	8.34%
Average spread over Libor	-	-	-	-	-
Cross Currency risk					
Hedge of issued bonds					
Notional amount (US$)	-	-	-	52,231,167	-
Average fixed interest rate	-	-	-	7.33%	-
Average spread over Libor	-	-	-	5.04%	-

	Maturity December 31, 2021				
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$)	-	-	17,687,000	73,266,000	-
Average fixed interest rate	-	-	4.75%	4.49%	-
Average spread over Libor	-	-	4.39%	3.90%	-
Interest rate risk					
Hedge of issued loans	-	-	-	-	7,777,778
Notional amount (US$)	-	-	-	-	8.25%
Average fixed interest rate	-	-	-	-	6.85%
Average spread over Libor	-	-	-	-	-
Cross Currency risk					
Hedge of issued bonds					
Notional amount (US$)	-	-	-	52,231,167	-
Average fixed interest rate	-	-	-	7.33%	-
Average spread over Libor	-	-	-	3.16%	-

19. Derivatives Held for Risk Management Purposes (Continued)

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

June 30, 2022

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	89,953,000	-	3,135,375	Derivative assets held for risk management	2,727,080	(383,159)	Other income – gain or loss on derivative instruments
Interest rate swaps – hedge of issued loans	7,222,222	290,974	-	Derivative liabilities held for risk management	296,905	(1,601)	Other income – gain or loss on derivative instruments
Cross currency risk							
Cross currency swaps – hedge of issued bonds	52,231,167	-	12,117,046	Derivative assets held for risk management	11,850,904	(262,677)	Other income – gain or loss on derivative instruments

December 31, 2021

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	90,953,000	-	69,196	Derivative assets held for risk management	41,790	3,341,546	Other income – gain or loss on derivative instruments
Interest rate swaps – hedge of issued loans	7,777,778	-	100,844	Derivative liabilities held for risk management	92,184	8,508	Other income – gain or loss on derivative instruments
Cross currency risk							
Cross currency swaps – hedge of issued bonds	52,231,167	-	9,364,844	Derivative assets held for risk management	9,348,114	(26,510)	Other income – gain or loss on derivative instruments

19. Derivatives Held for Risk Management Purposes (Continued)

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

June 30, 2022

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	-	142,184,167	-	14,577,984	14,577,984
Loans	7,222,222	-	296,905	-	296,905

December 31, 2021

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	-	143,184,167	9,389,904	-	9,389,904
Loans	7,777,778	-	92,184	-	92,184

Derivatives and repurchase agreements
In the ordinary course of business, the Corporation enters into derivative financial instrument transactions under industry standards agreements. Depending on the collateral requirements stated in the contracts, the Corporation and counterparties can receive or deliver collateral based on the fair value of the financial instruments transacted between parties. Collateral typically consists of pledged cash deposits and securities. The master netting agreements include clauses that, in the event of default, provide for close-out netting, which allows all positions with the defaulting counterparty to be terminated and net settled with a single payment amount.

The International Swaps and Derivatives Association master agreement ("ISDA") and similar master netting arrangements do not meet the criteria for offsetting in the consolidated statement of financial position. This is because they create for the parties to the agreement a right of set-off of recognized amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Corporation or the counterparties or following other predetermined events.

Such arrangements provide for single net settlement of all financial instruments covered by the agreements in the event of default on any one contract.

19. Derivatives Held for Risk Management Purposes (Continued)

Master netting arrangements do not normally result in an offset of balance–sheet assets and liabilities unless certain conditions for offsetting are met.

Although master netting arrangements may significantly reduce credit risk, it should be noted that:

- Credit risk is eliminated only to the extent that amounts due to the same counterparty will be settled after the assets are realized.
- The extent to which overall credit risk is reduced may change substantially within a short period because the exposure is affected by each transaction subject to the arrangement.

The following tables presents financial assets and liabilities that are offset in the consolidated interim financial statement or subject to an enforceable master netting arrangement:

Derivative financial instruments - liabilities

June 30, 2022

Description	Gross amount of recognized financial liabilities	Gross amount offset in the consolidated financial position	Net amount of assets presented in the consolidated financial position	Gross amount of offset in the consolidated financial position		Net amount
				Financial instruments	Cash received	
Bonds	142,184,167	-	142,184,167	14,650,000	-	156,834,167
Total	142,184,167	-	142,184,167	14,650,000	-	156,834,167

December 31, 2021

Description	Gross amount of recognized financial liabilities	Gross amount offset in the consolidated financial position	Net amount of assets presented in the consolidated financial position	Gross amount of offset in the consolidated financial position		Net amount
				Financial instruments	Cash received	
Bonds	143,184,167	-	143,184,167	6,230,000	-	149,414,167
Total	143,184,167	-	143,184,167	6,230,000	-	149,414,167

20. Fair Value of Financial Instruments and Investment Property

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.

20. Fair Value of Financial Instruments and Investment Property (Continued)

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.

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:

	June 30, 2022		
	Carrying amount	Level 2	Level 3
Derivative assets	290,974	290,974	-
Derivative liabilities	15,252,421	15,252,421	-

	December 31, 2021		
	Carrying amount	Level 2	Level 3
Derivative liabilities	9,534,884	9,534,884	-

20. Fair Value of Financial Instruments and Investment Property (Continued)

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:

	June 30, 2022		
	Carrying amount	**Fair value Level 2**	**Fair value Level 3**
Financial assets			
Investment securities	5,405,408	5,405,470	-
Loans receivable	403,792,461	-	439,076,316
Securitized loans	23,244,203	-	24,934,267
Financial liabilities			
Loans payable	165,598,275	-	167,553,704
Bonds	161,530,360	-	176,077,778
Commercial paper	32,964,620	-	32,652,329
Securitization liabilities	23,385,656	-	24,934,267

	December 31, 2021		
	Carrying amount	**Fair value Level 2**	**Fair value Level 3**
Financial assets			
Investment securities	4,081,560	4,082,381	-
Loans receivable	357,321,168	-	371,736,846
Securitized loans	24,117,501	-	24,685,492
Financial liabilities			
Loans payable	149,374,504	-	156,871,532
Bonds	154,084,363	-	175,768,191
Commercial paper	20,211,988	-	20,353,915
Securitization liabilities	24,117,501	-	24,685,492

During the period ended June 30, 2022 and December 2021, there have not been transfers between Levels of the fair value hierarchy.

20. Fair Value of Financial Instruments and Investment Property (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, such as corporate debt market prices, governmental bonds market values with similar maturity to the loans where no corporate debt information is available, among others.

(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.

Investment property
Fair values of investment properties are determined within the level 3 of fair value hierarchy using a model based on observable in the market data, including property appraisal and expected future cash flows at current market interest rates in order to bring the future value to present value.

20. Fair Value of Financial Instruments and Investment Property (Continued)

The following table shows the valuation techniques used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

Asset	Valuation technique	Significant unobservable inputs	Inter-relationship between unobservable inputs and fair value measurement
Land	*Discounted cash flows:* the valuation model considers the present value of net cash flows generated from the sale of property and related selling and maintenance costs. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the country and risk-free premiums, US$ local interest rates and taxes.	COVID-19 crisis impacting: – Market value (values between US$19M to US$24M) – Selling date (expected third quarter 2022) – Risk-adjusted discount rates (between 14% to 16%)	The estimated fair value would increase (decrease) if: – Market value was higher (lower) – Selling date was shorter (longer) – Risk-adjusted discount rates was lower (higher)
Photovoltaic energy plant	*Discount cash flows:* the valuation model considers the present value of net cash flows generated from the sale of electrical energy to the system less O&M costs and CAPEX. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the country risk premium and the Corporation's cost of funding.	– Government of Honduras is renegotiating PPA prices during second semester of 2022 – Off-taker actions that can impact the plant cash flow stability	The estimated fair value would increase (decrease) if: – Lower PPA prices (decrease) – Off-taker actions impacted positively (negatively) cash flow stability

21. 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 June 30, 2022, the Corporation has commitments and contingencies in the amount of US$53,529,170 (December 31, 2021: US$50,986,307), corresponding to credits pending disbursement to various entities.

In addition, due to the El Salvador Securitization, the Corporation has an additional contingency of US$1,197,054 related to the first loss guarantee granted to investors. (Note 22).

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.

22. Securitization of Loan Participation

On December 15, 2021, Ricorp Titularizadora issues the CIFI Securitization Fund ("Securitization Fund Ricorp Titularizadora CIFI Cero Uno"). The CIFI Securitization placed in the primary market the series A, negotiated through the Electronic Trading System of the El Salvador Stock Exchange for US$25 million for a term of 180 months. This series A is the first placement of a total authorized amount of US$100 million. The securitization allows CIFI to reduce individual credit risk concentration and obtain financing by assigning in exchange for cash, loan portfolio participations for infrastructure development of CIFI that are likely to generate income in the future.

Among others, the characteristics of this securitization are as follows:

- The payments of the sub-participated loans are collected through a Trust with an international bank, which makes the pro rata payments. The Corporation has no obligation to pay to the Securitization Fund any amount that is not actually received from the debtors.
- The returns on the participations have been assigned in favor of the CIFI Securitization Fund.
- Regarding the treatment of defaults, a first loss guarantee is only extended up to 5% of the total Serie assigned through a Stand-by letter of credit in favor of the Securitization Fund.

22. Securitization of Loan Participation (Continued)

- The subsidiary CIFI Assets Management will charge a percentage for the accounting of the loans which is not representative.
- In case of default, the Corporation will be in charge of the execution of the guarantees. Recoveries will be transferred to the Securitization Fund.
- Early redemptions may be given in the event of early prepayments of credits or in the event of enforcement of guarantees due to lack of payments. In the case of early redemption, it is established that a general meeting of holders of issued securities must deal with certain issues, which include the decision on early redemption.

The carrying amounts of the Securitization of Loan Participations include receivables which are subject to a securitization arrangement. Under this arrangement, the Corporation has transferred Loans Participations to the Securitization Fund in exchange for cash and is prevented from selling or pledging the loans. However, the Corporation has retained credit risk. Therefore, the Corporation continues to recognize the transferred loans participations in its consolidated statement of financial position.

The amount received from the Securitization Fund under the agreement is presented as securitization liabilities. The Corporation considers that the held to collect business model remains appropriate for these receivables and hence continues measuring them at amortized cost.

The relevant carrying amounts are as follows:

	June 30, 2022	December 31, 2021
Carrying amount		
Securitized loans	23,248,435	24,117,501
Accrued interest receivable	137,221	-
Provision (*)	(141,453)	-
Securitize loans, net	23,244,203	24,117,501
Securitization liabilities	23,248,435	24,117,501
Accrued interest payable	137,221	-
Securitization liabilities, net	23,385,656	24,117,501

22. Securitization of Loan Participation (Continued)

	June 30, 2022	December 31, 2021
Fair value		
Securitized of loans participations	24,934,267	24,685,492
Securitization liabilities	24,934,267	24,685,492
Net position	-	-

(*) 94% of the loans are classified as Stage 1 (19 loans) and 6.0% as Stage 2 (1 loan).

As of June 30, 2022, these interests are committed in a trust account not handled by the Corporation:

	June 30, 2022	June 30, 2021
Interest income		
Securitized receivable	889,394	-
Interest expense		
Securitization payable	889,394	-