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

(Panama, Republic of Panama)

Financial Statements

December 31, 2013

(With Independent Auditors' Report)

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

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KPMG
Apartado Postal 816-1089
Panamá 5, República de Panamá

Teléfono: (507) 208-0700
Fax: (507) 263-9852
Internet: www.kpmg.com

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Corporación Interamericana para el Financiamiento de Infraestructura, S. A. (the Corporation), which comprise the statement of financial position as at December 31, 2013, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Corporación Interamericana para el Financiamiento de Infraestructura, S. A. as at December 31, 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG

February 14, 2014
Panama, Republic of Panama

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

Statement of Financial Position

December 31, 2013

(Expressed in US Dollars)

	Note	2013	2012
Assets			
Cash and deposit in banks		25,878,136	18,715,592
Investment securities	5	28,492,819	79,642,928
Loans receivable, net	5	229,391,862	252,191,672
Interest receivable		3,614,157	4,032,884
Other assets		327,637	186,641
Total assets		287,704,611	354,769,717
Liabilities			
Loans payable, net	6	183,688,359	260,934,239
Interest payable		1,113,262	1,638,570
Other accounts payable		10,506,826	1,418,978
Derivative liabilities held for risk management	10	159,462	617,987
Total liabilities		195,467,909	264,609,774
Equity			
Share capital	7	54,000,001	54,000,001
Additional paid-in capital	7	85,000	85,000
Reserves		1,009,972	3,487,671
Retained earnings		37,141,729	32,587,271
Total equity		92,236,702	90,159,943
Commitments and contingencies	13		
Total liabilities and equity		287,704,611	354,769,717
Commitments and contingencies			
Unfunded risk participations	13	10,595,227	11,786,396
Loans pending disbursement	13	9,749,578	12,588,854
Undrawn balance of credit facilities	13	141,000,000	92,000,000
Notional amount on swaps	10	20,555,556	26,000,000

The notes are an integral part of these financial statements.

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

Statement of Comprehensive Income

For the year ended December 31, 2013

(Expressed in US Dollars)

	Note	2013	2012
Interest income:			
Interest on cash and deposit in banks		4,347	34,593
Interest on investment securities		3,082,674	6,359,483
Interest on loans receivable, net		15,520,086	14,205,416
Total interest income		18,607,107	20,599,492
Interest expense:			
Interest on derivative instruments		(218,506)	(450,956)
Interest on loans payable, net		(8,510,505)	(10,157,661)
Total interest expense		(8,729,011)	(10,608,617)
Net interest income		9,878,096	9,990,875
Other income:			
Net income from other financial instruments at fair value through profit or loss	11	16,224	425,786
Other fees and commissions		3,396,568	4,090,841
Gain on sale of investment securities		721,119	2,296,417
Total other income		4,133,911	6,813,044
Operating income		14,012,007	16,803,919
Impairment loss on investment securities	5	(6,160,068)	0
Reversal (provision) for loan losses and other receivables		2,338,343	(1,141,053)
Personnel expenses		(3,514,951)	(3,684,790)
Other administrative expenses		(1,795,706)	(1,709,290)
Net income before income tax		4,879,625	10,268,786
Income tax	9	(74,150)	(125,882)
Net income for the period		4,805,475	10,142,904
Other comprehensive income:			
Fair value reserve (available-for-sale financial assets):			
Net changes in fair value		(8,480,388)	1,902,820
Net (loss) profit amount transferred to profit or loss		5,762,415	(118,484)
Other comprehensive income (loss) for the period		(2,717,973)	1,784,336
Total comprehensive income for the period		2,087,502	11,927,240
Basic earnings per share	8	0.09	0.19

The notes are an integral part of these financial statements.

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

Statement of Changes in Equity

For the year ended December 31, 2013

(Expressed in US Dollars)

	Notes	Share capital	Additional paid-in capital	Reserves: Fair value reserve	Reserves: Legal reserve	Reserves: Total reserves	Retained earnings	Total equity
Balance at December 31, 2011		54,000,001	85,000	(379,045)	1,576,400	1,197,355	25,897,732	81,180,088
Net income for the year		0	0	0	0	0	10,142,904	10,142,904
Other comprehensive income								
Net change in fair value		0	0	1,902,820	0	1,902,820	0	1,902,820
Net loss amount transferred to profit or loss		0	0	(118,484)	0	(118,484)	0	(118,484)
Total other comprehensive income		0	0	1,784,336	0	1,784,336	0	1,784,336
Total comprehensive income for the year		0	0	1,784,336	0	1,784,336	10,142,904	11,927,240
Transactions with owners of the Corporation								
Dividends distributed to equity holders	7	0	0	0	0	0	(2,801,426)	(2,801,426)
Complementary tax Panama		0	0	0	0	0	(145,959)	(145,959)
Allocation to legal reserve		0	0	0	505,980	505,980	(505,980)	0
Balance at December 31, 2012		54,000,001	85,000	1,405,291	2,082,380	3,487,671	32,587,271	90,159,943
Net income for the year		0	0	0	0	0	4,805,475	4,805,475
Other comprehensive income								
Net change in fair value		0	0	(8,480,388)	0	(8,480,388)	0	(8,480,388)
Net loss amount transferred to profit or loss		0	0	5,762,415	0	5,762,415	0	5,762,415
Total other comprehensive income		0	0	(2,717,973)	0	(2,717,973)	0	(2,717,973)
Total comprehensive income for the year		0	0	(2,717,973)	0	(2,717,973)	4,805,475	2,087,502
Transactions with owners of the Corporation								
Complementary tax Panama		0	0	0	0	0	(10,743)	(10,743)
Allocation to legal reserve		0	0	0	240,274	240,274	(240,274)	0
Balance at December 31, 2013		54,000,001	85,000	(1,312,682)	2,322,654	1,009,972	37,141,729	92,236,702

The notes are an integral part of these financial statements.

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

(Panama, Republic of Panama)

Statement of Cash Flows

For the year ended December 31, 2013

(Expressed in US Dollars)

	2013	2012
Cash flows from operating activities		
Net income for the year	4,805,475	10,142,904
Adjustments for:		
(Reversal) provision on allowance for loan and bond losses	(2,338,343)	1,141,053
Impairment loss on investment securities	6,160,068	0
Net interest income	(9,878,096)	(9,990,875)
Net income from other financial instruments at fair value through profit or loss	(16,224)	(425,786)
Income tax expense	74,150	125,882
Change in other assets	(140,996)	(136,641)
	(1,333,966)	856,537
Change in:		
Other accounts payable	9,042,006	322,920
Change in derivative liabilities held for risk management	(458,525)	(879,504)
Change in loan repayments and prepayments	99,025,318	108,021,791
Change in loan disbursements	(72,830,279)	(177,240,793)
Income tax paid	(28,308)	(201,867)
Interest received	17,968,949	22,826,694
Interest paid	(7,971,389)	(9,267,558)
Net cash from (used in) operating activities	43,413,806	(55,561,780)
Cash flows from investing activities		
Proceeds from investment securities	112,815,224	316,858,469
Acquisition of investment securities	(70,978,548)	(311,540,071)
Net cash from investing activities	41,836,676	5,318,398
Cash flows from financing activities		
Proceeds from loans payable	44,000,000	96,633,333
Repayments of loans payable	(122,077,195)	(36,558,014)
Dividends and complementary tax	(10,743)	(2,947,385)
Net cash from (used in) financing activities	(78,087,938)	57,127,934
Net increase in cash	7,162,544	6,884,552
Cash and cash equivalents at the beginning of the year	18,715,592	11,831,040
Cash and cash equivalents at the end of the year	25,878,136	18,715,592

The notes are an integral part of these financial statements.

(1) Reporting entity

Corporación Interamericana para el Financiamiento de Infraestructura, S. A. (the Corporation) 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 reincorporated, as a corporation organized under the laws of Republic of Panama and therefore to continue its existence as a "sociedad anónima", or stock corporation, under Panamanian law.

The entity was organized as a corporation. The Corporation's business structure is based on one segment, as its main line of business is extending 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.

The Corporation's main offices are located at 1100 Wilson Blvd., Suite 2950, Arlington, Virginia, 22209 USA.

The financial statements were authorized for issuance by the Management of the Corporation on February 14, 2014.

(2) Basis of preparation

(a) Statement of compliance

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

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis, except that derivative financial instruments and certain investment securities are measured at fair value.

(c) Functional and presentation currency

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

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

(d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs 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 period in which the estimate is reviewed and in any future periods 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 financial statements are included in the following notes:

- Allowance for loan losses and interest receivable – note 5
- Derivatives held for risk management purposes – note 10
- Fair value of financial instruments – note 12

(3) Significant accounting policies

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

(a) Foreign currency transactions

The Corporation's functional currency is the U.S. dollar, and all assets and liabilities are denominated in U.S. dollar. If the Corporation had assets and liabilities denominated in currencies other than the U.S. dollar, the Corporation would translate the value of such assets or liabilities to 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 dates of the relevant statement of financial position. Transactions in foreign currencies are translated into the respective functional currency of the Corporation at the spot exchange rate at the date of the transaction. Translation gains or losses are presented in the statement of comprehensive income.

(b) Cash and cash equivalents

Cash and cash equivalents include currency on hand, unrestricted 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 in the management of its short-term commitments.

(c) Financial assets and financial liabilities

(i) Recognition

The Corporation recognizes loans receivable and loans payable on the date at which they are originated. The purchases and sales of financial assets are recognized on the trade date at which the Corporation commits to purchase or sell the asset. All other financial assets and liabilities (including assets and liabilities carried at fair value through profit or loss) are recognized on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. When a decline in the fair value of an available-for-sale financial asset has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognized.

(ii) Classification
Originated loans are loans generated by the Corporation by providing money to a debtor, other than those created with the intention of short-term profit taking.

Available-for-sale assets are financial assets that are not held for trading purposes or held to maturity.

Held-to-maturity assets are financial assets with fixed or determinable payments and fixed maturity that the Corporation has the intent and ability to hold to maturity.

Assets and liabilities are classified at fair value through profit or loss and changes in fair value are directly recognized in the statement of comprehensive income.

(iii) Offsetting
Financial assets and liabilities are offset and the net amount presented in the financial statements when the Corporation has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expense are presented on a net basis only when permitted under IFRSs, or for gains and losses arising from a group of similar transactions.

(iv) Amortized cost measurement
The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

(v) Fair value measurement
Policy applicable from 1 January 2013
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 sufficient 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 of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Corporation determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

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.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Corporation on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

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

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

Policy applicable before January 1st 2013
Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the Corporation measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, then the Corporation establishes fair value using a valuation technique. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Corporation, incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price – i.e. the fair value of the consideration given or received. However, in some cases the initial estimate of fair value of a financial instrument on initial recognition may be different from its transaction price. If this estimated fair value is evidenced by comparison with other observable current market transactions in the same instrument (without modification) or based on a valuation technique whose variables include only data from observable markets, then the difference is recognised in profit or loss on initial recognition of the instrument. In other cases, the fair value at initial recognition is considered to be the transaction price and the difference is not recognised in profit or loss immediately but is recognised over the life of the instrument on an appropriate basis or when the instrument is redeemed, transferred or sold, or the fair value becomes observable.

(vi) Identification and measurement of impairment

At each reporting date, the Corporation assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s) and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

- significant financial difficulty of the borrower or issuer;
- default or delinquency by a borrower;
- the restructuring of a loan or advance by the Corporation on terms that the Corporation would not consider otherwise;
- indications that a borrower or issuer will enter bankruptcy;
- the disappearance of an active market for a security; or

- observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Impairment losses on available-for-sale investment securities are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in impairment attributable to application of the effective interest method are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss; otherwise, any increase in fair value is recognised through OCI (Other Comprehensive Income). Any subsequent recovery in the fair value of an impaired available-for-sale equity security is always recognised in OCI.

(vii) 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. A financial liability is derecognized when it is extinguished.

(d) *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 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 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 monthly basis, as to whether the hedging instrument is expected to be 'highly effective' in offsetting the changes in the fair value or cash flows of the respective hedged item during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent.

Derivative instruments recognized as fair value hedges hedge exposure to changes in the fair value of an asset or liability recognized in the 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 financial statements. The hedged item is also stated at fair value in respect of the risk being hedged, with any gain or loss being recognized in the statement of comprehensive income.

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 of an identified portion of such asset or liability, or a firm commitment that could affect profit or loss, changes in the fair value of the hedge item that are attributable to the hedged risk are recognized in the same line item in the statement of comprehensive income as the hedged instrument.

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.

(e) *Investment securities*

Investment securities are classified at the date of purchase based on management's ability and intent to sell or hold them until maturity. The Corporation classifies its investment securities as follows:

Fair value through profit or loss:

Investment securities at fair value through profit or loss are financial assets and liabilities for which changes in fair value are recognized directly in the results for the year. An investment security is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition or if the Corporation manages the investments and makes purchase and sale decisions based on their fair value.

Available-for-sale:

Available-for-sale securities are acquired by the Corporation with the intent to hold them for an unspecified period of time but may be sold in response to liquidity needs or changes in interest rates, exchange rates, or equity prices. Available-for-sale investment securities are financial assets not classified at fair value through profit or loss nor held-to-maturity.

Interest income is recognised in profit or loss using the effective interest method. Dividend income is recognised in profit or loss when the Corporation becomes entitled to the dividend. Foreign exchange gains or losses on available-for-sale debt security investments are recognised in profit or loss. Impairment losses are recognised in profit or loss.

Other fair value changes, other than impairment losses, are recognised in OCI and presented in the fair value reserve within equity. When the investment is sold, the gain or loss accumulated in equity is reclassified to profit or loss.

When the fair value of investments in equity instruments cannot be reliably measured, the investments remain at cost.

Held-to-maturity:
Held-to-maturity securities are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Corporation has the intent and ability to hold to maturity.

(f) *Loans receivable*
Loans receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, and originated generally by providing funds to a debtor as loans. Loans are initially measured at fair value plus the originating costs and any subsequent measurement at amortized cost utilizing the effective interest rate method, except when the Corporation elects to register the loans and advances at fair value with changes in profit or loss.

(g) *Allowance for loan losses*
Loans are defined as operations relating to any type of underlying instrument or document, except investment securities, whereby credit risk is assumed by the entity, either by providing or committing to provide funds or credit facilities, acquiring collection rights, or guaranteeing that third parties will honor their obligations.

In determining the allowance for loan losses, the Corporation applies its own credit risk rating system that takes into account the following: type of industry, vulnerability to foreign exchange fluctuations, competitive position, financial structure, sovereign risk, etc. The system considers the current and forecasted financial position of borrowers, their ability to pay, the quality and liquidity of collateral, and other factors that could affect repayment of principal and interest. The system is an additional tool to determine if there is any objective evidence that a financial asset or group of financial assets is impaired. The allowance for loan losses is increased when a provision for loan losses is established. The provision for loan losses is reported in the statement of comprehensive income.

Management considers that the allowance for loan losses represents a reasonable estimate of loan impairment losses incurred at each reporting date.

(h) *Other accounts payable*
Other accounts payable are carried at amortized cost.

(i) Provisions

A provision is recognized in the 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. The provision made approximates settlement value; however, final amounts may vary. The estimated amount of the provision is adjusted at the date of the statement of financial position, directly affecting the statement of comprehensive income.

(j) Income tax

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

Deferred income tax represents the amount of income tax payable and/or receivable in future years resulting from temporary differences between the carrying values of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. These temporary differences are expected to be reversed in future years. If it is determined that the deferred tax would not be realized in future years, the deferred tax will be totally or partially reduced. The Corporation does not present a deferred tax effect for the period ended on December 31, 2013.

(k) Income and expense recognition

(i) Interest income and expense

Interest income and expense is recognized in the statement of comprehensive income as it accrues, considering the effective yield or interest rate. Interest income and expense includes amortization of any discount or premium during the term of the instrument until its maturity.

(ii) Fee and commission income and expense

Fee and commission income and expense 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 services and disbursement fees, and is recognized as the related services are performed.

Other fee and commission expense is included in other administrative expenses and relate mainly to transaction and service fees, which are expensed as the services are received.

(l) *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.

(m) *Interest*
Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Corporation estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received 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.

(n) *Fees and commission*
Fees and commission income that are integral to the effective interest rate on a financial asset are included in the measurement of the effective interest rate.

Other fees and commission including account servicing fees, investment management fees, placement fees and syndication fees – are recognised as the related services are performed.

(o) *Basic earnings per share*
The Corporation presents basic earnings per share (EPS) data for its shares (see note 8).

(p) *New standards and interpretations not yet adopted*
At the date of the financial statements, there are standards, amendments and interpretations which are not effective for the period ended December 31, 2013 and therefore have not been applied in preparing these financial statements.

- IFRS 9 *Financial Instruments*, published on November 12, 2009, as part of the first phase I of the IASB's comprehensive project to replace IAS 39. IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 (2010) introduces additions relating to financial liabilities. IFRS 9 (2013) introduces new requirements for hedges accounting. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets.

The mandatory effective date of IFRS 9 is not specified but will be determined when the outstanding phases are finalized. Early application is permitted.

- Amendments to IAS 32 - Offsetting Financial Assets and Financial Liabilities clarify the offsetting criteria in IAS 32 by explaining when an entity currently has a legally enforceable right to set-off and when gross settlement is equivalent to net settlement. The amendments are effective for annual periods beginning on or after 1 January 2014 and interim periods within those annual periods. Earlier application is permitted.

The Corporation is in the process of evaluating the potential effect of this standard in their financial statements. Given the nature of the Corporation's operations, this standard is expected to have a pervasive impact on the Corporation's financial statements.

(q) New standards and interpretations adopted
CIFI has adopted IFRS 13 *Fair Value Measurement* with effect from January 1, 2013. In accordance with the provisions, IFRS 13 has been applied prospectively from that date. As a result, CIFI has adopted a new definition of fair value, as set out in Note 3 c (v). The change had no impact on the measurements of the CIFI assets and liabilities. However, CIFI has included new disclosures in the financial statements which are required under IFRS 13.

(4) Balances and transactions with related parties

For the period ended December 31, 2013 the Corporation entered into transactions with parties that are considered to be related. Those transactions generated income and expenses for services rendered and were executed under the same conditions established for transactions with other customers.

- As of December 31, 2013, the Corporation has received US$68,500,000 (2012: US$ 68,500,000) under a long-term loan from the International Finance Corporation (IFC). Of that amount, the total of US$65,950,000 (2012: US$54,150,000) has been repaid and US$2,550,000 (2012: US$14,350,000) was outstanding. IFC owns 15.74% (2012: 15.74%) of the Corporation.

- As of December 31, 2013, the Corporation has received US$25,000,000 under a long-term loan from the Caribbean Development Bank (CDB). Of that amount, the total of US$ 1,704,545 has been repaid and US$ 23,295,455 (2012: US$25,000,000) was outstanding. CDB owns 5.56% of the Corporation.

- As of December 31, 2013, the Corporation has received US$22,000,000 (2012: US$20,000,000) under a short-term revolving credit facility from the Central American Bank for Economic Integration (CABEI). CABEI owns 9.26% (2012: 9.26%) of the Corporation.

- As of December 31, 2013, the Corporation has received US$25,000,000 under a long-term loan from the Norfund. Of that amount, the total of US$6,250,000 has been repaid and US$18,750,000 (2012: US$25,000,000) was outstanding. Norfund owns 9.26% of the Corporation.

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

		2013			
Type of entity	**Relationship**	**Assets**	**Liabilities**	**Income**	**Expenses**
Legal entities	Related parties	0	67,045,288	688	2,257,866

		2012			
Type of entity	**Relationship**	**Assets**	**Liabilities**	**Income**	**Expenses**
Legal entities	Related parties	17,510,981	86,997,311	24,202	2,838,727

Members of the Board of Directors have received remuneration of US$26,000 (2012: US$38,000) for attending meetings during the year.

As of December 31, 2013 personnel expenses include salaries and benefits paid to key executives for US$848,923 (2012: US$797,800).

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
- Disability insurance
- Travel insurance

(b) Retirement plan contributions (Simple IRA): Employees may contribute a maximum of US$10,000 per year, while the Corporation contributes 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.

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

(5) Financial risk management

In the normal course of operations, the Corporation is exposed to different types of financial risk, which are minimized through the application of risk management policies and procedures. Those policies cover credit, liquidity, market, 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 Credit Committee (which also serves as an Asset and Liability Committee) and the Audit Committee. Both report regularly to the Board of Directors and are comprised of members of the Board.

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 Audit Committee monitors compliance with the Corporation's internal controls and policies and reviews the effectiveness of the risk management framework. The Audit Committee is assisted in its role by the Chief Financial Officer, who periodically reviews internal controls and procedures and reports the results to the Audit Committee.

(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 the financial asset. Credit risk is mainly associated with the loan and investment securities (bonds) portfolios, and is represented by the carrying amount of the assets in the statement of financial position.

Liquid portfolio
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$500 million (for insuring liquid secondary market).
  - Of issuers located in countries with a rating of at least BB+/Ba1 from one of the main rating agencies (Moody´s, S&P, Fitch)
  - Have a national rating of at least AA or an international rating of BBB-/Baa3 (long term) or F3/ P-3 (short term)

- Excluding demand deposits, the exposure to any single issuer shall not exceed 20% of CIFI's capital plus legal reserves.

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

- 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)

Investment Portfolio
The investment of any security of the Investment Portfolio, at the time of purchase, shall have, as a minimum, a "BB-" long-term foreign currency rating from Moody's, Standard & Poor's, or Fitch. The investment portfolio shall not represent more than 75% (December 31, 2012: 25% of the total assets) of total equity. For reporting purposes, the Corporation consolidates all elements related to credit risk exposure, e.g. credit risk by economic unit, country risk, and sector risk. The Corporation shall have the firm intention to buy and hold the investment securities to maturity or for an unspecified period of time until they may be sold in response to liquidity needs according to the Contingency Liquidity Plan, as defined in its Liquidity Policy. The investment securities portfolio will not be used for trading or speculative purposes.

The minimum issue size will be at least US$150 million. CIFI's holdings shall not exceed US$5 million of any issue. The probability of having a forecasted capital adequacy ratio lower than 15% in the next 6 months will not to exceed 0% and the duration of investment securities portfolio will be not less than -4.00 and not more than +4.00.

As of and during the period ended December 31, 2013 the concentrations of credit risk by sectors and countries are within the limits established by the Corporation. There are no significant concentrations of credit risk by economic unit, sector, or country. The maximum exposure to credit risk is represented by the nominal amount of each financial asset.

Loans receivable and investment securities are as follows:

Loans and investment securities, net	2013	2012
Available-for-sale:		
Liquid portfolio:		
Par value	0	28,000,000
Premiums and discounts, net	0	614,800
Unrealized gain/(losses), net	0	(321,410)
	0	28,293,390
Investment portfolio:		
Par value	33,209,088	47,800,177
Past due bonds	2,507,000	0
Impairment losses on investment securities	(6,160,068)	0
Premiums and discounts, net	195,929	1,333,716
Unrealized gains /(losses), net	(1,259,130)	2,215,645
Total investment portfolio	28,492,819	51,349,538
Total available-for-sale	28,492,819	79,642,928
Total investment securities	28,492,819	79,642,928
Current loans	235,642,170	261,837,208
Allowance for loan losses	(4,356,233)	(7,194,576)
Deferred income	(1,894,075)	(2,450,960)
Total loans, net	229,391,862	252,191,672
Total investments and loans (par value)	271,358,258	337,637,385
Total investments and loans, net	257,884,681	331,834,600

The loan portfolio includes the financing of project bonds totaling US$4,967,160 (2012: US$5,506,441).

As of December 31, 2012, the Corporation reclassified the investment securities held to maturity to available for sale in the amount of US$42,800,177. The Corporation will not be able to use the held to maturity category for a period of 2 years.

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 to be monitored on an ongoing basis to determine the probability of their recovery, either by executing a guaranty pledged in favor of the Corporation or through financial restructuring. An impaired loan is derecognized when the Credit Committee determines the loan to be unrecoverable or decides that its valuation does not warrant continued recognition as an asset.

The Corporation has developed a Credit Risk Rating System based on the Altman Z-score method adapted to emerging markets. The method identifies certain key factors based on a company's financial performance that determine the probability of default, and combine or weight 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.

The average loan and investment portfolio risk rating is BB- as of December 31, 2013 (2012: loan and investment portfolio risk rating was BB) based on the Corporation's standards, which are not necessarily comparable to international credit rating standards.

Portfolio risk ratings are as follows:

2013	Loans		Investment securities	
Risk rating	Gross	Net (*)	Nominal value	Fair value
AAA / A-	11,407,323	11,407,323	0	0
BBB+ / BBB-	10,586,233	10,586,233	8,898,499	9,788,350
BB+ / BB-	92,068,266	91,370,049	5,000,000	5,087,500
B+ / B-	114,730,349	112,955,761	5,000,000	5,332,750
<= CCC+	6,849,999	4,966,571	16,817,589	8,284,219
	235,642,170	231,285,937	35,716,088	28,492,819

2012	Loans		Investment securities	
Risk rating	Gross	Net (*)	Nominal value	Fair value
AAA / A-	23,677,346	23,308,353	0	0
BBB+ / BBB-	21,958,567	21,578,463	18,000,000	18,118,390
BB+ / BB-	117,786,748	115,158,357	40,042,283	43,295,796
B+ / B-	96,664,547	93,007,591	17,757,894	18,228,742
<= CCC+	1,750,000	1,589,868	0	0
	261,837,208	254,642,632	75,800,177	79,642,928

(*) Net of allowance for loan loss.

As of December 31, 2013, the Corporation had no past due loans, have two bonds past due for a total of US$2,507,000, which were 92 and 184 days past due, these bonds have an allowance for credit losses of US$2,358,167.

To secure some of its loans payable, the Corporation pledged to the lenders rights to cash flows derived from certain loans receivable granted by the Corporation; cash flows from certain loan and investment securities portfolios representing 36.93% (2012: 40.20%) of the total assets are pledged as of December 31, 2013.

Changes in the allowance for loan losses are as follows:

	2013	2012
Balance at beginning of the year	(7,194,576)	(6,053,523)
Reversal (additional) allowance	2,838,343	(1,141,053)
Balance at end of the year	(4,356,233)	(7,194,576)

As of December 31, 2013, the Corporation also provisioned US$500,000 in others accounts receivable corresponding to a past due success fee in collection process from one of its clients.

Management of the Corporation generally follows the policy of requiring collateral from its customers or a corporate loan guarantee prior to formally extending and disbursing a loan. The loan portfolio is secured 96% (2012: 87%) as follows:

	2013	2012
Mortgage on fixed assets	88,837,492	108,451,733
Trust	47,180,228	36,232,455
Pledge	57,143,931	69,976,830
Corporate guarantor	33,500,000	13,200,000
Unsecured	8,980,519	33,976,190
	235,642,170	261,837,208

The investment securities portfolio is secured 65% (December 31, 2012: 44%) as follows:

	2013	2012
Mortgage on fixed assets	17,505,497	19,403,177
Trust	5,703,591	5,865,000
Pledge	0	5,000,000
Corporate guarantor	0	3,000,000
Unsecured	12,507,000	42,532,000
	35,716,088	75,800,177

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

Loans and investment securities earn interest at rates ranging between 0.25% and 18.0% per annum (2012: 0.25% and 18.0%).

- Maximum risk by economic unit: The maximum limit of risk assumed by the Corporation with respect to individual borrowers or groups of borrowers having similar economic interests is 20% of paid in capital plus legal reserves. As of December 31, 2013, there are four groups (2012: four) of borrowers having similar economic interests exceeding the internal limit. CIFI's Credit Committee granted the corresponding waivers and all exposures do not exceed the 20% (2012: 20%) of CIFI's total equity.

  The concentration of the loan and investment securities portfolios in individual borrowers or groups of borrowers having similar economic interests based on total equity or capital and legal reserves in U.S. dollars is as follows:

	% of total equity 2013		% of capital plus legal reserves 2013	
	Number of exposures	U.S. dollars	Number of exposures	U.S. dollars
0 to 4.99%	10	25,091,303	7	11,569,835
5 to 9.99%	20	142,661,213	6	28,488,628
10 to 14.99%	7	73,605,742	10	66,072,135
15 to 20%	2	30,000,000	12	110,141,453
> 20%	0	0	4	55,086,207
	39	271,358,258	39	271,358,258

	% of total equity 2012		% of capital plus legal reserves 2012	
	Number of exposures	U.S. dollars	Number of exposures	U.S. dollars
0 to 4.99%	13	31,703,700	7	11,003,700
5 to 9.99%	18	116,129,750	12	51,393,941
10 to 14.99%	17	173,803,935	11	76,935,809
15 to 20%	1	16,000,000	15	147,209,045
> 20%	0	0	4	51,094,890
	49	337,637,385	49	337,637,385

- Country risk: The Corporation uses a series of classifications by country risk and gross domestic product to place countries in the following risk categories: Prime, Normal, Fair, and Restricted. Under this system, country size is less relevant for high-risk countries and more significant for low risk countries. Each category has a maximum credit limit on the total value of the corresponding loan portfolio. As of December 31, 2013 the Corporation complied with country risk exposure limits.

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

	2013	2012
Dominican Republic	34,083,333	16,500,000
Jamaica	28,715,181	29,590,393
Colombia	26,442,105	17,794,737
Panama	21,392,160	30,385,608
Peru	18,429,749	19,645,283
Mexico	17,363,765	28,972,554
Uruguay	15,000,000	0
Brazil	14,336,202	14,751,907
Nicaragua	14,013,331	15,341,841
Ecuador	13,222,265	28,316,022
Argentina	13,097,945	35,077,498
Chile	13,031,998	14,920,394
Guatemala	10,200,000	11,075,000
Saint Lucia	10,000,000	10,000,000
Costa Rica	8,980,519	10,976,190
El Salvador	7,200,283	8,457,281
Honduras	4,846,522	5,340,777
Bolivia	1,002,900	2,466,900
Barbados	0	5,000,000
Trinidad and Tobago	0	5,025,000
Total Loans and Investment Portfolio	271,358,258	309,637,385
Hong Kong	0	4,000,000
Spain	0	3,000,000
United States	0	21,000,000
Total Liquid Portfolio	0	28,000,000
Grand Total	271,358,258	337,637,385

- Sector risk: The Corporation limits its concentration in any sector to 50% of the corresponding country risk limit. As of December 31, 2013 the Corporation complied with sector risk exposure limits.

Investments and loans receivable by economic activity are as follows:

	2013	2012
Gas & Oil	32,199,161	43,570,268
Telecommunications	17,200,283	41,635,807
Airports and Seaports	32,647,050	35,327,891
Thermo Power	27,988,240	32,204,071
Construction & Engineering	20,463,415	31,439,025
Wind Power	35,088,249	21,267,177
Tourism	16,117,457	17,000,000
Roads, Railroads and Others	8,606,998	16,424,561
Co-generation (Biomass)	12,875,000	14,487,500
Power Distribution	8,980,519	12,976,190
Logistical Centers and Other	27,000,000	12,000,000
Geothermal	8,178,256	9,375,218
Real Estate Development	8,210,591	8,372,000
Construction Materials	1,002,900	5,466,900
Infrastructure Conglomerates	5,000,000	5,000,000
Hydro Power (mini)	9,800,139	3,090,777
Total loans and investment portfolio	271,358,258	309,637,385
Total liquid portfolio	0	28,000,000
Grand total	271,358,258	337,637,385

(b) *Liquidity risk*

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

Management of liquidity risk

The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will always 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. The Credit Committee monitors the Corporation's liquidity position by evaluating the following requirements established in the Corporation's current liquidity policy:

- Mismatches in the statement of financial position – Asset-Liability Gap Analysis
- Anticipated funding needs and strategies
- Liquidity position
- Mark to market variances
- Stress analysis of the Corporation's forecasted cash flow

As of December 31, 2013, the Corporation had US$25,878,136 (2012: US$18,715,592) in cash and cash equivalents, and maintains undisbursed and available balances of committed credit facilities with financial institutions for US$131,000,000 (2012: US$82,000,000). Additionally, a total of US$10,000,000 (2012: US$10,000,000) of available but uncommitted lines of credit is pending disbursement. Finally the Corporation had US$28,492,819 (2012: US$51,349,538) in the Bond Investment Portfolio.

According to the Corporation's liquidity policies, the Corporation shall comply with the following two limits: i) Cumulative Asset-Liability gap from 1 to 365 days > 0, and ii) Probability of negative cash flow balance in 1 year ≤ 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 its corresponding time band and cash flows attributed to undrawn loan commitments and borrowings are allocated to the time band in which management expects its occurrence.

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

2013	1 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 365 days	More than 365 days	Total
Assets							
Cash and deposits in banks	25,878,136	0	0	0	0	0	25,878,136
Loans and investments	7,294,918	18,872,005	18,284,434	6,221,918	25,997,961	194,687,022	271,358,258
Accrued interest receivable	676,432	1,064,825	792,538	431,501	184,486	464,375	3,614,157
Total	33,849,486	19,936,830	19,076,972	6,653,419	26,182,447	195,151,397	300,850,551
Liabilities							
Loans payable	7,118,182	0	23,862,179	30,027,584	32,457,945	91,736,403	185,202,293
Accrued interest payable	250,511	20,192	653,329	189,230	0	0	1,113,262
Derivative liabilities	0	0	0	108,572	78,228	(27,338)	159,462
Total	7,368,693	20,192	24,515,508	30,325,386	32,536,173	91,709,065	186,475,017

2012	1 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 365 days	More than 365 days	Total
Assets							
Cash and deposits in banks	18,715,592	0	0	0	0	0	18,715,592
Loans and investments	19,085,566	7,707,122	11,723,483	13,044,457	41,382,045	244,694,712	337,637,385
Accrued interest receivable	567,584	1,216,931	847,843	802,765	597,007	0	4,032,130
Total	38,368,742	8,924,053	12,571,326	13,847,222	41,979,052	244,694,712	360,385,107
Liabilities							
Loans payable	22,950,000	11,041,667	27,362,179	14,365,404	38,357,945	149,202,292	263,279,487
Accrued interest payable	379,671	17,785	1,107,198	133,916	0	0	1,638,570
Derivative liabilities	0	0	15,065	102,280	92,914	407,728	617,987
Total	23,329,671	11,059,452	28,484,442	14,601,600	38,450,859	149,610,020	265,536,044

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

2013	Assets - cash	Loans & securities	Liabilities - debt	Gap	Cumulative gap
1 to 30 days	25,878,136	6,094,919	(7,118,182)	24,854,873	24,854,873
31 to 60 days	0	1,196,389	0	1,196,389	26,051,262
61 to 90 days	0	30,184,717	(8,862,179)	21,322,538	47,373,800
91 to 180 days	0	6,244,894	(30,027,584)	(23,782,690)	23,591,110
181 to 365 days	0	30,031,855	(8,457,945)	21,573,910	45,165,020
> 365 days	0	197,605,484	(130,736,403)	66,869,081	112,034,101
Total	25,878,136	271,358,258	(185,202,293)	112,034,101	

2012	Assets - cash	Loans & securities	Liabilities - debt	Gap	Cumulative gap
1 to 30 days	18,715,592	19,085,566	(22,950,000)	14,851,158	14,851,158
31 to 60 days	0	7,673,745	(11,041,667)	(3,367,922)	11,483,236
61 to 90 days	0	11,723,483	2,637,821	14,361,304	25,844,540
91 to 180 days	0	13,044,457	(14,365,404)	(1,320,947)	24,523,593
181 to 365 days	0	40,798,019	(8,357,945)	32,440,074	56,963,667
> 365 days	0	245,312,115	(209,202,292)	36,109,823	93,073,490
Total	18,715,592	337,637,385	(263,279,487)	93,073,490	

Outstanding contractual maturities of financial liabilities are as follows:

2013	Carrying amount*	Gross Nominal outflow	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years
Non-derivative liabilities							
Loans payable	185,202,293	185,202,293	7,118,183	23,862,179	62,485,528	76,246,893	15,489,510
Interest **	1,113,262	15,005,057	244,014	1,406,867	3,609,409	8,625,442	1,119,325
Derivative liabilities							
Interest rate swaps **	159,462	65,432	0	0	186,800	(21,265)	(100,103)
Total	186,475,017	200,272,782	7,362,197	25,269,046	66,281,737	84,851,070	16,508,732

2012	Carrying amount*	Gross Nominal outflow	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years
Non-derivative liabilities							
Loans payable	263,279,487	263,279,487	22,950,000	38,403,846	52,723,349	128,074,670	21,127,622
Interest **	1,638,570	19,978,445	412,675	2,182,225	4,632,986	10,474,115	2,276,443
Derivative liabilities							
Interest rate swaps **	617,987	701,772	0	15,065	195,194	455,312	36,201
Total	265,536,044	283,959,704	23,362,675	40,601,136	57,551,529	139,004,097	23,440,266

* Excludes deferred commissions
** Includes estimated interest payments at projected forward LIBOR rates

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

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

As of December 31, 2013 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 Credit Committee is responsible for monitoring interest rate risk.

Most of the Corporation's interest-earning assets and interest-bearing liabilities are re-priced at least quarterly. As of December 31, 2013, 21% (2012: 20%) of interest-earning assets net of swaps and 19% (2012: 16%) of interest-bearing liabilities net of swaps are set to re-price after six months.

In order to comply with the internal duration policy the Corporation also uses interest rate derivatives to hedge some of its fixed-rate asset positions by converting them to a variable rate position and its floating–rate liabilities positions by converting them to a fix rate position.

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

2013	Assets	Liabilities	Economic Equity
Present value	$308,868,217	($187,915,379)	$120,968,248
Duration (excluding interest rate swap)	0.79	0.72	
Notional interest rate swaps	$5,000,000	$15,555,556	
IRS duration	(5.82)	(1.96)	
Duration (including interest rate swap)	0.68	0.96	(0.27)
Floating rate as a % total	71%	63%	
Fixed rate as a % total	29%	12%	
Hybrid rate as a % total	0%	0%	
Duration of economic equity			0.41%
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$493,548, which represents a change of +/- 7.7% of net income (2012: 5.8%) and +/- 0.54% of equity as of December 31, 2013 (2012: 0.67%).

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.

2013	1 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 365 days	More than 365 days	Total
Assets:							
Loans and investments	27,253,986	36,187,002	106,110,336	39,430,813	11,724,317	50,651,804	271,358,258
Total	27,253,986	36,187,002	106,110,336	39,430,813	11,724,317	50,651,804	271,358,258
Liabilities:							
Loans payable	7,118,182	10,000,000	103,955,129	41,969,891	1,136,364	21,022,727	185,202,293
Total	7,118,182	10,000,000	103,955,129	41,969,891	1,136,364	21,022,727	185,202,293
Total gap	20,135,804	26,187,002	2,155,207	(2,539,078)	10,587,953	29,629,077	86,155,965

2012	1 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 365 days	More than 365 days	Total
Assets:							
Loans and investments	60,808,304	49,380,126	88,900,319	63,085,790	19,060,749	56,402,097	337,637,385
Total	60,808,304	49,380,126	88,900,319	63,085,790	19,060,749	56,402,097	337,637,385
Liabilities:							
Loans payable	34,349,999	12,083,333	140,846,154	51,568,182	1,136,364	23,295,455	263,279,487
Total	34,349,999	12,083,333	140,846,154	51,568,182	1,136,364	23,295,455	263,279,487
Total gap	26,458,305	37,296,793	(51,945,835)	11,517,608	17,924,385	33,106,642	74,357,898

(d) *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 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 instruments
- Internal procedures for the minimum insurance requirement
- Environmental and social policies
- Compliance with internal policies and controls
- Code of conduct for employees and the Board of Directors and its Committees
- Corporate Compliance Manual to prevent illegal money laundering activities
- Acquisition of insurance to mitigate operational risk

The Audit Committee monitors compliance with the Corporation's internal policies and procedures on a regular basis.

(e) *Capital management*

The Corporation has a capital adequacy policy that was approved by the Board of Directors on October 22, 2009. The Corporation's capital structure is as follows:

	2013	2012
Tier 1 capital	93,549,384	88,754,652
Tier 2 capital	(1,312,682)	772,910
Total capital	92,236,702	89,527,562

The Tier 2 is represented by the 55% of the net unrealized gain of the fair value reserve. When the net balance of the fair value reserve is in a net unrealized loss position, the Corporation considers 100% of the amount for its Tier 2 figure.

	2013	2012
Risk weight of 0%	0	0
Risk weight of 20%	5,175,627	9,401,796
Risk weight of 50%	10,172,403	12,187,625
Risk weight of 100%	261,826,475	307,760,735
Risk weighted assets	277,174,505	329,350,156
Capital adequacy	33.28%	27.18%
Required capital adequacy (established by the Board)	15.00%	15.00%

(6) Loans payable

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

	2013	2012
Foreign financial institutions	185,202,293	263,279,487
Deferred expense	(1,513,934)	(2,345,248)
	183,688,359	260,934,239

The effective interest rates on loans with foreign financial entities range between 1.28% and 3.89% per annum (2012: 1.50% and 3.96%).

	2013	2012
Loans outstanding	185,202,293	263,279,487
Undrawn balance of committed lines of credit	131,000,000	82,000,000
Undrawn balance of uncommitted lines of credit	10,000,000	10,000,000

See note 5.c. for information on outstanding contractual maturities of borrowings. The Corporation has never had any defaults of principal, interest or other breaches with respect to its loans payable.

(7) Equity

Share capital

The Corporation's share capital is comprised of 54,000,001 common shares of US$1 par value, for a total of US$54,000,001. Of that total, 34,500,001 are Class B common shares and 19,500,000 Class A preferred shares. Class A preferred shares have the same rights as common shares, except that preferred shares may only be owned by multilateral entities. All shares have the right to vote and receive dividends. The Corporation has not declared or paid dividends as of December 2013 (2012: US$2,801,426 or US$0.06 per share).

The share capital is distributed as follows:

	2013		2012	
	Acquired capital	**Ownership interest**	**Acquired capital**	**Ownership interest**
Bankia (previously known as Caja Madrid)	14,000,001	25.92%	11,000,001	20.36%
International Finance Corporation	8,500,000	15.73%	8,500,000	15.73%
Central American Bank for Economic Integration	5,000,000	9.26%	5,000,000	9.26%
Banistmo, S.A. (previously known as HSBC Bank Panama, S.A).	5,000,000	9.26%	5,000,000	9.26%
Norfund	5,000,000	9.26%	5,000,000	9.26%
Caixa Banco de Investimento	5,000,000	9.26%	5,000,000	9.26%
Inter-American Investment Corporation	0	0%	3,000,000	5.56%
Unibanco, BBA	3,000,000	5.56%	3,000,000	5.56%
Caribbean Development Bank	3,000,000	5.56%	3,000,000	5.56%
Finnfund	3,000,000	5.56%	3,000,000	5.56%
Banco Pichincha CA	2,500,000	4.63%	2,500,000	4.63%
	54,000,001	100%	54,000,001	100%

Reserves

- *Legal reserve:*
  The Corporation allocates 5% of net income to a legal reserve, not to exceed 20% of outstanding share capital.

- *Fair value reserve:*
  The fair value reserve includes the cumulative net change in the fair value of available-for-sale securities until the securities are derecognized.

(8) Basic earnings per share

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

	2013	2012
Net income	4,805,475	10,142,904
Number of shares	54,000,001	54,000,001
Earnings per share	0.09	0.19

(9) Income tax

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 tax regulations.

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

By Official Gazette No.26489-A, No.8 Law was published on March 15, 2010 which amends the general rates of income tax. For Corporations in Panama, the current interest tax rate shall calculate on 25% of taxable net income.

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

Juridical persons that incur losses because the tax computed under the method alleged or which by reason of the alleged application of that method, the effective rate exceeds the tax rate applicable to net taxable income under the regular method for the period fiscal concerned may request the Director at the General of Revenue will calculate the tax authorized under the ordinary method of calculation.

The Law No. 8 of March 15, 2010 took effect from 1 July 2010, however, the rates of income tax rate of juridical persons entered into effect on January 1, 2010.

From the year 2012, the fiscal laws the Republic of Panama require the preparation of a study of transfer pricing within six months following the close of the fiscal year. All transactions with related parties are carried out at arms-length and the Corporation considers that the transfer price study will not result in any changes to the estimated income tax.

During 2013, the Corporation prepared the transfer price study and presented the required reports to the tax authorities.

The 2013 transfer price study is in the process of being prepared.

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

	2013	**2012**
Net financial income before income tax	4,879,625	10,268,786
Foreign revenues, exempt and non-taxable, net	(21,966,303)	(26,255,081)
Costs and expenses not deductible	17,383,280	16,419,880
Net taxable income	296,602	433,585
Current income tax expense, estimated	74,150	108,396
Adjustments prior year income tax	0	17,486
Income tax	74,150	125,882

The Corporation does not present a deferred tax effect.

The effective tax rate of the Corporation in 2013 was 1.52% (2012: 1.23%).

(10) Derivatives held for risk management purposes

Interest rate derivatives

Management uses interest rate swaps to reduce interest rate risk on its assets (loans receivable). The Corporation reduces its credit risk in respect of those agreements by dealing with financially sound counterpart institutions.

Swap agreements acquired by the Corporation are as follows:

2013

	Interest Rate	Maturity	Notional value	Fair value Assets	Fair value Liabilities
Designated fair value hedges of interest rate risk					
Goldman Sachs	Variable: L+ 6M.	5/7/2020	5,000,000	0	80,016
Designated cash flow hedges of interest rate risk					
Goldman Sachs	Variable: L+ 6M.	6/15/2017	15,555,556	0	79,446
Total derivatives................			20,555,556	0	159,462

2012

	Interest rate	Maturity	Notional value	Fair value Assets	Fair value Liabilities
Non-designated derivatives held for risk management					
HSBC New York	Variable: L+ 6M.	3/15/2013	1,000,000	0	15,056
			1,000,000	0	15,056
Designated fair value hedges of interest rate risk					
Goldman Sachs	Variable: L+ 6M.	5/7/2020	5,000,000	0	411,984
Designated cash flow hedges of interest rate risk					
Goldman Sachs	Variable: L+ 6M.	6/15/2017	20,000,000	0	190,947
			25,000,000	0	602,931
Total derivatives................			26,000,000	0	617,987

The notional value of the above instruments has a specific amortization schedule over the life of the operation.

The Corporation recognized a net profit, excluding interest expense, of US$16,224 (2012: US$8,911) in the statement of comprehensive income, which was derived from the net change in fair value of the derivatives used for fair value hedges and their corresponding hedged items. The Corporation recognized in the statement of changes in equity in the fair value reserve, the net profit of US$111,926 (2012: net loss amount of US$186,933) representing the change in fair value of the cash flow hedge.

The ineffective portion of all fair value and cash flow hedges for the year ended December 31, 2013 was a net profit of US$9,859 (2012: a net loss of US$37,607) which is recorded in the account net income from other financial instruments at fair value through profit or loss.

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

	2013	2012
Derivatives held for risk management purposes:		
Interest rate swap	339,689	(109,573)
Fair value hedges:		
Interest rate risk	(323,465)	118,484
Subtotal	16,224	8,911
Investment securities at fair value:		
Corporate bond	0	416,875
	16,224	425,786

(12) Fair value of financial instruments

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

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement 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 market observable prices exist, and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates.

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

The Corporation uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, such as interest rate and currency swaps that use only observable market data and require little management judgement 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 judgement 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:

		2013	
	Carrying amount	Level 1	Level 2
Investment securities	28,492,819	11,574,545	16,918,274
Derivative liabilities	(159,462)	0	(159,462)

	2012		
	Carrying amount	**Level 1**	**Level 2**
Investment securities	79,642,928	39,497,869	40,145,059
Derivative liabilities	(617,987)	0	(617,987)

The fair value of financial assets and liabilities carried at amortized cost in the statement of financial position are as follows:

	2013		2012	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Cash and cash deposits in banks	25,878,136	25,878,136	18,715,592	18,715,592
Loans receivable	235,642,170	254,065,419	261,837,208	270,492,971
Loans payable	185,202,293	187,915,379	263,279,487	259,301,901

The following tables analice the fair value of the financial instruments not measured to fair value. These instruments are classified into different levels of the fair value based on the data inputs and techniques of valuation used.

	2013 Level 3	**2012 Level 3**
Financial Assets:		
Loans receivable	254,065,419	270,492,971
Financial Liabilities:		
Loan payable	187,915,379	259,301,901

The following table describes technical valuation and input data used in the financial assets and liabilities no measured at fair value classified within Level 3 fair value hierarchy.

Financial Instrument	Technical Valuation and Input Data Used
Loans receivable	The fair value of loans is determined by creating classes of loans with similar financial characteristics. The fair value of each class of loans is calculated by discounting cash flows excepted until maturity, using a market discount rate that reflects the inherent credit and interest rate risk. Assumptions related to credit, cash flow, and discounted interest rate risk are determined by management based on available market information.
Loans payable	The fair value loans payable is calculated by discounting committed cash flows at current market rates for loans with similar maturities.

(13) Commitments and contingencies

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

As of December 31, 2013, the Corporation has commitments and contingencies in the amount of US$20,344,805 corresponding to credits pending disbursement to different companies in the amount of US$9,749,578; and commitments for undersigned guaranty agreements and letters of credit in the amount of US$10,595,227 (2012: the Corporation has commitments and contingencies in the amount of US$24,375,250 corresponding to credits pending disbursement to different companies in the amount of US$12,588,854; and commitments for undersigned guaranty agreements and letters of credit in the amount of US$11,786,396).

The Corporation has access to available sources of funding in the form of lines of credit with international banks, funds and multilateral organizations, a number of which are also shareholders of the Corporation. This funding structure adds flexibility to treasury management, liquidity and reduces the Corporation's cost of funds. As of December 31, 2013, the Corporation had access to US$131,000,000 of undisbursed committed lines of credit and US$10,000,000 of undisbursed uncommitted lines of credit (2012: the Corporation had access to US$82,000,000 of undisbursed committed lines of credit and US$10,000,000 of undisbursed uncommitted lines of credit).

(14) Litigation

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