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

Report and Consolidated Interim Financial Statements September 30, 2021

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

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September 30, 2021

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

Consolidated Interim Statement of Financial Position
September 30, 2021
(Expressed in US Dollars)

	Note	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Assets			
Cash and cash equivalents	6	36,114,635	53,245,966
Investment securities at amortized cost	6	4,781,320	4,457,147
Loans receivable, net at amortized cost	6	385,220,393	391,229,995
Assets held-for-sale, net	6	660,000	0
Furniture, equipment and improvements, net	8	1,755,983	1,862,015
Receivables from advisory and structuring services, net	6	2,090,310	3,189,624
Derivative assets held for risk management	6, 18	0	7,687,044
Investment property	9	15,410,090	17,016,964
Receivable escrow	6	8,228,708	0
Other assets	10	5,505,400	4,858,121
Total assets		459,766,839	483,546,876
Liabilities and Equity			
Liabilities			
At amortized cost:			
Loans	6, 7, 11	138,673,577	159,909,764
Bonds	6, 7, 12	173,000,253	167,690,061
Commercial paper	6, 7, 13	37,030,000	39,735,000
Accrued interest payable		1,577,101	1,193,573
Derivative liabilities held for risk management	18	2,937,570	410,804
Lease liabilities		1,148,614	1,268,274
Margin call	18	(860,000)	5,012,000
Other liabilities	14	2,917,730	3,457,927
Total liabilities		356,424,845	378,677,403
Equity			
Share capital	15	54,000,001	54,000,001
Treasury shares	15	(3,673,618)	(3,673,618)
Additional paid-in capital		85,000	85,000
Retained earnings		52,930,611	54,458,090
Total equity		103,341,994	104,869,473
Total liabilities and equity		459,766,839	483,546,876
Commitments and contingencies			
Loans pending disbursement	20	38,585,075	39,621,134
Undrawn balance of credit facilities	6, 11	29,100,000	31,694,976
Notional amount of swaps	18	142,541,500	141,658,966

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 period ended on September 30, 2021
(Expressed in US Dollars)

	Note	For the quarter ended on: Septiembre 30, 2021 (Unaudited)	For the quarter ended on: Septiembre 30, 2020 (Unaudited)	For period ended on: Septiembre 30, 2021 (Unaudited)	For period ended on: Septiembre 30, 2020 (Unaudited)
Interest income:					
Cash and cash equivalents		46,767	97,264	346,115	211,977
Investment securities		52,839	22,145	157,857	58,674
Loans receivable		6,693,191	6,677,009	20,347,776	21,026,547
Total interest income		6,792,797	6,796,418	20,851,748	21,297,198
Interest expense:					
Loans payable		(1,567,673)	(1,964,332)	(5,171,003)	(6,230,036)
Debt securities		(2,350,338)	(1,777,246)	(6,913,717)	(5,886,487)
Lease liability		(20,743)	(23,002)	(62,230)	(69,006)
Total interest expense		(3,938,754)	(3,764,580)	(12,146,950)	(12,185,529)
Net interest income		2,854,043	3,031,838	8,704,798	9,111,669
Other income:					
Advisory and structuring fees and others, net		1,206,956	2,935,195	2,874,049	5,639,851
Gain on derivative instruments and other financial instruments, net		(69,290)	(95,636)	879,773	918,680
Total other income		1,137,666	2,839,559	3,753,822	6,558,531
Operating income		3,991,709	5,871,397	12,458,620	15,670,200
Provision for loan losses	6	(2,679,652)	(982,351)	(3,920,072)	(2,707,676)
Impairment loss on assets held-for-sale	6	0	27,120	0	(92,470)
Impairment loss on receivable		(123,361)	(9,974)	(619,853)	(249,978)
Depreciation and amortization expense	8	(94,657)	(124,933)	(154,108)	(385,230)
Personnel expenses		(1,375,517)	(1,436,950)	(3,917,008)	(4,145,703)
Other administrative expenses		(614,225)	(726,956)	(2,141,712)	(2,322,743)
Net income before tax		(895,703)	2,617,353	1,705,867	5,766,400
Income tax	17	592,143	0	512,499	(115,164)
Total comprehensive income for the period		(303,560)	2,617,353	2,218,366	5,651,236
Basic earnings per share	16			0.04	0.11

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-month period ended on September 30, 2021
(Expressed in US Dollars)

	Share capital	Treasury shares	Additional paid-in capital	Retained earnings	Total equity
Balance at December 31, 2019 (Audited)	54,000,001	(3,673,618)	85,000	48,460,216	98,871,599
Net income for the period	-	-	-	5,651,236	5,651,236
Total comprehensive income for the period	-	-	-	5,651,236	5,651,236
Transactions with owners of the Corporation					
Complementary tax, Panama	-	-	-	(43,441)	(43,441)
Balance at September 30, 2020 (Unaudited)	54,000,001	(3,673,618)	85,000	54,068,011	104,479,394
Balance at December 31, 2020 (Audited)	54,000,001	(3,673,618)	85,000	54,458,090	104,869,473
Net income for the period	-	-	-	2,218,366	2,218,366
Total comprehensive income for the period	-	-	-	2,218,366	2,218,366
Transactions with owners of the Corporation					
Dividends paid	-	-	-	(3,745,845)	(3,745,845)
Balance at September 30, 2021 (Unaudited)	54,000,001	(3,673,618)	85,000	52,930,611	103,341,994

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-month period ended on September 30, 2021
(Expressed in US Dollars)

	Note	Septiembre 30, 2021 (Unaudited)	Septiembre 30, 2020 (Unaudited)
Cash flows from operating activities			
Net income for the period		2,218,366	5,651,236
Gain on derivative instruments and other financial assets, net		(879,773)	(918,680)
Provision for loan losses	6	3,920,072	2,707,676
Impairment loss on assets held-for-sale	6	0	92,470
Impairment loss on receivables	6	619,853	249,978
Depreciation and amortization expense	8	154,108	385,230
Net interest income		(8,704,798)	(9,111,669)
Income tax expense		(512,499)	115,164
		(3,184,671)	(828,595)
Changes in:			
Other assets		(6,499,406)	(971,788)
Other account payable		(27,697)	4,468,722
Loan collections		87,324,433	78,980,513
Loan disbursements		(83,686,839)	(69,584,217)
		(2,889,509)	12,893,230
Income tax paid		(23,923)	(277,656)
Interest received		19,285,605	20,580,536
Interest paid		(11,763,422)	(11,755,109)
		7,498,259	8,547,771
Net cash flows from operating activities		1,424,079	20,612,406
Cash flows from investing activities			
Acquisition of investment securities		(4,300,000)	(5,394,000)
Proceeds form sales, redemption and amortization of securities		3,975,000	2,741,000
Acquisition of furniture, equipment and improvements	8	(39,364)	0
Proceeds from sale of computer equipment	8	4,660	1,758
Net cash flows from investing activities		(359,704)	(2,651,242)
Cash flows from financing activities			
Proceeds from loans payable	7	115,203,287	82,345,916
Repayment of loans payable	7	(136,439,474)	(82,659,738)
Proceeds from bonds	7	102,716,160	1,999,000
Repayment of bonds	7	(87,352,835)	(900,000)
Proceeds from commercial paper issued	7	14,800,000	29,682,000
Repayment of commercial paper	7	(17,505,000)	(24,370,000)
Margin calls	18	(5,872,000)	0
Complementary tax paid		0	(43,441)
Dividends paid		(3,745,845)	0
Net cash flows from financing activities		(18,195,707)	6,053,737
Net increase in cash and cash equivalents		(17,131,332)	24,014,901
Cash and cash equivalents at the beginning of the period		53,245,966	18,419,136
Cash and cash equivalents at the end of the period		36,114,635	42,434,037

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

1. Reporting Entity

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

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

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

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

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

	Activity	Country of Incorporation	Controlling Ownership	
			September 30, 2021	**December 31, 2020**
CIFI SEM, S. A.	Personnel Management	Panama	100%	100%
CIFI PANAMA, S. A.	Lending & Financing Structuring	Panama	100%	100%
CIFI LATAM, S. A.	Lending & Financing Structuring	Panama	100%	100%
CIFI AM, S. A.	Administration of Investment Funds	Cayman Islands	100%	100%

2. Basis of Preparation

(a) Statement of compliance
The 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).

2. Basis of Preparation (Continued)

(b) Basis of measurement

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

(c) Functional and presentation currency

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

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

(d) Use of estimates and judgments

The preparation of consolidated 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;
- Impairment of assets held-for-sale – note 6; and
- Fair value of financial instruments – note 19.

3. Significant Accounting Policies

(a) New rules and amendments adopted by the Corporation

Amendment to IFRS 16 Leases - COVID-19 Related Lease Concessions: The International Standards Board (IASB) issued the amendment to IFRS 16 in March 2021, where the availability of the practical solution in paragraph was extended by one year. 46A of IFRS 16 Leases (amendment published in May 2020). In this way, the Council proposes as a practical solution to allow the tenants to choose not to evaluate whether the reductions in the terms of the leases related to the COVID-19 pandemic are a modification to the contract itself as established in the standard.

The 2021 amendment has resulted in the practical solution being applied to rental concessions in which any reduction in lease payments affects only payments that were originally due on June 30, 2022, provided the requirements are met. other conditions for the application of the practical solution. This amendment has an application date for annual periods beginning on April 1, 2021, allowing its early application.

Abovesaid practical solution was evaluated by the Administration and as a result of the situation of the health emergency declared under COVID-19, there are no significant impacts on the consolidated interim financial statements due to the application of this practical solution.

(b) New rules and amendments not yet adopted by the Corporation

New standards, interpretations and amendments have been published, which are not effective for the period ended September 30, 2021, and have not been adopted in advance by the Company. The main changes to these new rules are presented below:

Benchmark Interest Rate Reform - Phase 2 - Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: recognition and measurement, IFRS 7 Financial Instruments: disclosure, IFRS 4 Insurance Contracts and IFRS 16 Leases: in August of 2020, the Board issued amendments that complement those issued in 2019, on topics discussed that could affect financial information during the reform of a benchmark interest rate, including the effects of changes in contractual cash flows, coverage, insurance and leasing contracts arising from the replacement of a benchmark interest rate with an alternative benchmark rate.

Affected entities need to disclose information about the nature and extent of the risks arising from the IBOR reform to which the entity is exposed, how the entity manages those risks, and the entity's progress in completing the transition to benchmark rates. alternatives and how you manage that transition.

3. Significant Accounting Policies (Continued)

(b) New rules and amendments not yet adopted by the Corporation (continued)

Management is in the process of applying for a retrospective adoption to address the discontinuation of LIBOR from different work fronts focused on structuring and executing work plans.

Amendments to IAS 1 Presentation of Financial Statements and Statement of Practice 2 of IFRS - Making Materiality Judgments-Disclosure of Accounting Policies: in February 2021, the IASB issued amendments to IAS 1 Presentation of Financial Statements and Statement of Practice 2 of IFRS, in order to replace the term "significant" with "material" to require entities to disclose material information about their accounting policies, rather than their significant accounting policies. Thus, information on accounting policies can be considered material when considered together with other information in a complete set of financial statements. In the Board's view, information on accounting policies is expected to be material if its disclosure is necessary for primary users to understand the information provided on material transactions, other events, or conditions in the financial statements. The amendments to IAS 1 and Statement of Practice 2 of IFRS are effective for annual periods beginning on or after January 1, 2023. Early application is permitted.

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

Amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors-Definition of accounting estimate: in February 2021, the IASB issued amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, in order to include the definition of accounting estimates in paragraph 5 and include other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies. The amendments to IAS 8 are effective for annual periods beginning on or after 1 January.

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

(c) Basis of consolidation

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

3. Significant Accounting Policies (Continued)

(c) Basis of consolidation (continued)

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

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

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

(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 less than three months, which are subject to insignificant risk of changes in their fair value and are used by the Corporation for management of its short-term commitments.

(f) Financial assets and financial liabilities

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

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

3. Significant Accounting Policies (Continued)

(f) Financial assets and financial liabilities (continued)

(ii) Classification (continued)

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

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

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

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

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

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

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

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

All other financial assets are classified as measured at FVTPL.

3. Significant Accounting Policies (Continued)

(f) Financial assets and financial liabilities (continued)

(ii) Classification (continued)

Financial assets (continued)

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

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;

- How the performance of the portfolio is evaluated and reported to the corporation's management;

- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

- How managers of the business are compensated – e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

- The frequency, volume and timing of sales in prior years, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the corporation's stated objective for managing the financial assets is achieved and how cash flows are realized.

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

3. Significant Accounting Policies (Continued)

(f) Financial assets and financial liabilities (continued)

(ii) Classification (continued)

Financial assets (continued)

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

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

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the corporation's claim to cash flows from specified assets - e.g., non-recourse asset arrangements; and
- Features that modify consideration of the time value of money - e.g., periodical reset of interest rates.

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

3. Significant Accounting Policies (Continued)

(f) Financial assets and financial liabilities (continued)

(ii) Classification (continued)

Financial liabilities
Under IFRS 9 all fair value changes of liabilities designated as at FVTPL will generally be presented as follows:

- The amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and

- The remaining amount of change in the fair value is presented in profit or loss.

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

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

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

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

3. Significant Accounting Policies (Continued)

(f) Financial assets and financial liabilities (continued)

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

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

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

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

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

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

- Financial assets that are debt instruments; and

- Loan commitments issued and financial guarantees.

No impairment loss is recognized on equity investments.

3. Significant Accounting Policies (Continued)

(f) Financial assets and financial liabilities (continued)

(*vi*) *Impairment (continued)*

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

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

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

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

Measurement of ECL

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

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

3. Significant Accounting Policies (Continued)

(f) Financial assets and financial liabilities (continued)

(vi) Impairment (continued)

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

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

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

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

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization; and
- The disappearance of an active market for a security because of financial difficulties.

3. Significant Accounting Policies (Continued)

(f) Financial assets and financial liabilities (continued)

(vi) Impairment (continued)

Credit-impaired financial assets (continued)

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

Presentation of allowance for ECL in the consolidated 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: generally, as a provision;
- Where a financial instrument includes both a drawn and an undrawn component and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: The Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- Debt instruments measured at FVOCI: no loss allowance is recognized in the 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 securities are written off when there is no realistic prospect of recovery. This is generally the case when the Corporation determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities, in order to comply with the Corporation procedures for recovery of amounts due. Any write-off must be recommended by the Risk Committee and approved by the Board of Directors.

3. Significant Accounting Policies (Continued)

(f) Financial assets and financial liabilities (continued)

(vi) Impairment (continued)

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

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

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

- 12-month ECL: The Corporation recognizes a credit loss allowance at an amount equal to 12-month expected credit losses. This represents the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date, assuming that credit risk has not increased significantly after initial recognition.
- Lifetime ECL not credit-impaired: The Corporation recognizes a credit loss allowance at an amount equal to lifetime expected credit losses for those financial assets which are considered to have experienced a significant increase in credit risk since initial recognition. This requires the computation of ECL based on lifetime probability of default (LTPD) that represents the probability of default occurring over the remaining lifetime of the financial assets. Allowance for credit losses is higher in this stage because of an increase in credit risk and the impact of a longer time horizon being considered compared to 12-month ECL. The criteria for recognizing a "Significant Increase in Credit Risk", to migrate from 12-month ECL to Lifetime ECL not credit impaired, are:

    a. A 95% rating migration from initial Credit Risk Rating. This migration matrix is based on CIFI's historical rating migration data. In addition, if a country is downgraded 3 or more notches, in a 6-month consecutive period, the Risk Committee will analyze all loans in order to decide which loans shall migrate to "Watch List";

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

3. Significant Accounting Policies (Continued)

(f) Financial assets and financial liabilities (continued)

(*vi) Impairment (continued)*

Financial assets (continued)

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

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

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

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

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

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

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

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 includes:

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

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

- Debt securities measured at FVOCI.

- Equity investment securities designated as at FVOCI.

3. Significant Accounting Policies (Continued)

(h) Investment securities (continued)

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

- Interest revenue using the effective interest method.
- ECL and reversals.
- Foreign exchange gains and losses.

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

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

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

(i) Assets held for sale

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

3. Significant Accounting Policies (Continued)

(j) Furniture, equipment, and improvements

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

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

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

Improvements	5 years
Furniture and equipment	4-5 years

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

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

(k) Investment property

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

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

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

3. Significant Accounting Policies (Continued)

(l) Liabilities

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

(m) Provisions

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

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

(n) Income tax

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

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

(o) Income and expense recognition

(i) Interest income and expense

Effective interest rate

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

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

3. Significant Accounting Policies (Continued)

(o) Income and expense recognition (continued)

(i) Interest income and expense (continued)

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

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

Amortized cost and gross carrying amount

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

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

Calculation of interest income and expense

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

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

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

3. Significant Accounting Policies (Continued)

(o) Income and expense recognition (continued)

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

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

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

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

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

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

3. Significant Accounting Policies (Continued)

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

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

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

(s) Employee benefits

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

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

3. Significant Accounting Policies (Continued)

(t) Leases

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

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

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

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

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

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

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

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

3. Significant Accounting Policies (Continued)

(t) Leases (continued)

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

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

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

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

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

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

3. Significant Accounting Policies (Continued)

(t) Leases (continued)

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

Short-term leases and leases of low-value assets

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

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

- Fulfilment of the arrangement was dependent on the use of a specific asset or assets; and

- The arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:

  - The purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;

  - The purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or

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

4. Balances and Transactions with Related Parties

For the period ended September 30, 2021, the Corporation entered into transactions with parties that are considered, to be related.

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

		September 30, 2021		September 30, 2021	
Type of entity	**Relationship**	**Assets – Loans and Accrued Interest Receivable**	**Liabilities - Loans and Accrued Interest Payable**	**Interest Income on Loans Receivable**	**Interest Expenses on Loans Payable**
Legal entities	Shareholders	6,265,519	5,731,386	363,800	390,254

		December 31, 2020		September 30, 2020	
Type of entity	**Relationship**	**Assets – Loans and Accrued Interest Receivable**	**Liabilities - Loans and Accrued Interest Payable**	**Interest Income on Loans Receivable**	**Interest Expenses on Loans Payable**
Legal entities	Shareholders	7,160,594	32,639,112	480,389	364,433

For the period ended September 30, 2021, the Corporation doesn´t have undisbursed committed and uncommitted lines of credit with related parties (December 31, 2020: US$10,000,000), in addition to other credit facilities (see note 11).

Members of the Board of Directors have received compensation of US$131,250 (September 30, 2020: US$144,093) for attending meetings during the period.

5. Employee Benefits

For the period ended September 30, 2021, personnel expenses include salaries and benefits paid to key executive officers for US$485,886 (September 30, 2020: US$875,047).

5. Employee Benefits (Continued)

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, 2020: 3%) of each employee's annual base salary. The Corporation makes its contributions to an independent fund manager and expenses those contributions as incurred. The Corporation has no future commitment to manage the funds contributed.

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

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

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

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

As of September 30, 2021, based on 2020 and 2019 performance metrics and evaluation of the potential award value under the Plan, the annual pro-rata portion of the Option accumulated for this benefit was US$216,038 (December 31, 2020: US$252,748), based on amended terms.

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

6. Financial Risk Management

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

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

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

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

6. Financial Risk Management (Continued)

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

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

There are three (3) committees at management level: Credit, Asset and Liability Committee (ALCO) and Procurement.

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

The ALCO must abide by the guidelines established in the risk policies relating to management of Interest Rate, Forex, GAP, and Liquidity Risks and comply with technical criteria pursuant to good banking practices. In addition, it recommends to the Risk Committee updates to the Capital Adequacy, Interest Rate, Forex, GAP, and Liquidity policies. This Committee is composed of three (3) members of Management and is assisted by the Treasurer. As in the Credit Committee, any waiver to limits and policies will require approval from the Risk Committee.

6. Financial Risk Management (Continued)

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

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

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

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

- The investment horizon is up to 1 year.
- In instruments:
  - With a minimum issue or program size of US$200 million (to ensure liquid secondary market), excluding commercial paper programs in Panama (Valores Comerciales Negociables - VCN), which minimum program size is of US$50 million as approved by the Superintendency of the Securities Market (SMV) of Panama.
  - Of issuers located in countries with a rating of at least BB+/Ba1 from one of the main rating agencies (Moody's, Standard & Poor’s, Fitch Ratings, Inc.).
  - Have a national rating of at least A or an international rating of BBB-/Baa3 (long term) or F2/ P-2 (short term).
- Excluding demand deposits, the exposure to any single issuer shall not exceed 10% of CIFI’s total equity.

6. Financial Risk Management (Continued)

Risk management framework (continued)

(a) Credit risk (continued)

Investment and loan portfolios (continued)

- Not more than 25% of the liquid portfolio may be invested in a country with a rating lower than BBB-.

- All investments shall be denominated in US$ or in local currency, provided that a financial institution with an international rating of AA- can hedge against the exchange risk (e.g., currency swap).

- 25% of the nominal value of the investment in the liquid portfolio will be included in the overall country loan portfolio exposure.

- For certificates of deposit, minimum issue or program size does not apply.

On September 30, 2021, the concentrations of credit risk by sectors and countries are within the limits established by the Corporation. The maximum exposure to credit risk is represented by the nominal amount of each financial asset.

Balances of loans receivable and investment securities are as follows:

	September 30, 2021	December 31, 2020
Loans and investment securities		
Investment securities	4,772,000	4,447,000
Accrued interest	9,320	10,147
Investment securities at amortized cost	4,781,320	4,457,147

6. Financial Risk Management (Continued)

Risk management framework (continued)

(a) Credit risk (continued)

Investment and loan portfolios (continued)

	September 30, 2021	December 31, 2020
Loans and investment securities		
Loans receivable	385,749,080	394,346,679
Accrued interest	5,993,481	4,445,417
Allowance for loan losses	(5,261,136)	(6,120,052)
Deferred income	(1,447,408)	(1,852,015)
	385,034,017	390,820,029
Less: re-measurement of hedged item	186,376	409,966
Loans receivable	385,220,393	391,229,995
Total investments and loans (par value)	396,710,257	403,659,209
Total investments and loans, carrying value	390,001,713	395,687,142

The loan portfolio includes the financing of project bonds totaling US$8,511,527 (December 31, 2020: US$2,088,676).

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

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

6. Financial Risk Management (Continued)

Risk management framework (continued)

(a) *Credit risk (continued)*

Investment and loan portfolios (continued)
The average loan portfolio risk rating is B+ as of September 30, 2021 (December 31, 2020: average loan portfolio risk rating was B+), based on the Corporation's standards, which are not necessarily comparable to international credit rating standards.

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

	September 30, 2021			
	12-month ECL	**Lifetime ECL, not credit impaired**	**Lifetime ECL, credit impaired**	**Total**
Loans and advances at amortized cost (*)				
AAA / A-	-	-	-	-
BBB + / BBB-	8,771,430	-	-	8,771,430
BB+ / BB-	71,150,086	18,630,408	-	89,780,494
B+ / B-	173,808,551	35,940,218	-	209,748,769
<= CCC+	65,530,246	6,961,349	4,956,792	77,448,387
Total gross amount	319,260,313	61,531,975	4,956,792	385,749,080
Accrued interest	3,364,430	1,837,253	791,798	5,993,481
Loss allowance	(2,353,144)	(2,147,926)	(760,066)	(5,261,136)
Deferred income	(1,447,408)	-	-	(1,447,408)
	318,824,191	61,221,302	4,988,524	385,034,017
Add: re-measurement of hedged item	186,376	-	-	186,376
Net carrying amount (*)	319,010,567	61,221,302	4,988,524	385,220,393
Investment securities at amortized cost (*)				
AAA / A-	-	-	-	-
BBB + / BBB-	-	-	-	-
BB+ / BB-	4,772,000	-	-	4,772,000
B+ / B-	-	-	-	-
<= CCC+	-	-	-	-
Total gross amount	4,772,000	-	-	4,772,000
Accrued interest	9,320	-	-	9,320
Net carrying amount	4,781,320	-	-	4,781,320

6. Financial Risk Management (Continued)

Risk management framework (continued)

(a) Credit risk (continued)

Investment and loan portfolios (continued)

	December 31, 2020			
	12-month ECL	**Lifetime ECL, not credit impaired**	**Lifetime ECL, credit impaired**	**Total**
Loans and advances at amortized cost (*)				
AAA / A-	6,150,380	-	-	6,150,380
BBB + / BBB-	24,802,141	-	-	24,802,141
BB+ / BB-	95,615,754	14,249,240	-	109,864,994
B+ / B-	98,206,901	57,082,944	-	155,289,845
<= CCC+	78,292,716	9,539,811	10,406,792	98,239,319
Total gross amount	303,067,892	80,871,995	10,406,792	394,346,679
Accrued interest	3,965,844	443,594	35,979	4,445,417
Loss allowance	(2,211,771)	(2,262,076)	(1,646,205)	(6,120,052)
Deferred income	(1,852,015)	-	-	(1,852,015)
	302,969,950	79,053,513	8,796,566	390,820,029
Add: re-measurement of hedged item	409,966	-	-	409,966
Net carrying amount (*)	303,379,916	79,053,513	8,796,566	391,229,995
Investment securities at amortized cost (*)				
AAA / A-	-	-	-	-
BBB + / BBB-	-	-	-	-
BB+ / BB-	4,447,000	-	-	4,447,000
B+ / B-	-	-	-	-
<= CCC+	-	-	-	-
Total gross amount	4,447,000	-	-	4,447,000
Accrued interest	10,147	-	-	10,147
Net carrying amount	4,457,147	-	-	4,457,147

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

6. Financial Risk Management (Continued)

Risk management framework (continued)

(a) Credit risk (continued)

Investment and loan portfolios (continued)
As of September 30, 2021, the Corporation has past due loans for US$4,956,792 (December 31, 2020: US$10,406,792).

To secure some of its loans payable, at September 30, 2021 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 7.64% (December 31, 2020: 9.24%) 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, 2021			
	12-month ECL	**Lifetime ECL, not credit impaired**	**Lifetime ECL, credit impaired**	**Total**
Loans and advances at amortized cost				
Balance at January 1	2,211,771	2,262,076	1,646,205	6,120,052
Transfer to 12-month ECL	293,818	(293,818)	-	-
Transfer to lifetime ECL not credit impaired	(127,671)	127,671	-	-
Net remeasurement of loss allowance	(35,846)	797,985	3,146,861	3,909,000
New financial assets originated	11,072	-	-	11,072
Write-offs (*)	-	(745,988)	(4,033,000)	(4,778,988)
Balance at September 30	2,353,144	2,147,926	760,066	5,261,136

6. Financial Risk Management (Continued)

Risk management framework (continued)

(a) Credit risk (continued)

Investment and loan portfolios (continued)

	December 31, 2020			
	12-month ECL	**Lifetime ECL, not credit impaired**	**Lifetime ECL, credit impaired**	**Total**
Loans and advances at amortized cost				
Balance at January 1	1,792,050	4,242,958	7,883,287	13,918,295
Transfer to 12-month ECL	(237,908)	237,908	-	-
Transfer to lifetime ECL not credit impaired	1,303,226	(1,303,226)	-	-
Transfer to lifetime ECL credit impaired	-	(1,932,562)	1,932,562	-
Net remeasurement of loss allowance	(1,115,481)	824,675	5,006,576	4,715,770
New financial assets originated	469,884	192,323	-	662,207
Write-offs (*)	-	-	(13,176,220)	(13,176,220)
Balance at December 31	2,211,771	2,262,076	1,646,205	6,120,052

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

Due to a full loss event in a loan, CIFI started the insurance claim process, and as result, an escrow account of US$8,228,708 was registered, expecting to be collected by the end of the year. In addition, assets held-for-sale for US$660,000, related to this transaction as other collateral were registered, with the same expectation for realization as the escrow account.

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 prior to formally extending and disbursing a loan. The comparative amounts of the previous year have been modified to present the loans collaterals and guarantees, as follows:

	September 30, 2021	**December 31, 2020**
Accounts receivable	13,079,263	13,770,874
Cash or CD pledge	15,766,679	10,509,395
Conditional Sale Agreement	7,038,052	7,462,542
Corporate	77,781,683	171,253,454
Guarantees issued by the operating companies	6,421,535	963,236
Mortgages or securities on Buildings	84,864,602	85,027,884
Mortgages or securities on Land	138,426,137	141,952,981
Pledge of shares	16,497,527	17,227,816
Pledge on property and mortgages on machinery	347,290,699	243,085,657
Pledge over rights on contracts	55,335,671	4,307,324
Pledge over rights on contracts or others	64,633,681	38,673,451
Shares	23,150,000	23,150,018
Stand-by letters of credit	4,128,528	4,577,195
	854,414,057	761,961,827

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

Loans and investment securities earn interest at rates ranging between 3.12% and 13.50% per annum (December 31, 2020: 3.22% and 10.50%).

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 with respect to individual borrowers or groups of borrowers having similar economic interests is 18% of CIFI's net worth of its audited consolidated interim financial statements. However, exposure to any single client shall not exceed the following criteria, based on CIFI's net worth of its audited consolidated interim financial statements:

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

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

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

	% of total equity September 30,2021		% of total equity December 31,2020	
	Number of exposures	Amount	Number of Exposures	Amount
0 to 4.99%	22	52,626,966	24	57,494,222
5 to 9.99%	20	146,094,786	23	175,809,523
10 to 14.99%	14	171,527,328	13	161,042,934
15 to 18%	1	15,500,000	0	0
	57	385,749,080	60	394,346,679

6. Financial Risk Management (Continued)

Risk management framework (continued)

(a) Credit risk (continued)

Investment and Loan Portfolios (continued)

- Country risk: The Corporation uses a series of classifications by country risk and gross domestic product to place countries in the following risk categories: Prime, Normal, Fair, and Restricted. Under this system, country size is less relevant for high-risk countries and more significant for low-risk countries. Each category has a maximum credit limit on the total value of the corresponding loan portfolio. As of September 30, 2021, the Corporation complied with country risk exposure limits.

  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, 2021	December 31, 2020
Panama	62,409,269	55,141,071
Argentina	41,374,434	53,705,948
Chile	54,073,732	38,952,779
Brazil	39,572,000	37,971,125
Mexico	23,800,000	18,560,000
Honduras	22,585,256	24,518,372
Ecuador	23,224,561	28,015,765
Belize	19,692,599	19,560,814
Peru	18,752,086	25,534,361
Colombia	17,484,116	16,739,007
Salvador	4,491,500	13,870,500
Bolivia	12,664,615	11,538,462
Jamaica	12,439,700	12,637,300
Spain	9,920,000	12,200,000
Nicaragua	8,971,340	10,801,831
Uruguay	8,771,430	9,511,903
Paraguay	5,884,442	6,124,441
Dominican Republic	3,410,000	3,410,000
Costa Rica	1,000,000	-
Gross loans and investment portfolio	390,521,080	398,793,679
Accrued interest	6,002,801	4,455,564
	396,523,881	403,249,243
Add: re-measurement of hedged item	186,376	409,966
Total	396,710,257	403,659,209

6. Financial Risk Management (Continued)

Risk management framework (continued)

(a) Credit risk (continued)

Investment and Loan Portfolios (continued)

- Sector risk: The Corporation limits its concentration in any sector to 50% of the corresponding country risk limit. As of September 30, 2021, the Corporation complied with sector risk exposure limits. In addition, to control exposure to regulatory and market risks that may be common to the energy sectors, exposure to the aggregate of Hydro Power, Hydro Power (mini), Co-generation (Biomass), Geothermal, Solar Power, Wind Power, Gas Power and Thermal Power will be limited to 100% of the corresponding country exposure limit. The Thermal subsector will be limited to 20% of the country limit.

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

	September 30, 2021	**December 31, 2020**
Solar Power	111,260,172	95,130,009
Telecommunications	50,624,615	46,095,128
Airports and Seaports	47,368,129	54,058,190
Construction & Engineering	27,343,671	28,946,627
Co-generation (Biomass)	23,817,463	24,213,625
Roads, Railroads and Others	20,467,526	20,218,393
Social Infrastructure	17,119,381	15,290,238
Tourism	16,269,433	16,137,648
Wind Power	14,893,129	16,779,560
Alternative Fuel	15,000,000	12,000,000
Gas & Oil	6,800,000	15,650,000
Energy Efficiency	11,000,000	11,000,000
Hydro Power	10,547,243	15,975,600
Thermo Power	10,388,676	11,148,676
Securities	4,772,000	4,447,000
Geothermal	2,849,642	3,534,174
Logistics Center and Other	-	8,168,811
Gross loans and investment portfolio	390,521,080	398,793,679
Accrued interest	6,002,801	4,455,564
	396,523,881	403,249,243
Add: re-measurement of hedged item	186,376	409,966
Total	396,710,257	403,659,209

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 to US$2,090,310 (December 31, 2020: US$3,189,624), which are presented as receivables from advisory and structuring services, are classified as performing receivables. ECL impairment on receivables recognized in 2021 amounted to US$619,853 (September 30, 2020: US$249,978).

The Corporation has developed a Credit Risk Rating System based on the Altman Z-score method adapted to emerging markets, for its project finance loans. The method identifies certain key factors based on a debtor's financial performance that determine the probability of default and combines or weighs them into a quantitative score. That system also includes quantitative information and qualitative factors that affect infrastructure projects and emerging markets. The results consider relevant information such as foreign exchange risk, competition, project analysis, and country risk. This rating was not related with expected losses as LGD and doesn´t impact CIFI´s internal credit rating. For corporate loans, the Corporation has acquired the RiskCalc EDF model for Emerging Markets from Moody's.

<u>Actions implemented due to the COVID-19 pandemic</u>
In April 2020, due to the prevailing worldwide macroeconomic conditions, CIFI performed a full analysis of all its customers, including each country and industry in which it maintains exposure. This allowed the Institution to identify customers with higher levels of risk depending on the country, industry, and financial position. The analysis was based on:

a. Effects by country and sector;
b. Collateral status, including debt service reserve account;
c. Reviews of financial statements and covenants compliance;
d. Identifying weaknesses in the customer´s business; and
e. Frequent customer´s updates.

Based on the above analysis, Management presented a detailed report to the Credit and Risk Committees, and for those customers with higher credit risk, the Risk Unit Increased its credit follow-up. However, weekly calls and conferences are being held with all customers.

6. Financial Risk Management (Continued)

Risk management framework (continued)

(a) Credit risk (continued)

Investment and Loan Portfolios (continued)

Since the beginning of the COVID-19 event, any new approval by the Credit Committee cannot be executed without the formal consent from the Treasury, in order to guarantee that CIFI has the resources to comply with this new liquidity requirements.

Finally, a quarterly report is submitted for high-risk cases to the Risk Committee.

(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 has to have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Corporation's reputation.

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

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

- Mismatches in the consolidated interim statement of financial position – asset-liability gap analysis;

6. Financial Risk Management (Continued)

Risk management framework (continued)

(b) Liquidity risk (continued)

Management of liquidity risk (continued)

- 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, CIFI activates its liquidity contingency plan, which requires Management to increase liquidity and to extend its liquidity position from 6 months to 1 year its liquidity position; the contingency plan is currently active due to the COVID-19 related crisis.

As of September 30, 2021, the Corporation had US$36,114,635 (December 31, 2020: US$53,245,966) in cash and cash equivalents and maintains undisbursed and available balances of committed credit facilities with financial institutions for US$10,100,000 (December 31, 2020: US$18,000,000) with tenors at 2021 and 2023 (December 31, 2020: tenors at 2021 and 2022). Additionally, the Corporation maintains undisbursed and available balances of uncommitted short-term revolving credit facilities with financial institutions for US$19,000,000 (December 31, 2020: US$13,694,976). (See Note 11).

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

6. Financial Risk Management (Continued)

Risk management framework (continued)

(b) Liquidity risk (continued)

Management of liquidity risk (continued)

The Corporation's on-balance sheet financial 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, 2021							
Assets							
Cash and cash equivalents	31,114,635	5,000,000	-	-	-	-	36,114,635
Investment securities	-	9,320	-	697,000	525,000	3,550,000	4,781,320
Loans receivable	2,079,225	3,485,653	5,482,742	34,062,724	31,834,226	308,275,823	385,220,393
Assets held-for-sale	-	-	-	-	660,000	-	660,000
Receivables from advisory and structuring services	133,805	167,245	23,456	1,765,804	-	-	2,090,310
Investment property	-	-	-	-	-	15,410,090	15,410,090
	33,327,665	8,662,218	5,506,198	36,525,528	33,019,226	327,235,913	444,276,748
Liabilities							
Loans payable	-	3,125,000	(8,000,000)	19,453,248	21,582,792	102,512,537	138,673,577
Bonds	(14,633,149)	250,000	382,397	1,055,001	18,246,158	167,699,846	173,000,253
Commercial paper	14,415,000	6,000,000	1,365,000	9,250,000	6,000,000	-	37,030,000
Derivative liabilities	(479,926)	-	(379,776)	(749,826)	(1,339,911)	5,887,009	2,937,570
Margin call	(860,000)	-	-	-	-	-	(860,000)
Accrued interest payable	84,537	770,740	354,265	367,559	-	-	1,577,101
	(1,473,538)	10,145,740	(6,278,114)	29,375,982	44,489,039	276,099,392	352,358,501

	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, 2020							
Assets							
Cash and cash equivalents	53,245,966	-	-	-	-	-	53,245,966
Investment securities	8,007	-	2,140	500,000	3,947,000	-	4,457,147
Loans receivable	858,222	(2,379,134)	(5,784,170)	(6,232,434)	39,645,901	365,121,610	391,229,995
Receivables from advisory and structuring services	939,054	1,833,287	82,564	334,719	-	-	3,189,624
Derivative assets	-	29,068	544,409	-	1,137,262	5,976,305	7,687,044
Investment property	-	-	-	-	-	17,016,964	17,016,964
	55,051,249	(516,779)	(5,155,057)	(5,397,715)	44,730,163	388,114,879	476,826,740
Liabilities							
Loans payable	4,139,610	-	9,777,679	834,164	32,646,429	112,511,882	159,909,764
Bonds	-	5,000,000	300,000	-	1,150,000	161,240,061	167,690,061
Commercial paper	2,270,000	4,185,000	3,000,000	5,000,000	25,280,000	-	39,735,000
Derivative liabilities	-	-	30,444	31,060	58,105	291,195	410,804
Margin call	5,012,000	-	-	-	-	-	5,012,000
Accrued interest payable	610,811	1,883	185,782	383,006	12,091	-	1,193,573
	12,032,421	9,186,883	13,293,905	6,248,230	59,146,625	274,043,138	373,951,202

6. Financial Risk Management (Continued)

Risk management framework (continued)

(b) Liquidity risk (continued)

Management of liquidity risk (continued)

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, 2021							
Non-derivative liabilities:							
Loans payable	138,673,577	(178,871,214)	(2,021,331)	(4,929,102)	(57,698,015)	(111,807,932)	(2,414,834)
Bonds *	173,000,253	(225,292,541)	-	(9,764,745)	(11,956,043)	(203,571,753)	-
Commercial paper	37,030,000	(45,950,658)	(17,443,946)	(7,411,536)	(21,095,176)	-	-
Unrecognized loan commitments	-	(29,100,000)	(29,100,000)	-	-	-	-
	348,703,830	(479,214,413)	(48,565,277)	(22,105,382)	(90,749,233)	(315,379,685)	(2,414,834)
Non – derivative assets:							
Investments securities	4,781,320	4,893,291	252,546	477,584	2,648,272	1,514,889	-
Loans receivable	385,220,393	510,664,160	558,828	11,921,492	81,700,707	225,038,844	191,444,289
	390,001,713	515,557,451	811,374	12,399,076	84,348,979	226,553,733	191,444,289

	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, 2020							
Non-derivative liabilities:							-
Loans payable	159,909,764	(168,312,564)	(4,860,328)	(10,133,457)	(71,773,225)	(81,545,554)	-
Bonds *	167,690,061	(182,819,068)	-	(11,952,375)	(4,087,222)	(166,779,471)	-
Commercial paper	39,735,000	(39,925,304)	(2,271,340)	(7,307,940)	(30,346,024)	-	-
Margin call	5,012,000	(5,012,000)	(5,012,000)	-	-	-	-
Unrecognized loan commitments	-	(31,694,976)	(31,694,976)	-	-	-	-
	372,346,825	(427,763,912)	(43,838,644)	(29,393,772)	(106,206,471)	(248,325,025)	-
Non – derivative assets:							
Investments securities	4,457,147	4,545,503	7,981	26,004	4,511,518	-	-
Loans receivable	391,229,995	520,249,795	6,869,714	10,849,062	58,173,740	259,051,786	185,305,493
	395,687,142	524,795,298	6,877,695	10,875,066	62,685,258	259,051,786	185,305,493

*Before fair value hedging adjustment.

6. Financial Risk Management (Continued)

Risk management framework (continued)

(b) Market risk

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

Foreign currency risk

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

As of September 30, 2021, all of the Corporation's assets and liabilities are denominated in U.S. dollars. Accordingly, no foreign currency risk is anticipated.

Interest rate risk

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

Most of the Corporation's interest-earning assets and interest-bearing liabilities are re-priced at least quarterly. As of September 30, 2021, 11% (December 31, 2020: 15%) of interest-earning assets and 13% (December 31, 2020: 20%) of interest-bearing liabilities net of swaps are set to re-price after six months.

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 risks based on a duration of economic equity analysis.

September 30, 2021	**Assets**	**Liabilities**	**Net**
Present Value	436,484,038	(374,870,647)	61,613,391
Duration (excluding interest rate swaps)	0.43	0.39	
Duration (including interest rate swaps)	0.43	0.39	0.04
Floating rate as a % total	88.77%	39.21%	
Fixed rate as a % total	11.23%	60.79%	
Net Portfolio's Sensitivity to 100bp change in interest rate			0.66%
POLICY LIMIT:			+/- 1.50

December 31, 2020	**Assets**	**Liabilities**	**Net**
Present Value	451,785,517	(383,777,434)	68,008,083
Duration (excluding interest rate swaps)	0.45	0.36	
Duration (including interest rate swaps)	0.45	0.36	0.09
Floating rate as a % total	86.91%	43.81%	
Fixed rate as a % total	13.09%	56.19%	
Net Portfolio's Sensitivity to 100bp change in interest rate			0.95%
POLICY LIMIT:			+/- 1.50

A change of 100 basis points in interest rates would have increased or decreased the Corporation's net economic value by US$404,121 or 0.39%.

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.

6. Financial Risk Management (Continued)

Risk management framework (continued)

(c) Market risk (continued)

Interest rate 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
September 30, 2021							
Asset							
Loans and investments, gross	50,808,852	101,594,130	120,752,943	75,645,259	9,971,614	31,748,284	390,521,080
Liability							
Loans, gross	568,181	47,275,000	14,900,000	68,217,533	5,936,364	3,411,761	140,308,839
Net position	50,240,671	54,319,130	105,852,943	7,427,726	4,035,250	28,336,521	250,212,241

	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, 2020							
Asset							
Loans and investments, gross	53,621,620	67,668,957	117,707,395	99,432,542	28,615,547	31,747,618	398,793,679
Liability							
Loans, gross	26,996,752	-	13,695,934	92,868,181	22,636,364	5,116,307	161,313,538
Net position	26,624,868	67,668,957	104,011,461	6,564,361	5,979,183	26,631,311	237,480,141

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

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

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

- Internal procedures for evaluating, approving, and monitoring loan operations;
- Internal procedures for managing the liquid portfolio;
- Internal procedures for acquiring derivative financial instruments;
- Internal procedures for the minimum insurance requirement;
- Environmental and social policies;

6. Financial Risk Management (Continued)

Risk management framework (continued)

(c) Market risk (continued)

Operational risk (continued)

- Compliance with internal policies and controls;
- Code of conduct for employees and the Board of Directors and its Committees;
- Corporate Compliance Manual to prevent money laundering activities; and
- Acquisition of insurance to mitigate operational risk.

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

<u>Actions implemented due to the COVID-19 pandemic</u>
The Corporation has successfully implemented its Business Continuity Plan, implicating among other things, that 100% of its staff is working remotely (telecommuting).

This has increased the frequency of risks associated with cybersecurity, among them:

- Increased e-mail attack attempts; and
- Increased attack attempts due to the widespread use of remote connection protocols.

To counteract these risks, management of the Corporation has reinforced controls as follows:

- Monitoring of main attack vectors was extended to e-mail and end-user devices; and
- The frequency of vulnerability scans has been intensified.

6. Financial Risk Management (Continued)

Risk management framework (continued)

(d) Capital management

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

	September 30, 2021	December 31, 2020
Tier 1 capital	103,341,994	104,869,473
Total capital	103,341,994	104,869,473
Risk weight of 50%	19,292,538	22,039,141
Risk weight of 100%	347,330,182	344,134,641
Risk weight of 150%	99,532,713	105,563,367
Risk weight of 250%	12,922,240	13,274,457
Risk weight of 400%	19,191,936	24,095,046
Subtotal for credit risk	498,269,609	509,106,652
Concentration	195,124,085	196,873,706
Operational risk	78,370,959	78,370,959
Risk - weighted assets	771,764,653	784,351,317
Capital adequacy	13.39%	13.37%
Required capital adequacy (as established by the Board)	12.50%	12.50%

For investment property, a 400% risk weight was used in a Solar Power Company as CIFI owns shares in this company. For the remaining investment property, a 100% risk weight was used.

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

	September 30, 2021			
	Loans	**Bonds**	**Commercial Paper**	**Total**
Balance at January 1, 2021	159,909,764	167,690,061	39,735,000	367,334,825
Change from financing cash flow				
Proceeds from loans payable	115,203,287	-	-	115,203,287
Repayment of loans payable	(136,439,474)	-	-	(136,439,474)
Proceeds from issue bonds	-	102,716,160	-	102,716,160
Repayment of bonds	-	(87,352,835)	-	(90,124,302)
Proceeds from issue of commercial paper	-	-	14,800,000	14,800,000
Repayment of commercial paper	-	-	(17,505,000)	(17,505,000)
Total from financing cash flows	(21,236,187)	15,353,326	(2,705,000)	(11,349,329)
Change of fair value for hedge accounting relationship	-	(10,053,133)	-	(10,053,133)
Balance at September 30, 2021	138,673,577	173,000,253	37,030,000	348,703,830

	September 30, 2020			
	Loans	**Bonds**	**Commercial Paper**	**Total**
Balance at January 1, 2020	153,892,042	144,744,891	25,143,000	323,779,933
Change from financing cash flow				
Proceeds from loans payable	82,345,916	-	-	82,345,916
Repayment of loans payable	(82,659,738)	-	-	(82,659,738)
Proceeds from issue bonds	-	1,999,000	-	1,999,000
Repayment of bonds	-	(900,000)	-	(900,000)
Proceeds from issue of commercial paper	-	-	29,682,000	29,682,000
Repayment of commercial paper	-	-	(24,370,000)	(24,370,000)
Total from financing cash flows	(313,822)	1,099,000	5,312,000	6,097,178
Change of fair value for hedge accounting relationship	-	5,109,122	-	5,109,122
Balance at September 30, 2020	153,578,220	150,953,013	30,455,000	334,986,233

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

8. Furniture, Equipment, and Improvements and Right of Use-Assets

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

	September 30, 2021				
	Furniture and Equipment	Property Improvements	Computer Equipment	Rights of Use-Assets (1)	Total
Cost					
Balance at January 1, 2021	147,755	1,120,007	160,572	1,610,639	3,038,973
Acquisitions	-	-	39,364	-	39,364
Adjustment	-	-	3,367	-	3,367
Sales	-	-	(41,802)	-	(41,802)
Balance at end of period	147,755	1,120,007	161,501	1,610,639	3,039,902
Accumulated depreciation:					
Balance at January 1, 2021	129,986	514,207	130,105	402,660	1,176,958
Expense of the period	17,443	114,225	26,102	150,997	308,767
Adjustment	(66)	(164,697)	(3,268)	-	(168,031)
Sales	-	-	(33,775)	-	(33,775)
Balance at end of period	147,363	463,736	119,164	553,657	1,283,919
Net balance	392	656,271	42,337	1,056,982	1,755,983

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

	December 31, 2020				
	Furniture and Equipment	Property Improvements	Computer Equipment	Rights of Use-Assets (1)	Total
Cost					
Balance at January 1, 2020	147,755	1,120,007	167,378	1,832,331	3,267,471
Lease modifications	-	-	-	(221,692)	(221,692)
Sales	-	-	(6,806)	-	(6,806)
Balance at end of period	147,755	1,120,007	160,572	1,610,639	3,038,973
Accumulated depreciation:					
Balance at January 1, 2020	100,572	329,362	83,730	229,042	742,706
Expense of the period	29,414	184,845	51,395	173,618	439,272
Sales	-	-	(5,020)	-	(5,020)
Balance at end of period	129,986	514,207	130,105	402,660	1,176,958
Net balance	17,769	605,800	30,467	1,207,979	1,862,015

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

The Corporation has an intangible asset recorded as other assets for an amount of US$90,882 which generated an amortization of US$13,372 during the period ended September 30, 2021 (September 30, 2020: US$13,372).

9. Investment Property

Investment property is summarized as follows:

	September 30, 2021	December 31, 2020
Balance at beginning of the period	17,016,964	13,326,832
Changes in fair value	(1,606,874)	2,322,468
Increase in assets received in satisfaction of loans	-	1,367,664
Balance at end of period	15,410,090	17,016,964

In November 2019, CIFI accelerated the loan granted to a solar-power company in Honduras, executing the guarantees of the loan, which included the trusts that owned: all of the shares of the company, all fixed assets (land and equipment) and the license of the operation of the plant. As of September 30, 2021, the book value of the investment property amounted to US$5,456,172 (December 31, 2020: US$5,456,172), and its fair value as of September 30, 2021 is US$4,797,984 (December 31, 2020: US$6,023,762).

In December 2019, the Corporation granted a new loan with an independent source of payment from the original sponsor. As a result of the restructured transaction, the new outstanding balance is US$6,956,481. Additionally, a tract of land, was received in lieu of payment as part of the restructuring and was recorded as investment property for US$7,870,660 which fair value as of September 30, 2021 is US$10,612,106 (December 31, 2020: US$10,993,202).

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

10. Other Assets

As of September 30, 2021, the other assets are summarized as follows:

	September 30, 2021	December 31, 2020
Administrative prepaid expenses	1,269,314	1,529,768
Treasury prepaid expenses	2,007,392	1,989,286
Intangible asset	13,623	26,995
Guarantee deposits	16,345	16,345
Ongoing projects	64,830	64,830
Deferred tax asset	975,226	236,537
Other receivables	1,158,670	994,360
Total	5,505,400	4,858,121

11. Loans Payable

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

	Maturity	September 30, 2021	December 31, 2020
Foreign financial institutions			
Occidental Bank (Barbados) Ltd.	2021	-	5,000,000
Norwegian Investment Fund	2021	-	25,000,000
Opec Fund for International Development (OFID)	2022	1,363,636	4,090,909
German Investment Corporation (KFW DEG)	2022	9,375,000	12,500,000
Global Climate Partnership Fund	2022	14,900,000	29,800,000
International Finance Bank (IFB)	2023	14,285,714	21,428,571
Finnish Fund for Industrial Cooperation (Finn fund)	2023	12,900,000	-
Caribbean Development Bank	2024	5,684,489	7,389,034
Development Finance Institute (FinDev)	2025	12,000,000	13,500,000
Cargill Financial Services International	2025	25,000,000	25,000,000
Cargill Financial Services International	2026	20,000,000	-
Global Climate Partnership Fund	2026	15,000,000	-
Local financial institutions			
Pacific Bank	2021	-	3,000,000
Banco Internacional de Costa Rica, S.A.	2021	-	5,000,000
Banco Internacional de Costa Rica, S.A.	2021	-	9,605,024
Banco Internacional de Costa Rica, S.A.	2022	9,800,000	-
		140,308,839	161,313,538
Deferred costs		(1,635,262)	(1,403,774)
Total		138,673,577	159,909,764

11. Loans Payable (Continued)

As of September 30, 2021, there is a minor covenant breach with one lender. CIFI is in the process of requesting a waiver to be normalized before the end of this year.

The effective interest rates on loans with financial entities range between 3.23% and 5.85% per annum (December 31, 2020: between 2.59% and 6.00%).

Following is a detail of the loans payable outstanding, undrawn balance of committed lines of credit and undrawn balance of uncommitted lines of credit as of September 30, 2021 and December 31, 2020:

	September 30, 2021	December 31, 2020
Loans payable outstanding, gross	138,673,577	159,909,764
Undrawn balance of committed lines of credit	10,100,000	18,000,000
Undrawn balance of uncommitted lines of credit	19,000,000	13,694,976

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

12. Bonds

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

12. Bonds (Continued)

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

	Nominal Interest Rate	Maturity Date	September 30, 2021 Carrying Amount	December 31, 2020 Carrying Amount
Corporate Bonds				
Series A	5.00%	2021	-	10,000,000
Series B	5.50%	2023	5,000,000	5,000,000
Series D	5.00%	2023	2,100,000	3,000,000
Series G	6.08%	2024	17,500,000	17,500,000
Series H	6.25%	2021	-	7,500,000
Series I	6.25%	2021	-	7,500,000
Series J	6.08%	2024	13,750,000	27,500,000
Series K	5.75%	2023	1,500,000	1,500,000
Series L	5.75%	2023	566,000	566,000
Series M	4.00%	2023	2,000,000	-
Series N	4.25%	2024	2,000,000	-
Series O	4.50%	2025	2,000,000	-
Series P	4.75%	2026	3,000,000	-
Series Q	4.00%	2023	1,495,000	-
Series R	4.25%	2024	5,500,000	-
Series S	4.00%	2024	1,000,000	-
Series T	4.25%	2024	2,000,000	-
Series U	4.25%	2024	500,000	-
Series V	4.25%	2024	1,000,000	-
Series W	3.75%	2023	2,000,000	-
Series X	4.00%	2024	5,000,000	-
Series Y	4.00%	2024	2,300,000	-
Series Z	4.00%	2024	2,755,000	-
			72,966,000	80,066,000
Remeasurement of hedged items			2,074,535	6,329,086
			75,040,535	86,395,086

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

12. Bonds (Continued)

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

	Nominal Interest Rate	Maturity Date	September 30, 2021 Carrying Amount	December 31, 2020 Carrying Amount
Green Bonds				
Series A	4.75%	2022	14,997,000	14,997,000
Series B	5.00%	2024	12,000,000	12,000,000
Series C	5.00%	2024	995,000	995,000
Series D	5.15%	2024	7,000,000	7,000,000
Series E	5.15%	2024	7,000,000	7,000,000
Series F	4.50%	2023	500,000	500,000
Series G	5.25%	2023	1,000,000	1,000,000
Series H	4.75%	2021	250,000	250,000
Series I	5.00%	2022	4,000,000	4,000,000
Series J	5.25%	2023	2,000,000	2,000,000
Series K	4.50%	2022	1,000,000	1,000,000
			50,742,000	50,742,000
Remeasurement of hedged items			571,578	981,172
			51,313,578	51,723,172

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

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

	Nominal Interest Rate	Maturity Date	September 30, 2021 Carrying Amount	December 31, 2020 Carrying Amount
Green Bonds				
Series A	6.63%	2023	29,600,395	29,600,395
Series B	6.63%	2023	12,654,240	-
Series C	8.15%	2026	9,961,849	-
			52,216,484	29,600,395
Remeasurement of hedged items			(5,570,344)	(28,592)
			46,646,140	29,571,803

13. Commercial Paper

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

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

			September 30, 2021	December 31, 2020
	Nominal Interest Rate	Maturity Date	Carrying Amount	Carrying Amount
VCN				
Series X	4.25%	2021	-	2,270,000
Series Y	4.75%	2021	-	1,500,000
Series Z	4.25%	2021	-	1,935,000
Series AA	4.25%	2021	-	2,250,000
Series AB	4.25%	2021	-	3,000,000
Series AC	4.25%	2021	-	5,000,000
Series AD	4.38%	2021	3,000,000	3,000,000
Series AE	4.38%	2021	5,000,000	5,000,000
Series AF	4.38%	2021	8,415,000	8,415,000
Series AG	4.00%	2021	1,000,000	1,000,000
Series AH	4.00%	2021	1,000,000	1,000,000
Series AI	4.00%	2021	3,000,000	3,000,000
Series AJ	4.00%	2021	1,000,000	1,000,000
Series AK	4.00%	2021	1,365,000	1,365,000
Series AL	3.50%	2022	2,000,000	-
Series AM	3.50%	2022	500,000	-
Series AN	3.50%	2022	1,700,000	-
Series AO	3.50%	2022	2,000,000	-
Series AP	3.50%	2022	3,050,000	-
Series AQ	2.75%	2021	-	-
Series AR	2.75%	2021	1,000,000	-
Series AS	3.25%	2022	3,000,000	-
			37,030,000	39,735,000

14. Other Liabilities

As of September 30, 2021, the other liabilities are summarized as follows:

	September 30, 2021	December 31, 2020
Employment benefits	1,835,752	1,636,810
Tax payable	434,576	234,304
Others payable	647,402	1,586,813
	2,917,730	3,457,927

15. Equity

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

The issued and outstanding share capital is distributed as follows:

	September 30, 2021		December 31, 2020	
	Acquired Capital	Ownership Interest	Acquired Capital	Ownership Interest
Norwegian Investment Fund for Developing Countries	17,263,819	34.30%	17,263,819	34.30%
Valora Holdings, S. A.	10,408,585	20.68%	10,408,585	20.68%
Central American Bank for Economic Integration	6,122,697	12.17%	6,122,697	12.17%
Caixa Banco de Investimento, S. A.	6,122,697	12.17%	6,122,697	12.17%
Caribbean Development Bank	3,673,618	7.30%	3,673,618	7.30%
Finnish Fund for Industrial Cooperation Ltd.	3,673,618	7.30%	3,673,618	7.30%
Banco Pichincha C. A.	3,061,349	6.08%	3,061,349	6.08%
	50,326,383		50,326,383	

16. Basic Earnings Per Share

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

	September 30, 2021	December 31, 2020
Net income	2,218,366	3,033,883
Number of shares	50,326,383	50,326,383
Earnings per share	0.04	0.06

17. Income Taxes

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

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

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

Law No. 8 of March 15, 2010, introduced the method of taxation for presumptive income tax, requiring a legal person who earns income in excess of one million five hundred thousand dollars (US$1,5000,000) to determine its base as the amount greater of: (a) the next taxable income calculated by the ordinary method established in the Tax code and (b) the next taxable income resulting from applying four-point sixty-seven percent (4.67%) on total gross income.

17. Income Taxes (Continued)

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

	September 30, 2021	September 30, 2020
Estimated income tax	226,190	115,164
Deferred income tax	(738,689)	-
Income tax benefit, net	512,499	115,164

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

	September 30, 2021	September 30, 2020
Panama		
Net financial income before income tax	2,871,702	2,409,288
Foreign revenue, exempt and non-taxable, net of costs and expenses	(1,062,180)	(1,948,632)
Tax loss carryforward	(904,761)	-
Net taxable income	904,761	460,656
Income tax	226,190	115,164

Following the asset deferred income tax are detailed:

	September 30, 2021	September 30, 2020
Panama		
Deferred income tax - asset		
Allowance for loans losses	(108,910)	-
Tax loss carryforward	(629,779)	-
Total deferred income tax	(738,689)	-

17. Income Taxes (Continued)

Panama (continued)

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

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

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

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

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

18. Derivatives Held for Risk Management Purposes

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

As of September 30, 2021, the Corporation held the following interest rate swaps as hedging instruments in fair value hedges of interest risk.

18. Derivatives Held for Risk Management Purposes (Continued)

	Maturity September 30, 2021				
Risk category	**Less than 1 month**	**1-3 months**	**3 months – 1 year**	**1-5 years**	**More than 5 years**
Interest rate risk					
Hedge of issued bonds					
Notional amount (US$)	-	-	1,000,000	80,977,000	-
Average fixed interest rate	-	-	4.50%	4.96%	-
Average spread over Libor	-	-	4.51%	3.69%	-
Interest rate risk					
Hedge of issued loans					
Notional amount (US$)	-	-	-	-	8,333,333
Average fixed interest rate	-	-	-	-	8.25%
Average spread over Libor	-	-	-	-	6.77%
Cross Currency risk					
Hedge of issued bonds					
Notional amount (US$)	-	-	-	52,231,167	-
Average fixed interest rate	-	-	-	7.33%	-
Average spread over Libor	-	-	-	3.07%	-

	Maturity December 31, 2020				
Risk category	**Less than 1 month**	**1-3 months**	**3 months – 1 year**	**1-5 years**	**More than 5 years**
Interest rate risk					
Hedge of issued bonds					
Notional amount (US$)	-	-	-	132,770,077	-
Average fixed interest rate	-	-	-	3.30%	-
Average spread over Libor	-	-	-	3.06%	-
Interest rate risk					
Hedge of issued loans					
Notional amount (US$)	-	-	-	-	8,888,889
Average fixed interest rate	-	-	-	-	6.65%
Average spread over Libor	-	-	-	-	0%

18. Derivatives Held for Risk Management Purposes (Continued)

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

September 30, 2021

US$	Nominal amount	Carrying amount Assets	Carrying amount Liabilities	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
Interest rate risk							
Interest rate swaps – hedge of issued bonds	81,977,000	2,862,364		Derivative assets held for risk management	2,863,949	1,860,941	Other income – gain or loss on derivative instruments
Interest rate swaps – hedge of issued loans	8,333,333	-	188,912	Derivative liabilities held for risk management	183,840	10,302	Other income – gain or loss on derivative instruments
Cross currency risk							
Cross currency swaps – hedge of issued bonds	52,231,167	-	5,611,022	Derivative assets held for risk management	5,529,668	(26,510)	Other income – gain or loss on derivative instruments

December 31, 2020

US$	Nominal amount	Carrying amount Assets	Carrying amount Liabilities	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
Interest rate risk							
Interest rate swaps – hedge of issued bonds	132,770,077	7,687,044	-	Derivative assets held for risk management	7,349,251	2,036,419	Other income – gain or loss on derivative instruments
Interest rate swaps – hedge of issued loans	8,888,889	-	410,804	Derivative liabilities held for risk management	410,804	(68,423)	Other income – gain or loss on derivative instruments

18. Derivatives Held for Risk Management Purposes (Continued)

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

September 30, 2021

Line item in the consolidated interim statement of financial position in which the hedged item is included	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	-	134,208,167	-	(2,665,719)	(2,665,719)
Loans	8,333,333	-	183,840	-	183,840

December 31, 2020

Line item in the consolidated interim statement of financial position in which the hedged item is included	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	-	132,770,077	-	(7,349,251)	(7,349,251)
Loans	8,888,889	-	410,804	-	410,804

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 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.

18. Derivatives Held for Risk Management Purposes (Continued)

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

- Credit risk is eliminated only to the extent that amounts due to the same counterparty will be settled after the assets are realized.

- The extent to which overall credit risk is reduced may change substantially within a short period because the exposure is affected by each transaction subject to the arrangement.

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

Derivative financial instruments - liabilities

September 30, 2021

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	Gross amount of offset in the consolidated interim financial position: Cash received	Net amount
Bonds	134,208,167	-	134,208,167	860,000	-	135,068,167
Total	134,208,167	-	134,208,167	860,000	-	135,068,167

December 31, 2021

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	Gross amount of offset in the consolidated interim financial position: Cash received	Net amount
Bonds	132,770,077	-	132,770,077	-	(5,012,000)	127,758,077
Total	132,770,077	-	132,770,077	-	(5,012,000)	127,758,077

19. Fair Value of Financial Instruments and Investment Property

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

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

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

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

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

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

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

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

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

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

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

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

	September 30, 2021		
	Carrying amount	**Level 2**	**Level 3**
Derivative liabilities	2,937,570	2,937,570	-

	December 31, 2020		
	Carrying amount	**Level 2**	**Level 3**
Derivative assets	7,687,044	7,687,044	-
Derivative liabilities	410,804	410,804	-

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

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

	September 30, 2021	
	Carrying amount	**Fair value Level 3**
Financial assets		
Investment securities	4,781,320	4,782,488
Loans receivable	385,220,393	395,586,915
Financial liabilities		
Loans payable	138,673,577	146,669,467
Bonds	173,000,253	191,027,651
Commercial paper	37,030,000	37,173,529

During September 30, 2021, there have not been transfers between Levels of the fair value hierarchy (December 31, 2020: no transfers between Levels).

	December 31, 2020	
	Carrying amount	**Fair value Level 3**
Financial assets		
Investment securities	4,457,147	4,427,141
Loans receivable	391,229,995	361,955,398
Financial liabilities		
Loans payable	159,909,764	166,847,210
Bonds	167,690,061	176,487,763
Commercial paper	39,735,000	40,442,461

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

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

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

(b) Loans receivable
Fair value of loans is determined by grouping loans into classes with similar financial characteristics. The fair value of each class of loans is calculated by discounting cash flows expected until maturity, using a discount market rate that reflects the inherent credit and interest rate risks. Assumptions related to credit, cash flows, and discounted interest rate risks are determined by management based on available market and internal information, such as corporate debt market prices, governmental bonds market values with similar maturity to the loans where no corporate debt information is available, among others.

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

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

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

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

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

Asset	Valuation technique	Significant unobservable inputs	Inter-relationship between unobservable inputs and fair value measurement
Land	*Discounted cash flows:* the valuation model considers the present value of net cash flows generated from the sale of property and related selling and maintenance costs. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the country and risk-free premiums, USD local interest rates and taxes.	COVID-19 crisis impacting: – Market value (values between $19M to $24M) – Selling date (expected between July 2021 and December 2023) – Risk-adjusted discount rates (between 14% to 16%)	The estimated fair value would increase (decrease) if: – Market value was higher (lower) – Selling date was shorter (longer) – Risk-adjusted discount rates was lower (higher)
Photovoltaic energy plant	*Discount cash flows:* the valuation model considers the present value of net cash flows generated from the sale of electrical energy to the system less O&M costs and CAPEX. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the country risk premium and CIFI's cost of funding.	– Selling date to a new client (expected between March and December 2021) – Off-taker actions that can impact the plant cash flow stability	The estimated fair value would increase (decrease) if: – Selling date was shorter (longer) – Off-taker actions impacted positively (negatively) cash flow stability

20. Commitments and Contingencies

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

As of September 30, 2021, the Corporation has commitments and contingencies in the amount of US$38,585,075 (December 31, 2020: US$39,621,134), 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.