

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

**Report and Consolidated Interim Financial Statements
September 30, 2023**

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

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

Consolidated Interim Statement of Financial Position

September 30, 2023

(Expressed in US Dollars)

	Notes	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Assets			
Cash and cash equivalents	6,8	27,984,530	32,982,453
Investment securities, net	6	30,858,704	11,559,078
Loans receivable, net	6	367,404,754	381,138,151
Securitized loans, net	24	-	20,162,854
Furniture, equipment and improvements, net	10	920,015	1,165,657
Receivables from advisory and structuring services, net	6	2,910,219	3,615,283
Derivative assets	6, 21	-	435,669
Investment property	12	10,941,565	16,822,974
Margin call	6, 21	12,650,000	23,500,000
Goodwill	11	2,285,822	2,285,822
Deferred income tax		849,821	719,025
Other assets	13	2,915,635	4,144,064
Total assets		<u>459,721,065</u>	<u>498,531,030</u>
Liabilities and Equity			
Liabilities			
Loans payable	6,14	149,698,407	168,416,140
Bonds	6,15	170,992,202	154,151,414
Commercial paper	6,16	10,980,043	18,657,693
Accrued interest payable		2,995,144	2,176,086
Securitization liabilities, net	24	-	20,169,064
Derivative liabilities	21	12,793,773	22,055,724
Lease liabilities		461,188	604,443
Other liabilities	17	2,735,138	2,158,498
Total liabilities		<u>350,655,895</u>	<u>388,389,062</u>
Equity			
Share capital	18	54,000,001	54,000,001
Treasury shares	18	(3,673,618)	(3,673,618)
Additional paid-in capital		85,000	85,000
Securities valuation		18,646	(132,031)
Foreign currency subsidiary adjustment		19,239	-
Retained earnings		58,615,902	59,862,616
Total equity		<u>109,065,170</u>	<u>110,141,968</u>
Total liabilities and equity		<u>459,721,065</u>	<u>498,531,030</u>
Commitments and contingencies			
Loans pending disbursement	23	47,474,856	60,285,241
Undrawn balance of credit facilities	6, 14	34,909,085	39,238,212
Notional amount of swaps	21	139,821,167	158,982,834
Stand-by letter of credit		-	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 nine month ended on September 30, 2023

(Expressed in US Dollars)

	Notes	September 30, 2023 (Unaudited)	September 30, 2022 (Unaudited)
Interest income:			
Cash and cash equivalents		414,167	142,602
Investment securities		632,673	155,771
Loans receivable		27,938,073	21,910,571
Securitized loans	24	678,285	1,225,374
Total interest income		29,663,198	23,434,318
Interest expense:			
Loans		(11,070,760)	(6,640,439)
Bonds		(11,413,222)	(7,360,084)
Securitization liabilities	24	(678,285)	(1,225,374)
Lease liabilities		(26,067)	(33,856)
Total interest expense		(23,188,334)	(15,259,753)
Net interest income		6,474,864	8,174,565
Other income:			
Advisory and structuring services, net		7,237,972	4,111,995
Gain (loss) on derivative instruments, financial instruments and others, net	20	3,860,866	1,738,905
Other income, net		11,098,838	5,850,900
Operating income		17,573,702	14,025,464
Provision for loan losses	6	(3,012,953)	(2,457,884)
Provision for accounts receivable	6	(538,106)	(333,910)
Reversal (provision) for securitized loans	24	6,210	(124,965)
Depreciation and amortization expense	10	(248,455)	(257,609)
Personnel expenses		(5,237,679)	(4,168,577)
Other administrative expenses		(5,395,977)	(2,703,832)
Income before tax		3,146,742	3,978,687
Income tax		(74,678)	(60,817)
Net income		3,072,064	3,917,870
Other comprehensive income:			
Net change in valuation of investment securities at FVOCI		150,677	-
Foreign currency subsidiary adjustment		19,239	-
Comprehensive income for the period		3,241,980	3,917,870
Basic earnings per share	19	0.06	0.08

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 nine months ended on September 30, 2023

(Expressed in US Dollars)

	Share capital	Treasury shares	Additional paid-in capital	Securities valuation	Other reserves	Retained earnings	Total equity
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	-	-	-	-	-	3,917,870	3,917,870
Comprehensive income for the period	-	-	-	-	-	3,917,870	3,917,870
<i>Transactions with owners of the Corporation:</i>							
Complementary tax, Panama	-	-	-	-	-	(28,509)	(28,509)
Dividends declared adjustment	-	-	-	-	-	(5,811,361)	(5,811,361)
Balance at September 30, 2022 (Unaudited)	54,000,001	(3,673,618)	85,000	-	-	56,602,924	107,014,307
Balance at December 31, 2022 (Audited)	54,000,001	(3,673,618)	85,000	(132,031)	-	59,862,616	110,141,968
Net income for the period	-	-	-	-	-	3,072,064	3,072,064
Net change in valuation of securities investments at FVOCI	-	-	-	150,677	-	-	150,677
Foreign currency subsidiary adjustment	-	-	-	-	19,239	-	19,239
Comprehensive income for the period	-	-	-	150,677	19,239	3,072,064	3,241,980
<i>Transactions with owners of the Corporation:</i>							
Complementary tax, Panama	-	-	-	-	-	(12,240)	(12,240)
Dividends paid	-	-	-	-	-	(4,306,537)	(4,306,537)
Balance at September 30, 2023 (Unaudited)	54,000,001	(3,673,618)	85,000	18,646	19,239	58,615,902	109,065,170

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 nine months ended on September 30, 2023
(Expressed in US Dollars)

	Notes	September 30, 2023 (Unaudited)	September 30, 2022 (Unaudited)
Cash flows from operating activities			
Net income for the year		3,072,064	3,917,870
Gain on derivative instruments, financial and others instruments, net		(3,860,866)	(1,738,905)
Provision for loan losses	6	3,012,953	2,457,884
Provision for securitized loans		(6,210)	124,965
Provision for accounts receivables	6	538,106	333,910
Depreciation and amortization expense	10	248,455	257,609
Interest income		(29,663,198)	(23,434,318)
Interest expense		23,188,334	15,259,753
Income tax		74,678	60,817
Adjustments of furniture, equipment and improvements	10	(1,906)	25,060
		<u>(3,397,590)</u>	<u>(2,735,355)</u>
Net changes in:			
Deposit with original maturity of more than ninety days	8	(280,000)	3,000,000
Other assets		8,800,775	3,099,422
Other liabilities		671,879	(2,398,347)
Loan collections		93,625,259	53,722,765
Loan disbursements		<u>(79,731,441)</u>	<u>(75,925,398)</u>
		<u>23,086,472</u>	<u>(18,501,558)</u>
Income tax paid		(35,000)	(233,814)
Interest received		25,838,396	18,095,743
Interest paid		<u>(21,690,992)</u>	<u>(13,004,824)</u>
		<u>4,112,404</u>	<u>4,857,105</u>
Net cash provided by (used in) operating activities		<u>23,801,286</u>	<u>(16,379,808)</u>
Cash flows from investing activities			
Acquisition of investment securities	6	(143,276,083)	(12,101,274)
Proceeds from sales and redemptions of securities	6	123,949,600	4,852,068
Acquisition of furniture, equipment and improvements	10	(970)	(12,234)
Proceeds from sale of equipment	10	63	20
Net cash used in investing activities		<u>(19,327,390)</u>	<u>(7,261,420)</u>
Cash flows from financing activities			
Proceeds from loans payable	9	33,000,000	66,600,000
Repayment of loans payable	9	(51,717,733)	(59,608,541)
Proceeds from issuance of bonds	9	26,971,000	31,419,000
Repayment of bonds	9	(16,858,659)	(17,216,800)
Proceeds from issuance of commercial paper	9	9,551,000	26,236,000
Repayment of commercial paper	9	(17,228,650)	(13,646,280)
Margin calls	21	10,850,000	(13,930,000)
Complementary tax paid		(12,240)	(28,509)
Dividends paid		<u>(4,306,537)</u>	<u>(5,923,049)</u>
Net cash (used in) provided by financing activities		<u>(9,751,819)</u>	<u>13,901,821</u>
Net decrease in cash and cash equivalents		(5,277,923)	(9,739,407)
Cash and cash equivalents at the beginning of the year		<u>32,982,453</u>	<u>48,598,072</u>
Cash and cash equivalents at the end of the period	8	<u><u>27,704,530</u></u>	<u><u>38,858,665</u></u>

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

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

Notes to the Consolidated Interim Financial Statements September 30, 2023

(All amounts in US\$ unless otherwise stated)

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 three segments, granting loans to finance infrastructure projects in Latin America, Advisory & Structuring services and Asset Management services which are evaluated as separate segments of the CIFI’s business.

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:

	Activity	Country of Incorporation	Controlling Ownership September 30, December 31, 2023 2022	
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.	Advisory Services	Panama	100%	100%
CIFI ASSET MANAGEMENT LTD.	Administration of Investment Funds	Cayman Islands	100%	100%
FINENGE CONSULTORIA LTDA.	Advisory Services	Brazil	99.97%	99.97%

This group of companies is denominated the “Corporation”.

The consolidated interim financial statements were recommended for issuance by the members of the Audit Committee on November 15th, 2023.

2. Basis of Preparation

(a) Statement of Compliance

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

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

Notes to the Consolidated Interim Financial Statements September 30, 2023

(All amounts in US\$ unless otherwise stated)

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 financial position is presented in order of the liquidity position.

(c) Functional and Presentation Currency

The amounts included in the 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 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. 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 22.

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

Notes to the Consolidated Interim Financial Statements September 30, 2023

(All amounts in US\$ unless otherwise stated)

3. Significant Accounting Policies

(a) Amendments Adopted by the Corporation

The following amendments apply for the first time to financial reporting periods commencing on or after January 1, 2023.

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.

The modification listed above had no impact on the amount recognized in previous periods. Are not expected to significantly affect the current or future periods.

(b) Amendments Issued but not yet Adopted by the Corporation

Non-current Liabilities with Covenants - Amendments to IAS 1

Amendments made to IAS 1 Presentation of Financial Statements in 2020 clarified 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 waiver or a breach of covenant). The amendments also clarified what IAS 1 means when it refers to the ‘settlement’ of a liability. The amendments were due to be applied from 1 January 2022. However, the effective date was subsequently deferred to 1 January 2023 and then further to 1 January 2024.

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

Notes to the Consolidated Interim Financial Statements September 30, 2023

(All amounts in US\$ unless otherwise stated)

3. Significant Accounting Policies (Continued)

(b) Amendments Issued but not yet Adopted by the Corporation (continued)

In October 2022, the IASB made further amendments to IAS 1 in response to concerns raised about these changes to the classification of liabilities as current or non-current.

The new amendments clarify that covenants of loan arrangements will not affect classification of a liability as current or non-current at the reporting date if the entity must only comply with the covenants after the reporting date. However, if the entity must comply with a covenant either before or at the reporting date, this will affect the classification as current or non-current, even if the covenant is only tested for compliance after the reporting date.

The amendments require disclosures if an entity classifies a liability as noncurrent and that liability is subject to covenants that the entity must comply with within 12 months of the reporting date. The disclosures include:

- the carrying amount of the liability
- information about the covenants, and
- facts and circumstances, if any, that indicate that the entity may have difficulty complying with the covenants.

The amendments must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Special transitional rules apply if an entity had early adopted the 2020 amendments regarding the classification of liabilities as current or noncurrent.

Lease liability in sale and leaseback - amendments to IFRS 16

In September 2022, the IASB finalised narrow-scope amendments to the requirements for sale and leaseback transactions in IFRS 16 Leases which explain how an entity accounts for a sale and leaseback after the date of the transaction.

The amendments specify that, in measuring the lease liability subsequent to the sale and leaseback, the seller-lessee determines 'lease payments' and 'revised lease payments' in a way that does not result in the seller-lessee recognizing any amount of the gain or loss that relates to the right of use that it retains. This could particularly impact sale and leaseback transactions where the lease payments include variable payments that do not depend on an index or a rate.

Management is evaluating the impact of the changes that these amendments 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 consolidated interim financial statements.

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

Notes to the Consolidated Interim Financial Statements September 30, 2023

(All amounts in US\$ unless otherwise stated)

3. Significant Accounting Policies (Continued)

(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.

Income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated interim 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., CIFI Services, S. A., CIFI Asset Management Ltd. and Finenge Consultoria LTDA. 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 SE, 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 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.

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

Notes to the Consolidated Interim Financial Statements September 30, 2023

(All amounts in US\$ unless otherwise stated)

3. Significant Accounting Policies (Continued)

(c) Basis of Consolidation (continued)

(iii) Structured Entities (continued)

- The Corporation has the right 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 to obtain benefits from its activities.

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 above 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 an insignificant risk of changes in their fair value and are used by the Corporation for management of its short-term commitments.

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

Notes to the Consolidated Interim Financial Statements September 30, 2023

(All amounts in US\$ unless otherwise stated)

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 loans, corporate bonds and commercial paper on the date on which they 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.

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

Notes to the Consolidated Interim Financial Statements September 30, 2023

(All amounts in US\$ unless otherwise stated)

3. Significant Accounting Policies (Continued)

(f) *Financial Assets and Financial Liabilities (continued)*

(ii) *Classification (continued)*

Financial assets (continued)

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.

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 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.

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Notes to the Consolidated Interim Financial Statements September 30, 2023

(All amounts in US\$ unless otherwise stated)

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 this assessment, the 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 the credit risk associated with the principal amount outstanding during a particular period 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 the cash flows from specified assets - e.g., non-recourse asset arrangements; and
- Features that modify consideration of the time value of money - e.g., periodic reset of interest rates.

The Corporation holds a portfolio of long-term loans for which it has the option 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 the 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 reflects a consideration for the time value of money, credit risk, other basic lending risks, and costs associated with the principal amount outstanding.

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3. Significant Accounting Policies (Continued)

(f) *Financial Assets and Financial Liabilities (continued)*

(ii) *Classification (continued)*

Financial Liabilities

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

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 other comprehensive income (OCI); and
- The remaining amount of change in the fair value is presented in profit or loss.

The Corporation has not designated any liabilities 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 surrendered or when the Corporation modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, intending to maximize recovery. The Corporation derecognizes financial liability when its contractual obligations are discharged, canceled, 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 it is the case 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.

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3. Significant Accounting Policies (Continued)

(f) *Financial Assets and Financial Liabilities (continued)*

(iv) *Modifications to Financial Assets (continued)*

If the cash flows of the modified asset carried at amortized cost are not substantially different, then the modification does not result in the 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 the financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

(v) *Fair Value Measurement*

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

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

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

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

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3. Significant Accounting Policies (Continued)

(f) *Financial Assets and Financial Liabilities (continued)*

(vi) *Impairment*

The Corporation recognizes loss allowances for expected credit losses (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.

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

Measurement of ECL

ECL is 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: 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.

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Notes to the Consolidated Interim Financial Statements September 30, 2023

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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 does not result in the 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 does result in the 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:

- The 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.

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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 an impairment 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 Interim Statement of Financial Position

Loss allowances for ECL are presented in the consolidated interim 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: 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

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3. Significant Accounting Policies (Continued)

(f) Financial Assets and Financial Liabilities (continued)

(vi) Impairment (continued)

- Debt instruments measured at FVOCI: no loss allowance is recognized in the consolidated interim 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 financial instruments are written off when there is no realistic prospect of recovery, once all efforts for collections are being exercised. 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, to comply with the Corporation's procedures for recovery of amounts due. Any write-off must be recommended by the Risk Committee and approved by the Board of Directors.

Financial Assets

IFRS 9 contains a forward-looking 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:

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3. Significant Accounting Policies (Continued)

(f) Financial Assets and Financial Liabilities (continued)

(vi) Impairment (continued)

- 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 that are considered to have experienced a significant increase in credit risk since initial recognition. This requires the computation of ECL based on the lifetime probability of default (LTPD), which 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 increased in credit risk and the impact of a longer time horizon being considered compared to a 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 three (3) or more notches, in a 6-month consecutive period, the Risk Committee will analyze all loans to decide which loans shall migrate to the “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

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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 interim statement of financial position.

The Corporation designates certain derivatives held for risk management as hedging instruments in qualifying hedging relationships. On the 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 quarterly, 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 Assets and Liabilities Committee (ALCO) to evaluate the effectiveness of the hedging relationship, based on IFRS 9.

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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 interim 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 consolidated interim statement of financial position could be:

- Debt investment securities are 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 are 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.
- If the Corporation engages in equity investment securities, these would be designated as FVOCI.

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

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

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3. Significant Accounting Policies (Continued)

(j) *Furniture, Equipment, and Improvements, Net*

Furniture, equipment, and improvements are used in 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 computer 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) *Right-of-use Assets*

The Corporation recognizes a right-of-use asset, which represents its right to use the underlying asset, and a lease liability, which represents its obligation to make future lease payments.

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3. Significant Accounting Policies (Continued)

(k) *Right-of-use assets (continued)*

The Corporation applies for the exemption from the standard for lease contracts identified as leases in accordance with IAS 17 and IFRIC 4, applying the following practical options for current contracts:

- Exemption for not recognizing assets for rights of use and lease liabilities for contracts with a term of less than 12 months;
- Leases in which the underlying asset is of low value are excluded;
- Initial direct costs of measuring the right-of-use asset are excluded; and
- Hindsight reasoning is used to determine the lease term, when the contract contains options to extend or terminate the lease.

These exemptions to recognition and their respective payments are recorded as rental expenses in the consolidated interim statement of comprehensive income for the year.

The Corporation measures its right-of-use assets at cost less accumulated depreciation and are depreciated over the lease term.

(l) *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. If 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 the 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 change such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

(m) *Goodwill*

The Corporation recognizes goodwill as of the acquisition date measured as the excess of (a) over (b) below:

- (a) the aggregate of:
- (i) the consideration transferred measured generally requires acquisition-date fair value;

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3. Significant Accounting Policies (Continued)

(m) Goodwill (continued)

(ii) the amount of any non-controlling interest in the acquiree; and

(iii) in a business combination achieved in stages, the acquisition-date fair value of the Corporation's previously held equity interest in the acquiree.

(b) the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

(n) Provisions

A provision is recognized in the consolidated interim statement of financial position when the Corporation has acquired a legal or constructive obligation due to a past event, and, probably, 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.

(o) 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.

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3. Significant Accounting Policies (Continued)

(p) Income and Expense Recognition

(i) Interest Income and Expense

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

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

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

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

Amortized Cost and Gross Carrying Amount

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

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

Calculation of Interest Income and Expense

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

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3. Significant Accounting Policies (Continued)

(p) *Income and Expense Recognition (continued)*

(i) *Interest Income and Expense (continued)*

Calculation of Interest Income and Expense (continued)

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.

(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 included in other operating income, arise 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.

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3. Significant Accounting Policies (Continued)

(p) Income and Expense Recognition (continued)

(ii) Fee and Commission Income and Expenses (continued)

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.

(q) Gain or Derivative Instruments and other Financial Instruments

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.

(r) 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.

(s) 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.

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3. Significant Accounting Policies (Continued)

(s) Segment Information (continued)

The Corporation's business structure is based on three segments, as follows:

- Lending: Financing directly infrastructure projects in Latin America and the Caribbean through its balance sheet or participation.
- Advisory and Structuring: Includes due diligence, structuring, and syndication services to projects in a wide range of sectors and many countries located in Latin America and the Caribbean.
- Asset Management: Provides investors with diversified portfolio management services on direct infrastructure loans in high demographic growth areas while mitigating environmental, social, and governance risks.

(t) 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.

(u) Leases

At the 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;

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3. Significant Accounting Policies (Continued)

(u) Leases (continued)

- The Corporation has the right to obtain substantially all of the economic benefits from the 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 a reassessment of a contract that contains a lease component, the Corporation allocates the consideration in the contract to each lease component based on 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.

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.

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Notes to the Consolidated Interim Financial Statements September 30, 2023

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3. Significant Accounting Policies (Continued)

(u) Leases (continued)

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.

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 interim statement of financial position.

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3. Significant Accounting Policies (Continued)

Short-term Leases and Leases of Low-value Assets

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

4. Balances and Transactions with Related Parties

During the period ended September 30, 2023, and 2022, the Corporation entered into transactions with parties that are considered to be related.

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

Type of entity	Relationship	September 30, 2023		September 30, 2023	
		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	4,688,496	4,036,278	494,104	113,303
Type of entity	Relationship	December 31, 2022		September 30, 2022	
		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	5,977,314	15,010,175	365,825	626,776

On September 30, 2023, the Corporation have fully disbursed committed and uncommitted lines of credit with related parties or other credit facilities (see Note 14).

Members of the Board of Directors have received compensation of US\$83,250 (September 30, 2022: US\$92,250) for attending meetings during the year. Compensation of key executive officers is included in Note 5.

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5. Employee Benefits

For the period ended September 30, 2023, personnel expenses include salaries and benefits paid to key executive officers for US\$ 646,719 (September 30, 2022: US\$ 438,798). In addition to employee salaries, the Corporation provides all full-time employees with the following benefits:

- (a) All full-time employees are required to participate in the following insurance plans unless proof of equivalent coverage is provided:
 - Medical insurance
 - Health and life insurance
 - Travel insurance
- (b) Retirement plan contributions (Simple IRA): The Corporation contributes 3% (December 31, 2022: 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.

According 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 interim statement of comprehensive income as personnel expenses during the year in which they arise.

As of September 30, 2023, based on 2023 and 2022 performance metrics and evaluation of the potential award value under the Plan, the annual pro-rata portion of the Option accumulated for this benefit maintains an open balance of US\$151,908 (December 31, 2022: US\$409,083), based on amended terms.

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Notes to the Consolidated Interim Financial Statements September 30, 2023

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5. Employee Benefits (Continued)

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

6. Financial Risk Management

In the ordinary course of operations, the Corporation is exposed to different types of financial risks, which are minimized by applying 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 establishes and oversees 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 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 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 regularly 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.

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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 the management level: Credit, Asset and Liability Committee (ALCO), and Procurement.

The Credit Committee, a 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 the 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 the management of Interest Rate, Forex, GAP, and Liquidity Risks and comply with technical criteria according 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.

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6. Financial Risk Management (Continued)

Risk Management Framework (continued)

The Procurement Committee, composed of three (3) members of Management, is involved in procuring 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 of the 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 following the contractual terms and conditions agreed upon 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 interim 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: a minimum issue or program size of US\$200 million (for insuring liquid secondary market), excluding commercial papers programs in Panama (in Spanish, VCN - Valores Comerciales Negociables), with a minimum program size of US\$50 million approved by the Superintendency of Securities Market 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).

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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 used as a guarantee for margin credit facilities if it is required and approved by CIFI.

As of September 30, 2023, the concentrations of credit risk by sectors and countries are within the limits established by the Corporation. The nominal amount of each financial asset represents the maximum exposure to credit risk.

The loan portfolio includes the financing of corporate bonds totaling US\$18,153,963 (December 31, 2022: US\$6,269,661).

The Corporation has a policy in place for granting payment extensions and for restructuring, renegotiating, and refinancing for granting payment extensions and loans. Payment extensions apply only when the borrower is experiencing temporary difficulties and will be able to resume payments in the short term under the original agreement. Restructuring and refinancing are considered part of the overall credit/risk reevaluation framework, provided that a joint and collective effort is made by all participating lenders and that 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 if its valuation does not warrant continued recognition as an asset.

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6. Financial Risk Management (Continued)

Risk Management Framework (continued)

(a) Credit risk (continued)

Investment and Loan Portfolios (continued)

As of September 30, 2023, the Corporation held loans receivable by US\$24,238,107 (December 31, 2022: US\$18,944,540) recognized as FVTPL, adjusted by remeasurement by US\$1,853,108 (December 31, 2022: US\$2,211,112).

As of September 30, 2023, and 2022, the average loan portfolio internal risk rating is “B+” (December 31, 2022: average loan portfolio internal risk rating was “B+”), based on the Corporation’s standards, which is not necessarily comparable to international credit rating standards.

The following table provides information about the credit quality of financial assets measured at FVOCI. As of September 30, 2023, of the total US\$30,752,074 in securities, the Corporation holds US\$21,746,967 in US Treasury Bonds; this is an initiative to keep the excess liquidity of the Corporation invested in profitable instruments with very low risk.

	September 30, 2023			Total
	12-month ECL	Lifetime ECL, not credit impaired	Lifetime ECL, credit impaired	
Investment securities at FVOCI (*)				
AAA / A-	25,695,025	-	-	25,695,025
BBB+ / BBB-	5,057,049	-	-	5,057,049
BB+ / BB-	-	-	-	-
B+ / B-	-	-	-	-
<= CCC+	-	-	-	-
Total gross amount	30,752,074	-	-	30,752,074
Accrued interest receivable	87,984	-	-	87,984
Investment valuation	18,646	-	-	18,646
Net carrying amount	30,858,704	-	-	30,858,704
Total investment securities	30,858,704	-	-	30,858,704

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

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6. Financial Risk Management (Continued)

Risk Management Framework (continued)

(a) Credit Risk (continued)

Investment and Loan Portfolios (continued)

	September 30, 2023			
	12-month ECL	Lifetime ECL, not credit impaired	Lifetime ECL, credit impaired	Total
Loans receivable at amortized cost (*)				
AAA / A-	-	-	-	-
BBB + / BBB-	-	-	-	-
BB+ / BB-	102,941,668	-	-	102,941,668
B+ / B-	151,107,079	10,234,715	5,773,927	167,115,721
<= CCC+	46,395,741	13,381,002	12,085,990	71,862,733
Total gross amount	300,444,488	23,615,717	17,859,917	341,920,122
Accrued interest receivable	6,139,458	761,155	1,029,507	7,930,120
Allowance for loan losses	(1,553,059)	(1,415,040)	(874,144)	(3,842,243)
Deferred income	(988,244)	-	-	(\$988,244)
Net carrying amount (*)	304,042,643	22,961,832	18,015,280	345,019,755
Loans receivable at fair Value				
AAA / A-	-	-	-	-
BBB + / BBB-	-	-	-	-
BB+ / BB-	14,603,652	-	-	14,603,652
B+ / B-	-	-	-	-
<= CCC+	-	7,781,347	-	7,781,347
Net carrying amount	14,603,652	7,781,347	-	22,384,999
Total loans receivable	318,646,295	30,743,179	18,015,280	367,404,754

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

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6. Financial Risk Management (Continued)

Risk Management Framework (continued)

(a) *Credit Risk (continued)*

Investment and Loan Portfolios (continued)

	December 31, 2022			Total
	12-month ECL	Lifetime ECL, not credit impaired	Lifetime ECL, credit impaired	
Investment securities at amortized cost (*)				
AAA / A-	-	-	-	-
BBB + / BBB-	-	-	-	-
BB+ / BB-	1,624,000	-	-	1,624,000
B+ / B-	-	-	-	-
<= CCC+	-	-	-	-
Total gross amount	1,624,000	-	-	1,624,000
Accrued interest receivable	2,867	-	-	2,867
Net carrying amount	<u>1,626,867</u>	<u>-</u>	<u>-</u>	<u>1,626,867</u>
Investment securities at FVOCI (*)				
AAA / A-	3,949,836	-	-	3,949,836
BBB + / BBB-	6,002,431	-	-	6,002,431
BB+ / BB-	-	-	-	-
B+ / B-	-	-	-	-
<= CCC+	-	-	-	-
Total gross amount	9,952,267	-	-	9,952,267
Accrued interest receivable	111,975	-	-	111,975
Investment valuation	(132,031)	-	-	(132,031)
Net carrying amount	<u>9,932,211</u>	<u>-</u>	<u>-</u>	<u>9,932,211</u>
Total investment securities	<u>11,559,078</u>	<u>-</u>	<u>-</u>	<u>11,559,078</u>

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

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6. Financial Risk Management (Continued)

Risk Management Framework (continued)

(a) Credit Risk (continued)

Investment and Loan Portfolios (continued)

	December 31, 2022			Total
	12-month ECL	Lifetime ECL, not credit impaired	Lifetime ECL, credit impaired	
Loans receivable at amortized cost (*)				
AAA / A-	-	-	-	-
BBB + / BBB-	-	-	-	-
BB+ / BB-	113,373,672	-	-	113,373,672
B+ / B-	162,130,803	-	5,773,927	167,904,730
<= CCC+	64,268,645	9,976,551	9,997,399	84,242,595
Total gross amount	339,773,120	9,976,551	15,771,326	365,520,997
Accrued interest receivable	3,673,693	55,446	1,027,607	4,756,746
Allowance for loan losses	(1,657,843)	(83,265)	(1,363,766)	(3,104,874)
Deferred income	(1,117,193)	-	-	(1,117,193)
	340,671,777	9,948,732	15,435,167	366,055,676
Add: re-measurement of hedged item	(1,650,953)	-	-	(1,650,953)
Net carrying amount (*)	339,020,824	9,948,732	15,435,167	364,404,723
Loans receivable at fair Value				
AAA / A-	-	-	-	-
BBB + / BBB-	-	-	-	-
BB+ / BB-	-	-	-	-
B+ / B-	-	8,674,044	-	8,674,044
<= CCC+	8,059,384	-	-	8,059,384
Net carrying amount	8,059,384	8,674,044	-	16,733,428
Total loans receivable	347,080,208	18,622,776	15,435,167	381,138,151

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

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6. Financial Risk Management (Continued)

Risk Management Framework (continued)

(a) *Credit Risk (continued)*

Investment and Loan Portfolios (continued)

Reconciliation of cash movements arising from investing activities is presented in the consolidated interim statement of cash flows as follow:

	September 30, 2023	December 31, 2022
Balance at beginning of year	11,559,078	4,081,560
Change from investing cash flow		
Acquisition of investment securities	143,276,083	11,801,267
Proceeds from sales, redemption and amortization	(124,100,277)	(4,300,000)
Total from investing cash flows	19,175,806	7,501,267
Accrued interest receivable	(26,857)	108,282
Investmen valuation	150,677	(132,031)
Balance at the end of period	30,858,704	11,559,078

Modification of Financial Assets

The Corporation may modify the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, intending to maximize recovery. Such restructuring activities include extended payment term arrangements, payment holidays, and payment forgiveness. Restructuring policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. These policies are under continuous review. Restructuring is most commonly applied to term loans.

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition when the modification is not substantial and so does not result in the derecognition of the original asset. The Corporation monitors the subsequent performance of modified assets. The gross carrying amount of such assets held as of September 30, 2023 was US\$7,781,347 (December 31, 2022: US\$8,674,044).

The Corporation continues to monitor if there is a subsequent significant increase in credit risk concerning such assets through the use of specific models for modified assets.

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6. Financial Risk Management (Continued)

Risk Management Framework (continued)

(a) *Credit Risk (continued)*

Investment and Loan Portfolios (continued)

As of September 30, 2023, the Corporation has past-due loans for US\$17,859,917 (December 31, 2022: US\$15,771,326).

To secure some of its loans payable, as of September 30, 2023, 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 2.32% (December 31, 2022: 4.42%) 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:

	September 30, 2023			Total
	12 - month ECL	Lifetime ECL, not credit impaired	Lifetime ECL, credit impaired	
Loans receivable at amortized cost				
Balance on January 1	1,657,843	83,265	1,363,766	3,104,874
Transfer to 12-month ECL	(15,612)	15,612	-	-
Transfer to lifetime ECL not credit impaired	-	(83,265)	83,265	-
Transfer to lifetime ECL credit impaired	-	-	-	-
Net remeasurement of loss allowance parameters	(361,361)	1,399,429	1,702,695	2,740,763
New financial assets originated	272,190	-	-	272,190
Financial assets that have been derecognized	-	-	-	-
Write-offs (*)	-	-	(2,275,584)	(2,275,584)
Balance on September 30	<u>1,553,060</u>	<u>1,415,041</u>	<u>874,142</u>	<u>3,842,243</u>

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

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6. Financial Risk Management (Continued)

Risk Management Framework (continued)

(a) *Credit Risk (continued)*

Investment and Loan Portfolios (continued)

	December 31, 2022			Total
	12 - month ECL	Lifetime ECL, not credit impaired	Lifetime ECL, credit impaired	
Loans receivable at amortized cost				
Balance on January 1	2,591,384	1,205,395	1,270,360	5,067,139
Transfer to 12-month ECL	-	-	-	-
Transfer to lifetime ECL not credit impaired	435,284	(629,763)	194,479	-
Transfer to lifetime ECL credit impaired	-	-	-	-
Net remeasurement of loss allowance parameters	(1,185,302)	636,089	2,993,089	2,443,876
New financial assets originated	115,172	-	-	115,172
Financial assets that have been derecognized	(298,695)	(1,128,456)	-	(1,427,151)
Write-offs (*)	-	-	(3,094,162)	(3,094,162)
	<u>1,657,843</u>	<u>83,265</u>	<u>1,363,766</u>	<u>3,104,874</u>
Balance on December 31				

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

As of September 30, 2023, the Corporation has US\$330,960,818 (December 31, 2022: US\$353,478,810) of loans evaluated collectively with a provision for a loan portfolio of US\$2,968,099 (December 31, 2022: US\$1,741,108); and US\$18,889,424 (December 31, 2022: US\$16,798,933) of loans evaluated individually with a loan portfolio provision of US\$874,144 (December 31, 2022: US\$1,363,766).

As of September 30, 2023, the movement of provision on receivables from advisory and structuring services is detailed as follows:

	September 30, 2023	December 31, 2022
Balance at the beginning of the year	1,149,553	1,009,047
Provision on receivables	538,106	984,835
Write-offs	(19,124)	(844,329)
	<u>1,668,535</u>	<u>1,149,553</u>
Balance at the end of the period		

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6. Financial Risk Management (Continued)

Risk Management Framework (continued)

(a) *Credit Risk (continued)*

Investment and Loan Portfolios (continued)

Management of the Corporation generally follows the policy of requiring collateral from its customers or a corporate loan guarantee before formally extending and disbursing a loan. The loans collaterals and guarantees are as follows:

	September 30, 2023	December 31, 2022
Pledge on property and mortgages on machinery	358,324,599	378,252,707
Corporate	111,913,044	119,857,584
Mortgages or securities on land	74,651,079	203,355,032
Mortgages or securities on buildings	46,154,905	46,154,905
Pledge over rights on contracts or others	25,744,203	58,077,947
Pledge over rights on contracts	24,563,764	57,685,548
Cash or CD pledge	17,555,284	17,711,347
Pledge of shares	15,158,467	15,158,467
Accounts receivable	11,744,623	11,800,033
Guarantees issued by the operating companies	6,421,535	6,421,535
Conditional sale agreement	5,048,244	6,720,903
Stand-by letters of credit	4,128,528	4,128,527
Pledge over Machinery and Other Movable Assets	-	17,092,000
	<u>701,408,275</u>	<u>942,416,535</u>

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 has been made by ninety-one days after the due date.

Loans and investment securities earn interest at annual rates ranging between 5.50% and 15.17% (December 31, 2022: between 5.50% and 16.22%).

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

Notes to the Consolidated Interim Financial Statements September 30, 2023

(All amounts in US\$ unless otherwise stated)

6. Financial Risk Management (Continued)

Risk Management Framework (continued)

(a) *Credit Risk (continued)*

Investment and Loan Portfolios (continued)

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

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

A loan will be secured if exposure is fully covered with acceptable guarantees to 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 that occurred within three years might be accepted.

However, the valuation will be adjusted every year according to the appropriate depreciation. If the collateral is related to publicly available market information, collateral should be updated on the quarterly review of the loan/covenant for information from the 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.

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

**Notes to the Consolidated Interim Financial Statements
September 30, 2023**

(All amounts in US\$ unless otherwise stated)

6. Financial Risk Management (Continued)

Risk Management Framework (continued)

(a) Credit Risk (continued)

Investment and Loan Portfolios (continued)

- Maximum risk by economic unit: (continued)
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 September 30, 2023		% of total equity December 31, 2022	
	Number of exposures	Amount	Number of Exposures	Amount
0 to 4.99%	12	32,108,653	13	32,418,617
5 to 9.99%	19	157,023,409	25	200,039,533
10 to 14.99%	11	139,373,059	10	132,296,275
15 to 18%	2	35,800,000	1	17,500,000
	<u>44</u>	<u>364,305,121</u>	<u>49</u>	<u>382,254,425</u>

- 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, Restricted, and Limited. 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, defined every year by the Board of Directors, based on a recommendation by the Risk Committee. As of September 30, 2023 and 2022, the Corporation complied with country risk exposure limits.

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

Notes to the Consolidated Interim Financial Statements September 30, 2023

(All amounts in US\$ unless otherwise stated)

6. Financial Risk Management (Continued)

Risk Management Framework (continued)

(a) *Credit Risk (continued)*

Investment and Loan Portfolios (continued)

- Country risk (continued)

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

	September 30, 2023	December 31, 2022
Chile	102,374,407	110,477,597
Panama	45,028,687	38,435,289
Brazil	34,404,247	34,863,142
United States of America	28,480,446	8,094,072
Honduras	26,907,163	20,144,601
Dominican Republic	25,010,000	6,347,500
Argentina	23,538,719	28,959,173
Peru	18,009,978	13,400,516
Colombia	12,823,317	13,914,897
Belize	12,161,527	19,295,783
El Salvador	11,913,000	10,693,341
Jamaica	10,991,500	9,572,129
Nicaragua	10,865,469	16,566,524
Ecuador	10,695,496	18,961,781
Paraguay	10,139,865	6,528,459
Saint Lucia	8,629,249	-
Mexico	1,406,878	25,797,693
France	1,101,875	597,060
United Kingdom	594,018	1,129,104
Spain	-	9,920,000
	<hr/>	<hr/>
Gross loans and investment portfolio	395,075,841	393,698,661
Accrued interest receivable	8,018,104	4,871,588
	<hr/>	<hr/>
	403,093,945	398,570,249
Add: re-measurement of the hedged item	-	(1,650,953)
	<hr/>	<hr/>
	403,093,945	396,919,296

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

Notes to the Consolidated Interim Financial Statements September 30, 2023

(All amounts in US\$ unless otherwise stated)

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, and 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 September 30, 2023 and 2022, the Corporation complied with sector risk exposure limits.

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

	September 30, 2023	December 31, 2022
Solar Power	131,665,460	144,530,353
Airports and Seaports	40,981,441	38,263,566
Securities	30,770,720	11,444,236
Alternative Fuel	28,381,002	28,523,070
Telecommunications	23,795,163	27,425,000
Co-generation (Biomass)	22,089,323	20,223,914
Social Infrastructure	18,339,942	14,110,653
Roads, Railroads and Others	18,225,427	18,580,134
Thermo Power	18,000,000	6,857,983
Energy Efficiency	16,410,596	8,674,044
Tourism	12,923,832	21,106,809
Geothermal	10,865,469	11,683,650
Wind Power	9,238,088	4,882,873
Hydro Power	9,108,337	8,508,600
Construction & Engineering	4,281,041	16,595,068
Logistics Center and Other	-	8,888,708
Gas & Oil	-	3,400,000
	<hr/>	<hr/>
Gross loans and investment portfolio	395,075,841	393,698,661
Accrued interest receivable	8,018,104	4,871,588
	<hr/>	<hr/>
	403,093,945	398,570,249
Add: re-measurement of the hedged item	-	(1,650,953)
	<hr/>	<hr/>
	403,093,945	396,919,296

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

Notes to the Consolidated Interim Financial Statements September 30, 2023

(All amounts in US\$ unless otherwise stated)

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 as of September 30, 2023 to US\$2,910,219 (December 31, 2022: US\$3,615,283), which are presented as receivables from advisory and structuring services, are classified as performing receivables. The Corporation has not recognized write-offs on billing receivable for the period (December 31, 2022: US\$844,329). ECL impairment on receivables recognized in the statement of comprehensive income for the period ended September 30, 2023 amounted to US\$538,106 (September 30, 2022: US\$333,910).

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 to 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.

(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.

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

Notes to the Consolidated Interim Financial Statements September 30, 2023

(All amounts in US\$ unless otherwise stated)

6. Financial Risk Management (Continued)

Risk Management Framework (continued)

(b) Liquid Risk (continued)

Management of Liquidity Risk (continued)

The Treasurer receives information from the 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 following 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 regularly, and liquidity stress testing is conducted under scenarios covering 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 every quarter:

- Mismatches in the consolidated interim 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 extend its liquidity position from 6 months to 1 year its liquidity position.

As of September 30, 2023, the Corporation had US\$27,984,530 (December 31, 2022: US\$32,982,453) in cash and cash equivalents and maintained undisbursed and available balances of committed credit facilities with financial institutions for US\$14,759,085 (December 31, 2022: US\$8,838,212) with tenors at 2023 and 2024 (December 31, 2022: tenors in 2022 and 2023). Additionally, the Corporation maintains undisbursed and available balances of uncommitted short-term revolving credit facilities with financial institutions for US\$20,150,000 (December 31, 2022: US\$30,400,000). (See Note 14).

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

Notes to the Consolidated Interim Financial Statements September 30, 2023

(All amounts in US\$ unless otherwise stated)

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 \leq 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 loans payable are allocated to the time band in which management expects their occurrence.

The Corporation's consolidated interim 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
September 30, 2023							
Assets							
Cash and cash equivalents	27,704,530	-	-	280,000	-	-	27,984,530
Investment securities	31,398	12,042,871	10,071,428	28,188	275,819	8,409,000	30,858,704
Loans receivable	2,958,138	5,634,154	7,664,464	14,594,767	17,236,491	319,316,740	367,404,754
Receivables from advisory and structuring services	94,133	958,789	263,635	1,593,662	-	-	2,910,219
Margin call	12,650,000	-	-	-	-	-	12,650,000
	<u>43,438,199</u>	<u>18,635,814</u>	<u>17,999,527</u>	<u>16,496,617</u>	<u>17,512,310</u>	<u>327,725,740</u>	<u>441,808,207</u>
Liabilities							
Loans payable	(9,139,213)	(6,028,571)	(1,700,000)	11,200,575	37,438,571	117,927,045	149,698,407
Corporate bonds	379,000	2,566,000	43,754,635	11,500,000	11,655,000	101,137,567	170,992,202
Commercial paper	-	1,000,000	1,000,000	1,601,000	7,408,000	(28,957)	10,980,043
Derivative liabilities	-	-	-	9,162,437	959,540	2,671,796	12,793,773
Accrued interest payable	393,294	713,828	1,722,585	152,289	13,148	-	2,995,144
	<u>(8,366,919)</u>	<u>(1,748,743)</u>	<u>44,777,220</u>	<u>33,616,301</u>	<u>57,474,259</u>	<u>221,707,451</u>	<u>347,459,569</u>

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

Notes to the Consolidated Interim Financial Statements September 30, 2023

(All amounts in US\$ unless otherwise stated)

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, 2022							
Assets							
Cash and cash equivalents	32,622,453	-	360,000	-	-	-	32,982,453
Investment securities	1,173,954	26,077	522,078	616,733	-	9,220,236	11,559,078
Loans receivable	8,773,411	8,329,638	(557,525)	142,549	29,895,776	334,554,302	381,138,151
Securitized loans	-	-	-	-	-	20,162,854	20,162,854
Receivables from advisory and structuring services	1,480,277	496,362	649,546	989,098	-	-	3,615,283
Derivative assets	-	-	57,518	75,473	128,882	173,796	435,669
Margin call	23,500,000	-	-	-	-	-	23,500,000
	<u>67,550,095</u>	<u>8,852,077</u>	<u>1,031,617</u>	<u>1,823,853</u>	<u>30,024,658</u>	<u>364,111,188</u>	<u>473,393,488</u>
Liabilities							
Loans payable	3,571,429	3,750,000	(12,838,212)	28,289,610	31,088,286	114,555,027	168,416,140
Corporate bonds	(4,000,000)	8,998,750	300,000	2,096,694	47,921,248	98,834,722	154,151,414
Commercial paper	5,745,000	8,225,000	-	1,000,000	3,708,000	(20,307)	18,657,693
Derivative liabilities	-	-	1,095,666	-	16,430,064	4,529,994	22,055,724
Accrued interest payable	277,940	600,764	655,356	638,324	3,702	-	2,176,086
Securitization liabilities	-	-	-	-	-	20,169,064	20,169,064
	<u>5,594,369</u>	<u>21,574,514</u>	<u>(10,787,190)</u>	<u>32,024,628</u>	<u>99,151,300</u>	<u>238,068,500</u>	<u>385,626,121</u>

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
September 30, 2023							
Liabilities:							
Loans payable	149,698,407	(173,873,803)	(5,549,164)	(10,229,829)	(49,139,643)	(108,955,167)	-
Corporate bonds *	170,992,202	(207,815,661)	(10,075,098)	(47,164,992)	(28,884,882)	(121,690,689)	-
Commercial paper	10,980,043	(11,608,573)	(117,137)	(2,020,660)	(9,470,776)	-	-
Derivative liabilities	12,793,773	(139,821,167)	(4,400,000)	(42,832,635)	(21,055,000)	(71,533,532)	-
Margin call	12,650,000	(12,650,000)	(12,650,000)	-	-	-	-
Unrecognized loan Commitments	-	(34,909,085)	(34,909,085)	-	-	-	-
	<u>357,114,425</u>	<u>(580,678,289)</u>	<u>(67,700,484)</u>	<u>(102,248,116)</u>	<u>(108,550,301)</u>	<u>(302,179,388)</u>	<u>-</u>
Assets:							
Investment securities	30,858,704	31,470,787	30,662	21,933,504	974,081	8,532,540	-
Loans receivable	367,404,754	572,147,704	3,120,313	17,230,018	56,322,972	279,141,423	216,332,978
	<u>398,263,458</u>	<u>603,618,491</u>	<u>3,150,975</u>	<u>39,163,522</u>	<u>57,297,053</u>	<u>287,673,963</u>	<u>216,332,978</u>

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

Notes to the Consolidated Interim Financial Statements September 30, 2023

(All amounts in US\$ unless otherwise stated)

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, 2022							
Liabilities:							
Loans payable	168,416,140	(201,242,613)	(3,890,445)	(5,298,769)	(56,641,268)	(135,412,131)	-
Corporate bonds *	154,151,414	(199,417,127)	-	(10,712,786)	(68,197,118)	(120,507,223)	-
Commercial paper	18,657,693	(18,885,836)	(3,248,222)	(10,758,102)	(4,879,512)	-	-
Derivative liabilities	22,055,724	(152,316,168)	-	(9,995,000)	(51,732,636)	(90,588,532)	-
Margin call	(23,500,000)	(23,500,000)	(23,500,000)	-	-	-	-
Unrecognized loan Commitments		(39,238,212)	(39,238,212)	-	-	-	-
	<u>339,780,971</u>	<u>(634,599,956)</u>	<u>(69,876,879)</u>	<u>(36,764,657)</u>	<u>(181,450,534)</u>	<u>(346,507,886)</u>	<u>-</u>
Assets:							
Investment securities	11,559,078	12,574,784	1,175,583	577,009	826,625	9,995,567	-
Loans receivable	381,138,151	594,095,268	9,959,157	30,797,253	81,968,733	238,161,927	233,208,198
Derivative assets	435,669	6,666,667	-	-	-	-	6,666,667
	<u>393,132,898</u>	<u>613,336,719</u>	<u>11,134,740</u>	<u>31,374,262</u>	<u>82,795,358</u>	<u>248,157,494</u>	<u>239,874,865</u>

*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. Market risk management aims to manage and monitor risk exposure and 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 interim statement of comprehensive income.

As of September 30, 2023, all the Corporation's assets and liabilities are denominated in U.S. dollars. Accordingly, no foreign currency risk is anticipated.

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

Notes to the Consolidated Interim Financial Statements September 30, 2023

(All amounts in US\$ unless otherwise stated)

6. Financial Risk Management (Continued)

Risk Management Framework (continued)

(c) Market Risk (continued)

Interest Rate Risk

Interest rate risk is the risk that future cash flows and the value of underlying financial instruments will vary due to changes in market interest rates. Interest rate risk is managed by following an internal policy that limits the duration of equity to +/-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 September 30, 2023, 19% (December 31, 2022: 11%) of interest-earning assets and 11% (December 31, 2022: 7%) 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:

September 30 , 2023	Assets	Liabilities	Net
Present value	446,965,267	(357,500,106)	89,465,161
Duration (excluding interest rate swaps)	0.57	0.38	
Duration (including interest rate swaps)	0.57	0.38	0.19
Floating rate as a % total	85.10%	45.16%	
Fixed-rate as a % total	14.90%	16.06%	
Hybrid rate as a % total	0.00%	38.79%	
Net portfolio's sensitivity to 100bp change in interest rate			1.33
POLICY LIMIT:			+/- 2.00

December 31 , 2022	Assets	Liabilities	Net
Present value	448,247,562	(369,695,908)	78,551,655
Duration (excluding interest rate swaps)	0.47	0.23	
Duration (including interest rate swaps)	0.47	0.23	0.24
Floating rate as a % total	89.42%	47.96%	
Fixed-rate as a % total	9.12%	11.06%	
Hybrid rate as a % total	1.46%	40.97%	
Net portfolio's sensitivity to 100bp change in interest rate			1.57
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\$1,188,409 (December 31, 2022: US\$1,236,811) or 1.09% (December 31, 2022: 1.12%).

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

Notes to the Consolidated Interim Financial Statements September 30, 2023

(All amounts in US\$ unless otherwise stated)

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
September 30, 2023							
Asset							
Loans receivables and investments, gross	95,730,454	69,172,688	110,998,147	43,426,517	4,303,526	71,425,862	395,057,194
Liability							
Loans payable, gross	17,150,000	17,857,143	70,018,716	42,754,430	300,000	2,250,000	150,330,289
Bonds, gross	8,649,000	2,000,000	43,754,635	24,495,000	11,655,000	99,706,849	190,260,484
Commercial paper, gross	-	1,000,000	1,000,000	1,601,000	7,408,000	-	11,009,000
Net position	69,931,454	48,315,545	(3,775,204)	(25,423,913)	(15,059,474)	(30,530,987)	43,457,421
	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, 2022							
Asset							
Loans receivables and investments, gross	109,078,551	33,313,720	98,394,827	108,431,939	(2,193,169)	46,804,824	393,830,692
Liability							
Loans payable, gross	10,142,857	26,750,000	25,000,000	105,346,753	2,275,398	-	169,515,008
Bonds, gross	-	9,995,000	13,595,000	2,000,000	58,903,635	95,885,849	180,379,484
Commercial paper, gross	7,745,000	6,225,000	-	1,000,000	3,708,000	-	18,678,000
Net position	91,190,694	(9,656,280)	59,799,827	85,186	(67,080,202)	(48,933,293)	25,405,931

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;

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(All amounts in US\$ unless otherwise stated)

6. Financial Risk Management (Continued)

Risk Management Framework (continued)

(c) Market Risk (continued)

Operational Risk (continued)

- Internal procedures for managing the liquid portfolio;
- Internal procedures for acquiring derivative financial instruments;
- Internal procedures for the minimum insurance requirement;
- Environmental and social policies;
- Compliance with internal policies and controls;
- Code of conduct for employees and the Board of Directors and its Committees;
- Corporate Compliance Manual to prevent money laundering activities; 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 regularly, based on reports made by the Internal Auditor.

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6. Financial Risk Management (Continued)

Risk Management Framework (continued)

(d) Capital Management

The Corporation 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:

	September 30, 2023	December 31, 2022
Tier 1 capital	109,065,170	110,141,968
Total capital	109,065,170	110,141,968
Risk weight of 20%	788,600	800,000
Risk weight of 50%	29,937,456	32,841,952
Risk weight of 100%	304,890,921	359,178,909
Risk weight of 150%	70,451,694	50,498,906
Risk weight of 250%	109,440,271	26,999,507
Risk weight of 400%	36,486,145	37,064,348
Subtotal for credit risk	551,995,087	507,383,622
Concentration	189,658,980	210,226,420
Operational risk	78,370,959	78,370,959
Risk-weighted assets	820,025,026	795,981,001
Capital adequacy	13.30%	13.84%
Required capital adequacy (as established by the Board)	12.50%	12.50%

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7. Segment Information

The Corporation maintains three business segments for its financial analysis. Each piece offers different products and services, which are controlled separately in consistency with the data obtained, budgeting, and performance evaluated by the Management.

The information classified by segment based on the Corporation businesses as of September 30, is as follows:

	September 30, 2023			
	Lending	Advisory and Structuring	Asset Management	Total
Interest income	28,968,311	-	694,887	29,663,198
Interest expenses	(22,510,049)	-	(678,285)	(23,188,334)
Other income	5,609,736	2,407,396	3,081,706	11,098,838
Allowance for losses	(2,955,116)	(595,943)	6,210	(3,544,849)
Personnel expenses	(4,112,241)	(988,409)	(137,029)	(5,237,679)
General and administrative expenses	(3,105,438)	(327,115)	(1,963,424)	(5,395,977)
Depreciation and amortization expenses	(247,023)	-	(1,432)	(248,455)
Income before income tax	1,648,180	495,929	1,002,633	3,146,742
Income tax	(74,678)	-	-	(74,678)
Net income	1,573,502	495,929	1,002,633	3,072,064
Total assets	456,635,364	-	3,085,701	459,721,065
Total liabilities	349,898,474	-	757,421	350,655,895

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(All amounts in US\$ unless otherwise stated)

7. Segment Information (Continued)

	September 30, 2022			Total
	Lending	Advisory and Structuring	Asset Management	
Interest income	22,497,097	-	1,225,374	23,722,471
Interest expenses	(14,916,083)	-	(1,225,374)	(16,141,457)
Other income	3,325,186	2,199,316	902,531	6,427,033
Allowance for losses	(2,678,098)	(113,696)	(124,965)	(2,916,759)
Personnel expenses	(3,323,515)	(845,062)	-	(4,168,577)
General and administrative expenses	(2,549,938)	(90,444)	(46,033)	(2,686,415)
Depreciation and amortization expenses	(257,609)	-	-	(257,609)
Income before income tax	2,097,040	1,150,114	731,533	3,978,687
Income tax	(60,817)	-	-	(60,817)
Net income	<u>2,036,223</u>	<u>1,150,114</u>	<u>731,533</u>	<u>3,917,870</u>
Total assets	<u>474,202,827</u>	<u>1,230,999</u>	<u>22,894,242</u>	<u>498,328,068</u>
Total liabilities	<u>370,031,109</u>	<u>-</u>	<u>21,548,612</u>	<u>391,579,721</u>

8. Cash and Cash Equivalents

Cash and cash equivalents are detailed as follows:

	September 30, 2023	December 31, 2022
Cash	1,458	1,212
Current account	20,583,072	15,621,241
Time deposits	7,400,000	17,360,000
	<u>27,984,530</u>	<u>32,982,453</u>
Less: Time deposits with original maturity more than ninety days	<u>(280,000)</u>	<u>-</u>
	<u>27,704,530</u>	<u>32,982,453</u>

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Notes to the Consolidated Interim Financial Statements September 30, 2023

(All amounts in US\$ unless otherwise stated)

9. Reconciliation of Movements of Loans Payable and Debt Arising from Financing Activities, as Presented in the Consolidated Interim Statements of Cash Flows

	September 30, 2023			
	Loans Payable	Corporate Bonds	Commercial Paper	Total
Balance on January 1, 2023	168,416,140	154,151,414	18,657,693	341,225,247
Change from financing cash flow				
Proceeds from loans payable	33,000,000	-	-	33,000,000
Repayment of loans payable	(51,717,733)	-	-	(51,717,733)
Proceeds from issuance of corporate bonds	-	26,971,000	-	26,971,000
Repayment of corporate bonds	-	(16,858,659)	-	(16,858,659)
Proceeds from issuance of commercial paper	-	-	9,551,000	9,551,000
Repayment of commercial paper	-	-	(17,228,650)	(17,228,650)
Total from financing cash flows	(18,717,733)	10,112,341	(7,677,650)	(16,283,042)
Change of fair value for hedge accounting relationship	-	6,728,447	-	6,728,447
Balance on September 30, 2023	149,698,407	170,992,202	10,980,043	331,670,652
	September 30, 2022			
	Loans Payable	Corporate Bonds	Commercial Paper	Total
Balance at January 1, 2022	149,374,504	154,084,363	20,211,988	323,670,855
Change from financing cash flow				
Proceeds from loans payable	66,600,000	-	-	66,600,000
Repayment of loans payable	(59,608,541)	-	-	(59,608,541)
Proceeds from issue corporate bonds	-	31,419,000	-	31,419,000
Repayment of corporate bonds	-	(17,216,800)	-	(17,216,800)
Proceeds from issue of commercial paper	-	-	26,236,000	26,236,000
Repayment of commercial paper	-	-	(13,646,280)	(13,646,280)
Total from financing cash flows	6,991,459	14,202,200	12,589,720	33,783,379
Change of fair value for hedge accounting relationship	-	(14,158,844)	-	(14,158,844)
Balance at September 30, 2022	156,365,963	154,127,719	32,801,708	343,295,390

Reconciliation of cash movements arising from financing activities is presented in the consolidated interim statement of cash flows.

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

Notes to the Consolidated Interim Financial Statements September 30, 2023

(All amounts in US\$ unless otherwise stated)

10. Furniture, Equipment and Improvements, Net

Furniture, equipment and improvements are summarized as follows:

	September 30, 2023				Total
	Furniture and Equipment	Property Improvements	Computer Equipment	Rights-of- Use Assets	
Cost					
Balance on January 1, 2023	161,487	1,139,309	221,359	971,711	2,493,866
Acquisitions	-	-	970	-	970
Adjustment	1,135	1,594	1,944	-	4,673
Sales	-	-	(6,289)	-	(6,289)
Balance on September 30, 2023	<u>162,622</u>	<u>1,140,903</u>	<u>217,984</u>	<u>971,711</u>	<u>2,493,220</u>
Accumulated depreciation					
Balance on January 1, 2023	160,673	608,942	169,909	388,685	1,328,209
Expense of the period	178	84,132	18,019	145,758	248,087
Adjustment	1,067	470	1,598	-	3,135
Sales	-	-	(6,226)	-	(6,226)
Balance on September 30, 2023	<u>161,918</u>	<u>693,544</u>	<u>183,300</u>	<u>534,443</u>	<u>1,573,205</u>
Net balance	<u>704</u>	<u>447,359</u>	<u>34,684</u>	<u>437,268</u>	<u>920,015</u>
	December 31, 2022				Total
	Furniture and Equipment	Property Improvements	Computer Equipment	Rights-of- Use Assets	
Cost					
Balance on January 1, 2022	147,755	1,120,007	170,870	1,014,493	2,453,125
Acquisitions	-	-	28,974	-	28,974
Acquisition of subsidiary	13,732	19,302	23,531	-	56,565
Adjustment	-	-	-	(42,782)	(42,782)
Sales	-	-	(2,016)	-	(2,016)
Balance on December 31, 2022	<u>161,487</u>	<u>1,139,309</u>	<u>221,359</u>	<u>971,711</u>	<u>2,493,866</u>
Accumulated depreciation					
Balance on January 1, 2022	147,639	491,640	128,301	202,899	970,479
Expense of the period	116	111,748	24,565	185,786	322,215
Acquisition of subsidiary	12,918	5,554	19,038	-	37,510
Sales	-	-	(1,995)	-	(1,995)
Balance on December 31, 2022	<u>160,673</u>	<u>608,942</u>	<u>169,909</u>	<u>388,685</u>	<u>1,328,209</u>
Net balance	<u>814</u>	<u>530,367</u>	<u>51,450</u>	<u>583,026</u>	<u>1,165,657</u>

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

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Notes to the Consolidated Interim Financial Statements September 30, 2023

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11. Goodwill

On October 6, 2022, the Corporation acquired a 99.97% participation in the Brazilian company Finenge e Associados Ltda. The net asset value for the acquisition as of September 30, 2023 is US\$2,875 (December 31, 2022: US\$2,875) and a goodwill of US\$2,285,822 (December 31, 2022: US\$2,285,822). The acquired company, located in Sao Paulo City has been active in the advisory and financial structuring business since 1992. Its integration with the Corporation is strategic to ensure sound growth in Brazil for the coming years.

As part of the acquisition agreement, the Corporation has recognized a liability to the seller concerning advisory fees (net of expenses) per Finenge's previous contracts for 6 months after the acquisition effective date. After this period, all rights and liabilities will be fully in control of the Corporation.

At the time the financial statements were authorized for issue, the Corporation had not yet completed the accounting calculations for recording the acquisition of Finenge e Associados Ltda. In particular, the fair values of the assets and liabilities described above have only been provisionally determined as the independent valuations have not been completed, the period of review due on October, 2023. It is also not possible to provide detailed information on each class of receivables acquired or on the contingent liabilities of the acquired entity.

The Corporation will evaluate and perform the annual impairment test of this asset, by projecting the expected future net cash flows from the company's business for periods between 3 and 5 years, defining a perpetual growth or projected period end's multiple to estimate the final cash flow. To calculate the net present value of the projected net cash flows, the Corporation will use a discount rate based on its capital cost for the applicable periods.

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September 30, 2023**

(All amounts in US\$ unless otherwise stated)

12. Investment Property

Investment property is summarized as follows:

	September 30, 2023	December 31, 2022
Balance at beginning of the year	16,822,974	15,756,299
Changes in fair value (Note 20)	-	1,059,925
Loss on sale	(1,330,764)	-
Additions	43,055	6,750
Sale	(4,593,700)	-
	<u>10,941,565</u>	<u>16,822,974</u>
Balance at end of the period	<u>10,941,565</u>	<u>16,822,974</u>

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, 2023, this property was sale and the Corporation proceed with the discard of its balances (December 31, 2022: US\$5,924,464).

In December 2019, the Corporation granted a new loan with an independent payment source 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 an investment property whose fair value as of September 30, 2023 is US\$10,941,565 (December 31, 2022: US\$10,898,510).

13. Other Assets

Other assets are summarized as follows:

	September 30, 2023	December 31, 2022
Prepaid expenses and taxes	1,075,834	1,202,425
Treasury prepaid expenses	35,248	358,824
Intangible asset, net	2,335	2,157
Guarantee deposits	20,164	16,345
Other receivables	1,782,054	2,564,313
	<u>2,915,635</u>	<u>4,144,064</u>

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Notes to the Consolidated Interim Financial Statements September 30, 2023

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13. Other Assets (Continued)

The Corporation has an intangible asset recorded as other assets for an amount of US\$94,788 (December 31, 2022: US\$94,490) which generated an amortization of US\$298 (September 30, 2022: US\$9,166).

14. Loans Payable

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

	Maturity	September 30, 2023	December 31, 2022
Foreign financial institutions			
Caribbean Development Bank	2028	2,850,000	-
Global Climate Partnership Fund	2027	32,750,000	35,000,000
OPEC Fund for International Development (OFID)	2027	25,000,000	25,000,000
Cargill	2026	14,285,714	20,000,000
Micro, Small & Medium Enterprises Bonds, S.A. (Symbiotics)	2026	6,850,000	6,850,000
FinDev	2025	6,000,000	7,500,000
Cargill	2025	13,600,000	21,428,571
Cargill	2025	17,857,143	17,000,000
Bancaribe USD 8MM	2025	8,000,000	-
Caribbean Development Bank	2024	1,137,432	2,843,580
CAF	2024	10,000,000	-
Bancaribe Curacao	2024	-	3,000,000
International Finance Bank (IFB)	2023	-	7,142,857
Finnish Fund for Industrial Cooperation (Finnfund)	2023	-	12,000,000
Banco de Desarrollo de América Latina (CAF)	2023	-	3,750,000
Local financial institutions			
Banco Internacional de Costa Rica, S. A.	2023	7,000,000	3,000,000
Banco Mercantil, S.A.	2023	5,000,000	5,000,000
		150,330,289	169,515,008
Deferred costs		(631,882)	(1,098,868)
		<u>149,698,407</u>	<u>168,416,140</u>

The effective annual interest rates on loans with financial institutions range between 4.90% and 9.86% (December 31, 2022: between 4.41% and 9.38%).

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14. Loans Payable (Continued)

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

	September 30, 2023	December 31, 2022
Loans payable outstanding, net gross	<u>149,698,407</u>	<u>168,416,140</u>
Undrawn balance of committed lines of credit	<u>14,759,085</u>	<u>8,838,212</u>
Undrawn balance of uncommitted lines of credit	<u>20,150,000</u>	<u>30,400,000</u>

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

15. Corporate Bonds

Corporate bonds are detailed as follows:

	September 30, 2023	December 31, 2022
Corporate Bond - Panama	89,041,633	78,831,266
Corporate Green Bond - Panama	41,461,110	42,894,194
Corporate Green Bond - Colombia	<u>41,260,705</u>	<u>33,428,542</u>
	171,763,448	155,154,002
Deferred costs	<u>(771,246)</u>	<u>(1,002,588)</u>
	<u>170,992,202</u>	<u>154,151,414</u>

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 corporate bonds will pay interest quarterly and may not be redeemed early by the issuer.

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15. Corporate Bonds (Continued)

Corporate Bond - Panama (continued)

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

	Nominal Interest Rate	Maturity Date	September 30, 2023	December 31, 2022
			Carrying Amount	Carrying Amount
Corporate Bonds				
Series B	5.50%	2023	-	5,000,000
Series D	6.67%	2023	-	600,000
Series K	5.75%	2023	-	1,500,000
Series L	5.75%	2023	566,000	566,000
Series M	4.00%	2023	-	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
Series R	4.25%	2024	5,500,000	5,500,000
Series S	4.00%	2023	-	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
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	2,855,000	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	2,000,000
Series AH	3.38%	2023	-	2,000,000
Series AI	7.25%	2027	10,000,000	10,000,000
Series AJ	5.25%	2025	3,000,000	3,000,000
Series AK	6.00%	2026	3,590,000	3,590,000
Series AL	7.25%	2024	2,000,000	1,790,000
Series AM	7.25%	2024	500,000	370,000
Series AN	7.25%	2025	450,000	-
Series AO	7.25%	2025	500,000	-
Series AP	7.75%	2027	2,000,000	-
Series AQ	7.25%	2025	500,000	-
Series AR	7.25%	2025	4,500,000	-
Series AS	7.25%	2025	2,000,000	-
Series AT	7.25%	2025	500,000	-
Series AU	7.25%	2025	85,000	-
Series AV	7.25%	2025	426,000	-
Series AW	7.25%	2025	600,000	-
Series AX	7.00%	2025	1,055,000	-
Series AY	7.00%	2025	2,260,000	-
Series AZ	7.25%	2025	1,055,000	-
Series BA	7.00%	2025	9,000,000	-
Series BB	7.00%	2025	1,095,000	-
			94,627,000	83,756,000
Remeasurement of hedged items			(5,585,367)	(4,924,734)
			89,041,633	78,831,266

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15. Corporate Bonds (Continued)

Corporate Green Bond - Panama (continued)

Through Resolution SMV-337-19 of the Superintendency of the Securities Market of Panama, on August 20, 2019, the public offering of the 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 corporate bonds will pay interest quarterly and may not be redeemed early by the issuer.

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

	Nominal Interest Rate	Maturity Date	September 30, 2023 Carrying Amount	December 31, 2022 Carrying Amount
Green Bonds				
Series B	6.75%	2024	12,000,000	12,000,000
Series C	6.75%	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
Series G	5.25%	2023	-	1,000,000
Series J	5.25%	2023	2,000,000	2,000,000
Series L	6.75%	2026	10,229,000	10,229,000
Series M	5.00%	2023	3,683,000	3,683,000
Series N	7.00%	2025	510,000	-
			43,417,000	44,407,000
Remeasurement of hedged items			(1,955,890)	(1,512,806)
			41,461,110	42,894,194

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 corporate bonds will pay interest quarterly and may not be redeemed early by the issuer.

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

	Nominal Interest Rate	Maturity Date	September 30, 2023 Carrying Amount	December 31, 2022 Carrying Amount
Corporate 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			(10,955,779)	(18,787,942)
			41,260,705	33,428,542

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16. 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 (in Spanish Valores Comerciales Negociables - VCN) was made, with a nominal value of US\$50,000,000. The VCNs 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	September 30, 2023 Carrying Amount	December 31, 2022 Carrying Amount
Commercial Paper				
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 BE	3.00%	2023	-	1,050,000
Series BF	2.75%	2023	-	3,245,000
Series BH	3.25%	2023	-	1,000,000
Series BJ	2.85%	2023	-	2,000,000
Series BK	4.00%	2023	-	1,200,000
Series BL	6.00%	2023	-	1,050,000
Series BM	6.25%	2023	1,000,000	1,000,000
Series BN	6.25%	2023	1,000,000	458,000
Series BO	6.25%	2024	605,000	-
Series BP	6.25%	2024	996,000	-
Series BQ	6.25%	2024	5,100,000	-
Series BR	6.50%	2024	1,360,000	-
Series BS	6.75%	2024	948,000	-
			<u>11,009,000</u>	<u>18,678,000</u>
Deferred costs			(28,957)	(20,307)
			<u>10,980,043</u>	<u>18,657,693</u>

17. Other Liabilities

Other liabilities are summarized as follows:

	September 30, 2023	December 31, 2022
Employment benefits	2,217,278	1,493,233
Tax payable	211,414	211,171
Others payable	306,447	454,094
	<u>2,735,139</u>	<u>2,158,498</u>

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18. Equity

Share Capital

The Corporation's share capital is comprised of 54,000,001 (December 31, 2022: 54,000,001) common shares of US\$1 par value, for a total of US\$54,000,001 (December 31, 2022: US\$54,000,001).

The issued and outstanding share capital is distributed as follows:

	September 30, 2023		December 31, 2022	
	Acquired Capital	Ownership Interest	Acquired Capital	Ownership Interest
Valora Holdings, S. A.	22,653,979	45.02%	22,653,979	45.02%
Norwegian Investment Fund for Developing Countries	17,263,819	34.30%	17,263,819	34.30%
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%
	<u>50,326,383</u>		<u>50,326,383</u>	

As of September 30, 2023, the Corporation paid dividends of US\$4,306,537. This represents 60% of 2022 total net income. In 2022, the Corporation paid dividends of US\$5,811,361. This represents 60% of 2021 total net income.

19. 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 year, as follows:

	September 30, 2023	September 30, 2022
Net income	<u>3,146,742</u>	<u>3,917,870</u>
Weighted average number of shares	<u>50,326,383</u>	<u>50,326,383</u>
Earnings per share	<u>0.06</u>	<u>0.08</u>

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20. Gain on Derivative Instruments, Financial Instruments and Others

Gain on derivative instruments, financial instruments and others are summarized as follows:

	September 30, 2023	September 30, 2022
Financial instruments (Note 6)	1,109,105	401,022
Derivatives (Note 21)	4,082,525	1,337,883
Investment property (Note 12)	(1,330,764)	-
	<u>3,860,866</u>	<u>1,738,905</u>

21. Derivatives

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 by dealing with financially sound counterparty institutions.

As of September 30, 2023, the Corporation held the following interest rate swaps as hedging instruments in fair value hedges of interest risk:

Risk category	Maturity September 30, 2023				
	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\$)	4,400,000	566,000	21,055,000	61,569,000	-
Average fixed interest rate	4.25%	5.75%	4.16%	5.54%	-
Average spread over SOFR	9.40%	8.77%	9.29%	8.98%	-
Cross Currency risk					
Hedge of issued bonds					
Notional amount (US\$)	-	42,266,636	-	9,964,532	-
Average fixed interest rate	-	6.80%	-	8.40%	-
Average spread over SOFR	-	8.66%	-	8.64%	-

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21. Derivatives (Continued)

Interest Rate Derivatives (continued)

Risk category	Maturity December 31, 2022				
	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\$)	-	9,995,000	9,466,000	80,624,000	-
Average fixed interest rate	-	4.40%	4.83%	4.80%	-
Average spread over Libor	-	7.37%	7.35%	7.24%	-
Interest rate risk					
Hedge of issued loans					
Notional amount (US\$)	-	-	-	-	6,666,667
Average fixed interest rate	-	-	-	-	8.25%
Average spread over Libor	-	-	-	-	11.39%
Cross Currency risk					
Hedge of issued bonds					
Notional amount (US\$)	-	-	42,266,636	9,964,532	-
Average fixed interest rate	-	-	6.80%	8.40%	-
Average spread over Libor	-	-	7.68%	7.68%	-

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

US\$	Nominal amount	Carrying amount		September 30, 2023 Line item in the consolidated interim 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
		Assets	Liabilities				
Interest rate risk							
Interest rate swaps - hedge of issued bonds							
	87,590,000	-	3,962,123	Derivative assets held for risk management	7,539,039	1,997,658	Other income - gain or loss on derivative instruments
Interest rate swaps - hedge of issued loans							
	-	-	-	Derivative liabilities held for risk management	-	1,549,020	Other income - gain or loss on derivative instruments
Cross currency risk							
Cross currency swaps - hedge of issued bonds							
	52,231,167	-	8,831,649	Derivative assets held for risk management	10,954,227	535,847	Other income - gain or loss on derivative instruments
Total	<u>139,821,167</u>	<u>-</u>	<u>12,793,772</u>			<u>4,082,525</u>	

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21. Derivatives (Continued)

US\$	Nominal amount	Carrying amount		December 31, 2022 Line item in the consolidated interim 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
		Assets	Liabilities				
Interest rate risk							
Interest rate swaps - hedge of issued bonds	100,085,000	-	4,323,561	Derivative assets held for risk management	6,429,266	2,689,179	Other income - gain or loss on derivative instruments
Interest rate swaps - hedge of issued loans	6,666,667	435,669	-	Derivative liabilities held for risk management	1,664,953	(1,210,954)	Other income - gain or loss on derivative instruments
Cross currency risk							
Cross currency swaps - hedge of issued bonds	52,231,167	-	17,732,163	Derivative assets held for risk management	18,786,962	509,180	Other income - gain or loss on derivative instruments
Total	<u>158,982,834</u>	<u>435,669</u>	<u>22,055,724</u>			<u>1,987,405</u>	

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

Line item in the consolidated interim statement of financial position in which the hedged item is included	September 30, 2023				
	Carrying amount		Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item		Change value used for calculating hedge ineffectiveness
	Assets	Liabilities	Assets	Liabilities	
Bonds	-	139,821,167	-	18,493,266	18,493,266
Line item in the consolidated interim statement of financial position in which the hedged item is included	December 31, 2022				
	Carrying amount		Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item		Change value used for calculating hedge ineffectiveness
	Assets	Liabilities	Assets	Liabilities	
Bonds	-	152,316,167	-	25,216,228	25,216,228
Loans	6,666,667	-	1,664,953	-	1,664,953

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21. Derivatives (Continued)

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 interim 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 a single net settlement of all financial instruments covered by the agreements in the event of default on any one contract.

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.

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21. Derivatives (Continued)

Derivatives and Repurchase Agreements (continued)

The following tables present 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

September 30, 2023						
Description	Gross amount of recognized financial liabilities	Gross amount offset in the consolidated interim financial position	Net amount of assets presented in the consolidated interim financial position	Gross amount of offset in the consolidated interim financial position		
				Financial instruments (Margin Call)	Cash received	Net amount
Bonds	139,821,167	-	139,821,167	12,650,000	-	152,471,167

December 31, 2022						
Description	Gross amount of recognized financial liabilities	Gross amount offset in the consolidated interim financial position	Net amount of assets presented in the consolidated interim financial position	Gross amount of offset in the consolidated interim financial position		
				Financial instruments (Margin Call)	Cash received	Net amount
Bonds	152,316,167	-	152,316,167	23,500,000	-	175,816,167

22. 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, the uncertainty of market factors, pricing assumptions, and other risks affecting the specific instrument.

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

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: unobservable inputs. 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.

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22. 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. The availability of observable market prices and model inputs reduces the need for management judgment and estimation and reduces the uncertainty associated with determining fair values.

The 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:

	September 30, 2023		
	Carrying amount	Level 2	Level 3
Financial assets			
Investment securities	30,858,704	30,858,704	-
Loans receivable	22,384,999	-	22,384,999
Financial liabilities			
Derivative liabilities	12,793,773	12,793,773	-
	December 31, 2022		
	Carrying amount	Level 2	Level 3
Financial assets			
Investment securities	9,932,211	9,932,211	-
Loans receivable	16,733,428	-	16,733,428
Derivative assets	435,669	435,669	-
Financial liabilities			
Derivative liabilities	22,055,724	22,055,724	-

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

The following table sets out 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 whose carrying value approximates fair value:

	September 30, 2023		
	Carrying amount	Fair value Level 2	Fair value Level 3
Financial assets			
Cash and cash equivalents	27,984,530	-	27,984,530
Loans receivable	367,404,754	-	368,598,384
Receivables from advisory and structuring services	2,910,219	-	2,910,219
Margin call	12,650,000	-	12,650,000
Financial liabilities			
Loans payable	149,698,407	-	157,272,310
Corporate Bonds	170,992,202	-	189,247,832
Commercial paper	10,980,043	-	10,979,964
	December 31, 2022		
	Carrying amount	Fair value Level 2	Fair value Level 3
Financial assets			
Cash and cash equivalents	32,982,453	-	32,982,453
Investment securities	1,626,867	1,626,759	-
Loans receivable	364,404,723	-	391,263,324
Securitized loans	20,162,854	-	21,500,359
Receivables from advisory and structuring services	3,615,283	-	3,615,283
Margin call	23,500,000	-	23,500,000
Financial liabilities			
Loans payable	168,416,140	-	171,479,291
Corporate Bonds	154,151,414	-	179,595,447
Commercial paper	18,657,693	-	18,621,170
Securitization liabilities	20,169,064	-	21,500,359

During the period ended September 30, 2023 and 2022, there have not been transfers between levels of the fair value hierarchy.

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22. 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*

The 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, and governmental bonds market values with a similar maturity to the loans where no corporate debt information is available, among others.

(c) *Receivables from Advisory and Structuring Services and Margin Call*

The fair value of receivables from advisory and structuring services and margin call is the same as his carrying amount because are short-term financial assets and they are not subject to discounted cash flows.

(d) *Loans Payable*

The fair value of loans payable is calculated by discounting committed cash flows at current market rates for loans payable with similar maturities.

(e) *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 the fair value hierarchy using a model based on observable market data, including property appraisal and expected future cash flows at current market interest rates to bring the future value to present value. As of September 30, 2023, investment properties amount to US\$10,941,565 (December 31, 2022: US\$16,822,974).

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

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	Average between adjusted appraisal and last sale price available for the property in an orderly market transaction.	Global crisis impacting: –Market value (US\$16M) –Hair cut of 20% due to size	The estimated fair value would increase (decrease) if: –Market value was higher (lower) –Discount value was lower (higher)
		–	–

23. Commitments and Contingencies

In the normal course of business, the Corporation maintains off-consolidated interim financial position statement commitments and contingencies that involve a certain degree of credit and liquidity risk.

As of September 30, 2023, the Corporation has commitments for US\$47,474,856 (December 31, 2022: US\$60,285,241), corresponding to credits pending disbursement to various entities.

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

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24. 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.
- 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 the event of enforcement of guarantees due to a 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.

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24. Securitization of Loan Participation (Continued)

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 loan participation in its consolidated interim 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.

As the Securitization transaction was executed as a risk management tool, the Corporation started conversations with all parties involved to buy back the securitized assets because it did not accomplish such a goal. This transaction was executed in April 2023 and the impact generated to the comprehensive income was for US\$711,902 related to fees expenses.

The relevant carrying amounts are as follows:

	September 30, 2023	December 31, 2022
Carrying amount		
Securitized loans	-	19,981,128
Accrued interest receivable	-	187,936
Provision ECL (*)	-	(6,210)
Securitized loans, net	<u>-</u>	<u>20,162,854</u>
Securitization liabilities	-	19,981,128
Accrued interest payable	-	187,936
Securitization liabilities, net	<u>-</u>	<u>20,169,064</u>

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24. Securitization of Loan Participation (Continued)

	September 30, 2023	December 31, 2022
Fair value		
Securitized loans participations	-	21,500,359
Securitization liabilities	-	21,500,359
Net position	-	-

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

	September 30, 2023	September 30, 2022
Interest income		
Securitized receivable	678,285	1,225,374
Interest expense		
Securitization payable	678,285	1,225,374